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TARIFF HEARINGS

BEFORE THE COMMITTEE ON
WAYS AND MEANS OF THE
HOUSE OF REPRESENTATIVES

SIXTIETH CONGRESS

1908-1909

SCHEDULE E

Sugar, Molasses, and Manufactures of



WASHINGTON
GOVERNMENT PRINTING OFFICE
1909

COMMITTEE ON WAYS AND MEANS.

HOUSE OF REPRESENTATIVES.

SERENO E. PAYNE, *Chairman*.

JOHN DALZELL.
SAMUEL W. McCALL.
EBENEZER J. HILL.
HENRY S. BOUTELL.
JAMES C. NEEDHAM.
WILLIAM A. CALDERHEAD.
JOSEPH W. FORDNEY.
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ROBERT W. BONYNGE.

NICHOLAS LONGWORTH.
EDGAR D. CRUMPACKER.
CHAMP CLARK.
WILLIAM BOURKE COCKRAN.
OSCAR W. UNDERWOOD.
D. L. D. GRANGER.
JAMES M. GRIGGS.
EDGAR W. POU.
CHOICE B. RANDELL.

WILLIAM K. PAYNE, *Clerk*.

P R E F A C E .

Tariff hearings were begun on November 10, 1908, pursuant to the following notice:

The Committee on Ways and Means will hold hearings on tariff revision, at Washington, D. C., commencing on the following dates:

Tuesday, November 10, 1908, on Schedule A—Chemicals, oils, and paints.

Thursday, November 12, 1908, on Schedule H—Spirits, wines, and other beverages.

Friday, November 13, 1908, on Schedule F—Tobacco, and manufactures of.

Monday, November 16, 1908, on Schedule E—Sugar, molasses, and manufactures of.

Wednesday, November 18, 1908, on Schedule G—Agricultural products and provisions.

Friday, November 20, 1908, on Schedule D—Wood, and manufactures of.

Saturday, November 21, 1908, on Schedule M—Pulp, papers, and books.

Monday, November 23, 1908, on Schedule B—Earths, earthenware, and glassware.

Wednesday, November 25, 1908, on Schedule C—Metals, and manufactures of.

Saturday, November 28, 1908, on Schedule N—Sundries.

Monday, November 30, 1908, on Schedule J—Flax, hemp, and jute, and manufactures of.

Tuesday, December 1, 1908, on Schedule I—Cotton manufactures, and on Schedule L—Silks and silk goods.

Wednesday, December 2, 1908, on Schedule K—Wool, and manufactures of.

Friday, December 4, 1908, on Sections 3-34, and miscellaneous matters.

Hearings on articles now on free list will be held on the above dates in connection with the above subjects to which they most nearly relate.

The hearings will be held in the rooms of the committee, third floor, House of Representatives Office Building.

Sessions will begin at 9.30 a. m. and 2 p. m., unless otherwise ordered.

Persons desiring to be heard should apply to the clerk of the committee previous to the day set for the hearing, to be assigned a place on the programme for that day. A person making such application should state:

1. His name.
2. His permanent address.
3. His temporary address in Washington.
4. Whom he represents.
5. Concerning what paragraphs he desires to be heard.
6. Briefly, what position he expects to advocate.
7. How much time he wishes to occupy.

He should also inclose a copy of his brief and of any documents he desires filed with the committee.

All briefs and other papers filed with the committee should have indorsed on them the name and address of the person submitting them, and the numbers of the paragraphs of the present law (act of July 24, 1897) to which they relate.

WILLIAM K. PAYNE,
Clerk, Committee on Ways and Means.

The committee subsequently extended the time for hearings to December 24, 1908.

On the opening day of the second session of the Sixtieth Congress (December 5, 1908), the following resolution was passed by the House of Representatives:

Resolved, That the Committee on Ways and Means, in their investigation and inquiry for the purpose of preparing a bill to revise the present tariff laws, shall have power to subpoena and examine witnesses under oath, and to send for records, papers, and all other evidence that may be necessary to make the investigation and inquiry full and complete, and that the Speaker shall have authority to sign and the Clerk to attest subpoenas during the recess of Congress.

Pursuant to this resolution, all witnesses appearing before the committee, beginning with the session on December 10, 1908, were sworn before giving their testimony.

The stenographic minutes of each day's proceedings, together with the briefs and memorials filed, were printed and distributed the following morning, and upward of 2,500 copies of this first print were sent out each day. Copies were sent to each witness, with a request that he correct his statement as printed, and return the revised copy to the clerk. Such corrections have been used in preparing this revised edition of the hearings.

In this edition the chronological order of the statements has been disregarded, and the oral statements and papers filed on each subject have been grouped together, following, as far as practicable, the arrangement of subjects in the present tariff law. The date of each oral statement is placed at the beginning of it.

A large number of letters have been filed with the committee which merely stated the attitude of the writer, or else substantially repeated an argument which had already been printed in the hearings. Such letters have not been included in this work, but instead, a statement is made that such letters have been received. They are all on the committee's files, and accessible to the members of the committee. By this means, the size of the volumes, already bulky, has been somewhat reduced, the printing has been expedited, and, it is believed, many undesirable repetitions have been avoided.

WILLIAM K. PAYNE.

JANUARY, 1909.

REMARKS BY THE CHAIRMAN.

Tuesday, November 10, 1908, the chairman of the committee, Hon. S. E. Payne, opened the public hearings with the following remarks:

Gentlemen, the hearings will commence at half past 9 in the morning and continue until 1 o'clock, when a recess will be taken until 2 o'clock. The hearings will then be resumed in the afternoon at 2 o'clock, and if it becomes necessary to take a recess at 6 o'clock the committee can do so and continue the hearings at 8 o'clock.

The opening hearing this morning, as you are aware, is upon the chemical schedule of the tariff, and it is the desire of the committee to hear the parties interested and others who may desire to speak on the subject embraced in the schedule, and also concerning the chemicals on the free list, and so with each paragraph of the bill as we proceed, so that the discussion may continue intelligently, involving every item connected with the subject.

The committee has no apologies to make for the bad acoustics of the hall, as we have nothing to do with that feature. We hope the people in attendance will be able to hear, and I would caution those in attendance that they speak in a sufficiently loud tone of voice that the committee can hear.

December 22, 1908, at the close of the formal hearings, the chairman said:

Gentlemen, in accordance with the resolution of the committee passed two weeks ago this closes the hearings and there will be no further hearings by the committee unless they desire information on some subject and invite gentlemen to be present to give them that information—that is, there will be no hearings for volunteers as distinguished from those who may be sent for by the committee. Of course, any persons desiring to present briefs and file them can do so, and they will be printed with the hearings. The only difficulty in regard to that is that if they are not brought in promptly they will be printed in a subsequent volume. I think we have material now for five or six volumes, and belated briefs and papers will be printed in a subsequent volume with the index.

Before we adjourn I want to thank the members of the committee for their uniform courtesy, and especially their indefatigable inquiries tending to bring out the facts in reference to the tariff and in order to aid in perfecting the bill. I think the minority members of the committee especially are entitled to thanks for their perseverance and patience in getting at the facts.

Mr. COCKRAN. As the senior member of the minority, Mr. Chairman, I want to say that nothing could be fairer than the manner in which this investigation has been conducted, and no inquiry could be fuller in its scope or more fruitful in its results.

The CHAIRMAN. The chairman is very much gratified at the gentleman's statement. The committee will now stand adjourned.

SCHEDULE E.

**SUGAR, MOLASSES, AND
MANUFACTURES OF.**

SCHEDULE E—SUGAR, MOLASSES, AND MANUFACTURES OF.

SUGAR.

[Paragraph 209.]

STATEMENT OF D. D. COLCOCK, OF NEW ORLEANS, LA., REPRESENTING THE NEW ORLEANS SUGAR EXCHANGE.

MONDAY, *November 16, 1908.*

Mr. COLCOCK. Mr. Chairman and gentlemen of the committee: We learned through the press dispatches that it was the desire of this committee to hear only one man for each industry, if it were possible to do so. For that reason I have been sent here as the spokesman for the cane sugar industry of Louisiana. We were also informed that your chairman had said that this hearing was to "cover the entire sugar question."

Both of these facts became known to me only on the 9th instant, and found me, as secretary of our sugar exchange, quite busy, as we are now at the height of our selling season. If, therefore, I prove a poor representative, I hope you will set it down rather to my being suddenly called on, than to my inability to come up to your requirements, for I know of no man who can "cover the entire sugar question" without special preparation. As nearly as I can approximate, five separate questions are involved:

1. The schedule proper;
2. The administration section of the law;
3. The propriety of maximum and minimum rates of duty in this particular schedule;
4. The reciprocity concession to Cuba; and
5. The recommendation of ex-Secretary Taft as to Philippine concessions.

Schedule E of the tariff law of July 24, 1897, in the framing of which I had my full share, was satisfactory to the consumer as well as to the producer, to the importer, and to the refiner; and was practically what this committee sent over to the Senate just after the extra session was convened. We had been living from 1883 to 1890 under a higher rate of duty, but the bounties given on beet sugar exported from the European continental states offset the difference, and the countervailing duties provided for in section 5 stopped that drain. The duty was specific, the polariscope test effectual, and the extension of the reciprocity agreement with the Hawaiian Islands only affected about 180,000 tons of sugar, which we were assured was

the maximum possible production for export. The conditions at that time were satisfactory and would be now, but modifications have been effected without the enactment of a general tariff law. The Hawaiian Islands having lost their independence, became the beneficiaries of the law equally with ourselves, and, wonderful to relate, have doubled and more than doubled their shipments to the mainland. Then, as a result of the Spanish war, Porto Rico came into our arms; her sugar no longer paid duty, and her export to the United States has been multiplied by five. Another result was our getting so mixed up with an Asiatic archipelago that her product was granted a reduction of 25 per cent of the Dingley rate—but that is another story.

Of our increased consumption of 600,000 tons, 370,000 have been therefore duty free. As if the schedule had not been sufficiently defaced, in 1903 Cuba got her 20 per cent off, practically an admission of 340,000 tons duty free. It is fair, therefore, to say that our entire increase of consumption has been of free sugar. The world's production has more than kept pace in the interval with the increased consumption, and the natural consequence has been a lower range of values.

Col. James D. Hill told you in 1902 that it cost the Louisiana planter $3\frac{1}{2}$ cents per pound to produce 96-test sugar. To-day it is quoted $3\frac{3}{8}$ cents on the New Orleans market.

Let us now pass to the second question, the administrative section of the law. On June 7, 1897, at this committee's instance, the House passed H. R. 379, fixing 92 per cent of the rate of duty on sugar as the basis for reciprocity conventions—that is, a concession of 8 per cent should be made; eventually this section lumped up all the reciprocity articles making a maximum of 20 per cent; in 1903 the maximum (20 per cent) was granted Cuba up to December 27, 1908. We had defeated Cuban reciprocity the year before, but became reconciled to it because the treaty stipulated that no foreign sugar should be imported which paid less than the full Dingley rates during the life of the treaty. We now hear that some of our Cuban friends are asking for a larger concession, which would require a change in the administrative section of the law. We would much prefer that the treaty be abrogated.

Reciprocity has somehow become a fad with tariff revisionists. To make a way for it we hear of propositions to establish maximum and minimum rates, which bring us to question 3.

I fail to find sugar accepted by the European continental states as an article which lends itself to such a purpose. Under the Brussels Convention a surtax was placed on sugar and the duty so increased effectually bars sugar out. Why, then, should this article be made the basis for reciprocity agreements in the United States? I don't know enough about it to argue the case, but until it be settled I don't see how you can expect to consider the question of establishing anything but the present rate as the minimum and adding thereto such an increment as shall make it an object for other countries to offer us freer entry of our products into their territory; otherwise we shall resist any provision of the sort.

Question 4, as to reciprocity with Cuba, comes next: The time limit expires December 27. What you will recommend we do not know, but we do know that the Cuban is not the chief beneficiary of the conces-

sion; that the greater part of it is absorbed by the importer. That this was never contemplated by you in 1903 goes without saying.

Now, as to question 5: In view of the very recent election we have held for a successor to Mr. Roosevelt and its result, I feel that I must touch very lightly upon anything concerning the Philippine proposition. It is now "In gremio legis" (on the lap of the law), and is very apt to be held there for some time to come. Who is going to get the award admits of reasonable doubt. All I can, therefore, say is that we are just as dead set against it now as we ever have been.

It was my very good fortune to be here in Washington on the 13th, 14th, and 15th of May, 1908. The President received the governors of the States and Territories, including Alaska, Porto Rico, and Hawaii, and they in turn adopted the following "declaration of principles," to wit:

We, the governors of the States and Territories of the United States of America, in conference assembled, do hereby declare the conviction that the great prosperity of our country rests upon the abundant resources of the land chosen by our forefathers for their homes, and where they laid the foundation of this great nation.

We look upon these resources as a heritage to be made use of in establishing and promoting the comfort, prosperity, and happiness of the American people, but not to be wasted, deteriorated, or needlessly destroyed.

We declare our firm conviction that this conservation of our natural resources is a subject of transcendent importance, which should engage unremittingly the attention of the nation, the States, and the people in earnest cooperation. These natural resources include the land on which we live and which yields our food; the living waters which fertilize the soil, supply power, and form great avenues of commerce; the forests which yield the material for our homes, prevent erosion of the soil, and conserve the navigation and other uses of the streams, and the minerals which form the basis of our industrial life and supply us with heat, light, and power.

I quote from the Republican campaign text-book, 1908, pages 423, 424.

No mention is made of the governor of the Philippines, nor is the archipelago included in the Territories enumerated.

As I have now set forth our attitude on the sugar tariff question to the best of my ability I will not further claim your attention.

The CHAIRMAN. I hope that you may understand exactly what the chairman has had in mind with respect to the hearings upon your industry. I refer to reports to the effect that but one person would be heard upon each industry. The idea was that where a number of persons were together advocating the same phase of an industry, if they could put it all into one brief or have one spokesman there would be a saving of the time of the committee, and it would allow him to present the matter more thoroughly than to have each one go over it. But no attempt was made to limit the time that any person might be heard. I make this suggestion for the benefit and consideration of those who desire to appear before the committee.

And in that connection also, and not in connection with what you have said, Mr. Colcock, I want to say, and I would like to have the press send this out if they deem it of sufficient importance, that the committee will welcome any persons with knowledge and information upon this subject who desire to present any phase of it, and in saying that, I have reference not only to the subject of sugar, but the entire schedule, whether in advocacy of a lower rate

of duty or with respect to free trade on some articles, and also with reference to the present duty and increases in duty. We want a full hearing. We want all the facts before the committee in order that the committee may act intelligently and fairly upon the questions. I say this at this time and through the press, because I see that some people are already criticising the committee and prophesying as to the action of the committee.

Mr. BOUTELL. Upon that point, and in order that it may be given out through the press at the same time, I think it should be stated that this committee will be glad to hear all who have any suggestions to make, whether they represent a special industry or not.

The CHAIRMAN. Certainly; any citizen of the United States who desires to be heard. The doors are open, the hearings are public, and our action will be known to the public. We propose to stand upon the facts that are brought out before the committee.

Now, you make a statement in your brief, Mr. Colcock, that Colonel Hill stated to you in 1902 that it cost the Louisiana planter 3½ cents per pound to produce 96 test sugar. What is the cost to-day? Is there any difference?

Mr. COLCOCK. No, sir; I do not think there is any difference. We may have effected some economies in labor, in the number of men required to handle the cane in the sugarhouses, but we have not effected any great economies, because we have to pay higher wages and a higher price per ton of cane purchased.

The CHAIRMAN. Has there been any improvement in the methods since 1902?

Mr. COLCOCK. The sugar industry of Louisiana is on as high a level as any in the world. We have as good sugarhouses as any country in the world. In fact, our experimental station teaches other nations how to make sugar.

Mr. UNDERWOOD. How many degrees of polarization does the No. 16 Dutch standard come to?

Mr. COLCOCK. It is entirely a matter of color. The Dutch standard runs from low, dirty black sugar up to white sugar, No. 20 being white sugar. No. 16 Dutch standard is generally sugar polarizing 96 to 98½. The color of the sugar does not indicate the polarization at all. I showed in the hearings of 1887 a sugar which contained 15 per cent of foreign substances, water and other things, but yet was white, and it polarized 83 or 84. The polarization has nothing to do with the color.

Mr. UNDERWOOD. The present law provides that there shall be an additional tax of 1.95 cents per pound on all sugar brought into this country above the No. 16 Dutch standard, or refined sugar. Now, where do you refine refined sugar?

Mr. COLCOCK. Refined sugar is simply a raw sugar which has been passed over boneblack, which takes out all of the coloring matter, and at the same time filters out all of the foreign matter in the sugar. The real color of sugar is white, but there is a pellicle of molasses which adheres to the crystals and gives it a dark color. If you will take a small quantity of brown sugar and soak it a little while, and then put into a handkerchief, you will find that it has turned white. All that the refiner does is to remove molasses and with it the color.

Mr. UNDERWOOD. You represent the Louisiana sugar interests?

Mr. COLCOCK. Pretty much the whole interest.

Mr. UNDERWOOD. Do you represent any refining interests?

Mr. COLCOCK. The refiners are members of our exchange, and buy from 70 to 85 per cent of the crop.

Mr. UNDERWOOD. Who is the principal purchaser of the Louisiana sugar crop?

Mr. COLCOCK. The American Sugar Refining Company.

Mr. UNDERWOOD. That has practically a monopoly in this country on the business of refining sugar, has it not?

Mr. COLCOCK. I would not say that, because there are so-called independent refiners.

Mr. UNDERWOOD. How much of the sugar refined in this country is refined by the American Sugar Refining Company?

Mr. COLCOCK. I should say, roughly, about 60 per cent.

Mr. UNDERWOOD. And is there 40 per cent refined by the individual refiners?

Mr. COLCOCK. Sugar that goes into direct consumption, and is refined by persons who are not identified with the American Sugar Refinery—about 40 per cent.

Mr. UNDERWOOD. Does that include the beet sugar interests?

Mr. COLCOCK. Including the beet sugar interest.

Mr. UNDERWOOD. As to the cane sugar, what percentage of it is refined in this country by the American sugar refineries?

Mr. COLCOCK. Native product?

Mr. UNDERWOOD. Yes.

Mr. COLCOCK. At present we are making, I should say, about 70 per cent of the crop into 96 sugar, fit only for refining, not fit to eat.

Mr. UNDERWOOD. But I did not ask that. I asked how much of the refined cane sugar in this country is refined by the American Sugar Refining Company?

Mr. COLCOCK. I could not discriminate between cane and other sugars. Nearly all of our receipts in the United States are cane sugar. We do not import much beet sugar.

Mr. UNDERWOOD. Isn't it a fact that the sugar raised in Louisiana, the cane sugar, is practically all refined by the American Sugar Refining Company?

Mr. COLCOCK. Not all of it. The trade takes plantation sugar over 16 Dutch standard for direct consumption.

Mr. UNDERWOOD. I am talking about what is refined, not what the trade takes in brown sugar, or sugar of the Dutch standard. I am referring to sugar that is actually refined. Does not the American Sugar Refining Company practically consume or refine all of the cane sugar that is refined in this country?

Mr. COLCOCK. The cane sugar produced in Louisiana?

Mr. UNDERWOOD. Yes.

Mr. COLCOCK. That is a question. There is only one other refinery who buys that sugar, and that is the so-called "Henderson Sugar Refinery," and the proportion of their purchases to that of the American Sugar Refining Company is about one to eight.

Mr. UNDERWOOD. In other words, the American Sugar Refining Company refined about 90 per cent of it?

Mr. COLCOCK. Of what goes into the pot—is melted.

Mr. UNDERWOOD. Is not the value of the cane sugar in Louisiana, the price of it for refining purposes, practically fixed by the American Sugar Refining Company and not by the markets of the world?

Mr. COLCOCK. I should say absolutely; not practically, but absolutely.

Mr. UNDERWOOD. Absolutely fixed by the American Sugar Refining Company?

Mr. COLCOCK. Absolutely.

Mr. UNDERWOOD. Therefore isn't it a fact that last year the Louisiana sugar producer sold his sugar to the American Sugar Refining Company at a price largely below the world's price, with the tariff duties added?

Mr. COLCOCK. Not only last year, but to-day.

Mr. UNDERWOOD. Please state to the committee how much the difference was between what you sold your sugar to the American Sugar Refining Company for and the world's price, with the duty added.

Mr. COLCOCK. In Hamburg, on Thursday of last week, the quotation for sugar was 4.16 cents. The New York quotation on our board for 96 test sugar was 3.94 cents. The price paid by the American Sugar Refining Company for very nearly all of the sugar offered that day on the basis of 96 test was 3.62½ cents.

Mr. UNDERWOOD. Then the Louisiana sugar planter and producer, by reason of the sugar trust being the largest purchaser in the American market, does not receive the full benefit of the tariff under the Dingley law?

Mr. COLCOCK. By no means. I have explained how much we get of it. The Dingley rate is \$1.68½, but owing to this concession to Cuba of 34 points we have to sell on the basis of what the American refiner and the refiners in general—I do not speak of the American Sugar Refining Company alone, but all of the American refiners pay the same price—practically, for the sugars, based upon the Cuban value. Porto Rico, for instance, sends her sugar in free. She does not get \$1.68½ protection, but she gets about \$1.34, probably a little more. But the whole rake-off does not end. They rake off three-sixteenths to five-sixteenths of a cent more, on the ground that they have to transport the sugar to New York and melt it there; so the price they pay us is three-sixteenths of a cent, on the average, under the Cuban price. Last year, owing to the panic, they increased that rake-off. This year they have increased the rake-off again.

Mr. UNDERWOOD. And the cane sugar producer of this country is absolutely in his hands and dependent upon them to fix the price for the market.

Mr. COLCOCK. They are the best buyers that we have.

Mr. UNDERWOOD. And you could not sell the product unless you sold to them?

Mr. COLCOCK. That I am not prepared to say.

Mr. UNDERWOOD. Is not there very little refined sugar imported into this country in comparison with the sugar below the 16 Dutch standard or molasses?

Mr. COLCOCK. There would be no reason to import it, and lose money on it.

Mr. UNDERWOOD. Are the importations of refined sugar very small?

Mr. COLCOCK. Very small.

Mr. UNDERWOOD. But the principal importations are below the 16 Dutch standard and molasses?

Mr. COLCOCK. Yes.

Mr. UNDERWOOD. And when they are imported, as a practical proposition, the refiners in this country get the entire tax of the 1 per cent additional tax above the 16 Dutch standard?

Mr. COLCOCK. There is no 1 per cent upon that. The differential for refining purposes is between 1.95 cents, the duty on refined, and 1.68½ cents, the duty on 96° raw sugar.

Mr. UNDERWOOD. Now, I would like to have you explain that. As I understand the law, it is this: That up to a polarization of 75, or below, or anywheres up to that point, the tax is 0.95 of 1 per cent, and on each additional degree of polarization there is three and one-half thousandths of 1 per cent added?

Mr. COLCOCK. That is correct.

Mr. UNDERWOOD. But when you get to the 16 Dutch standard of refined sugar, there is an additional tax of 1.95 cents added?

Mr. COLCOCK. Not an addition of 1.95, but an additional tax of the difference between 1.68½ and 1.95, say 0.26½.

Mr. UNDERWOOD. I wish you would explain that.

Mr. COLCOCK. That question was pretty well thrashed out, Mr. Underwood, when it was up before, because hardly anybody was willing to agree with anybody else as to what the difference was, yet it was the simplest thing in the world. I never could see what the difficulty was in understanding it. I buy 100 pounds of sugar and pay 1.68½ cents duty on each pound of raw sugar. I make it into refined sugar. I do not make it into 100 pounds of refined sugar—

Mr. CLARK. How many pounds do you make it into?

Mr. COLCOCK. The refiner, I think, says 94½ pounds from 96° cane sugar, but the beet-sugar people 88 pounds from 96° beet sugar, because the beet sugar is more refractory; they do not get as much. But as to cane sugar, I think the refiner will admit 94½ pounds. Therefore you can see from this difference between 1.68½ cents and 1.95 cents the refiner has to deduct this 5½ pounds of sugar that he loses in the process of refining, which would leave him practically about one-eighth of 1 cent a pound as his protection against the foreign refiner.

Mr. McCALL. You deduct the duty on this 5½ pounds of raw sugar, is that it, in arriving at the one-eighth of a cent a pound? This seems to be very complicated, and I do not understand it. You pay 1.68½ cents a pound to get the 100 pounds in, and then you make, as I understand it, 94½ pounds from that, and you deduct the duty on 5½ pounds?

Mr. COLCOCK. No, sir; the difference between 1.68½ and 1.95 is 0.26½ cent; 0.14 cent of that is lost in refining.

Mr. McCALL. That is, you count in the value of the raw material and not merely the amount of duty paid on the 5½ pounds?

Mr. COLCOCK. I am talking about the differential and the protection the refiner gets. The differential is, as I stated, the difference between the figures of 1.68½ and 1.95, but the refiner loses in the process of refining 0.14 cent's worth of sugar; consequently he is protected 12½ cents on the hundred pounds, or one-eighth of a cent a pound protection.

Mr. UNDERWOOD. Now, I want to ask you this: If we increase the duty on raw sugar, or sugar below the 16 Dutch standard, and repeal the duty on the differential, would not that largely increase the revenues of the Government?

Mr. COLCOCK. I do not see how. I do not see where you get any idea from that you would do so.

Mr. UNDERWOOD. Is not most of the duty that is collected now collected on raw sugar, or molasses, that is below the 16 Dutch standard?

Mr. COLCOCK. As I have just told you, practically all of it.

Mr. UNDERWOOD. Then if we increased the amount of duty on sugar below the 16 Dutch standard and repealed the differential, would not that secure a greater revenue for the Government than we get now?

Mr. COLCOCK. I think you would put the American sugar refiner out of commission.

Mr. UNDERWOOD. That is not my question.

Mr. COLCOCK. Please let me answer the question in my own way.

Mr. UNDERWOOD. I want to ask if we would not obtain more revenue. Please answer that question first.

Mr. COLCOCK. I have my doubts.

Mr. UNDERWOOD. If the duty on raw sugar was increased, you have got to import the amount of sugar—

Mr. COLCOCK. No; we have not. You may perhaps check consumption by raising the duty.

Mr. UNDERWOOD. The amount of sugar that is produced in this country is only about one-third of the consumption of the country, isn't it?

Mr. COLCOCK. I do not know what you mean by "produced in this country." Adding up Porto Rico, 205,000 tons, Hawaii, 450,000 tons, which would be about 650,000 tons—

Mr. UNDERWOOD. Is not the production of cane sugar in Louisiana about 335,000 tons?

Mr. COLCOCK. In good years; yes, sir.

Mr. UNDERWOOD. And is not the production of beet sugar in this country about 440,000 tons?

Mr. COLCOCK. Correct.

Mr. UNDERWOOD. Making a total production in the United States of about 775,000 tons, is it not?

Mr. COLCOCK. Porto Rico and Hawaii are Territories now. Just exactly what do you mean by the United States?

Mr. UNDERWOOD. What do you add for Porto Rico?

Mr. COLCOCK. Two hundred and five thousand tons, this year.

Mr. UNDERWOOD. And what do you add for Hawaii?

Mr. COLCOCK. Four hundred and fifty thousand tons, as nearly as I know.

Mr. UNDERWOOD. Well, the total consumption in the United States is about 3,000,000 tons, is it not?

Mr. COLCOCK. That is correct.

Mr. UNDERWOOD. Then, under those figures, the importations coming into the United States are about equal to the home production?

Mr. COLCOCK. It is about 400,000 tons more.

Mr. UNDERWOOD. Do you mean that the importations are 400,000 tons?

Mr. COLCOCK. According to those figures you have there, they will total up thirteen hundred thousand tons, will they not?

Mr. UNDERWOOD. Fourteen hundred and forty.

Mr. COLCOCK. Well, 1,440,000 tons from 3,000,000 tons would leave you 1,560,000 tons.

Mr. UNDERWOOD. In other words, the production under the United

States flag, as you may call it, is about equal to the importations from foreign countries?

Mr. COLCOCK. On the basis upon which you figure, yes.

Mr. UNDERWOOD. As we can not produce as much raw sugar in this country as we consume, we would have to bring in that additional amount, and if we increase the tax on raw sugar we would increase the revenue, would we not ?

Mr. COLCOCK. Mr. Underwood, you can not take one element of a problem and solve the problem in mathematics; you have got to have more than one element. And it is the same way here. You may check the consumption of any article by raising the duty. You are assuming that the consumption will not be checked by the increase in duty.

Mr. UNDERWOOD. But I asked you a double question. I did not assume that the consumption would not be checked by an increase of duty, but assuming that we repeal the tax on refined sugar, the differential, and add the amount of the differential to the raw sugar, making the tax to the people exactly the same as it is now, and placing it in a different place, I ask you, if we did that, if we wiped out the differential that goes to the American Sugar Refining Company entirely, and placed it on raw sugar, if we would not increase the revenue of the Government?

Mr. COLCOCK. I have my doubts.

Mr. UNDERWOOD. Why should we not increase it?

Mr. COLCOCK. It might result in the annihilation of the American sugar-refining industry altogether, and then we would be at the mercy of the foreign refiner to charge whatever price he fixed.

Mr. UNDERWOOD. Now, let me ask some questions along that line. The principal refiner of cane sugar in this country is the American Sugar Refining Company. How much capitalization has it?

Mr. COLCOCK. I do not know.

Mr. UNDERWOOD. Do you know what the capitalization of the competitors is in foreign countries?

Mr. COLCOCK. I do not.

Mr. UNDERWOOD. Do you know the cost of refining in this country as compared with refining in foreign countries?

Mr. COLCOCK. I do not.

Mr. UNDERWOOD. Do you know the cost of freight, the cost of transportation, of refined sugar from foreign countries to this country?

Mr. COLCOCK. I do not.

Mr. UNDERWOOD. Then you are not prepared to answer the question that I asked?

Mr. COLCOCK. I do not know. I am prepared to give you my idea upon it.

Mr. UNDERWOOD. You have not the facts upon which you can base an answer?

Mr. COLCOCK. I have the facts—well, experience has taught me clearly that the high rate of duty would necessarily cause the consumer to pay more for the goods, and so buy a less amount.

Mr. UNDERWOOD. I did not ask you about the high rate of duty. My question was with reference to the taking off of the duty on refined sugar and putting a similar amount of duty on raw sugar, and reduce it on refined sugar.

Mr. COLCOCK. But that does not make any difference.

Mr. UNDERWOOD. I mean reducing the tax on refined sugar to an amount that it would be on raw sugar; in other words, wiping out that difference, and when you got to the 16 Dutch standard, not increase the duty.

Mr. COLCOCK. I can only say, as far as the differential is concerned, that I think it is a reasonable reward to give to an industry such as the refining of sugar; that that industry is worth to this country the one-eighth of a cent, but the methods they pursue in beating down the price at which they buy our sugar is damnable.

Mr. UNDERWOOD. You make a statement as to the necessity for the protection for this differential without knowing the cost to them of refining sugar, or without knowing the cost to the competitors abroad, and without knowing the freight rates upon refined sugar into this country.

Mr. COLCOCK. If you will turn to the hearings had in 1897, when you had Mr. McCahan on the stand, I think you will find that information.

Mr. UNDERWOOD. But that information is 13 years old, not up to date, and we can not rely upon it.

Mr. COLCOCK. I remember Mr. McCahan's testimony very well. He said that unless he worked his refineries to full capacity day in and day out, that he could not refine sugar at three-eighths of a cent a pound; that it cost him five-eighths of a cent a pound. That is a refiner's statement, and he knows more about it than I do.

Mr. FORDNEY. Mr. Colcock, if the differential was wiped out, the differential between 1.95 and 1.68½, would it not affect the price of raw sugar in the American market?

Mr. COLCOCK. Of course it would.

Mr. FORDNEY. Would it not cripple the beet sugar industry absolutely?

Mr. COLCOCK. Entirely; all granulated sugar.

Mr. FORDNEY. Then it would be unwise to do it.

Mr. COLCOCK. Not only unwise, but, in my belief, foolish.

Mr. UNDERWOOD. Why would it cripple the Louisiana sugar interests, when they do not make any refined sugar at all, but sell purely to the refiner?

Mr. COLCOCK. I have no doubt that we would make refined sugar if we could start the industry anew. But we are very uncertain as to what you gentlemen are going to do up here. A man hesitates before he will tear down a \$150,000 sugar house, and put up a refinery, spending \$150,000 more, say \$300,000.

Mr. UNDERWOOD. The present conditions are, that the Louisiana people are not refining sugar at all?

Mr. COLCOCK. I can cite you one sugar house, the Adeline factory, ready to refine it to-morrow if they thought their business could be a permanent one, and they may be doing it now.

Mr. UNDERWOOD. The Louisiana people are practically refining no sugar, and it all goes to the American Sugar Refining Company?

Mr. COLCOCK. They are not prepared to do it.

Mr. UNDERWOOD. If you took the differential off of sugar above the 16 Dutch standard, and put it on below, you would have the same protection against foreign sugar that you have to-day?

Mr. COLCOCK. We would have more protection.

Mr. UNDERWOOD. Have more. Therefore, why would the removal of it destroy the business of the Louisiana people?

Mr. COLCOCK. If we destroy the business of the American sugar refiners, then we would be at the mercy of the foreign refiner for everything, and he might not be as liberal as the American Sugar Refining Company.

Mr. UNDERWOOD. You assume that it would destroy the American Sugar Refining Company, but you have no data to show that it would?

Mr. COLCOCK. I am about as sure of it as I am of my name.

Mr. UNDERWOOD. But you have not stated to the committee any facts showing that the American Sugar Refining Company could not compete with the foreign.

Mr. COLCOCK. I am told that the refiner loses 14 cents on every hundred pounds refined. The differential gives him back that, and 0.12½. You propose to take off the differential, and force him to lose 0.14 cent a pound for the privilege of having the refining on American soil and employing American labor.

Mr. UNDERWOOD. I am asking a question to ascertain the conditions. I want to get the facts, and find out the actual cost of refining in this country and abroad; but as to the beet sugar question I want to ask you this: Is not the market for beet sugar almost entirely confined to the West?

Mr. COLCOCK. The beet sugar people will go on the stand, and they know more about that than I do.

Mr. FORDNEY. You stated a few minutes ago that upon your raw sugar made from cane in the South the price was controlled absolutely by the refiners?

Mr. COLCOCK. Undoubtedly.

Mr. FORDNEY. Is it not true that the price of beet sugar is also controlled by the refiners, and that the entire product of Cuba exported comes to the United States?

Mr. COLCOCK. If you will look back at the evidence I gave here in 1902, I think it was, you will see that I show that where the American refiners attempted in the months of July and August to take a little bit more than the differential the British buyers stepped into the Cuban market and bought several cargoes and shipped them to Great Britain, which was immediately followed by an increased offer on the part of the American Sugar Refining Company. They can rake off from the Cuban price up to 0.32, but the very minute that it touches 0.32 or 0.34 then the English will come into the market with cheaper freight and land it in the refineries in Great Britain.

Mr. BOUTELL. You say that the methods of the Sugar Refining Company in dealing with the producer of the raw material are "damnable?"

Mr. COLCOCK. That is the sentiment of every man who sold sugar upon the floor of our exchange last Thursday.

Mr. BOUTELL. Why do you submit to those methods?

Mr. COLCOCK. We are entirely unable to do better, excepting where a man has free money. For instance, last Thursday one man stored 2,000 packages of sugar sooner than sell it at the low price offered by the refiners. If we were all as well off as he we would store all of our high-grade sugar to-day.

Mr. BOUTELL. Is there anything in the nature of the crop or the product before it goes to the refiner which precludes its being stored?

Mr. COLCOCK. Well, yes; our 96 test sugar will not hold up the polarization—that is, it would lose the polarization—and every degree down, for instance, from 96 down to 86, means 10 less in value.

Mr. BOUTELL. That is, your raw material has to be disposed of to the refiner within a limited time?

Mr. COLCOCK. Yes, sir.

Mr. BOUTELL. Has any attempt been made by the producers of cane and beet sugars to form an association or combination for the purpose of regulating the price?

Mr. COLCOCK. So far as the beet sugar people are concerned, they can answer for themselves. I think they have done it, and done it successfully.

Mr. BOUTELL. Can you answer as to whether there has been a combination between the beet sugar people and the cane sugar people?

Mr. COLCOCK. We can not make that combination, because we are somewhat an agricultural interest.

Mr. BOUTELL. Then there is no combination between the producers of beet and cane sugar?

Mr. COLCOCK. No; none whatever.

Mr. BOUTELL. Are you familiar with the Farmers' Union of Texas, Louisiana, and Arkansas, formed for the purpose of controlling the price of cane?

Mr. COLCOCK. No, sir. I rode upon a car with one of them, and that is as much as I know. I heard him talk.

Mr. BOUTELL. You know what their method is, do you not?

Mr. COLCOCK. I know what he said it was. He said he would get more money for his cotton, but from the way he was going at it it seemed to me to be very stupid.

Mr. BOUTELL. Has any such method been considered by the sugar people?

Mr. COLCOCK. The only thing considered is the building of a refinery and refining our own sugar, as the beet-sugar people do.

Mr. BOUTELL. If you have information from the standpoint of the ultimate consumer of sugar—that is, the man who buys it at the retail store—I will ask you if you are familiar with the methods of handling sugar after it leaves the refinery?

Mr. COLCOCK. I suppose you refer to the retail grocer?

Mr. BOUTELL. From whom does the retail grocer buy in the ordinary course of trade—from the refiner or the jobber?

Mr. COLCOCK. The real grocer—the corner-shop man—can not buy from the refiner, as I understand it, as he does not buy enough to make it worth while to carry him on their books.

Mr. BOUTELL. From whom does he buy his sugar?

Mr. COLCOCK. From the wholesale grocer—the jobber, as you may call him.

Mr. BOUTELL. And from whom does the jobber get it?

Mr. COLCOCK. From the refiner. There is no intervention between the refiner and the wholesale grocer; he buys direct.

Mr. BOUTELL. And I presume, from your evidence to the effect that the refiner dictates the price which they shall pay for the raw material, that they also dictate the price which the jobber shall pay for refined sugar?

Mr. COLCOCK. Not only that, but they also tell him how much he shall sell it for.

Mr. BOUTELL. So that there is then a combination which fixes the price which the jobber charges the retailer?

Mr. COLCOCK. A combination in the refining industry; yes.

Mr. BOUTELL. So that all retailers that buy their sugar, buy it at a uniform price, that is the same grade of sugar?

Mr. COLCOCK. Well, yes; practically.

Mr. UNDERWOOD. In other words, the American Sugar Refining Company dictates the price at which you shall sell your sugar to them, and also dictates the price at which the jobber shall sell the sugar to the public?

Mr. COLCOCK. They do; but they do not tell us that we have to sell it to them; they say we can sell it to somebody else.

Mr. UNDERWOOD. But you are bound to sell it to them because you have no other purchaser, so that they dictate the price to you at which they buy and they dictate the price to the jobber at which he shall sell?

Mr. COLCOCK. That is my impression; yes.

Mr. BOUTELL. So that the dictation with reference to this material goes on down until it leaves the hands of the retail dealer?

Mr. COLCOCK. It looks to me that way, Mr. Boutell.

Mr. BOUTELL. So that the only rivalry which would in any manner fix the price is the competition between the retail dealers themselves?

Mr. UNDERWOOD. Practically, there is no competition between the retail dealers on sugar.

Mr. COLCOCK. I do not think that you gentlemen understand what a retail dealer is.

Mr. BOUTELL. We know that we pay the retailers' bills.

Mr. COLCOCK. The largest and best paying consumer is the poor man who buys the small amounts of sugar, 10, 15, and 25 cents' worth—the consumer who comes in and buys a dollar's worth of goods, some coffee, some tea, and 2 bits' worth of sugar, or 4 pounds or 3 pounds of sugar. They do not buy sugar by the pound, but by the 2 bits' or 4 bits' worth.

Mr. BOUTELL. But that does not alter the statement that I made in my former interrogatory, that the only competition affecting the price of sugar, the only possible competition, whether it exists or not, is the competition among the retail dealers.

Mr. COLCOCK. No; the competition that exists is between the candy man, who likes to buy our sugars, for one, and then certain grocery trade which takes our sugar above No. 16 Dutch standard—they take some of this sugar and sell it into the trade. They are the competitors of the American Sugar Refining Company. Within the last week I have seen sugar on tables in our exchange fit for Mr. Roosevelt to eat, perfectly refined sugar, good sugar, and bought by the refiner and melted as 96 test sugar is melted. You see that whenever you begin tariff agitation, even a mild one like this, you drive the speculator out of the market, and when you drive the speculator out of the market all the competition we have is between refiner on one side and the candy man and the old-time grocer, who buys the sugar for distribution to the trade, on the other.

Mr. BOUTELL. In speaking of the sugar from Hawaii, and the con-

cession to Cuba, and the admission of sugar free of duty, has there been any great difference in the retail price of sugar?

Mr. COLCOCK. I am a poor hand to answer that, because I never buy any sugar. I do not know what the retail price of sugar is.

Mr. BOUTELL. You simply do not know?

Mr. COLCOCK. I do not know what the retail price is.

Mr. FORDNEY. Is it not your opinion that any reduction of the duties on imported sugar would greatly injure both the cane and the beet sugar industry in the United States and retard its growth?

Mr. COLCOCK. There is no question about that at all; it goes without saying.

Mr. CLARK. How much do you say is the entire rake-off, to use the common expression, that the Sugar Trust gets on refined sugar? What is the entire profit that the Sugar Trust now makes on a pound of sugar?

Mr. COLCOCK. That question would have to be answered by a practical refiner—that is, how much can he make upon a pound of refined sugar.

Mr. CLARK. In the first place, the difference between what he pays for the raw sugar and what he gets for the refined sugar is how much?

Mr. COLCOCK. I have tried to make that plain.

Mr. CLARK. I know you tried to do it, but it is a very difficult thing for a man who does not know anything about sugar to catch these terms. The reason I am asking that question is this: When we had the Philippine tariff bill up the last time, we calculated that the differential on refined sugar was \$5.80 per ton, and nobody disputed that proposition; and I offered an amendment to cut it down to \$2.30. Now, according to your figuring to-day, they only get \$2.50 differential, for one-eighth of a cent a pound on a ton is \$2.50.

Mr. COLCOCK. The amount collected on a ton would be one-eighth of \$20.

Mr. CLARK. Is not there something else besides this one-eighth of a cent a pound that they get the advantage of?

Mr. COLCOCK. They have a by-product that they sell.

Mr. CLARK. Is there not some other kind of a tariff that they get?

Mr. COLCOCK. All the differential they get, mathematically, is 12½ cents. I never could understand why you gentlemen were so puzzled over it.

Mr. CLARK. It would puzzle almost anybody, it seems to me.

Mr. COLCOCK. Mr. Payne was clear on the subject; he seemed to realize that it was one-eighth of a cent a pound all along.

Mr. CLARK. Another thing, the difference between the cane sugar men and the beet sugar men is that you have nothing on top of earth to do with this differential on refined sugar, and they have a differential on refined sugar, plus the tariff that you get on the raw sugar.

Mr. COLCOCK. That is correct.

Mr. CLARK. That is their situation?

Mr. COLCOCK. And I do not want to hurt them; they are our neighbors.

Mr. CLARK. That I understand; that is the difference in the situation. What is the reason you do not start refineries?

Mr. COLCOCK. Because we are afraid.

Mr. CLARK. Afraid of what?

Mr. COLCOCK. Afraid that when we come to sell the sugar, not to the American Sugar Refining Company alone, but the people who refine sugar independently also, will undersell us wherever we try to deliver our goods.

Mr. CLARK. A cutthroat game?

Mr. COLCOCK. Every business in the world is conducted on that principle—every business that I know of.

Mr. CLARK. Was there ever a time when there was refined in Louisiana the entire product of Louisiana?

Mr. COLCOCK. No; we have always made some sugar fit for immediate consumption.

Mr. CLARK. How much does one of these sugar refineries cost? Does anybody know?

Mr. COLCOCK. We are building one down there now, and I am afraid it will cost more than a couple of dozen of sugar plantations put together.

Mr. CLARK. Is there any climatic condition that keeps you from refining sugar at New Orleans, and causes it to be done at New York?

Mr. COLCOCK. There is nothing that keeps us from refining sugar, if the men can come together and subscribe the money to build the refineries. They are afraid they will succeed in raising the money; that is exactly the position they are in. I have known men to subscribe \$25,000 to \$40,000, and then withdraw it before the subscription is complete.

Mr. CLARK. Do they refine any considerable amount of sugar in Cuba?

Mr. COLCOCK. Very little.

Mr. CLARK. Did they ever?

Mr. COLCOCK. Never.

Mr. CLARK. Before the United States got into this reciprocity arrangement with Cuba, where was their sugar refined, in Spain?

Mr. COLCOCK. No; principally in the United States. New Orleans was a large importer of Cuban sugar.

Mr. CLARK. In calculating how much sugar we make in the United States, do you take into consideration the beet-sugar proposition, too?

Mr. COLCOCK. Mr. Underwood added that in.

The CHAIRMAN. I would like to ask why you do not refine this sugar? I understood you to say that you are afraid? What are you afraid of?

Mr. COLCOCK. Suppose we put, say, \$1,000,000 into a refinery; we would have to have \$1,000,000 of working capital besides. Now, then, we begin to sell the sugar, selling it to a company at Vicksburg, say, at 5 cents a hundred under the price offered by the American Sugar Refining Company; then they offer to sell it at 10 points lower; then the other company cuts them 10 points, and so on; and as there are only about 28 points that can be possibly cut, in two days we would be out of the game altogether.

The CHAIRMAN. All you are afraid of is the competition of the refining companies?

Mr. COLCOCK. Undoubtedly; we are afraid of that.

The CHAIRMAN. I understood you to say, in reply to a question by Mr. Underwood, that there had been a time when you did not get a fair price for sugar from the refining company?

Mr. COLCOCK. We did not get it last year, nor this year.

The CHAIRMAN. Not this year, but you did get it last year?

Mr. COLCOCK. No; we did not last year. There was a reason for it last year, but there is no reason for it this year.

The CHAIRMAN. Can you suggest any amendment to the tariff schedule that would enable you to get a fair price for your sugar?

Mr. COLCOCK. I am afraid that I can not; I do not think I can. I would like to do it, but I do not know how.

The CHAIRMAN. You do not know of any way that we could amend the tariff to help you out in that matter?

Mr. COLCOCK. No, sir; I do not.

Mr. UNDERWOOD. I want to ask you again, if we took off the duty on the differential and put the same amount of duty on the raw sugar, if that would not force the American Sugar Refining Company, the trust, to buy the American sugar and make a better market for the American sugar, because it would be more costly for them to import, and at the same time it would not put up the price of sugar to the consumer?

Mr. COLCOCK. You are wrong, sir. The greater the advantage the refiner has, the more he can afford to pay for the raw sugar. If you gave him 3 cents protection on the raw sugar he could pay a better price than he could if you gave him one-eighth of a cent protection.

Mr. UNDERWOOD. If he could not buy his raw sugar from you, he would have to buy it all abroad, and he would have to pay 1.68 abroad?

Mr. COLCOCK. If there was no differential on raw sugar, the foreign refiners would send their sugar into the United States market. I am only speaking to the best of my knowledge and belief.

Mr. UNDERWOOD. You have not any facts to sustain it?

Mr. COLCOCK. Nothing but my observation of twenty-five years.

Mr. FORDNEY. If the duty on imported raw sugar was put so high that it would not be sold in competition with sugar made from beets in this country, it would certainly stimulate the beet sugar industry in this country, would it not?

Mr. COLCOCK. I do not think you could build factories fast enough, sir.

Mr. HENRY T. OXNARD. Mr. Chairman, I would like to say that we do refine sugar in Louisiana. My brother and myself have a cane sugar plantation at Adeline, La., and we are now making refined sugar there.

Mr. COLCOCK. The stenographer has that in his report from me.

STATEMENT OF HENRY T. OXNARD, OF OXNARD, CAL., REPRESENTING THE AMERICAN BEET SUGAR CO., OPERATING IN COLORADO, NEBRASKA, AND CALIFORNIA.

MONDAY, *November 16, 1908.*

Mr. OXNARD. Mr. Chairman and gentlemen of the committee, I represent our domestic sugar interests, in part, as vice-president of the American Beet Sugar Company, operating six beet sugar companies located in Colorado, Nebraska, and California.

As I understand it, for the past two or three years certain interests have been agitating for lower duties on certain products, principally those that enter into manufactured articles. This demand, artificially created, I believe, has caused a sentiment to grow up that calls now for a readjustment or a revision of the Dingley tariff schedules. The call is for Congress to look into schedules of the law of eleven years ago to see what need there may be for lower or higher duties, in view, perhaps, of changes in conditions which may have come since 1897. The Dingley bill has brought great prosperity to this country, and its life has only been equaled by the tariff act of 1846, when in 1856-57 there was a call for lower duties that brought disaster to the country.

We understand that, whatever demand exists for revision of the existing rates of duty, no necessity exists for a radical reduction of rates of duty on products at large. On the contrary, it seems desirous of having Congress investigate the matter, and raise, or lower, or maintain the present rates wherever advisable and just. In other words, the sentiment spoken of does not proceed so far as to assume that existing rates of duty are too high generally on all products. These hearings, then, are to determine where inequalities exist; where, because of change in conditions, the rate now may be too low or too high, and where it has not yet outlived its usefulness; and then it will be proposed, as I understand it, that when a harmonious determination is arrived at, to add to the whole a higher or maximum or retaliatory rate that we may use as against nations that treat our products unfairly.

From that standpoint I wish to hold the attention of this committee briefly on the subject of sugar; to show why there should be no change in the rates on that product, or if any, an increase.

The duty that should be placed on sugar depends on several factors. I know it is contended by some that reduction increases duties, because inciting larger importations. The idea is a theory. More revenue from lower rates depends, in the case of sugar, on whether a given reduction would be enough to displace the domestic product. Lower-dutied sugar would not displace our domestic sugar, nor that free sugar that comes from Hawaii and Porto Rico and the Philippines, nor that from Cuba, unless the reduction were sufficient to overcome the grant of tariff favor to sugar from that island. Hence there would be no room here for larger foreign importations. We need only about so much foreign sugar, and hence lower duties on it could only reduce our revenue.

How much of our revenue should come from sugar is a serious question; so serious, for several reasons, that the schedule has invariably given committees and Congress more or less trouble, so that the Treasury is interested from a revenue standpoint; and we have for many years—save from 1891 to 1895, when there was practically free sugar and a bounty—collected very considerable revenue from sugar. This worked favorably for sugar producers, while our consumers have enjoyed reasonable prices for a necessary of life, but it has not always been easy to reconcile these often conflicting interests. To-day, as I see it, the task is fairly easy.

Not to go back too far into ancient tariff history, in 1883 a high duty was placed on sugar and on other entries, so high along the whole line that in 1890 we had such dangerous "surplus" of revenue

that Congress determined to place raw sugar on the free list, lopping off about fifty millions of revenue, and giving our sugar producers a bounty as a greater stimulus to production than a duty had been.

In 1894 Congress went back to a duty on sugar, but the rates then fixed were found too low for either revenue or protection. The evil effect of ad valorem rates on sugar being demonstrated, the 40 per cent rate on raw sugar, then valued at an average of 3 cents, was supposed to be ample for revenue, and a rate tending to give our consumers cheaper sugar. It did neither. It came to pass that the world's price of raw sugars fell down, say, from one-half to three-fourths cent below 3 cents, which produced a very considerable loss of the protection granted, affecting the revenue as well.

Then came the higher tariff of 1897, the sugar rates in which were designed to return enough revenue, insure to consumers sugar at a reasonable cost, and fair protection to our producers, and hoped for development of the sugar industry. Our producers, however, were promised, in addition, a bounty of one-fourth of a cent a pound to increase the development of sugar production—a more stimulating agency than the duty had proved to be; but the pressure for the speedy passage of the Dingley law was so great that in the face of the threat of the minority in the Senate to protractedly debate the bounty proposition, the latter was withdrawn, and so our domestic sugar producers did not get what the majority conceded sugar was fairly entitled to to increase the development of sugar production.

This is what was said:

MR. ALLISON. I offer this morning two or three amendments to the bill, which I do not ask to have considered at this moment, but I offer them now in order that they may be sent to the printer immediately and returned at an early hour during the morning. I offer the amendment which I send to the desk.

THE VICE-PRESIDENT. The Secretary will read the amendment.

THE SECRETARY. On page 200, after line 14, insert as a new section:

"SEC. —. That on and after July 1, 1898, and until July 1, 1903, and no longer, there shall be paid from any moneys in the Treasury not otherwise appropriated, under the provisions of section 3689 of the Revised Statutes, to the producer of sugar made from beets grown within the United States during the calendar year 1898 and each succeeding calendar year until July 1, 1903, a bounty of one-fourth of 1 cent per pound."

MR. JONES, of Arkansas. On what many of us hoped would be the last day of the consideration of this bill the committee comes in with what is unquestionably the most radical departure from what has been the practice of the Government for a century in tariff taxation as an amendment.

There was considerable debate, Mr. Jones saying, "There must be time, it seems to me, to look into the question."

Page 2255:

Several SENATORS (to Mr. Allison). Withdraw it.

MR. ALLISON. In view of what has been stated by Senators on the other side of the Chamber, that the amendment will lead to a prolonged debate, I withdraw it. I agree with what has been so well stated by the Senator from Nebraska [Mr. Thurston], that it is not the purpose or wish of those who wish to pass the bill to introduce into it any new question which will prolong the debate. Therefore, if in order, on behalf of the committee, I ask leave to withdraw the amendment.

This was in the Fifty-fifth Congress, first session, volume 30, part 3, pages 2244 and 2255.

It is not for us to say what our national expenditures may be, nor what our revenues must consequently be. I have only pointed out some reasons why we shall need very considerable income to meet

our necessities, making the continuance of existing rates on sugar wise, necessary, and fair, unless by much lower rates on other products we invite larger foreign importations for revenue, too low to be sufficiently protective.

The following shows our consumption of sugar, the duties collected thereon, the per capita consumed, the average price of refined sugar in New York, and rates of duty on refined sugar under the tariff acts of 1883, 1892, 1894, and 1897. In the year 1884—shall I read this, gentlemen? If you are not interested in these figures I will pass them by.

Mr. CRUMPACKER. I suggest that you read them.

The CHAIRMAN. Yes; I think you had better read them as you go on.

Mr. OXNARD (reads):

Year.	Consumption.	Duty collected.	Per capita consumed.	Price of refined in New York.
1884	1,309,000	\$47,500,000	52.4	6.78
1885	1,298,000	50,800,000	51.8	6.44
1892	1,853,000	76,000	63.8	4.34

Mr. BOUTELL. That was free sugar?

Mr. OXNARD. Sugar under the sugar. The per capita consumption was 63.8 pounds, under free-trade conditions, practically what it is to-day. [Continues reading:]

Eighteen hundred and ninety-five consumption, 1,949,000; duty collected, \$15,350,000; per capita consumed, 63.4; price of refined in New York, 4.15.

Mr. CLARK. What year was that before that you just read?

Mr. OXNARD. 1892.

Mr. CLARK. That was the year when there was not any tariff on sugar, but a bounty?

Mr. OXNARD. Yes, sir.

Mr. UNDERWOOD. There was a tariff on refined sugar, but none on raw sugar?

Mr. OXNARD. Yes.

Mr. CLARK. That was when we were paying the bounties?

Mr. OXNARD. Yes; under the McKinley bill.

The CHAIRMAN. The tariff on the raw sugar was the same as the differential?

Mr. OXNARD. Yes, sir. Now we come to the Wilson bill. In 1895 the consumption was 1,949,000 tons. The revenue collected was \$15,350,000. There was a 40 per cent ad valorem duty that year. The duty collected was \$15,350,000. The per capita consumption was 63.4, and the price of refined sugar in New York was 4.15 cents, practically lower than it had been under free conditions. [Reads:]

In 1896 the consumption was 1,960,000; duty collected, \$29,800,000; per capita consumed, 62.5; price of refined in New York, 4.53.

Now we come to 1907, under the Dingley bill, last year. [Reads:]

Nineteen hundred and seven, consumption, 2,990,000; duty collected, \$60,130,000; per capita consumed, 76; price of refined in New York, 4.8.

We have been going on and buying more sugar, showing that the people were satisfied with the price. That is the end of my table.

The CHAIRMAN. Do you give the price per pound last year?

Mr. OXNARD. Four and eight-tenths.

Mr. BONYNGE. That was under free trade?

Mr. OXNARD. No; 4.8.

Mr. UNDERWOOD. What you call free trade is the amount of tariff tax that was collected on refined sugar coming into this country?

Mr. OXNARD. I said \$76,000 was collected.

Mr. UNDERWOOD. What was the tax per pound?

Mr. OXNARD. I do not remember at that time.

The CHAIRMAN. It was in the neighborhood of one-eighth.

Mr. OXNARD. Yes; something like that.

The CHAIRMAN. I suggest, Mr. Oxnard, that you add to that table the tonnage of cane sugar and beet sugar produced in the United States during each of the years mentioned.

Mr. OXNARD. I will do that with pleasure. I will fix that and put it in the record.

Mr. McCALL. Can you make also the returns for the intervening years, so that we can get a report from each year since 1884?

Mr. OXNARD. I will do that for each year.

Mr. McCALL. These figures are very valuable.

The CHAIRMAN. If you could do it this afternoon it could be made ready for insertion in the hearing to-morrow.

Mr. OXNARD. That will be a job, but I will try to do the best I can.

Mr. CRUMPACKER. My attention has been called to a statement published in Willett & Gray's Weekly Statistical Sugar Trade Journal, fixing the price for 1907 at 4.69 instead of 4.80.

Mr. OXNARD. I got my figures from the same source. Between 4.69 and 4.80 there is not much difference, but I will see if I made a mistake. It is 4.69.

Mr. CLARK. The sugar habit, if you may call it so, is increasing among all civilized people, is it not?

Mr. OXNARD. Yes; I think that is true.

Mr. CLARK. Have you ever investigated outside of the United States about the consumption of sugar?

Mr. OXNARD. Oh, yes, I have. The people that use the least amount of sugar are the Turks. You would think they use more, but they use only 6 pounds per capita.

Mr. CLARK. I thought that the Chinese were just learning to use sugar.

Mr. OXNARD. I have not the record of the Chinese.

The CHAIRMAN. It is not increasing very rapidly in Germany, is it?

Mr. OXNARD. It is increasing in Germany. The German Government is making great efforts to have the per capita consumption of sugar increased. They apply it to the army. They find it excellent food, and it has increased a few pounds per capita in Germany in recent years. I think it is about 42 pounds per capita in Germany. I am answering from memory, you should understand.

Mr. BONYNGE. What is it in Great Britain?

Mr. OXNARD. Great Britain is the great sugar-eating country of the world. The per capita consumption in Great Britain is 90 pounds. They put up jams and preserves, and a great deal of it goes in in that way.

Mr. GAINES. For export?

Mr. OXNARD. Yes.

Mr. CLARK. You say the people eat sugar because they are satisfied with the price. Is that right? Do they eat it because they are satisfied with the price, or because they have to eat it?

Mr. UNDERWOOD. To satisfy the sugar? [Laughter.]

Mr. CLARK. Your remark was in the nature of an argument.

Mr. OXNARD. I think both. I think I showed that they get their sugar about as cheap now under this tariff as they ever got it under free trade.

Mr. CLARK. I want to ask you now for information: Is this sugar consumption in the United States, this increase of the per capita consumption—does that grow out of the fact that they use more sugar, as sugar in its simple state, or do they eat more preserves and jams, and so forth?

Mr. OXNARD. If you want my opinion I will give it to you. The farmers and everybody have been extremely prosperous under the Dingley bill, and they have had money to buy sugar with.

Mr. CLARK. I understand that; but what about the English people now? You give that now as an argument here. How does it happen that they eat more?

Mr. OXNARD. They have always eaten the same amount, apparently.

Mr. CLARK. They must be prosperous, too, then. What do you think of that proposition?

Mr. OXNARD. They are prosperous, probably.

Mr. CLARK. Is the sugar habit increasing because people like to eat more sugar, or because it is cheaper?

Mr. OXNARD. The consumption has not increased much in France. It has not increased at all.

Mr. CLARK. We lack a good deal from being up to the English, according to your own statement.

Mr. OXNARD. There is also this, I think, that I did not state: The English make jams and preserves and send them to their colonies. Perhaps that increases their per capita consumption. They are large jam producers, and send it to India and Australia and other countries.

Mr. CLARK. Do you think any people in the world eat as much jam and knickknacks and gewgaws and gimcracks as we do?

Mr. OXNARD. I think the English do.

Mr. CLARK. Then why did you not answer a while ago that this extra consumption of sugar grows out of the fact that sugar is cheaper in comparison with other things than it has been in days gone by? Is that it, or is it the taste of the American people for sweet things?

Mr. OXNARD. Let me answer that by looking at my table and showing you that they ate 63 pounds in 1892, under free sugar, when it was 4.34, and they ate 77 pounds last year, when it was 4.8, or 4.7.

Mr. McCALL. Mr. Oxnard, how is the price of sugar now compared with the price of other commodities at that time? Has sugar remained lower, compared with other food commodities?

Mr. OXNARD. I think very decidedly. Sugar is extremely low, and it is a great food product; and on that account the Germans, as I said, have applied it to their army and furnished their army with sugar, and habituated the army to use sugar as the cheapest product they can consume.

Mr. McCALL. I was trying to find the reason for the increased consumption. If sugar to-day is cheaper than it was ten years ago, would

not that be a reason for its increased consumption over the consumption of other foods?

Mr. OXNARD. It might be. I think it is relatively cheaper than other food of the same nutritive value.

Mr. CRUMPACKER. Has there not been a corresponding increase in the consumption of other foods as well as sugar? I know there has been, in relation to wheat and other foods, because of the good times.

Mr. OXNARD. I dare say, but I am not competent to answer that.

The CHAIRMAN. Great Britain exports very largely preserved fruit and sugar?

Mr. OXNARD. Yes, sir.

The CHAIRMAN. And the sugar used in preparing those fruits is estimated as part of the consumption?

Mr. OXNARD. Yes; that is true.

The CHAIRMAN. And that accounts in large measure for their large consumption of sugar per capita?

Mr. OXNARD. Undoubtedly.

Mr. CLARK. Do you know of any place where we are exporting sweetmeats?

The CHAIRMAN. I can not answer that as an expert, but I can answer it simply as a member of the committee. I think we do not to any great extent.

Mr. FORDNEY. Has not the consumption of other food products increased in the past ten years much more than sugar?

Mr. OXNARD. Undoubtedly.

Mr. FORDNEY. Would you raise or lower the present duties on sugar?

Mr. OXNARD. I would raise them. I started out with that as the basis of my argument, and showed that it was the intention of the Republican majority at the time they passed this bill to give us still more protection, and I would like to see the stimulus added to.

Mr. FORDNEY. If we had still more duty on foreign raw sugar it would stimulate the production of beet sugars, would it not?

Mr. OXNARD. Certainly.

Mr. FORDNEY. And in a short time supply sugar to all the people who consume it in this country at a lower price than is paid to-day with improved methods?

Mr. OXNARD. I do not think there is any doubt about that.

Mr. GAINES. Do you know what proportion of the world's production of sugar is consumed in this country?

Mr. OXNARD. I do not remember exactly. Mr. Willett, what is the proportion of the world's production of sugar consumed in this country?

Mr. W. P. WILLETT, of New York. The world's raw consumption is 14,000,000 tons, and this country consumes about 3,000,000 tons.

Mr. OXNARD. That is about a fifth.

Mr. BOUTELL. Before you proceed, if it is a mere matter of tabulation as to those figures as to the per capita consumption of sugar, can they be carried back as far as they are available if they are given by decades?

Mr. OXNARD. Do you want the figures of what we consumed to compare with particular years—with the tariff of 1846?

Mr. BOUTELL. If it is a matter of tables, if they can be brought down from the earliest figures available they would be of great value.

Mr. OXNARD. You want the amount of consumption, the amount of duty collected, the per capita, and the price of refined sugar?

Mr. BOUTELL. Yes, sir; if those could be carried back.

Mr. OXNARD. Very well. Perhaps some of your questions, gentlemen, will be answered in my further statement; so with your permission I will proceed.

It will not be denied by the well informed that our producers are in need of all the protection now enjoyed, and especially if the beet-sugar industry is to go forward in the matter of development. It should not be overlooked that Congress has lowered the effect of rates and reduced the natural effect of whatever stimulation was contained originally in the rates of 1897 by letting in free or at lower rates, since 1897, upward of 1,800,000 tons of sugar, deterring investments, which alone is sufficient reason why the existing rates should stand or should be increased. And in that I have included Hawaii, which at that time had a treaty and is now a part of the United States.

Mr. CLARK. If it will not interrupt you, I would like to ask you a question entirely different from that. Is the area of cane sugar made in the United States about all taken up?

Mr. OXNARD. It is not scratched, hardly.

Mr. CLARK. What is the reason, then, Mr. Fordney keeps asking you about stimulating the growth of the beet-sugar industry?

Mr. OXNARD. It will apply to the cane also. He did not ask me that question.

Mr. UNDERWOOD. Is it not a fact that, as compared with the other cane-producing countries of the world, we have not got an ideal cane-producing country?

Mr. OXNARD. That is true.

Mr. UNDERWOOD. Is there not too much moisture and water down there to produce a good cane?

Mr. OXNARD. I will try to answer that. The cane is the plant of the Tropics, and as you go northward you find it more difficult to properly develop that plant.

Mr. CLARK. It produces less sugar to the ton of cane?

Mr. OXNARD. Yes, sir; until you go so far north that it does not contain any sugar at all. It is a natural tropical product, just as the beet is the product of the Temperate Zone, and as you approach either extreme the conditions become less and less favorable, except in the case of California, which is semitropical. In southern California we have two factories, which do extremely well.

Mr. UNDERWOOD. Who do you mean as "we?"

Mr. OXNARD. I am vice-president of the American Beet Sugar Company. We have one factory at the town of Chino and one at Oxnard.

Mr. CLARK. Is sugar a matter of ordinary agriculture? What do you know about that, or what do you say about that?

Mr. OXNARD. I should say that is a broad question, and yet I should say that under favorable conditions sugar can be produced readily with the proper culture.

Mr. CLARK. Where are there cane lands outside of Louisiana?

Mr. OXNARD. In Texas.

Mr. CLARK. Texas goes successfully under the general agricultural business. As I understand it, Louisiana is confined substantially to two or three of these subtropical crops.

Mr. OXNARD. Well, rice grows very well in Louisiana. Our cane production does well in Louisiana in some years and badly in other years.

Mr. CLARK. Which is the more profitable production in Texas, sugar or rice?

Mr. OXNARD. I can not answer that question as to Texas.

I will go back a little to say again that we let in free or at lower rates since 1897 upward of 1,800,000 tons of sugar, deterring investments, which alone is sufficient reason why existing rates should stand or be increased. That is, we have received our tariff cut. I call your attention to the fact that we have no more beet sugar factories now than we had three years ago, showing that your protection or stimulation is not sufficient to induce additional investments under colonial conditions.

The CHAIRMAN. You do not mean to say that no new beet sugar manufactories have been erected since 1897?

Mr. OXNARD. No; but some have been abandoned which were not located exactly right.

The CHAIRMAN. You mean they were not located where they could raise beets profitably?

Mr. OXNARD. Yes. But there has not been much development for a year or two. I think the Philippine agitation has caused people to wait to see what you are going to do with this tariff.

The CHAIRMAN. The same number of factories have been built that have been abandoned?

Mr. OXNARD. Yes.

Mr. CLARK. You beet sugar men have known ever since you got busted on that Philippine tariff bill in the Senate that there was no earthly prospect of that bill being passed.

Mr. OXNARD. Who guaranteed that?

Mr. CLARK. You just reasoned ordinarily that if the Senate sat down on that bill with such force as they did, there was not any prospect of that bill being passed unless the Senate was completely upset, and you had four years to build these sugar factories in.

Mr. OXNARD. But who is going to build factories with investments of \$1,000,000 or thereabouts on an uncertainty?

Mr. CLARK. But the conditions have not gotten worse in that interval. Why don't you go on and build these new sugar beet factories?

Mr. FORDNEY. Capital is timid, Mr. Oxnard, while agitation is going on at one end of the country, is it not?

Mr. OXNARD. Certainly.

The CHAIRMAN. Would it not be better to have that Philippine tariff question settled at once?

Mr. OXNARD. I do not understand your question.

The CHAIRMAN. I say, would it not be better to have the Philippine tariff settled, if possible, for the interest of the sugar growers?

Mr. OXNARD. Decidedly.

Mr. FORDNEY. If they should let you and me settle it, yes. [Laughter.]

The CHAIRMAN. It would be better to have it settled anyway, would it not?

Mr. OXNARD. Yes.

The CHAIRMAN. I hope you will so advise the Senate committee.

Mr. OXNARD. We want it settled with this tariff altogether. We will not say how you shall formulate the different parts.

I must insist that sugar is exceptionally situated; that it falls in that class of products where present duties should be maintained. The lower duties would be disastrous, in view of the treatment meted out to sugar since 1897, and higher duties are advisable.

We have gone on and done our best to fulfill our promise to develop the beet sugar industry since the passage of the Dingley law, and we have to show for it a production of 440,000 long tons from 63 factories in 1907, as against a production of 40,800 long tons from 9 factories in 1897.

The CHAIRMAN. Oh, in 1897, you mean?

Mr. OXNARD. Yes. I am talking of this year and ten years ago, when the Dingley bill went into effect. We have increased the production of beet sugar tenfold in the United States.

The CHAIRMAN. I understand it now.

Mr. CLARK. It has not increased, then, in the last two or three years, as I understand it?

Mr. OXNARD. In the last couple of years we have not increased. We are at a standstill, to see what will be done.

Mr. BONYNGE. You have increased the amount of production of sugar?

Mr. OXNARD. Oh, yes; I understood you to say the number of factories.

Mr. CLARK. I do not care about the increase of the number of factories.

Mr. BONYNGE. It was by removing the factories to places where you could grow the beet to the best advantage?

Mr. OXNARD. Yes; a new factory never gets its full supply at first, you know.

What our sugar industry needs is certainty, assurance that it is to be let alone, to proceed as best it can under existing rates. If, however, 700,000 tons of free sugar from Porto Rico and Hawaii is allowed to come in, and if to reductions on 1,250,000 tons of Cuban and Philippine sugars now admitted—which has been a staggering blow to sugar capitalists—there is added a reduction of existing rates, the money which has been going into Porto Rico, Mexico, and Cuba will continue to go there, rather than risk a million, or even half a million, investment in sugar factories at home.

To-day we have an investment of about \$60,000,000 in 63 beet sugar factories, scattered in 15 States of the Union, and reaching from the Atlantic to the Pacific, and the average returns on the actual investment have not exceeded 6 per cent; far too little to induce capital to develop rapidly a great national industry in proportion to its value, from every standpoint, to the inhabitants of the United States.

The CHAIRMAN. For how long a period?

Mr. OXNARD. Right through for a period of ten years; far too little to induce capital to develop rapidly a great national industry in proportion to its value from every standpoint to the growing commerce and the people of the United States.

The American beet sugar stock listed on the New York Stock Exchange, and our annual statements are on file there, open to public inspection, and they show that during the life of the Dingley bill we have never been able to do more than pay 6 per cent on the actual

capital invested in building and operating our six factories, located in California, Colorado, and Nebraska. There is no water in this \$7,000,000, consisting of \$4,000,000 of preferred and \$3,000,000 of short-term notes, every dollar of which went into the building of these plants.

These are the cold facts in the case, and they can not be truthfully controverted. Does this look like an unreasonable profit? Would any sane man care to invest in the industry under a smaller margin of profit? I leave this answer to you, gentlemen. I claim that the facts warrant the raising of duties, if the industry is to be speedily developed.

Summed up, my propositions, then, are: Sugar is so situated that it should be treated with exceptional favor—first, because it is only developing, and, second, because no other industry has been set upon since 1897 as has home sugar. It has already borne its full share of any proposed reduction.

The beet sugar industry is only, you may say, 10 years old. The only stimulant it has received came since the Dingley bill went into effect. Why, gentlemen, in 1890, when we appeared here for the first time before you, before Mr. Payne on the McKinley bill, I was the sole representative of the beet sugar industry in the United States. There was nobody else here. I had to represent it. There was no industry, practically. There was not one man in a hundred in Congress that believed you could make sugar from beets. They wanted to see that sugar. In 1894, when the Wilson bill came up, we had a few more representatives, not many more, because the bounty did not last. There were seven or eight factories. In 1897, when the Dingley bill was framed, there were only about nine factories. The great development has come since 1897, and I think all these other countries that grow sugar realized that we are going to grow sugar, and since then they have been at you and at us right along to have their products admitted at reduced rates or free; and I think it is about time to call a halt, because the industry is only developing, and because no other industry has been set upon since 1897 as has home sugar. The sugar schedule is the only one that has been hammered at in the tariff. Just think of the percentage of sugar that has been admitted free and at reduced rates since this bill was started. No other schedule has been attacked like that.

Mr. UNDERWOOD. But so long as a majority of the sugar consumed in this country was imported, the admitting free of a portion of it from Hawaii and Cuba would not fix the price, when it is the surplus that fixes the price, and there is no surplus here?

Mr. OXNARD. It is bound to affect the price.

Mr. FORDNEY. We always will import a large amount of sugar here until home industry has adequate protection, will we not?

Mr. OXNARD. Yes. If you turn it once into the hands of the foreigners you will see what your sugar bill will be.

Second, the per capita consumed of sugar here is increasing, showing that consumers consider prices reasonable, and they are conservative.

Third, we will need our present or more revenue from sugar.

Fourth, our producers need the present protection. Prices have fallen, and if rates are advanced it will be assurance to waiting capi-

tal that Congress will stand fast on its guarantee to foster and develop our home sugar industry.

Fifth, present rates are not nearly as high nor the protection as much as in 1883 and 1890.

Sixth, diligent effort to carry out our share of the contract of 1897 with Congress, which deserves additional encouragement for those who are to invest in the beet-sugar industry.

Now, gentlemen, I have tried to make a connected argument.

Mr. BOUTELL. Mr. Oxnard, is there any reason in the method of raising beets why, with such encouragement as you ask for it, it should not be a very large and widespread and prosperous business?

Mr. OXNARD. I see none unless you cripple it as they have done, as I pointed out, in the last ten years by continually letting in what I call foreign sugars from outlying countries at reduced rates.

Mr. BOUTELL. Leaving outside for the moment any question of protection by the tariff or otherwise, is there anything in the nature of the raising of the sugar beet which should put us at a disadvantage with respect to other countries?

Mr. OXNARD. No, sir; I do not see any.

Mr. BOUTELL. The reason I asked the question is this: Professor Taussig, who is a very able writer on economic questions, refers especially to the flax and linen and the beet-sugar industries as two illustrations of protective industries that have not made the progress in this country that was looked for, and he gives as the explanation that the method of harvesting flax and the method of the cultivation of the sugar beet, employing on the continent of Europe very much of child labor, is such that under our social system probably it will never reach the same proportions that it has reached in the continental countries. Is there anything in that?

Mr. OXNARD. I should say not, and for this reason: I do not know of any industry that has developed in ten years as this one has, going from 40,000 to 440,000 tons. It seems to me that refutes his argument directly, and do you know that 440,000 long tons is more than a third of what we were consuming along in 1885, a third of the consumption of the United States, and that has been done in the last eight or ten years. I would point to that as an answer, and I would further say from my personal knowledge that it is not so. I would rather that question be asked of an expert on the agricultural end. We have such a man who will appear before this committee, Mr. Saylor, who has made a study of it for the Government, to go around, and he is here now in the room and ready to appear before you gentlemen, and he will be glad to answer that question, better than I can.

Mr. McCALL. Mr. Oxnard, what effect would the removal of the differential have on refined beet sugar?

Mr. OXNARD. Of course it would be very bad for it, because we share in that protection. Beet sugar is not food to eat in its raw state. It has to be refined, and every pound of it is refined, and we share in that differential just as much as the refiners do.

Mr. UNDERWOOD. I would like to ask you what company you represent, Mr. Oxnard?

Mr. OXNARD. The American Beet Sugar Company. I will go a little into the history of that. That is the oldest company, and that is why I pointed out that if that company could not earn and pay

more than 6 per cent it would be hard to expect other companies that had not been in the business as long to do so.

Mr. UNDERWOOD. How much beet sugar does this particular company produce?

Mr. OXNARD. It varies. When you ask me these questions, gentlemen, as to the price of sugar, and so forth, I must answer in figures, just as if you would ask me what the price of Union Pacific is.

Mr. UNDERWOOD. What was it last year?

Mr. OXNARD. You mean an average?

Mr. UNDERWOOD. Yes.

Mr. OXNARD. About 125,000,000 pounds last year.

Mr. UNDERWOOD. How does that compare with the total amount of beet sugar produced?

Mr. OXNARD. You can figure it; 65,000 tons, in round figures, out of 440,000 tons.

Mr. UNDERWOOD. How much?

Mr. OXNARD. Sixty thousand, we will say, out of 440,000.

Mr. UNDERWOOD. Has the American Sugar Refining Company any interest in this company?

Mr. OXNARD. Not that I know of.

Mr. UNDERWOOD. Has it any interest in the beet sugar industry of the United States?

Mr. OXNARD. I do not know as to that. I am only going as far as my own company is concerned. It may have stock. Anybody in this room may have stock. I am not specifying. But so far as I know, none are stockholders in our company.

Mr. UNDERWOOD. So far as you know, is there any business connection between your interests and the American Sugar Refining Company toward fixing the price of the sugar produced in this country?

Mr. OXNARD. No, sir; not that I know of, and that is a point that I would know about. I was for seventeen years president of this company. I started it, and for personal reasons I did not want to go on, and my brother succeeded me, and I know everything that the American Beet Sugar Company has done and is doing.

Mr. UNDERWOOD. You are familiar with the beet sugar interests of the Northwest in a business way?

Mr. OXNARD. Yes; but I want to say this before I start in on that: My brother in California handled that part of the business, the selling of the sugars, and I am not in a position to answer detailed statements about that. There are other gentlemen here who could answer much better.

Mr. UNDERWOOD. Do you know the territory in which the beet sugar interests of the United States sell their products?

Mr. OXNARD. I know that. I can answer that.

Mr. UNDERWOOD. Where is that?

Mr. OXNARD. From the Atlantic to the Pacific.

Mr. UNDERWOOD. I mean the most of their product is not sold on the seaboard, is it?

Mr. OXNARD. What do you call the seaboard? The bulk is sold in the interior.

Mr. UNDERWOOD. Is it not a fact that by reason of railroad rates, freight rates in the market in which the beet sugar interest disposes of its product it has a freight rate in its favor of from 30 to 40 per cent?

Mr. OXNARD. From 30 to 40 per cent on what?

Mr. UNDERWOOD. Thirty to 40 per cent on the cost.

Mr. OXNARD. No, indeed. We make sugar in California; we ship it to Chicago. I do not know what the freight rate is now, but we have paid as high as \$1 a hundredweight—a cent a pound.

Mr. UNDERWOOD. You ship it where?

Mr. OXNARD. From California to Chicago, and we seldom pay less than 25 cents to carry it from the factory to almost any point.

Mr. UNDERWOOD. Oxnard is in California?

Mr. OXNARD. Yes; southern California.

Mr. UNDERWOOD. And you pay \$1 a hundred pounds?

Mr. OXNARD. I say we have paid it. To my knowledge we have paid \$1.

Mr. UNDERWOOD. Most of the factories of the American Sugar Refining Company are on the Atlantic seaboard, or all of them?

Mr. OXNARD. Most of them; yes.

Mr. UNDERWOOD. All the importation of refined sugar that comes into this country comes in on the Atlantic seaboard, does it not, of refined sugar?

Mr. OXNARD. Not all.

Mr. UNDERWOOD. But practically all?

Mr. OXNARD. Practically all.

Mr. UNDERWOOD. Then if it costs you a dollar to ship it from California to Chicago—

Mr. OXNARD. It may not be more than 75 cents, and I may have shipped none in this past year. I do not know.

Mr. UNDERWOOD. It will range from 75 cents to \$1?

Mr. OXNARD. It will range all the way from 25 cents to 75 cents. Now we have a factory that will supply Chicago from Colorado.

Mr. UNDERWOOD. That brings you nearer the market than the other factory? The beet sugar interests are located largely in Colorado and Nebraska and Michigan and the Middle West, or the Rocky Mountain West, are they not?

Mr. OXNARD. Yes; and in California and Utah.

Mr. UNDERWOOD. When the importations of sugar come to this country, besides the foreign freight and the ocean freight, the foreign importer has to pay the domestic freight rate to the market in which the beet sugar is sold, does he not?

Mr. OXNARD. Yes. If he would send it there he would have to pay it undoubtedly.

Mr. UNDERWOOD. There are 440,000 tons of beet sugar produced in the United States. The western market is able to consume every pound of that?

Mr. OXNARD. As I say, I have found times when we had to come to New York with it, and we have gone frequently to Pittsburg with it.

Mr. UNDERWOOD. I understand there are sometimes exceptions. Sometimes we ship pig iron to China.

Mr. OXNARD. Yes. There has been shipped imported sugar from New Orleans to Omaha for 27 cents, when we were paying 75 cents from Oxnard to Chicago to compete with it.

Mr. UNDERWOOD. We agree on the proposition that the western market consumes the beet sugar product.

Mr. OXNARD. Yes; that is true, largely.

Mr. UNDERWOOD. And that the foreign competitor has to pay the cost of the freight rate from the Atlantic seaboard to the western market?

Mr. OXNARD. Yes.

Mr. UNDERWOOD. Can you give an anywise accurate statement as to the amount of cost of freight on sugar from the Atlantic seaboard to the western market, Chicago and westward?

Mr. OXNARD. No; I can not. There are gentlemen here who can.

Mr. UNDERWOOD. It must be somewhere near the same rate.

Mr. OXNARD. I was talking of some years ago when I said 27 cents.

Mr. UNDERWOOD. Do you know the cost of ocean freight in bringing sugar to this country from Amsterdam?

Mr. OXNARD. The understanding among us was that each gentleman would take a certain part of this subject and discuss it. There are gentlemen in this room who can tell you that. Mr. Hathaway knows. (To Mr. Hathaway:) What is the rate from Hamburg here?

Mr. UNDERWOOD. If he will testify, I will ask him later. You do not know the freight rate?

Mr. OXNARD. No, sir.

Mr. UNDERWOOD. Do you know the cost of the production and refining of German beet sugar?

Mr. OXNARD. Yes, I do; but there are other men who will dwell upon that. Mr. Payne suggested that it would be better if each man would take up a subject and exhaust it, and there is a gentleman here who will take up that matter from the beginning. The cost is about 2 cents. Mr. Hathaway has come from Michigan, and he has that information, I know.

Mr. UNDERWOOD. I want to ask you this question: Is it not a fact that the present tariff duty on refined sugar is practically prohibitive?

Mr. OXNARD. It is just on the line, because sugar does come in in very small quantities.

Mr. UNDERWOOD. But is it not practically prohibitive?

Mr. OXNARD. No; because it is low enough to let some sugar in.

Mr. UNDERWOOD. But that is a very small proportion?

Mr. OXNARD. Yes, sir.

Mr. UNDERWOOD. It is practically prohibitive?

Mr. OXNARD. No; it is not prohibitive.

Mr. UNDERWOOD. It is practically prohibitive because all the sugar that is imported into this country comes in as molasses or sugar below the 16 Dutch standard.

Mr. OXNARD. Not all.

Mr. UNDERWOOD. Practically all?

Mr. OXNARD. Yes; practically.

Mr. UNDERWOOD. The revenue that is derived by the Government on sugar, then, is not on refined sugar?

Mr. OXNARD. No, sir.

Mr. UNDERWOOD. If we placed the tax that is now on refined sugar on unrefined sugar—that is, the proportionate tax—and removed the differential on refined sugar, would it not largely increase the revenue of the Government?

Mr. OXNARD. It would increase it to the extent of one-eighth of a cent a pound, but it would do this—it would destroy the refining industry and put our refining industries in the hands of foreigners.

Mr. UNDERWOOD. I mean if you put the same tax on refined sugar as on unrefined sugar?

Mr. OXNARD. It would drive out the refineries. That question was put to Mr. Colcock a little while ago, but I do not think he brought out this fact. I am a Louisiana planter as well as a beet sugar planter. It would mean that the Louisiana people would have to go into the business of refining sugar in competition with Europe, where the wages are very low. There is a gentleman coming after me who spent six months in Europe and who has statistics as to wages and the labor question. Louisiana, I can say from what I have seen, can not possibly compete with Germany, and the result would be to transfer the refining to Europe.

Mr. UNDERWOOD. You stated that you did not know the cost of transportation to this country on refined sugar?

Mr. OXNARD. I said that I did not know. I could guess, but there are men here who know better than I do. I have a pretty good idea.

Mr. UNDERWOOD. You do not know that the American Sugar Refining Company could not run with the differential off?

Mr. OXNARD. I am certain they could not.

Mr. UNDERWOOD. On what do you base that statement?

Mr. OXNARD. On the figures that I have referred to as to the amounts paid in the factories of Europe. You will be astounded when you hear them. This gentleman will follow me.

Mr. UNDERWOOD. Then I will wait for the other gentleman.

Mr. FORDNEY. I understood you to say a moment ago, in answer to a question by Mr. Underwood, that raw sugar is now shipped from the Atlantic to the Pacific?

Mr. OXNARD. Refined sugar.

Mr. FORDNEY. He said raw sugar. Is it not true that the refineries on the Pacific coast refine sugar mostly coming from Hawaii and not from Europe?

Mr. OXNARD. That is absolutely so.

Mr. CLARK. You appear here in the dual capacity, as I understand it, of being very much interested in the beet sugar business and also being a cane sugar planter and refiner in Louisiana?

Mr. OXNARD. I am a refiner in the beet sugar sense, too.

Mr. CLARK. I understand. Then you appear in a dual capacity?

Mr. OXNARD. If you want to put it that way.

Mr. CLARK. As far as the beet sugar industry is concerned, the question that Mr. Underwood asked Colonel Colcock and you both was: If we take the tariff off of refined sugar and place it on raw sugar, so far as the producer goes, it would not make a particle of difference?

Mr. OXNARD. Yes, sir. I would not like to be brought into competition with the German producers.

Mr. CLARK. I do not care what you would like, but it would not change one particle the amount of tariff you would get.

Mr. OXNARD. As far as the amount of protection I would get, it would not, but it would put my competitor in the field again.

Mr. CLARK. I understand; but as far as the tariff is concerned, you would be precisely where you are now.

Mr. OXNARD. You would take it off of one side and put it on the other side and, as we are producers of raw as well as refined sugar, the condition remains the same.

The CHAIRMAN. Would it not depend on whether they took off the differential on refined sugar?

Mr. OXNARD. Yes, sir.

Mr. CLARK. Mr. Underwood's theory is to take the differential off the refined sugar and put the same amount on the raw sugar. How long have you been running the sugar refinery down there?

Mr. OXNARD. About twenty days.

Mr. CLARK. You have just started?

Mr. OXNARD. Yes, sir. We do not know whether it is going to be a success or not. The practical result would be that the Louisiana people would have to put up a refinery and compete with the refined sugar of Germany. That is what they would have to do.

Mr. CLARK. The reason I asked you that question was to ask you another one. What is the reason they do not build refineries down there and refine this Louisiana, Texas, and Mississippi sugar down there instead of shipping it to New York to be refined?

Mr. OXNARD. The answer to that question is because there is more money in doing it the way it is done now.

Mr. CLARK. That is because the trust has you by the throat?

Mr. OXNARD. That is not my answer.

Mr. CLARK. I know. I am asking you a question.

Mr. OXNARD. If the trust had us too much by the throat, we would undoubtedly take some measure as you suggest, but we do not find it sufficiently exacting to do that. As a matter of dollars and cents, we do not do it.

Mr. CLARK. I know you have not done it. What I would like to see, of course, would be a part of this manufacturing done down there. Colonel Colcock testified here that if they put up a refinery in New Orleans that the sugar trust would meet them even at Vicksburg, and the upshot would be that the trust would cut the throat of the refinery down there and they would have to go out of business. If you had a refinery down there and refined all of the Louisiana, Texas, and Mississippi sugar, would not the freight rate from New York give you advantage enough to compete with the sugar trust in your own territory?

Mr. OXNARD. I think it would. I am here as a beet sugar representative. I take very little interest in that part; my brother attends to it.

Mr. CLARK. Do the beet sugar men contemplate a time when they can stand on their own legs and compete with everybody, or do they look all the time for a high protective tariff to enable them to make sugar at all?

Mr. OXNARD. The sugar beet is being bred up every year, so that we are getting more and more sugar all the time out of good, sweet beets. Science is being devoted to developing a high-grade beet, and they are gradually getting 1 per cent more and 1 per cent more, and every per cent means more pounds of sugar. Some exceptional beets have been produced containing 25 per cent sugar to the weight; a quarter of the whole weight was sugar. My hope is that we will breed the beet just as you have bred the trotters, from 2.40 down to 2 minutes. We are hoping every day to secure that high standard, and when we have obtained it, if that day comes, as I firmly believe it will, we can compete with the whole world.

Mr. CLARK. Is one of the things that keep the American beet sugar man clamoring for a high protective tariff the fact that they have developed the beets there on soil or the way they cultivate them in Europe, so that they produce a greater percentage of saccharine matter than our own beets?

Mr. OXNARD. All the seed we use is imported from Europe, and so we have the same facilities as the sugar producer of Europe.

Mr. CLARK. Does the sugar beet produced in Germany contain a higher percentage of saccharine matter than the sugar beet of Michigan, Colorado, and California?

Mr. OXNARD. With your permission, I will ask Mr. Hathaway to answer that question. He has all those facts. As I said before, each one has taken his part in this tariff discussion, and he has all the specific details.

Mr. CLARK. Is it not true that the reason that they tore down and removed a beet sugar factory from Michigan to Colorado was because the Colorado beets contain so much more saccharine matter than the Michigan beets?

Mr. FORDNEY. No.

Mr. OXNARD. I do not know; you must ask a Michigan man that question.

Mr. CLARK. Then why did they tear down that great big sugar factory in Saginaw?

Mr. OXNARD. It was a very little one, not a big one.

Mr. CLARK. It cost \$500,000.

Mr. OXNARD. That is nothing. The Oxnard factory cost \$2,500,000.

Mr. CLARK. That is the biggest one in the world?

Mr. OXNARD. The biggest of ours.

Mr. FORDNEY. It was not moved because of the low percentage of sugar in the beet, but because there were too many factories growing up in that particular locality.

Mr. CLARK. If the beets contained more saccharine matter they would have raised more?

Mr. OXNARD. They raise 200,000 tons, a fourth of the production of the United States.

Mr. FORDNEY. The gentleman from Missouri asked you if the difference in the freight rates between New York and New Orleans would not be sufficient to protect any refiners in the South against sugar refined in New York. Is it not true that foreign sugar from Cuba and from Germany can be landed as cheaply at New Orleans as it can be in New York?

Mr. OXNARD. Yes, sir.

Mr. FORDNEY. And is being landed?

Mr. OXNARD. I think, without doubt.

Mr. FORDNEY. So, you are directly in competition with foreign sugar now?

Mr. OXNARD. I did not quite understand his question that way. He spoke of Vicksburg.

Mr. CLARK. I spoke of Vicksburg because Colonel Colcock spoke of it, and because it is so near to New Orleans. He said that they could not compete if they started a refinery in Louisiana or they could not compete with the sugar refinery at Vicksburg. It looks to me like the freight rate from New York to Vicksburg would give you a con-

siderable advantage over them in selling the refined sugar. As a matter of fact, the beet sugar country is west of the Missouri River?

Mr. OXNARD. No; I will not admit that; it is not west of the Missouri River. It is produced there. I would not say it was sold there. The bulk is produced west of the Missouri River.

Mr. CLARK. The bulk of it.

Mr. OXNARD. I think it is sold east of the Missouri River.

Mr. CLARK. The freight rates are counted from Missouri River points and Mississippi River points. Nine-tenths of the beet sugar country is between the Mississippi River and the Pacific coast?

Mr. OXNARD. No; I should not say that. These gentlemen know. As I have said, I have not handled those figures.

Mr. CLARK. What is the sense in shipping beet sugar East and cane sugar West?

Mr. OXNARD. Because there is not a combination, a community of interest. That is the answer to that question. If there was a combination between the refiners of the East and the West, then that would happen. As it is, we go seeking markets everywhere we can in competition.

Mr. CLARK. Has there been any general understanding?

Mr. OXNARD. As to the beet factories, no sir. I say positively, none.

Mr. FORDNEY. Nearly one-fourth of the sugar is produced in Michigan and some east of the Missouri River.

Mr. GAINES. How many beet sugar producing companies are there?

Mr. OXNARD. There are 63 in operation.

Mr. GAINES. How many different companies own those concerns?

Mr. OXNARD. We have six factories.

Mr. GAINES. About one-eighth of the production?

Mr. OXNARD. This Oxnard factory, that cost \$2,500,000 to build, produces nearly half of the output of the six.

Mr. GAINES. Can you tell us how many beet sugar producing companies there are in America? I understood there were 63.

Mr. OXNARD. I do not know. I should say, however, that half of that number were different companies, about one-half. Mr. Hathaway says that he will give an exact list.

Mr. GAINES. Do you know how many different companies refine cane sugar?

Mr. OXNARD. You mean in the United States?

Mr. GAINES. Yes, sir.

Mr. OXNARD. No, sir; I should say about a dozen.

Mr. GAINES. Do you know what proportion of the cane sugar production is refined by the so-called trust?

Mr. OXNARD. I should say about 50 per cent. I do not know. I am just giving these statements from memory. They are what I think.

Mr. GAINES. You do not know how many other companies refine the balance?

Mr. OXNARD. I think there are about one dozen refineries in the country.

Mr. CLARK. If you were to invest \$1,000,000 in cane sugar lands and \$1,000,000 in beet sugar, with the same amount of brains, the same kind of a fellow running both, which would make the more money?

Mr. OXNARD. Whereabouts? Where would you invest the money?

Mr. CLARK. I would invest it down in the cane country; and as to beet sugar, if I were going to pick the place, I would pick Colorado.

Mr. OXNARD. You would pick about right, as far as beet sugar is concerned.

Mr. CLARK. Where would you go with the cane?

Mr. OXNARD. Louisiana.

Mr. CLARK. Where would you put the cane factory if you were about to invest \$1,000,000 in the business?

Mr. OXNARD. In Louisiana, I might say.

Mr. CLARK. I would like to see it located in Louisiana or Texas.

Mr. OXNARD. That is the best place in this country. I would say unquestionably that the beet sugar investment would be more profitable, having had long experience in both.

Mr. CLARK. Make more profit?

Mr. OXNARD. Yes, sir.

Mr. McCALL. Will not the tendency toward beet sugar destroy the cane sugar industry in this country?

Mr. OXNARD. I think there is room for both, unless you let all the outlying islands come in with their sugar.

The CHAIRMAN. Refined beet sugar is sold in competition with the American Sugar Refining Company?

Mr. OXNARD. Yes, sir.

The CHAIRMAN. Is there any more difficulty in disposing of the product of American refined cane sugar than beet sugar?

Mr. OXNARD. The beet sugar factories have to sell under the cane a little. As a matter of fact, they do sell for less.

The CHAIRMAN. Than the American Sugar Refining Company?

Mr. OXNARD. Yes, sir; a little bit under them.

The CHAIRMAN. How much?

Mr. OXNARD. About 10 cents a hundred pounds.

The CHAIRMAN. By a similar concession the Louisiana people might refine their own sugar and sell it. Do you see any reason why they can not?

Mr. OXNARD. None on earth, except it is more profitable to do it the way they are doing it, selling it to the trust.

The CHAIRMAN. They are not getting their share?

Mr. OXNARD. This is a free country and they can build a refinery if they feel they can profit by it.

Mr. UNDERWOOD. The reason they do not go into the sugar refining business is the same reason that a good many people do not go into the oil business against the Standard Oil Company; they are afraid to put their money against the immense amount of capital on the other side?

Mr. OXNARD. You will have to answer that question.

Mr. UNDERWOOD. Is not that the fact?

Mr. OXNARD. I am sure of it.

STATEMENT OF F. R. HATHAWAY, REPRESENTING THE MICHIGAN SUGAR COMPANY, OF DETROIT, MICH.

MONDAY, *November 16, 1908.*

MR. HATHAWAY. Mr. Chairman and members of the committee, measured from one standpoint, it seems to me that this day is most appropriate to undertake the discussion of this question, because it is a sort of field day for the beet sugar people, and I speak of this, to start with, because it furnishes a concrete fact such as I believe you would like to get hold of. It is the general practice of the beet sugar people to pay the middle of the month for the beets delivered during the preceding calendar month. Yesterday was the middle of the month, and the pay day for the beets delivered during the month of October is to-day. Just before I left home I received drafts on us from our six sugar factories, these drafts to be used to pay the farmers for the beets delivered to our factories during the month of October, and the sum total of those drafts for the six factories was \$1,148,000, nearly \$200,000 to a factory. That which applies to the beet sugar factories owned by the Michigan Sugar Company applies with equal force to the remaining number to make up the 63 beet sugar factories in the United States. In other words, to-day, the day on which you begin these hearings, there is being paid to the farmers of this country for beets delivered to the beet sugar factories of this country during the month of October in the neighborhood of \$12,000,000 or \$13,000,000. That is simply for beets delivered during the month of October. These deliveries will continue during the months of November and December. These deliveries will probably not be quite as high as the October delivery, and probably this pay roll which we are making at the present time constitutes about 40 per cent of the total pay roll we will be called upon to make for beets. This is exclusive of the labor pay roll at each of our factories.

A question came up from one or two of the gentlemen present asking the kind of sugar that we produced, and I knew of no better way of answering that than to wire home and ask them to send me a sample from each of the six factories. I have not opened these samples [exhibiting samples]. They represent the six different factories owned and operated by the Michigan Sugar Company.

MR. McCALL. In other words, the total amount paid for beets in a year would be about \$30,000,000?

MR. HATHAWAY. Yes, sir; from \$25,000,000 to \$30,000,000. I would like to have you, if you desire, look at this sugar. Some people think that beet sugar is different in appearance from that which is made from cane.

THE CHAIRMAN. It takes an expert to detect the difference between beet sugar and cane sugar?

MR. HATHAWAY. Yes, sir. I simply have these samples here so that you can look at them, if you wish.

THE CHAIRMAN. I think that is what Doctor Wiley said. Of course we have heard something of this sugar question before.

MR. HATHAWAY. I appreciate that, Mr. Chairman.

The platform of the Republican party adopted in the year 1896 contained this statement of the position of the party toward the domestic producers of sugar.

I will read the statement or not, as you wish, Mr. Chairman, concerning the party's declaration.

The CHAIRMAN. I do not think it is necessary to read it.

Mr. FORDNEY. It has a splendid tone; read it.

Mr. HATHAWAY (reads):

We condemn the present administration for not keeping faith with the sugar producers of this country. The Republican party favors such protection as will lead to the production on American soil of all the sugar which the American people use, and for which they pay other countries more than \$100,000,000 annually.

The general tariff plank, adopted the same year, was:

We demand such an equitable tariff on foreign imports which come into competition with American products as will not only furnish adequate revenue for the necessary expenses of the Government, but will protect American labor from degradation to the wage level of other countries.

The Republican party, in its national platform adopted in the year 1900, made this declaration:

We renew our faith in the policy of protection to American labor. In that policy our industries have been established, diversified, and maintained. By protecting our home market competition has been stimulated and production cheapened. Opportunity for the inventive genius of our people has been secured and wages in every department of labor maintained at higher rates, higher now than ever before, and always distinguishing our working people in their better conditions of life from those of any competing country.

The platform of the Republican party, adopted in the year 1904, stated:

Protection which guards and develops our industries is a cardinal policy of the Republican party. The measure of protection should always at least equal the difference in the cost of production at home and abroad.

President Roosevelt's message, sent to Congress in December, 1907, contained this statement regarding the position of the Republican party:

This country is definitely committed to the protective system and any effort to uproot it could not but cause widespread industrial disaster. In other words, the principles of the present tariff law could not with wisdom be changed. But, in a country of such phenomenal growth as ours, it is probably well that every dozen years or so the tariff laws should be carefully scrutinized, so as to see that no excessive or improper benefits are conferred thereby; that proper revenue is provided and that our foreign trade is encouraged. There must always be as a minimum a tariff which will not only allow for the collection of an ample revenue, but which will at least make good the difference in cost of production here and abroad; that is, the difference in the labor cost here and abroad for the well-being of the wage worker must ever be a cardinal point of American policy.

The Republican platform of 1908, under which that party has just been returned to power, contains the following statement in its tariff plank:

In all tariff legislation the true principle of protection is best maintained by the imposition of such duties as will equal the difference between the cost of production at home and abroad, together with a reasonable profit to American industries. * * * Between the United States and the Philippines we believe in a free interchange of products with such limitations as to sugar and tobacco as will afford adequate protection to domestic interests.

It appears from the foregoing declaration of party principles that every platform adopted by the Republican party from 1896 to 1908, both inclusive, contains a party pledge in favor of a protective tariff and that two of them, viz, the platform of 1896 and the platform of 1908, contains specific pledges that the domestic sugar industry shall be protected.

The purpose of such schedule is clearly the protection of the domestic sugar industry of the United States, with a view to the ultimate production on American soil of all the sugar the American people consume.

Has the development of the beet sugar industry in the United States since 1897 justified the enactment of a protective sugar tariff?

When the Dingley law was passed, there were but six sugar factories in the United States, the combined output of which was 40,000 short tons of sugar. To-day there are in active operation 64 beet sugar factories in this country, and their output for each of the past two years has been 480,000 short tons of sugar. This year the output will pass 500,000 tons. It thus appears that during ten years the output of domestic beet sugar has increased more than 1,200 per cent. This output is greater than the domestic cane output, and has become the second largest source of supply from which the people of the United States fill their annual sugar bowl, being exceeded only by Cuba. We to-day produce from beets grown in this country enough sugar to supply all the people of the United States living between the crest of the Rocky Mountains and the Mississippi River.

I will take up the question of where that sugar is marketed if the gentleman from Alabama desires.

Such a development of the industry in the first decade of a protective sugar tariff is little less than wonderful when we stop to think that at the time the Republican party incorporated its first sugar plank in its platform of 1896 there were few farmers who had ever raised sugar beets, no trained agriculturists who could teach them how to raise this crop, no good model by which a factory could be built, few skilled operatives to work in such factories when built, no trained supervisors to teach factory employees, no experienced managers to place in charge of the enterprise, no merchant east of the Mississippi who had ever handled domestic beet sugar, and, to cap the climax, a hostile refining industry anxious to stamp out this new competitor. The most enthusiastic advocate of the sugar plank of 1896 could hardly have expected that within ten years \$60,000,000 would be invested in the beet sugar business in this country and that the farmers who raised the beets for the 64 factories would receive annually \$25,000,000 for their crop. Such, however, has been the development. The attached table will show the location and size of the different beet sugar factories scattered over the fifteen States in which this industry has taken root.

These tables show the number of companies as well.

Mr. FORDNEY. And the total number of companies?

Mr. HATHAWAY. Yes, sir. It also gives the ownership of each factory.

Mr. BONYNGE. The location of each factory and ownership?

Mr. HATHAWAY. Yes, sir.

Name.	Location.	Daily capacity in beets.
CALIFORNIA.		
		<i>Tons.</i>
Alameda Sugar Company.....	Alvarado.....	800
Los Alamitos Sugar Company.....	Los Alamitos.....	700
Spreckels Sugar Company.....	Spreckels.....	3,000
Union Sugar Company.....	Betteravia.....	600
American Beet Sugar Company.....	Chino.....	400
Do.....	Oxnard.....	200
Pacific Sugar Corporation.....	Visalia.....	400
Do.....	Corcoran.....	600
Sacramento Valley Sugar Company.....	Hamilton City.....	700
		<hr/> 9,700 <hr/>
COLORADO.		
American Beet Sugar Company.....	Rocky Ford.....	1,100
American Beet Sugar Company.....	Lamar.....	600
Do.....	Las Animas.....	700
Holly Sugar Company.....	Holly.....	600
Holly Construction Company.....	Swink.....	1,200
National Sugar Manufacturing Company.....	Sugar City.....	500
Great Western Sugar Company.....	Faton.....	600
Do.....	Greeley.....	600
Do.....	Loveland.....	1,200
Do.....	New Windsor.....	600
Do.....	Longmont.....	1,200
Do.....	Fort Collins.....	1,200
Do.....	Sterling.....	600
Do.....	Brush.....	600
Do.....	Fort Morgan.....	600
Western Sugar and Land Company.....	Grand Junction.....	600
		<hr/> 12,500 <hr/>
IDAHO.		
Utah-Idaho Sugar Company.....	Idaho Falls.....	1,200
Do.....	Sugar.....	1,200
Do.....	Blackfoot.....	600
Do.....	Nampa.....	750
		<hr/> 3,750 <hr/>
ILLINOIS.		
Charles Pope.....	Riverdale.....	350
IOWA.		
Iowa Sugar Company.....	Waverley.....	400
KANSAS.		
United States Sugar and Land Company.....	Garden City.....	1,200
MICHIGAN.		
Michigan Sugar Company.....	Bay City.....	750
Michigan Sugar Company.....	Caro.....	1,200
Do.....	Alma.....	750
Do.....	Carrollton.....	800
Do.....	Sebewaing.....	600
Do.....	Croswell.....	600
West Bay City Sugar Company.....	West Bay City.....	600
Holland Sugar Company.....	Holland.....	400
Owosso Sugar Company.....	Owosso.....	1,200
Do.....	Lansing.....	600
German American Sugar Company.....	Bay City.....	650
Mount Clemens Sugar Company.....	Mount Clemens.....	600
Menominee River Sugar Company.....	Menominee.....	1,200
St. Louis Sugar Company.....	St. Louis.....	600
Continental Sugar Company.....	Blissfield.....	600
West Michigan Sugar Company.....	Charlevoix.....	600
		<hr/> 11,750 <hr/>
MINNESOTA.		
Carver County Sugar Company.....	Chaska.....	600
MONTANA.		
Great Western Sugar Company.....	Billings.....	1,200
NEBRASKA.		
American Beet Sugar Company.....	Grand Island.....	350

Name.	Location.	Daily capacity in beets.
NEW YORK.		
Lyons Beet Sugar Refining Company.....	Lyons.....	Tons, 600
OHIO.		
Continental Sugar Company.....	Fremont.....	400
OREGON.		
Amalgamated Sugar Company.....	La Grande.....	400
UTAH.		
Amalgamated Sugar Company.....	Logan.....	600
Do.....	Ogden.....	400
Do.....	Lewiston.....	600
Utah-Idaho Sugar Company.....	Lehi.....	1,200
Do.....	Garland.....	1,200
		<hr/> 4,000
WASHINGTON.		
Washington State Sugar Company.....	Waverly.....	500
WISCONSIN.		
Wisconsin Sugar Company.....	Menominee Falls.....	500
Chippewa Sugar Company.....	Chippewa Falls.....	600
Rock County Sugar Company.....	Janesville.....	600
United States Sugar Company.....	Madison.....	600
		<hr/> 2,300

Total, 64 factories, with daily slicing capacity of 50,000 tons beets.

The following table, taken from page 5 of Willett & Gray's Weekly Statistical Sugar Trade Journal, December 26, 1907, shows the progress of the beet sugar industry in the United States during the past sixteen years.

I give here the year, the sugar produced in tons of 2,240 pounds, and the number of factories operated each year. I will not read that.

	Sugar produced.	Factories operated.		Sugar produced.	Factories operated.
	<i>Long tons.</i>			<i>Long tons.</i>	
1907-8.....	410,000	63	1899-1900.....	72,944	31
1906-7.....	433,010	63	1898-99.....	32,471	15
1905-6.....	233,717	53	1897-98.....	40,399	9
1904-5.....	209,722	51	1896-97.....	37,536	7
1903-4.....	208,135	53	1895-96.....	29,220	6
1902-3.....	195,463	44	1894-95.....	20,092	5
1901-2.....	163,126	39	1893-94.....	19,550	6
1900-1901.....	76,859	34	1892-93.....	12,018	6

The next general subject to which I wish to call your attention is the necessity for a protective tariff against European sugar.

The average price paid the American farmer for his sugar beets is \$5.75 per ton.

Mr. BOUTELL. Where?

Mr. HATHAWAY. That is f. o. b. factory. When he brings them to the factory in his wagon he receives \$5.75 a ton.

The CHAIRMAN. How is it where they ship by the railroad?

Mr. HATHAWAY. It depends on the freight. We pay all freight in excess of 40 cents per ton. He pays the first 40 cents of the freight.

From a ton of such beets the American manufacturer makes 240 pounds of granulated sugar, such as you have seen this morning. It thus appears that the farmer receives \$2.40 per 100 pounds for the sugar in the beet before the manufacturer begins the process of manufacturing.

Mr. McCALL. Please repeat that statement.

Mr. HATHAWAY. It thus appears that the farmer receives \$2.40 per hundred pounds for the sugar in the beet before the manufacturer begins the process of manufacturing. When the farmer unloads his beets at our factory he receives \$2.40 a hundred pounds for the sugar that is in those beets.

The present average cost of producing granulated beet sugar in this country ranges from \$3.75 per 100 pounds to \$4 per 100 pounds.

The beet sugar manufacturer received an average of \$4.35 per 100 pounds for his 1907 crop.

That answers your question.

Mr. FORDNEY. That is the sugar in the beet?

Mr. HATHAWAY. No. The beet sugar manufacturer received an average of \$4.35 per 100 pounds for his manufactured sugar in 1907.

Mr. FORDNEY. I did not understand the statement.

Mr. CLARK. Right there, how much profit does he get?

Mr. HATHAWAY. I gave you his cost of production.

Mr. CLARK. How much does it cost him to produce a hundred pounds of sugar?

Mr. HATHAWAY. From \$3.75 to \$4 per hundred pounds.

Mr. CLARK. There is a range of 25 cents?

Mr. HATHAWAY. Yes, sir.

Mr. CLARK. And he sells it at \$4.35?

Mr. HATHAWAY. Yes, sir.

Mr. CLARK. Then, he either makes a profit of 35 cents a hundred pounds or a profit of 60 cents.

Mr. HATHAWAY. Yes, sir; that is the range.

Mr. DALZELL. That does not include any cost of administration?

Mr. HATHAWAY. What do you mean?

Mr. DALZELL. Interest on capital, and all that sort of thing.

Mr. HATHAWAY. No, sir.

Mr. DALZELL. Insurance and so on?

Mr. HATHAWAY. Yes, sir; insurance.

The CHAIRMAN. How about office employees?

Mr. HATHAWAY. It includes the pay roll, whatever it is.

Mr. DALZELL. Is that included?

Mr. HATHAWAY. Yes, sir.

Mr. UNDERWOOD. You include in that statement all the cost of production except interest on capital?

Mr. HATHAWAY. Except interest on capital. If you will give me an opportunity to read this next paragraph, I think it will answer your question.

The CHAIRMAN. Continue your statement.

Mr. HATHAWAY. In that year there were 63 sugar factories in operation in the United States, and the combined output was 410,000 long tons, or 918,400,000 pounds, making an average of 14,500,000 pounds per factory. The combined daily capacity of these 63 sugar

factories is 50,000 tons of beets, or a daily average of 800 tons beets per plant. The cost of erecting an 800-ton factory is \$800,000. The site, equipment, and permanent supplies, exclusive of working capital, costs another \$100,000, making the total investment, exclusive of working capital, \$900,000.

On the 14,500,000 pounds of sugar which the average American factory produced the maximum profit would be 60 cents per 100, or \$87,000. If the sugar cost 4 cents a pound to produce, as it does in most cases, the profit would be \$50,750. In neither case is any allowance made for depreciation of plant. The year referred to, viz, 1907, was an exceptionally good year; far above the average for the past ten years.

I can not give you any franker statement than that of the exact condition in the country.

In Willett & Gray's Weekly Statistical Sugar Trade Journal, December 26, 1907, page 7, the average Hamburg price of 88° sugar (the form of raw sugar manufactured in Europe) is given as follows:

1900	-----100 pounds	\$2. 24
1901	-----do	1. 88
1902	-----do	1. 43
1903	-----do	1. 81
1904	-----do	2. 14
1905	-----do	2. 55
1906	-----do	1. 87
1907	-----do	2. 05

Making the average price of this sugar f. o. b. Hamburg for the eight years in question just \$2 per hundred pounds, or 2 cents a pound.

From the same page of the same journal I find the Hamburg price of refined granulated sugar for the same years to be as follows:

1900	-----100 pounds	\$2. 64
1901	-----do	2. 29
1902	-----do	1. 79
1903	-----do	2. 11
1904	-----do	2. 55
1905	-----do	3. 09
1906	-----do	2. 31
1907	-----do	2. 40

Making the average Hamburg prices for granulated sugar for these same eight years to be \$2.38½ per 100 pounds f. o. b. Hamburg.

I have carefully compared these figures with those given by H. H. Hancock, London, on pages 104 and 105 of the International Sugar Journal, February, 1908, and find that they agree very closely, the maximum difference being 0.05 cents per 100 pounds in any one year, and the average prices shown by Mr. Hancock to be a trifle less than those shown by Willett & Gray.

It appears from the foregoing that the actual selling price of granulated sugar, f. o. b. Hamburg, is less than the amount the American manufacturers pay the farmers for the sugar in the beet before they begin the process of manufacture. Further, that this average Hamburg selling price of granulated sugar is \$1.36½ less than the lowest range of average cost to manufacture beet sugar in the United States. It must be remembered that the Hamburg prices above referred to are the selling prices and not the cost prices. They include the first cost of raw material, the cost of manufacturing and the manufacturer's profit, the sum total of which, as stated above, is

less than the American manufacturer pays the farmer for the sugar in the beet before he begins the process of manufacture.

If it is urged that the European sugar producer can not afford to sell 88° sugar at an average price of \$2 per 100 pounds, and granulated sugar at an average price of \$2.38½ per 100 pounds, let it be remembered that during the years in question, namely, from 1900 to 1907, the beet sugar industry of Europe has thrived as never before, as is shown by the following figures, from page 13, Senate Document No. 250, entitled "Production and Commercial Movement of Sugar," compiled by O. P. Austin, Chief of Bureau of Statistics, Department of Commerce and Labor:

1900-1901	-----	tons	6, 146, 000
1901-2	-----	do	6, 913, 000
1902-3	-----	do	5, 757, 000
1903-4	-----	do	6, 090, 000
1904-5	-----	do	4, 923, 000

Mr. Austin's figures do not continue after the above-mentioned year, and I take the following statistics as given by the great German statistician, F. O. Licht, in Willett & Gray's Statistical Sugar Trade Journal, January 9, 1908, page 19:

1905-6	-----	tons	6, 933, 640
1906-7	-----	do	6, 717, 000
1907-8	-----	do	6, 575, 000

It will thus be seen that during the eight years in question the European beet sugar crop has increased about half a million tons.

The most celebrated German beet sugar statistician is Mr. F. O. Licht. In his report dated "Magdeburg, December 20, 1907," he gives the following figures covering the production of sugar in Germany during recent years:

1902-3	-----	tons	1, 762, 461
1903-4	-----	do	1, 927, 681
1904-5	-----	do	1, 598, 164
1905-6	-----	do	2, 418, 156
1906-7	-----	do	2, 239, 179

This shows practically a half million tons increase in five years.

Notwithstanding the fact that Europe can produce 88° sugar and sell it profitably at an average price of 2 cents per pound, every sugar producing country in Europe finds it necessary to maintain a protective tariff against cane sugar grown in the Tropics by still cheaper labor.

The highest authority on the present European sugar tariffs is *Liste Generale des Fabriques de Sucre*, the 1907-8 edition of which gives the following as the present European sugar tariffs:

Austria-Hungary, \$2.39 per 100 pounds on raw sugar and \$3.50 per 100 pounds on refined sugar, to which there is added an additional interior duty of 0.32 cent per 100 pounds refined sugar and 0.30 cent per 100 pounds raw sugar; Russia, raw sugar \$6.39 per 100 pounds, refined sugar \$8.56 per 100 pounds; Spain, \$3.06 per 100 pounds on all sugar; Germany, \$1.51 per 100 pounds on all sugar; Italy, \$7.70 per 100 pounds on sugar under 94° and \$8.67 per 100 pounds on sugar above 94°. On domestic sugar Italy levies a tax of \$5.88 per 100 pounds on sugar under 94° and \$6.14 per 100 pounds on sugar above 95°; France, \$2.36 per 100 pounds; Holland, on 98° sugar and refined sugar \$4.82 per 100 pounds, for sugar below 98° 0.27 florin is

deducted for each degree, but the tax shall in no case be less than \$3.21 per 100 pounds; Belgium, \$1.75 per 100 pounds, plus a surtax fixed by the Government, but not to exceed 0.48 cent per 100 pounds; Sweden, refined sugar and that above No. 18 Dutch standard \$2.07 per 100 pounds, raw sugar and that below No. 18 Dutch standard \$1.43 per 100 pounds. These duties in Sweden are to be gradually reduced until the year 1913, when a minimum shall have been reached at which the duty on refined sugar shall be \$1.70 per 100 pounds and on raw sugar \$1.10 per 100 pounds.

It will thus be seen that every sugar-producing country in Europe maintains a protective tariff against cane sugar.

The CHAIRMAN. Most of those duties are prohibitive?

Mr. HATHAWAY. Very nearly.

The CHAIRMAN. When they get to \$3 or \$4 a hundred it is practically prohibitive?

Mr. HATHAWAY. Yes, sir.

Mr. CRUMPACKER. Those countries have capacity sufficient to produce all they consume?

Mr. HATHAWAY. Yes, sir. If it is urged that by reason of such protective tariff they are able to sell at a lower rate for export than for home consumption, it must be remembered that it is the price of their export sugar with which we must compete in the United States, and this for the past eight years has averaged \$2 per 100 pounds on 88° and at \$2.38½ per 100 pounds on granulated sugar.

The CHAIRMAN. Is there any bounty paid by Germany on export sugar?

Mr. HATHAWAY. Not at the present time.

Here is a partial answer to a question that has been asked: The Hamburg freight rates from Europe to the United States do not serve to protect our domestic manufacturers, the rate from Hamburg to New York being from 9 to 10 cents, which is the exact rate which a Michigan sugar manufacturer must pay to ship his sugar 96 miles from Saginaw to Detroit.

Mr. UNDERWOOD. Is there an internal railroad freight?

Mr. HATHAWAY. Yes, sir. If you will ask that question later on, when I get through with this particular part of my statement, I will be glad to answer it.

In contrast with the above-mentioned European tariffs, it may be well to note the various United States tariffs that have been effective during the last fifty years. In 1861, 5 cents per pound. By the tariff of 1862 the rate was reduced to 4 cents; in 1864 it was put back to 5 cents; in 1870 the rate was fixed at 4 cents, at which schedule it remained until 1883, when it was established at 3½ cents, where it remained until the McKinley bill of 1890. By that act the rate of duty was fixed at one-half cent per pound, and a bounty of 2 cents was paid on domestic sugar. In 1894 the Wilson bill established a rate of 40 per cent ad valorem, which was equivalent to nearly 1 cent per pound. This rate remained in effect until the Dingley bill of 1897, the provisions of which will be set forth later on.

Mr. NEEDHAM. All those countries you have mentioned export sugar?

Mr. HATHAWAY. Yes, sir.

Mr. NEEDHAM. What proportion does the United States import from each of those countries?

Mr. HATHAWAY. If you will refer to this pamphlet [exhibiting] it will give you the exact importations.

Mr. UNDERWOOD. There is practically no importation of refined sugar?

Mr. HATHAWAY. It is very slight.

Mr. DALZELL. Is that a Senate document?

Mr. HATHAWAY. Yes, sir; Senate Document No. 250, Fifty-ninth Congress, first session.

I wish now to speak of the concessions already made in the sugar schedule of the Dingley bill.

The sugar schedule in the Dingley tariff fixes the rate of duty on 96° sugar as \$1.68½. From this amount 3½ cents per 100 pounds is taken for each degree below 96°, and 3½ cents per 100 pounds is added for each degree above 96° until 100°, or refined sugar, is reached, which sugar takes an arbitrary 12½ cents differential, making the duty on refined sugar to be \$1.95 per 100 pounds.

This schedule has been submitted to four distinct modifications since its enactment in 1897. The conditions growing out of our late war with Spain have led to these modifications. Hawaii was the first to profit by the war. Prior to 1898 free trade between these islands and the United States depended upon treaty. In that year the islands were annexed to our country and our tariff laws extended to include them. This legislation has worked wonders for those islands. In 1896 the Hawaiian output of sugar was 198,000 tons. (See Senate Document No. 250, p. 95.)

In 1907 the crop was 420,000 tons. (See Willett & Gray's Weekly Statistical Sugar Trade Journal, January 9, 1908, p. 19.) From reliable information recently received, I understand that this year's crop will be 550,000 tons. It will thus be seen that, under annexation, the crop of Hawaiian sugar has increased from 198,000 tons to 550,000 tons, all of which is admitted free of duty. Surely this increase of 350,000 tons of sugar was not contemplated in the enactment of the Dingley bill of 1897, the provision for it having been made in 1898.

Mr. NEEDHAM. What authority did you say?

Mr. HATHAWAY. A recent conversation with a gentleman very much interested over there.

Mr. NEEDHAM. Have you not any official authority?

Mr. HATHAWAY. The last official authority is, I think, for a year ago, which gives the statement as I have given it here.

Porto Rico came to us by right of conquest—a trophy of the Spanish war. Because of her low wage rate it was at first thought best to maintain a tariff on goods from that island to the United States. This plan was soon abandoned, and the Dingley law was extended around Porto Rico, and our ports thrown wide open to the free admission of her products. Under this stimulus her sugar production has increased from 56,000 tons to 217,000 tons, all of which comes to the United States. Surely the importation of 217,000 tons duty-free sugar from Porto Rico was not contemplated by the original framers of the Dingley bill. What the ultimate production of this island will be it is impossible to estimate.

The Spanish war was no sooner closed by treaty than a campaign was begun for the admission of Cuban sugars into the United States

at 50 per cent of the tariff rate. The question came to an issue in Congress in 1902. Fortunately the same political party which declared in 1896 for the protection of the domestic sugar industry was in power and its leaders recognized that men who had already invested \$40,000,000 on the strength of that promise had a right to expect its fulfillment. Those who wished the sugar people to foot the generosity bill for the nation were disappointed. Congress failed to grant their request. The following year the fight was renewed. To remove the question from the domain of ethics and place it in the realm of economics it was proposed that the reduction in tariff on goods imported from Cuba should be but 20 per cent and that Cuba should grant a similar reduction from their tariff on articles imported from the United States. The provisions of this arrangement were to be carried out by a five-year treaty to be proclaimed by the President as soon as Cuba complied with the terms of our law. The bill was passed and the treaty made effective December 27, 1903. The friends of the measure claimed that it would not only put Cuba on its feet financially, but would create a great export trade from the United States to that island. The first part of the prophecy has been fulfilled, but not the second.

From Table No. 3 of the United States Annual Report on Commerce for 1907, page 340, the following figures are taken, showing our importations of sugar from Cuba during the first four years of the reciprocity treaty:

	Pounds.
1904 -----	2, 819, 557, 727
1905 -----	2, 057, 684, 169
1906 -----	2, 781, 901, 380
1907 -----	3, 236, 466, 419
Total -----	10, 895, 609, 695

This sugar averages 96°.

Mr. McCALL. Those are the importations from Cuba?

Mr. HATHAWAY. Yes, sir.

Mr. McCALL. You are reading those in pounds?

Mr. HATHAWAY. Yes, sir; as it is given in the report of the Department of Commerce and Labor. I am glad you called my attention to that. Heretofore the statistics have been given in tons.

Mr. UNDERWOOD. Are those long tons?

Mr. HATHAWAY. Yes, sir; unless specific statement is made to the contrary.

Mr. McCALL. How many tons is that a year?

Mr. HATHAWAY. It will run about 1,250,000 tons.

Mr. McCALL. You have been reading the figures as 2,000,000, etc.

Mr. HATHAWAY. I gave you the exact figures.

Mr. McCALL. You said "million?"

Mr. HATHAWAY. It should be billion pounds. I thank you for calling my attention to it.

The 20 per cent concession amounts to 33.7 cents per 100 pounds, or, on the four years importations, \$36,718,204. This amount has been withheld from the National Treasury by the operation of the Cuban reciprocity treaty. Surely the framers of the Dingley bill did not contemplate that 1,440,000 tons of sugar should enter the United States from Cuba yearly at 20 per cent less than the schedule fixed by the law.

A fourth modification of the law was made for the benefit of the Philippines. Sugars entering the United States from those islands received a concession of 25 per cent, and the 75 per cent that is actually collected is returned to the insular treasury; thus, as far as our National Treasury is concerned, establishing free trade with those islands. The framers of the Dingley bill certainly did not contemplate the importation of free or concessionary sugar from the Philippines. The combined effect of these tariff modifications is as follows, the figures being taken from page 10 of Willett & Gray's Weekly Statistical Sugar Trade Journal, January 9, 1908, and from Senate Document 250, compiled by O. P. Austin, Chief of the Bureau of Statistics:

In the calendar year 1897 the total consumption of sugar in the United States was 2,070,987 tons. The production of domestic cane sugar that year was 310,537 tons, of domestic beet sugar 39,684 tons, of domestic maple sugar 5,000 tons, making the total domestic crop to be 355,221 tons, none of which paid the duty. In addition to this Hawaii, operating under a treaty with the United States, shipped us free of duty 232,213 tons, making the total nonduty-paying sugar to be 587,434 tons and leaving as the full duty-paying sugar entering the first calendar year of the Dingley bill to be 1,483,544 tons.

In the calendar year 1907 the total consumption of sugar in the United States was 2,993,979 tons. The domestic cane consumption for that year was 264,969 tons, the domestic beet consumption 375,410 tons, the domestic maple consumption 10,000 tons, and the domestic molasses sugar used was 6,249 tons, making the total domestic consumption to be 656,627 tons. The domestic cane crop for that year was 347,000 tons and the domestic beet crop 410,000 tons, the difference between the crop and the consumption being carried over and used early in the calendar year 1908.

In addition to the above domestic crop we use free of duty 418,102 tons from Hawaii and 212,853 tons from Porto Rico. We also used from the Philippines at 75 per cent of the Dingley rate 10,700 tons, and from Cuba at 80 per cent of the Dingley rate 1,340,400 tons, making a total on which tariff concession is allowed of 1,982,055 tons, leaving a balance of 355,297 tons upon which the full rate of duty was paid. This shows that the tariff concessions granted since the passage of the Dingley bill in 1897 have resulted in increasing the free and concessionary sugar imported into the United States by an amount in excess of 1,100,000 tons. These various concessions have reduced the average rate of duty collected on the sugar entering the United States so that if computed on the sugar originally intended by the framers of the Dingley bill to come in on payment of full duty it at present is only \$1.14½, as against \$1.68½ provided by the Dingley tariff.

The facts, as stated above, are corroborated by to-day's sugar market. The European price for 96° sugar, plus our full duty, is \$4.16 per 100, delivered in New York, whereas the price of the same grade of sugar in Louisiana is \$3.62½ per 100, or \$0.53½ per 100 below the European parity. If this \$0.53½ is subtracted from the full rate of duty, viz, \$1.68½, it leaves \$1.15 as the measure of protection now enjoyed by the domestic sugar producers.

It would thus appear that the general sugar schedule has been cut practically one-third by the various specific modifications that have

been made since 1897. It will also be noted that the average tariff at the present time is only about 20 per cent of the Morrill tariff of 1861. It is probable that no other schedule in the entire list can show a reduction of four-fifths from the rate fixed by the tariff of 1861 or a reduction of one-third from the rate fixed by the tariff of 1897.

Probably no decade in the history of the United States, other than that affected directly by war prices, will show a general advance in the price of the various necessities of life as that through which we have just passed. It is, therefore, interesting to note how the price of sugar has been affected. In 1896, the last year of the Wilson bill, when the rate of duty was 40 per cent ad valorem, the average New York price of refined sugar was \$4.53 per 100 pounds; in 1907 it was \$4.65 per 100 pounds, an increase of only 12 cents per 100 pounds in the decade mentioned. It would be difficult, indeed, to find any other necessity of life that has shown so small an increase in price. The most potent factor in keeping down the price of refined sugar is the domestic beet sugar, a sufficient amount of which is now produced to supply all the people living between the crest of the Rocky Mountains and the Mississippi River. This sugar is marketed at an average price considerably below the standard price of granulated cane sugar and comes upon the market at a time to produce the greatest effect in lowering the price of Cuban raws, and thus establishing a lower value upon which to base the price of eastern cane sugar.

CUBA.

The position of the Cubans on the question of modifying the present sugar schedule is set forth by Edwin F. Atkins in a pamphlet entitled "Tariff Relations with Cuba—Actual and Desirable," Publication No. 565, issued by the American Academy of Political and Social Science.

The following quotation is taken from page 64 of that pamphlet:

While the present differential duty of .34 cent per pound has proved sufficient to protect Cuba in the United States markets against the lower-cost sugars of Europe and Java, she can not long compete with our domestic sugars against the duty she is now paying of 1.35 cents per pound. As long as the island is prosperous and under some form of United States control, a republican government may be maintained; but should her great sugar industry be made unprofitable, either by cancellation of the treaty or by long continuance of the present high duty against her sugar, revolution, fed by her unemployed, is sure to result in the future, as it has under similar circumstances in the past. Revolution would be followed by a third and final occupation by the United States, by annexation, and finally by abolition of all duties. Whether such a condition is desirable in the near future, either for the United States or for Cuba, is open to grave doubt, but no government in any form, other than one of military force, can be maintained unless the people are given a "square deal," and allowed to benefit through their own industry.

To put the sugar industry of Cuba upon a sound basis does not require the removal of duties here, or such drastic measures as would prevent a fair and just return to our beet sugar and other producers upon their invested capital. But these interests are no longer dependent upon the present high Dingley rates—a liberal reduction can now be made in our sugar schedules; and by continuing the present differential of 34 cents per 100 pounds our large and increasing export trade to the island can be held, through maintaining its leading industry in a sound and healthy condition.

Will our domestic producers allow such reduction, or will they, by pursuing the former policy of Spain, risk all, and bring about the very conditions of free trade which they are so anxious to avoid?

It will be observed that Mr. Atkins admits that the present differential duty enjoyed by Cuba, viz, 34 cents per 100 pounds, is ample to protect the interests of Cuba, except in so far as they are threatened by the increased production of beet sugar in the United States. He wishes the total sugar schedule decreased, while the present differential extended to Cuba shall remain the same, for the purpose of curtailing the production of beet sugar in the United States and extending the cane-sugar production of Cuba. In case his request is not granted, he not merely prophesies, but threatens, a revolution in Cuba which will force the annexation of that island and cause ultimate free trade between Cuba and the United States. The mere statement of this proposition, made by an American citizen in the defense of his expatriated American dollars, should be sufficient. I can not believe that the honorable members of this committee will give much weight to such an argument, especially in view of the fact that every statement of Republican principles in every national platform from 1896 to 1908 pledges the Republican party to the maintenance of a tariff which shall develop the domestic sugar industry of the United States so that the sugar which we need in this country shall be grown upon our own soil.

It may not be amiss, however, in this connection to call attention to the actual figures showing our trade with Cuba during the first four years in which the present reciprocity treaty with Cuba has been in effect.

The following figures, compiled from Table No. 3 of the United States Annual Report on Commerce for 1907, page 340, show the sugar importations from Cuba:

1904	-----pounds--	2, 819, 557, 727
1905	-----do ----	2, 057, 684, 169
1906	-----do ----	2, 781, 901, 380
1907	-----do ----	3, 236, 466, 419
Total	-----do ----	10, 895, 609, 695

Cuban sugar averages 96°. The 205 per cent concession on this sugar amounts to 33.7 cents per 100 pounds, or, on the four years' importations, \$36,718,204. This amount has been withheld from the National Treasury by the operation of the Cuban reciprocity treaty. In 1904 our total importations from Cuba amounted to \$76,983,418. In 1907 they were \$97,441,690, an increase of \$20,458,272.

In 1904 our exports to Cuba were \$27,377,465. In 1907 they were \$49,305,274, an increase of \$21,927,809. (See Monthly Summary of Commerce and Finance, June, 1907, page 2572.)

It will be seen from these figures that in order to increase our exports to Cuba \$22,000,000 we have not only been obliged to buy \$20,000,000 more goods from Cuba, but have, during the same time, donated to the Cubans from our National Treasury \$36,000,000.

It would appear that the concessions we have already granted Cuba have not resulted in any material trade benefit to the United States. The principal effect of these concessions has been to deprive the United States annually of \$9,000,000 revenue.

Mr. UNDERWOOD. In speaking of these various concessions, did it reduce the cost of sugar to the consumer?

Mr. HATHAWAY. I am comparing prices with the prices under the Wilson bill.

Mr. UNDERWOOD. Can not you compare the prices under the Dingley bill before the new tariff went into effect?

Mr. HATHAWAY. The new Territory came in in 1898, before we had had very much of the Dingley bill.

Mr. UNDERWOOD. But sugar had not then come in?

Mr. HATHAWAY. Oh, yes.

Mr. UNDERWOOD. Sugar was coming from Hawaii all the time. It made no difference in the sugar from Hawaii. Sugar did not begin to come in from Porto Rico until 1900. It is not coming from Hawaii now. The law with relation to the concession in Cuba was not enacted until 1902, so that you may make a comparison with that.

Mr. HATHAWAY. Oh, yes; I can do that and will submit it if you care to have it.

The CHAIRMAN. In relation to the cost and tariff on sugar, do you take into consideration the imported sugar from other countries than Cuba, and do you also take into consideration the sugar from Hawaii and Porto Rico?

Mr. HATHAWAY. We had both of those when the Dingley bill was passed.

The CHAIRMAN. Do you take that into consideration in making your estimate?

Mr. HATHAWAY. Yes, sir.

The CHAIRMAN. Of course the price of sugar is only affected by the tariff on the sugars imported which pay a tariff. These other sugars from Hawaii and Porto Rico might be regarded as domestic, as compared with the duties paid on sugars coming from foreign countries.

Mr. HATHAWAY. I can not agree with you about that, Mr. Chairman.

The CHAIRMAN. I would like to have you show, before you get through, the comparative changes in prices under these various laws, and what was the effect on the sugar market.

Mr. HATHAWAY. I will prepare and submit a brief on that subject.

Mr. McCALL. And also submit at the same time the question as to whether it is the Hamburg price.

Mr. HATHAWAY. It is not.

Mr. McCALL. I want you to consider that question.

Mr. HATHAWAY. Well, that is a long story. One would have been led to believe so from the publication of Mr. Atkins recently made, but his premises are somewhat incorrect.

Mr. McCALL. You claim that the price in Hamburg is not the price in New York?

Mr. HATHAWAY. It is not. The figures absolutely prove that it is not.

Mr. McCALL. Please submit that also.

Mr. HATHAWAY. I will do so.

Mr. CRUMPACKER. Is the New York price greater than the Hamburg price, plus the duty, or is it lower?

Mr. HATHAWAY. It is lower. Do you refer to the average price under the four years concession?

Mr. CRUMPACKER. Yes, sir.

Mr. HATHAWAY. It is 18.17 cents per hundred lower than the Hamburg price, plus the full duty.

Mr. CLARK. I think it is not quite fair in making your statement to transfer this from one side to the other. This was not before the Dingley bill passed.

Mr. HATHAWAY. It is since 1876.

Mr. CLARK. In Hawaii they knew that the sugar treaty was not going to be renewed, and there was not any prospect of their having to pay a tariff on Hawaiian sugar.

Mr. HATHAWAY. The point which I endeavored to make is that at the present rate at which they are developing the sugar industry in Hawaii and the rate at which it has been developed during the past ten years, knowing that they were annexed to the United States and that nothing should separate them, has resulted in a very much more rapid increase of the industry than it was during the preceding years, when their free trade depended upon treaties.

Mr. CLARK. You think that is right?

Mr. HATHAWAY. I do; capital has gone over there to a great extent.

Mr. CRUMPACKER. You have referred to Mr. Atkins in your remarks in relation to Cuba. Does he live in Cuba?

Mr. HATHAWAY. No, sir; he lives in Boston.

Mr. UNDERWOOD. You did not refer to the reduced price in Cuba?

Mr. HATHAWAY. I did in answering Mr. Crumpacker.

Mr. UNDERWOOD. I did not hear that.

Mr. HATHAWAY. I said that the average price in this country during the last four years, because of the concessions, was 18.17 cents per hundred below the European price.

Mr. UNDERWOOD. Did the consumer get the benefit of it?

Mr. HATHAWAY. The concession was 34 cents. The consumer gets the benefit of 18.7 cents.

Mr. UNDERWOOD. He only got a certain portion of it?

Mr. HATHAWAY. Yes, sir.

SPANISH V. AMERICAN MARKETS FOR PHILIPPINE SUGAR.

There is a very general impression that the fiscal laws of the United States are such that the acquisition of the Philippines by the United States has deprived those islands of a Spanish market for their sugar. A statement of the facts will show that this opinion is entirely incorrect. Spain was never a market for Philippine sugars. This statement is made on the authority of the Department of Agriculture of the United States, and is established beyond any controversy by the official statistics.

The people of the United States purchased from the Philippines, in the four years 1903 to 1906, inclusive (which of course covers a period after the islands became a possession of the United States), more sugar than the people of Spain had purchased from the Filipinos in the half century from 1849 to 1898, when Spain lost those islands. One hundred and thirty-four thousand one hundred tons were purchased from the Philippines in that four years by the United States, while but 119,188 tons were purchased by the whole of continental Europe, including, of course, Spain, during the fifty years preceding the American occupation of the archipelago. The people of all continental Europe, including the Spanish people, purchased but 2.2 per cent of the total sugar exported from the Philippine Islands during the half century from 1849 to 1898.

On the authority of Bulletin No. 14 of the Department of Agriculture of the United States, issued in 1898, this statement is made:

Spain during the entire ten years preceding American occupation purchased but 1.7 per cent of the total Philippine exportation of sugar.

The United States, in the year ending June 20, 1905, according to the official figures given of imports into the United States, purchased 60 per cent more sugar from the Philippine Islands than Spain had purchased for ten entire years preceding American occupation.

Why was it that Spain did not furnish a constant market for the sugar from the Philippines? The reason lies in the fact that the United States actually levies less tax than did Spain, and moreover that we continue to give, as provided by the law of March 8, 1902, every dollar of duty we collect on Philippine imports back into their insular treasury.

The Spanish law of June 30, 1882, provided for a duty of 12 pesetas per 100 kilograms (\$1.05 per 100 pounds) on sugar above No. 14 Dutch standard, when entering Spain from Cuba and Porto Rico, and one-fifth of this amount on Philippine sugar entering Spain, provided in all cases the sugar was shipped in Spanish bottoms.

This law provided for an annual reduction of 10 per cent in this duty until the entire duty should be extinguished, July 1, 1892. Before these duties could be extinguished, under the operation of this tariff law of 1882, the tariff law of December 31, 1891, was passed, which provided that sugar from Cuba, Porto Rico, and the Philippines should be admitted free of duty, but that all such sugar should be subjected to the so-called provisional tax of 8.8 pesetas and a municipal tax of 8.8 pesetas per 100 kilograms, which make a combined internal-revenue tax of 17.6 pesetas per 100 kilograms, or \$1.54 per 100 pounds. This law continued in effect one year, when it was superseded by the law of 1892, which, while admitting free of duty the sugar from Cuba, Porto Rico, and the Philippines, subjected such sugar to an internal-revenue tax of 33½ pesetas per 100 kilograms, or \$2.94 per 100 pounds. The same law of 1892 subjected domestic sugar to an internal-revenue tax of 20 pesetas, thus placing the sugar of Cuba, Porto Rico, and the Philippines, when received in Spanish bottoms, under a handicap as compared with domestic sugars of 13½ pesetas per 100 kilograms, or \$1.18 per 100 pounds.

The full tax, as provided by the Dingley law, on 96° sugar is \$1.68½ per 100 pounds. For each degree sugar tests below 96, 3½ cents per 100 pounds is deducted from the full rate. Muscovado sugar (the kind the Filipinos produce) tests 82°, or 14° below 96. The full tariff on such sugar imported into the United States would therefore be \$1.20 per 100 pounds. From this tariff the Filipinos enjoy a deduction of 25 per cent, leaving the net tariff on Philippine sugar entering the United States 90 cents per 100 pounds. And be it remembered that every dollar collected by the United States on Philippine imports of whatever nature is returned to the Philippine treasury.

It thus appears that Spain taxed sugar imported from the Philippines \$2.94 per 100 pounds, and discriminated in favor of her domestic sugars to the extent of \$1.18 per 100 pounds and kept the money, while the United States taxes, under the present laws, sugar coming from the Philippines into this country 90 cents per 100 pounds and returns the money.

It would not appear from the foregoing that the United States has treated its Filipino wards either ungenerously or unfairly, but that it has already extended to that people—by the modification of its tariff

laws—a more favorable market for their sugar in the United States than was ever furnished by Spanish markets.

That closes what I had prepared for your consideration.

The CHAIRMAN. I want to ask you about the sugar coming from the Philippine Islands. It has been stated heretofore that that sugar was shipped when the price was high, and before it got here the price had dropped down so low that they actually lost money on the importations into the United States. Do you know anything about that?

Mr. HATHAWAY. I could not answer the question definitely with regard to any given shipment. I know that they continue to ship some sugar to the United States each year.

The CHAIRMAN. I have not examined the statistics. You say that they continue to ship some?

Mr. HATHAWAY. Yes.

The CHAIRMAN. How much did they ship in last year?

Mr. HATHAWAY. Ten thousand seven hundred tons.

The CHAIRMAN. How much the year before?

Mr. HATHAWAY. I can not give you that offhand.

Mr. McCALL. Do you know how much was shipped to Spain last year?

Mr. HATHAWAY. None. I can give you what was done with the Philippine sugar last year, I think. I will submit it to you if you wish.

The CHAIRMAN. We may ask you some questions you have already answered in your statement.

Mr. HATHAWAY. The total exports from the Philippine Islands for the years 1906 and 1907 were 101,283 tons, of which, speaking in round numbers, there were shipped to the United Kingdom 11,000 tons; to the United States, Atlantic ports, 8,700 tons, and to the Pacific ports 2,000 tons, making the 10,700 tons that I spoke of; to Japan 3,600 tons; to China through Hongkong 38,000 tons, and to China through other ports 37,000 tons, and for use in Manila 500 tons, making 101,000 tons.

The CHAIRMAN. That was the total of the crop, was it not?

Mr. HATHAWAY. No, sir; that was the export crop.

The CHAIRMAN. It approximates it, does it not?

Mr. HATHAWAY. No, sir; the statistics issued by the department show that the annual consumption in the Philippine Islands is 80,000 tons. I have not looked that up for a number of months, however.

The CHAIRMAN. Do you know what the price of sugar at Hamburg is to-day, or was yesterday, or was recently?

Mr. HATHAWAY. What kind of sugar, sir? The last quotation I saw—I have not had an opportunity to look at the market for a few days—was \$4.16 f. o. b. New York, duty added.

The CHAIRMAN. I did not catch the year for which you gave the price of sugar at Hamburg.

Mr. HATHAWAY. I gave it to you for eight years, the average for eight years, beginning with the year 1900.

The CHAIRMAN. The average for eight years?

Mr. HATHAWAY. Yes, sir.

The CHAIRMAN. How much was that?

Mr. HATHAWAY. The average on 88° sugar is 2 cents a pound, \$2 a hundred, f. o. b. Hamburg. The average for granulated sugar, which they report as first-mark sugar, was \$2.38½ a hundred.

The CHAIRMAN. Then within those eight years there were three or four years when there was the very lowest price that sugar ever was sold at, were there not?

Mr. HATHAWAY. Some years were quite low.

The CHAIRMAN. What other years do you think sugar was so low?

Mr. HATHAWAY. I could not give you offhand what they were. I am speaking of the eight years I had the figures for.

The CHAIRMAN. What year do you say?

Mr. HATHAWAY. I was giving the figures from 1900 to 1907, both inclusive.

The CHAIRMAN. You take 1901 and 1902; it was \$1.80. The next year it was \$1.70; the next year \$1.04, according to this report, and the next year \$2.55.

Mr. HATHAWAY. Excuse me, but in those three years you mention the producer received a bounty of 27 cents a hundred, which can be added to that.

The CHAIRMAN. They are all within the eight years you speak of?

Mr. HATHAWAY. Yes, sir.

The CHAIRMAN. The fact is that the highest price was in 1899 or 1900. Did you quote that year? Was that year included, 1899 and 1900?

Mr. HATHAWAY. The years that I have here are the calendar years, beginning with January 1, 1900.

The CHAIRMAN. You took this from Mr. Austin's report, I understand you?

Mr. HATHAWAY. No, sir; I told you my reference is to Willett & Gray's Weekly Statistical Sugar Trade Journal for January 9, 1908, page 7.

The CHAIRMAN. Austin takes his figures from Willett & Gray. I understood you took those figures from Mr. Austin's report.

Mr. HATHAWAY. Not those figures on prices. Mr. Austin uses these same reports, however.

The CHAIRMAN. And I say that prior to 1901 sugar never went below 2 cents. More frequently it was 3. I only wanted to get that clear before the committee, so that the committee could refer to it. I think I will have printed this table in Mr. Austin's report.

Mr. HATHAWAY. It is a very good table, indeed.

(The table referred to is here printed in the record as follows:)

The world's production of beet and cane sugar and average price per pound from 1871 to 1906.

Year.	Beet.	Cane.	Total.	Import price. ^a
	<i>Tons.</i>	<i>Tons.</i>	<i>Tons.</i>	<i>Cents.</i>
1871-72.....	1,020,000	1,599,000	2,619,000	5.37
1872-73.....	1,210,000	1,793,000	3,003,000	5.35
1873-74.....	1,288,000	1,840,000	3,128,000	4.95
1874-75.....	1,219,000	1,712,000	2,931,000	4.35
1875-76.....	1,343,000	1,530,000	2,933,000	4.04
1876-77.....	1,045,000	1,673,000	2,718,000	4.91
1877-78.....	1,419,000	1,825,000	3,244,000	6.06
1878-79.....	1,571,000	2,010,000	3,581,000	4.16
1879-80.....	1,402,000	1,852,000	3,244,000	4.18
1880-81.....	1,748,000	1,911,000	3,659,000	4.41
1881-82.....	1,782,000	2,060,000	3,842,000	4.41
1882-83.....	2,147,000	2,107,000	4,254,000	4.37
1883-84.....	2,361,000	2,323,000	4,684,000	3.61
1884-85.....	2,545,000	2,351,000	4,896,000	2.67
1885-86.....	2,223,000	2,339,000	4,562,000	2.84
1886-87.....	2,733,000	2,345,000	5,078,000	2.50
1887-88.....	2,451,000	2,465,000	4,916,000	2.75
1888-89.....	2,725,000	2,263,000	4,988,000	3.21
1889-90.....	3,633,000	2,069,000	5,702,000	3.28
1890-91.....	3,710,000	2,555,000	6,265,000	3.03
1891-92.....	3,501,000	2,852,000	6,353,000	2.93
1892-93.....	3,428,000	3,045,000	6,473,000	3.09
1893-94.....	3,890,000	3,490,000	7,380,000	2.92
1894-95.....	4,792,000	3,530,000	8,322,000	2.15
1895-96.....	4,315,000	2,830,000	7,155,000	2.29
1896-97.....	4,954,000	2,864,000	8,818,000	2.01
1897-98.....	4,872,000	2,895,000	7,770,000	2.24
1898-99.....	4,977,000	2,995,000	7,973,000	2.28
1899-1900.....	5,510,300	2,904,000	8,414,000	2.92
1900-1.....	6,146,000	3,502,000	9,648,000	2.26
1901-2.....	6,913,000	4,080,000	10,993,000	1.80
1902-3.....	5,757,000	4,164,000	9,921,000	1.70
1903-4.....	6,090,000	4,244,000	10,334,000	1.94
1904-5.....	4,923,000	4,637,000	9,560,000	2.65
1905-6 ^b	7,215,000	4,958,000	12,173,000	-----

^a Import price of sugar not above No. 16 Dutch standard.

^b Provisional estimates of Messrs. Willett & Gray, New York.

The CHAIRMAN. Have other members of the committee any questions?

Mr. UNDERWOOD. You made a comparison this morning of conditions that existed before the enactment of the Dingley bill into a law, in 1897, and the conditions that existed after the concessions were made to the Philippine Islands and Porto Rico, and I asked you then to make a comparison of those conditions with the conditions after the enactment of the Dingley bill.

Mr. HATHAWAY. To what year do you refer?

Mr. UNDERWOOD. None of the concessions were made or were under operation by 1900, were they?

Mr. HATHAWAY. No, sir. Excuse me, the concession to Hawaii was in operation then.

Mr. UNDERWOOD. Leaving out Hawaii, because there was no real concession made by the tariff—the American flag had gone over Hawaii, but there was no advantage in the tariff schedule—we had free trade before that time and free trade afterwards—in 1900 the concession to Porto Rico or the Philippine Islands had not been made, and I would like for you to compare the price of sugar for the year 1900, before the concessions were made, with the price after the concessions had been made.

Mr. HATHAWAY. The average price of granulated sugar in 1900 was \$5.32 per 100 pounds.

Mr. UNDERWOOD. \$5.32?

Mr. HATHAWAY. Yes. Now, what do you want that compared with?

Mr. UNDERWOOD. Compare that with 1906, before the panic conditions came on.

Mr. HATHAWAY. It was \$4.51½ in 1906 per 100 pounds, a drop of about 80 cents per 100 pounds.

Mr. UNDERWOOD. You contend that that condition was brought about in the American market by reason of these concessions?

Mr. HATHAWAY. Not entirely.

Mr. UNDERWOOD. What other conditions entered into it?

Mr. HATHAWAY. The crop abroad for the corresponding years.

Mr. UNDERWOOD. Were there any importations of refined sugar in those years that justify that conclusion?

Mr. HATHAWAY. It is not necessarily the question of the importation of refined sugar. It is as well the importation of raw sugar.

Mr. UNDERWOOD. Then, in reality, the competition that the sugar interests have in this country is with the American Sugar Refining Company?

Mr. HATHAWAY. It is with the refined sugar from any source whatever.

Mr. UNDERWOOD. But as a practical proposition there is no refined sugar which comes from any other source, is there?

Mr. HATHAWAY. What?

Mr. UNDERWOOD. There is no refined sugar imported into this country from any other source, is there?

Mr. HATHAWAY. No, sir; the American Sugar Refining Company does not refine all the sugar that is refined in this country.

Mr. UNDERWOOD. It does refine the bulk of it?

Mr. HATHAWAY. About 55 or 60 per cent of it.

Mr. UNDERWOOD. But the competition is with the American refineries of cane sugar?

Mr. HATHAWAY. Largely, sir.

Mr. UNDERWOOD. And it is not competition from abroad?

Mr. HATHAWAY. There is, under present conditions, comparatively little refined sugar that enters into the United States from abroad. There are certain years when a little has come in.

Mr. UNDERWOOD. Is there any year since these concessions to Porto Rico and the Philippine Islands became operative that the price of sugar has been equal to that in the year 1900, before they became operative?

Mr. HATHAWAY. Will you state that question once more?

Mr. UNDERWOOD. Is there any year since the concessions became operative when the price of sugar in this country was equal to the price of sugar in 1900, at the time before they became in operation?

Mr. HATHAWAY. No, sir; the nearest approach to it was in the year 1905, when the price of refined sugar was 2 cents higher—the average price was between 2 and 3 cents per hundred pounds lower—than it was in 1900.

Mr. UNDERWOOD. Between 2 and 3 cents per hundred?

Mr. HATHAWAY. Between 2 and 3 cents per hundred pounds; yes, sir. To be exact, it was 3.6 cents per hundred pounds.

Mr. UNDERWOOD. You stated in your statement that the cost of bringing refined sugar from Hamburg to this country, I believe, amounted to 9 cents a hundred pounds.

Mr. HATHAWAY. I said the freight was that.

Mr. UNDERWOOD. The freight was that. What additional cost is there besides the freight?

Mr. HATHAWAY. I suppose the insurance and dockage.

Mr. UNDERWOOD. What will that amount to?

Mr. HATHAWAY. I can not answer that question.

Mr. UNDERWOOD. How far from the port of Hamburg, in the interior, are the German sugars manufactured?

Mr. HATHAWAY. I can not give you the exact distance; but the prices I am quoting are the f. o. b. Hamburg prices.

Mr. UNDERWOOD. Do you know the cost of the freight from the manufactory in Germany to the seaport?

Mr. HATHAWAY. I do not, because the quotations are always given f. o. b. Hamburg.

Mr. UNDERWOOD. Do you know the cost in Germany of refined sugar—beet sugar?

Mr. HATHAWAY. No, sir; I have given you the selling price.

Mr. UNDERWOOD. You have not got the cost?

Mr. HATHAWAY. I have not the cost. There will be another gentleman who will appear here who I think can give you some idea of the relative wages paid in the factories there and here; but as to the actual cost of the production, I can not give you that. It is very difficult to ascertain.

Mr. UNDERWOOD. What is the name of the company you represent?

Mr. HATHAWAY. The Michigan Sugar Company.

Mr. UNDERWOOD. That has six factories?

Mr. HATHAWAY. Yes.

Mr. UNDERWOOD. Some in Michigan and some in Colorado?

Mr. HATHAWAY. No, sir; all in Michigan.

Mr. UNDERWOOD. Has that company any connection whatever with the American Sugar Refining Company?

Mr. HATHAWAY. No, sir.

Mr. UNDERWOOD. Is there any agreement between the refining companies—the companies that refine cane sugar and beet sugar refineries—as to the maintenance of prices?

Mr. HATHAWAY. No, sir.

Mr. UNDERWOOD. It is an open competition and a free market?

Mr. HATHAWAY. Yes, sir.

Mr. UNDERWOOD. Then, as a matter of fact, the competition that you mean does not come from the beet sugar interests of Germany or the European sugar interests, but the competition which you meet comes from the importation into this country of the raw sugar, largely coming from Cuba; is that it?

Mr. HATHAWAY. The competition which we meet?

Mr. UNDERWOOD. I mean the foreign competition. You have the American competition, but the foreign competition grows out of the importation of raw sugar from Cuba?

Mr. HATHAWAY. It grows out of the importation not only from Cuba, but anywhere else. Given the price of raw sugar, the price of refined sugar will range somewhere from 70 cents to a dollar a hundred above the price of raw sugar. If you cut down the price of raw sugar, the price of refined sugar usually follows it.

Mr. UNDERWOOD. The great bulk of the importation of sugar into this country to-day comes from Cuba, does it not?

Mr. HATHAWAY. Yes, sir.

Mr. UNDERWOOD. So that is the base where the refiners of America get the cane sugar from abroad to compete with the sugar here?

Mr. HATHAWAY. The principal other cane sugar which they get is from Java.

Mr. UNDERWOOD. The amount of that is very small?

Mr. HATHAWAY. About 300,000 tons annually.

Mr. UNDERWOOD. And the amount of raw sugar that comes from Cuba is how much?

Mr. HATHAWAY. I gave it you here in pounds, sir. I will give it to you again.

Mr. UNDERWOOD. It is something like 1,600,000 tons, is it not?

Mr. HATHAWAY. No, sir. From Table No. 3 of the United States annual report on commerce for 1907, page 340, the following figures are taken, showing our importations of sugar from Cuba during the following years: 1904, 2,819,000,000 pounds; 1905, 2,057,000,000 pounds; 1906, 2,781,000,000, and 1907, 3,236,000,000 pounds.

Mr. UNDERWOOD. You have not reduced those quantities to tons?

Mr. HATHAWAY. No, sir.

Mr. UNDERWOOD. So that you can not state it in that way?

Mr. HATHAWAY. Not offhand.

Mr. UNDERWOOD. If we were to reduce the differential on refined sugar and increase the duty correspondingly on raw sugar, what effect would that have on the beet sugar interests of the country?

Mr. HATHAWAY. It is problematical. It would be very difficult for me to answer that question.

Mr. UNDERWOOD. Would not that receive as much protection?

Mr. HATHAWAY. I said it was problematical, and you will understand that my answer is an expression of personal opinion.

Mr. UNDERWOOD. I would like to have your opinion on that question.

Mr. HATHAWAY. It would prevent, in my opinion, a competition in granulated sugar, so that we would have not merely the American sugar refined here, if any were refined, but also the refined sugar from abroad. We would have a competition here resulting from imported refined sugar.

Mr. UNDERWOOD. In that competition from abroad the sugar, whether refined or raw sugar, would have to pay the same tax as it pays now?

Mr. HATHAWAY. Very true.

Mr. UNDERWOOD. And under the tax it pays now—the tax is practically prohibitive—there is practically no importation of refined sugar into this country now?

Mr. HATHAWAY. That is true.

Mr. UNDERWOOD. If the same amount of tax were levied in a different way, it would still be prohibitive, would it not?

Mr. HATHAWAY. It might.

Mr. UNDERWOOD. And I want to know if that would not have a tendency to develop the sugar industry in this country without increasing the cost to the consumer, by changing the schedule?

Mr. HATHAWAY. I do not know whether it would or not.

Mr. UNDERWOOD. That is all I wanted to ask you.

The CHAIRMAN. Are there any further questions?

Mr. CRUMPACKER. Mr. Hathaway, how does the domestic price of sugar in Germany compare with the export price?

Mr. HATHAWAY. It is much higher.

Mr. CRUMPACKER. What occasions that difference?

Mr. HATHAWAY. The tariff and the cartel.

Mr. CRUMPACKER. Yes; so then does the export price fairly represent the cost of production?

Mr. HATHAWAY. It may not; but it represents the price with which American sugar must compete.

Mr. CRUMPACKER. Yes; under the present law.

Mr. HATHAWAY. Under existing circumstances; yes, sir.

Mr. CRUMPACKER. Does the German Government grant any concessions in the way of rebates of freight?

Mr. HATHAWAY. I do not know.

Mr. CRUMPACKER. You are not informed upon that question?

Mr. HATHAWAY. No, sir.

Mr. CRUMPACKER. In relation to the profit that the farmer gets out of beets, how many tons to the acre is the average yield?

Mr. HATHAWAY. In Michigan the average yield is about from 9 to 10 tons per acre.

Mr. CRUMPACKER. Nine to 10 tons?

Mr. HATHAWAY. Yes; going back over the records since we started.

Mr. CRUMPACKER. And the farmer averages about \$50 an acre from his beet crop?

Mr. HATHAWAY. About \$5.75 a ton, \$50 to \$60 an acre.

Mr. CRUMPACKER. Fifty dollars to \$60 is the average, you think?

Mr. HATHAWAY. Yes, sir.

Mr. CRUMPACKER. Beets have to be hand cultivated, largely?

Mr. HATHAWAY. Yes, sir.

Mr. CRUMPACKER. And farmers largely grow beets in connection with other products?

Mr. HATHAWAY. Always.

Mr. CRUMPACKER. How large areas do the farmers usually cultivate?

Mr. HATHAWAY. I am very glad you asked that question. I overlooked it. The average size of a contract we make with a Michigan farmer ranges between 3.9 acres and 4 acres; practically 4 acres.

Mr. CRUMPACKER. From 3.9 acres to 4 acres?

Mr. HATHAWAY. Yes, sir. In other words, we have from 1,700 to 2,000 farmers growing beets for each factory.

Mr. CRUMPACKER. Do your factories own any land and cultivate any beets?

Mr. HATHAWAY. We have one small farm, which we use for experimental purposes only.

Mr. CRUMPACKER. Do you find any difficulty in contracting with the farmers for a sufficient quantity of beets to keep your mills in operation?

Mr. HATHAWAY. We have less and less difficulty every year. At the present time we have about 80 per cent of our clientage that remains with us from one year to the next as a permanent force.

Mr. CRUMPACKER. Do women and children in Michigan cultivate beets?

Mr. HATHAWAY. To a very small extent in certain limited areas, especially in the vicinity of Bay City and Saginaw, where there is a large Polish population.

Mr. CRUMPACKER. In Germany women and children cultivate the crop of beets.

Mr. HATHAWAY. I understand so.

Mr. CRUMPACKER. The sugar content is much higher in Germany than in this country.

Mr. HATHAWAY. Yes; I understand so.

Mr. CRUMPACKER. Is their ton yield per acre greater in Germany?

Mr. HATHAWAY. The official statistics say so.

Mr. CRUMPACKER. They cultivate and farm more intensively and fertilize more also, there?

Mr. HATHAWAY. I suppose so. May I interrupt your questions just a moment? I think there are some gentlemen here who may possibly be heard later who have recently visited the German beet fields, and who may have more exact information than I have. My knowledge on that point is largely from reading.

Mr. CRUMPACKER. Do you think, in view of our industrial conditions in this country, that the beet sugar industry can develop so as to supply practically all of the consumption here?

Mr. HATHAWAY. I do not doubt it, sir.

Mr. CRUMPACKER. That is all.

Mr. FORDNEY. How many farmers are raising beets in the State of Michigan?

Mr. HATHAWAY. About 30,000.

Mr. FORDNEY. And in the neighborhood of 130,000 acres of land, then, are planted in that crop?

Mr. HATHAWAY. Yes, sir; 120,000 to 130,000 acres.

Mr. FORDNEY. Which yields them about \$60 an acre?

Mr. HATHAWAY. From \$50 to \$60 an acre.

Mr. FORDNEY. It has been stated many times here before Congress at various hearings that it costs from \$25 to \$30 per acre to produce beets and deliver them to the factory.

Mr. HATHAWAY. My estimate of the labor cost in the production of beets is about \$33 to the acre.

Mr. FORDNEY. Thirty-three dollars?

Mr. HATHAWAY. I am judging from my own experience in raising them.

Mr. FORDNEY. Is it not true that the percentage of sugar beets in Michigan has increased since the industry started?

Mr. HATHAWAY. The general tendency is upward.

Mr. FORDNEY. As they become better acquainted with the work?

Mr. HATHAWAY. And pursue better lines of farming.

Mr. FORDNEY. On the same point as the question asked by Mr. Crumpacker, the only employment that women and children are put to in the raising of beets in the United States is that of thinning the beets, and not cultivating them?

Mr. HATHAWAY. That is true.

Mr. FORDNEY. Just thinning them?

Mr. HATHAWAY. Usually in the month of July.

Mr. FORDNEY. That is all.

Mr. GAINES. You said, as I understood, in answer to a question of Mr. Crumpacker, that the export price of German sugar was less than the home price in Germany—the domestic price there?

Mr. HATHAWAY. Yes, sir.

Mr. GAINES. How much is the difference; do you know?

Mr. HATHAWAY. I can not give you the exact data at the present time, but I think there are gentlemen who will follow me who can give you very accurate information on that.

Mr. GAINES. Somebody else is going to take that up?

Mr. HATHAWAY. I would rather have you get the exact fact than my understanding of the fact.

Mr. CLARK. What is there about the cultivation of sugar beets that makes them so much more expensive to cultivate than corn and tobacco, and things like that?

Mr. HATHAWAY. Sugar beets are sowed in continuous rows, about 18 or 20 inches apart, about 15 to 18 pounds of seed being used on an acre. When the beets come up they come up in a continuous row. Then when the plant is about finger high, we go through with a short-handled hoe, and cut across the rows, leaving little islands of beets, each 10 inches. Then, having done that, we must get down and pull out of those islands all save the most healthy beet. The first process we call blocking and the second thinning. It is expensive because it must be done by hand. We cultivate those beets, and after having cultivated them they must be hoed in order to get the weeds out of the row itself. The distance between the rows being much less than the distance between the rows of corn, it requires hand labor. Then when it comes to the harvesting, each individual beet has to be pulled from the ground. First a lifter, something like a two-pronged plow, is used, and then each individual beet has to be pulled by hand and the top cut off.

Mr. CLARK. They have to be cultivated?

Mr. HATHAWAY. We cultivate them; yes, sir. We go over them about five times during the summer.

Mr. CLARK. There is not much more labor in cultivating an acre of beets than in cultivating an acre of tobacco, is there?

Mr. HATHAWAY. I am not posted on the cultivation of tobacco. I do not like to give information on things I do not know about.

Mr. CLARK. You say the cost of labor in raising an acre of beets is about \$33?

Mr. HATHAWAY. That is about the price.

Mr. CLARK. Let me ask you this, solely for information; has not the Department of Agriculture been experimenting on some kind of a theory by which they can reduce this labor cost?

Mr. HATHAWAY. Yes, sir.

Mr. CLARK. They have not succeeded yet?

Mr. HATHAWAY. No, sir.

Mr. CLARK. Does anybody know how much land in the United States is available for raising sugar beets?

Mr. HATHAWAY. According to the agricultural reports, it is practically unlimited.

Mr. CLARK. You can raise them anywhere?

Mr. HATHAWAY. No, sir; it depends largely upon climatic conditions and soil conditions.

Mr. CLARK. There is one other question which, if the committee will excuse me, I would like to ask. What is the reason that the sugar beet raised in Illinois, where there is the richest soil in the United States, has a small quantity of saccharine matter? It does not do any good in Illinois and it does not do any good in Missouri.

Mr. HATHAWAY. I can not answer that question, sir. I think you will probably get an opportunity of asking that question of Mr. Saylor, who is an expert on that line.

Mr. CLARK. I asked that just as a matter of curiosity.

MR. HATHAWAY. I was in hopes Mr. Underwood would say something about the question of freights into the interior of the United States.

MR. UNDERWOOD. I overlooked that. I am glad you called my attention to it. You stated in your direct statement that the sugar amount that is located in the West and Northwest produces a sufficient amount of sugar to supply the territory between the Mississippi River and the Rocky Mountains, I believe? That is your natural territory to supply with sugar, is it not, according to the freight rates? That is, you can reach that territory cheaper by freight than you can other territory, can you not?

MR. HATHAWAY. Now, you are speaking of the United States beet crop as a whole, or are you speaking of that produced in Michigan?

MR. UNDERWOOD. I am speaking of the beet crop as a whole.

MR. HATHAWAY. Thank you. While it is true that a sufficient amount of granulated beet sugar is now produced in the United States to supply all the people from the Rocky Mountains to the Mississippi River, it is equally true that beet sugar is put on the market only about six or seven months of the year. There is a little carried over in the high altitudes of Colorado. In order to sell that product in the six or seven months of the year that it is on the market, it must be brought much farther east than is indicated in your question. In fact, beet sugar finds a market as far eastward as central Pennsylvania and New York. The larger part of the crop is marketed in Michigan, Indiana, Illinois, Ohio, and western and central New York.

MR. UNDERWOOD. It does not reach as far east as the seaboard?

MR. HATHAWAY. Not to any extent.

MR. UNDERWOOD. The freight rate protects you to that extent?

MR. HATHAWAY. I am glad you asked that question. Sugar is refined at the following principal points in the United States: Boston, New York Harbor, Philadelphia, Baltimore, New Orleans, and San Francisco. The trade conditions compel each of those refineries to market the major portion of its output as near the refinery as possible. Now, when you go into the New England States the price of sugar is based on the Boston price, plus the freight from Boston. If you go into the Southern States, the price is based on the New Orleans price, plus the freight from New Orleans. That is, the delivered price is based on that. Now, we must pay the freight and compete with that price. Take Pittsburg, which is a large market for beet sugar. Pittsburg takes a price $16\frac{1}{2}$ cents above the Philadelphia price—the f. o. b. Philadelphia price—the freight rate from Philadelphia being $16\frac{1}{2}$ cents, as against $18\frac{1}{2}$ cents from New York; so that the Pittsburg price is $16\frac{1}{2}$ cents above the Philadelphia price. When we sell in Pittsburg we must prepay the freight from Michigan to Pittsburg, which in this particular case is 17 cents. Moreover, when we enter the Pittsburg market, instead of selling at the eastern price our sugar is put upon the market at 10 cents to 25 cents a hundred pounds less than the Pittsburg price of eastern sugar.

MR. UNDERWOOD. Why 10 cents to 25 cents less than the eastern price?

MR. HATHAWAY. I am very much obliged for that question, because it brings up an interesting thought. In the first place, we can only furnish sugar for about six or seven months of the year. The eastern

refiner can furnish it the year around. In the next place we only manufacture granulated sugar. The eastern refiner makes all grades of sugar—granulated, cube, powdered, soft sugars, and everything of the kind. We can only compete with him in the granulated market. To induce that jobber to buy his granulated sugar from us, while he buys his other grades of sugar from the eastern man, we must needs make him a concession in the price.

Mr. UNDERWOOD. Why can you not sell your sugar all the year around, like the other people? Does not your sugar stand storage as well as the cane sugar?

Mr. HATHAWAY. Thank you. The cane sugar which is stored is not, as a usual thing, granulated sugar. It is stored in a raw state, and the granulated sugar that is put by the eastern refiner upon the market is a fresh granulated sugar. If you store that granulated sugar in a moist climate it will in the course of a few months lose its granulation, so that it becomes a coffee-A sugar, and loses in price from the price commanded by a granulated sugar to the price commanded by a coffee-A sugar. Now, the only place where it has been found you can successfully store granulated sugar the year around is in the high and dry altitudes of Colorado and Utah. They can store sugar there and it does not become moist. To avoid the dog days in the summer, through which we do not wish to carry our sugar, we move it as I have just indicated.

Mr. UNDERWOOD. You are protected, though, in the western markets from the competition both of the cane sugar producers and any foreign competition by reason of a railroad rate that is in your favor?

Mr. HATHAWAY. Now, you are speaking of the beet sugar in general?

Mr. UNDERWOOD. Yes.

Mr. HATHAWAY. May I call your attention to this fact: That Colorado has a population of only 500,000 people, and her consumption of sugar is only 17,000 tons. When you get as far east as the Mississippi River you equalize freights with the eastern man. In other words, your freight and the eastern man's freight are practically the same.

Mr. UNDERWOOD. But the Michigan producer of sugar is very much nearer that market which covers that field.

Mr. HATHAWAY. Which market do you mean?

Mr. UNDERWOOD. The Mississippi River market.

Mr. HATHAWAY. I beg your pardon, but we can not get there at all. The freight rate to many of the points on the Mississippi River is actually greater than the freight rate from either New Orleans or New York.

Mr. UNDERWOOD. That is a question of freight rates.

Mr. HATHAWAY. It is a question of facts. I will give you some illustrations. For instance, take St. Louis. The freight rate from New Orleans to St. Louis is 18 cents. We pay 18 cents. This year was the first year we have ever been able to get in there for 18 cents. The freight rate from Louisville to New Orleans is 18 cents, with a 2-cent rebate, published in the tariff, while it costs us 18 cents to get to Louisville, and Louisville is twice as far from New Orleans as it is from Michigan.

Mr. UNDERWOOD. That is due to the freight rate, and that may be corrected and should be corrected.

Mr. HATHAWAY. We have tried to get those rates corrected, and we can not.

Mr. GAINES. It is due to water competition at Louisville?

Mr. HATHAWAY. Yes, sir.

Mr. CRUMPACKER. That is a good argument for inland waterways.

Mr. HATHAWAY. I will give you another illustration bearing on that. The freight rate on Michigan sugar moving south, crossing the Ohio River, for 100 miles into the State of Kentucky, is more than it is from New Orleans to the same point, 800 miles.

Mr. UNDERWOOD. How much of your sugar that you produce in Michigan do you sell in the immediate territory, the immediate neighborhood?

Mr. HATHAWAY. You mean in the State of Michigan itself?

Mr. UNDERWOOD. In the close-lying territory—surrounding?

Mr. HATHAWAY. I wish you would define that a little more.

Mr. UNDERWOOD. I will ask you this: What is the zone, what is the size of the zone, in which you sell your sugar?

Mr. HATHAWAY. In which we operate?

Mr. UNDERWOOD. In which you operate. I mean for the bulk of your sales.

Mr. HATHAWAY. You say the Michigan Sugar Company, now?

Mr. UNDERWOOD. Yes.

Mr. HATHAWAY. Michigan, Ohio, Indiana, Illinois, western Pennsylvania, and western New York.

Mr. UNDERWOOD. Within that zone in which you mostly operate, what is the advantage of freight rates you have over sugar coming from the Atlantic seaport?

Mr. HATHAWAY. The average difference is from one-fourth to one-third of the differential at which we sell our sugar below the eastern sugar.

Mr. UNDERWOOD. I do not understand your answer. Could you give it to me in figures—how much a pound?

Mr. HATHAWAY. We figure it always on the hundredweight.

Mr. UNDERWOOD. On the hundredweight; yes.

Mr. HATHAWAY. The average freight rate on which we operate in the territory in which we deal is about 5 cents a hundred pounds to our advantage.

Mr. UNDERWOOD. Therefore you have that much advantage over the imported sugar in that zone?

Mr. HATHAWAY. Provided we could sell at the imported sugar price, but we are underselling that sugar by about 20 cents a hundred, leaving us at a disadvantage of about 15 cents a hundred.

Mr. UNDERWOOD. Is beet sugar used for all the purposes for which cane sugar is used?

Mr. HATHAWAY. Yes, sir.

Mr. UNDERWOOD. The only disadvantage is the inability to store it during the year?

Mr. HATHAWAY. And I told you we could furnish only one grade of sugar, granulated sugar.

Mr. UNDERWOOD. Yes.

Mr. CLARK. I would like to ask Mr. Hathaway two or three questions.

Mr. HATHAWAY. Mr. Chairman.

Mr. CLARK. I wanted to ask you one or two questions about something that there has not been a thing said about, except incidentally.

When you were testifying the other day and were giving facts and figures as to costs and profits, and all that, you never anywhere took into consideration, or stated to the committee at least, what income or profit you have from the by-products of the beet sugar manufacture. I was very much interested in the matter, because I was up there once and talked to the men about it, and they were just beginning to try to do something about it.

Mr. HATHAWAY. Thank you, sir. All of the results obtained from the use of the by-products were taken into consideration, as far as we are concerned, when I gave you the cost of our production. Against the total expenses had been charged the receipts from by-products.

Mr. CLARK. I did not know whether you took that into consideration or not.

Mr. HATHAWAY. I did.

EXHIBIT A.

[From Willett & Gray's Weekly Statistical Sugar Trade Journal, January 9, 1908.]

Consumption of sugar in the United States.

	1907.	1906.	1905.
	<i>Long tons.</i>	<i>Long tons.</i>	<i>Long tons.</i>
Melting of the four ports.....	1,948,000	1,992,000	1,786,000
Of which were domestic from Louisiana crop.....	29,650	24,954	29,484
Meltings of foreign sugar through New Orleans.....	1,918,350	1,967,046	1,756,516
Meltings of foreign sugar through Galveston.....	241,153	159,217	145,806
Foreign refined through Galveston, New Orleans, and interior ports.....	219	956	311
	2,159,722	2,130,933	1,906,933
Export of raw sugars from Atlantic ports.....	737		
Export of refined sugars from Atlantic ports.....	5,420	4,540	4,464
Total exports to be deducted.....	6,157	4,540	4,464
Consumption of foreign sugar through Atlantic ports.....	2,153,565	2,126,393	1,902,469
Consumption of foreign sugar through San Francisco.....	183,787	155,206	153,623
Total consumption of sugar from foreign countries and insular possessions.....	2,337,352	2,281,699	2,056,092
Louisiana cane crop consumed during year.....	252,968	254,947	322,522
Texas cane crop consumed during year.....	12,000	13,000	12,000
United States beet sugar consumed during year.....	375,410	300,317	220,722
United States maple sugar consumed during year.....	10,000	6,000	9,000
Molasses sugar made in United States from foreign molasses.....	6,249	8,150	11,880
Total consumption of domestic sugar.....	656,627	582,414	576,124
Total consumption of all sugar in the United States.....	2,993,979	2,864,013	2,632,216

Consumption per capita is 77.54 pounds in 1907, 76.1 pounds in 1906, 70.5 pounds in 1905, 75.3 pounds in 1904, 70.9 pounds in 1903, 72.8 pounds in 1902, 69.7 pounds in 1901, 66.6 pounds in 1900, 61 pounds in 1899, 60.3 pounds in 1898, 63.5 pounds in 1897, 60.9 pounds in 1896, 64.23 pounds in 1895, 66.64 pounds in 1894, 63.83 pounds in 1893, 63.76 pounds in 1892, 67.46 pounds in 1891, 54.56 pounds in 1890, 52.64 pounds in 1889, 54.23 pounds in 1888, 53.11 pounds in 1887, 52.55 pounds in 1886, 49.95 pounds in 1885, and 51 pounds in 1884.

Total consumption of United States:

1907, as above, 2,993,979 tons; increase, 4.538 per cent.
 1906, as above, 2,864,013 tons; increase, 8.806 per cent.
 1905, as above, 2,632,216 tons; decrease, 4.876 per cent.
 1904, as above, 2,767,162 tons; increase, 8.531 per cent.
 1903, as above, 2,549,643 tons; decrease, 0.642 per cent.
 1902, as above, 2,566,108 tons; increase, 8.169 per cent.
 1901, as above, 2,372,316 tons; increase, 6.868 per cent.
 1900, as above, 2,219,847 tons; increase, 6.826 per cent.
 1899, as above, 2,078,068 tons; increase, 3.750 per cent.

3316 SCHEDULE E—SUGAR, MOLASSES, AND MANUFACTURES OF.

Total consumption of United States—Continued.

1898, as above, 2,002,902 tons; decrease, 3.287 per cent.
 1897, as above, 2,070,978 tons; increase, 6.747 per cent.
 1896, as above, 1,940,086 tons; decrease, 0.495 per cent.
 1895, as above, 1,949,744 tons; decrease, 3.129 per cent.
 1894, as above, 2,012,714 tons; increase, 5.606 per cent.
 1893, as above, 1,905,862 tons; increase, 2.832 per cent.
 1892, as above, 1,853,370 tons; decrease, 1.016 per cent.
 1891, as above, 1,872,400 tons; increase, 22.963 per cent.
 1890, as above, 1,522,731 tons; increase, 5.767 per cent.
 1889, as above, 1,439,701 tons; decrease, 1.205 per cent.
 1888, as above, 1,457,264 tons; increase, 4.620 per cent.
 1887, as above, 1,392,909 tons; increase, 2.736 per cent.
 1886, as above, 1,355,809 tons; increase, 8.109 per cent.
 1885, as above, 1,254,116 tons; increase, 0.140 per cent.
 1884, as above, 1,252,366 tons; increase, 7.006 per cent.
 1883, as above, 1,170,375 tons; increase, 10.286 per cent.
 1882, as above, 1,061,220 tons; increase, 6.813 per cent.
 1881, as above, 993,532 tons.

Average increase for twenty-six years, 4.479 per cent.

NOTE.—There were no importations of sugar in 1907 at any ports in the United States except New York, Boston, Philadelphia, Baltimore, New Orleans, Galveston, San Francisco, Chicago, Detroit, Cincinnati, and Puget Sound.

RECAPITULATION.

	1907.	1906.	1905.
Total consumption of sugar in United States..... tons..	2,993,979	2,864,013	2,632,216
Compared with preceding year—increase.....do.....	129,965	231,797	^a 134,946
Do.....per cent.....	4.538	8.806	^a 4.876
Consumption consisted of:			
Domestic cane (Louisiana and Texas)..... tons..	264,968	267,947	334,522
Domestic beet.....do.....	375,410	300,317	220,722
Maple.....do.....	10,000	6,000	9,000
Molasses sugar.....do.....	6,249	8,150	11,880
Total domestic.....do.....	656,627	582,414	576,124
Hawaii (cane).....do.....	418,102	343,857	376,497
Porto Rico (cane).....do.....	212,853	193,978	124,928
Philippine Islands (cane).....do.....	10,700	41,900	14,673
Cuba (cane).....do.....	1,340,400	1,165,994	1,101,011
Total on which tariff concession allowed.....do.....	1,982,055	1,745,729	1,017,709
Total foreign on which full duty assessed.....do.....	355,297	535,870	438,383
Of which foreign raw cane..... tons..	347,509	357,057	412,560
Of which foreign raw beet.....do.....	6,780	176,827	22,161
Of which foreign refined beet.....do.....	949	2,734	1,844
Of which foreign cane.....do.....	59	252	1,818
Amount refined by American Sugar Refining Co.....do.....	1,401,061	1,408,503	1,325,692
Amount refined by independent refiners.....do.....	1,064,827	1,031,831	939,557
Amount refined by beet sugar factories.....do.....	375,353	300,059	220,477
Amount refined by Hawaiian cane factories.....do.....	1,674	16,964	17,292
Amount refined by foreign refiners.....do.....	1,008	2,366	3,662
Total amount refined sugar.....do.....	2,843,922	2,760,343	2,506,680
Percentage of refined sugar manufactured by American Sugar Refining Co.....per cent.....	49.27	51.03	52.89
Percentage of refined sugar manufactured by independent refiners.....per cent.....	37.44	37.38	37.48
Percentage of refined sugar manufactured by beet sugar factories.....per cent.....	13.19	10.87	8.79
Percentage of refined sugar manufactured by Hawaiian cane factories.....per cent.....	.06	.01	.09
Percentage of refined sugar manufactured by foreign refiners.....per cent.....	.04	.11	.15
Consumed in raw or plantation states..... tons..	150,051	103,670	125,536
National Sugar Refining Co. production (included with independent refiners)..... tons..	306,000	326,000	296,000
Average difference between raw and refined.....per pound..	\$0.893	\$0.829	\$0.978

^a Decrease.

STATEMENT OF CARMAN N. SMITH, REPRESENTING THE OWOSSO SUGAR CO. OF OWOSSO AND LANSING, MICH.

MONDAY, *November 16, 1908.*

Mr. SMITH. Mr. Chairman and gentlemen of the committee, I represent the Owosso Sugar Company, a Michigan corporation operating two sugar factories in the State of Michigan—one at the city of Owosso, with a capacity of 1,200 tons of beets daily, and one at the city of Lansing, with a capacity of 600 tons daily. The company is capitalized for \$1,250,000, but has an actual investment in the State of Michigan of over \$2,000,000 in the beet sugar business. The money was invested almost entirely by Pittsburg and Philadelphia individuals. We have been engaged in the sugar business now for five years. I appear at this hearing for the purpose of expressing the conviction that it is absolutely essential to the success or continuance of the beet sugar business in Michigan—at least so far as I am acquainted with it—that the present tariff rates should at least be maintained as they now are; and I am firmly convinced, in order that the business may be particularly prosperous or expand, that there ought to be an additional duty levied on sugar; but we do not come here for the purpose of asking that, although I understand that in the demand for a revision of the tariff and the promise that the tariff shall be revised it is entirely possible that this revision might in some instances bring an increased rate of duty on some items of the schedule.

I wish to call the attention of the committee to one fact. The investment which our company made in the sugar business was one which was made on the invitation and urgent advice of the United States Government through its Department of Agriculture; and also it was based upon the recognized policy of the administration and the party in power of protecting and encouraging domestic or home industries. If it had not been for this encouragement and for the pledge made by the Republican party in its platform, and the reliance that we had upon the continuance of the policy of protection, I am certain that this particular investment never would have been made. It is an unfortunate fact that ever since the investment was made and we commenced doing business one of the most urgent demands upon our time and attention has been for the resisting of efforts made in the Congress of the United States, not with malice, but, as we believe with the certain result, if successful, of hampering or destroying this industry. It has seemed a little to us like a breach of faith, and if the money had gone to the people who made the representations I should feel a little as if we had ground for an action for obtaining money under false pretenses. But that is a little aside from the subject-matter. The principal thing I want to impress upon this committee is this, that at least as much protection as we now have is absolutely necessary in order to enable the beet sugar companies to do business and simply to survive. The only way in which that can be demonstrated—and it seems to me it ought to cover the whole question—is this: What does it cost the average beet sugar factory in the United States to make its finished product? In the case of our company, we having been operating for five years, I can say that the

figures presented here by Mr. Hathaway, from \$3.75 to \$4 per hundred, are too low.

It has cost our company on an average a little over \$4 a hundred to make its finished product since we have been in business. Of course in different years the cost varies according to the abundance of supplies, the length of time we can run, and the quality of the beets, but the average is a little over \$4 per hundred. The average selling cost for the past five years was given by Mr. Hathaway as \$4.35 a hundred. In some cases the sugar factories have been able to sell in more advantageous markets than others, but I think an average of \$4.35 to \$4.40 would practically represent the net return from what we have manufactured. That leaves a margin of profit which must pay all the interest and returns on the investment, all the depreciation in the plant, of 40 cents a hundred pounds. We have a maximum protection under the Dingley tariff of \$1.68½ per hundred. Now, if you wish to encourage capital to remain employed in this business, how much possible reduction on the present Dingley tariff could be made, unless you wished to cut the throat of this industry, unless you wished to drive it out of existence? I think it must be perfectly evident to every member of this committee and to every man who considers for one instant the question of protecting and encouraging business in this country that we absolutely can not stand any reduction of the present tariff. We have already suffered from the generous way in which we have treated Cuba. We have submitted to a 25 per cent reduction for our friends, the Philippines. We are asked to do more. I am not willing to take second place to anyone in the recognition of the obligation we owe to all these provinces upon which we have enforced our guardianship, but I do not believe that that all ought to be paid by any one industry. I believe we can be generous after being just, and I believe that the possible development of the beet sugar industry in this country to a point where we can furnish, together with the cane growers of the South, all the sugar consumed here is worth the serious attention and the honest consideration of Congress at every stage of this investigation.

I did not come intending to give any statistics. I think the danger generally is in these investigations that the committee is buried under statistics and unable to get out; but I have stated what I believe to be the real question involved, that if we wish this industry to continue it must certainly not receive any unfavorable consideration in determining the tariff schedule.

Mr. UNDERWOOD. What is the difference in the price of sugar in the zone in which you operate—the price at which you sell sugar and the price of Hamburg sugar with the tariff and the freight transportation added?

Mr. SMITH. We are obliged to sell sugar, Mr. Underwood, on the basis of the New York quotations made by the cane refiners, less what has come to be recognized as the differential between cane and beet sugar—that is 10 cents a hundred. That is the recognized differential; it is frequently less.

Mr. UNDERWOOD. But you can add the freight rate from New York to your zone?

Mr. SMITH. True; but we ship quite a large portion of our product to a point where we have to pay as much freight as or more than we

add from New York. But the difference is at present on Hamburg sugar about 55 cents, I think.

Mr. UNDERWOOD. Can you give me the figures—can you estimate it there? I am asking for information. What is the price of Hamburg sugar in the zone in which you operate, that is the present Hamburg price, ocean freight, domestic freight, and insurance added, which of course would be the selling price here, with the broker's commission added?

Mr. SMITH. Our friends, the refiners, have been engaged in a little war for which the beet sugar people are paying the expenses, largely, during the last few days, and I do not know what their price on sugar is just now.

Mr. UNDERWOOD. That is the reason I asked you, because I presume that the competition you are meeting is from the cane sugar interests.

Mr. SMITH. Entirely.

Mr. UNDERWOOD. Who are refining raw Cuban sugar; and I wanted to get before the committee, if I could, what the competition would be from Hamburg sugar with the freight rate, insurance, and broker's charges added, if the competition did come that way, which I recognize it does.

Mr. SMITH. If the competition did not come from Cuba?

Mr. UNDERWOOD. Yes; if you had competition from Hamburg, say to-day, or whatever day at which time you know the price, can you give the committee the Hamburg price of sugar, add the ocean freight rate and the insurance, and the domestic freight rate to the zone in which you largely operate, and give us that?

Mr. SMITH. Yes; I could do that if I knew what the Hamburg price is to-day. Perhaps some of these sugar gentlemen can give it to me. What is it, Mr. Willett?

Mr. WILLETT. \$4.40 a hundred, delivered in New York.

Mr. SMITH. \$4.40. That includes the ocean freight then, of course.

Mr. UNDERWOOD. Is that being sold in New York now, the Hamburg sugar?

Mr. SMITH. I think there has been no sugar shipped from Hamburg for several months.

Mr. WILLETT. No imports, but the quotations are made every day, and the quotation to-day is \$4.40 in New York.

Mr. UNDERWOOD. What is the freight from New York, per hundred pounds, to the zone in which you operate?

Mr. SMITH. We cover all the territory from Chicago to Pittsburg and Buffalo. That varies from 16 to 23 cents a hundred.

Mr. UNDERWOOD. The freight from New York?

Mr. SMITH. Yes, sir.

Mr. UNDERWOOD. Then that would make it somewhere between \$4.56 and \$4.60?

Mr. SMITH. Yes, sir.

Mr. UNDERWOOD. That is Hamburg sugar. Now, what are you selling your sugar at in that territory?

Mr. SMITH. We are not selling it. We are waiting until these refiners get through their fight.

Mr. UNDERWOOD. Before the fight came on, what were you selling it at?

Mr. SMITH. We were selling it on a basis of \$4.70, New York, which would be \$4.86, say, delivered, Detroit.

Mr. UNDERWOOD. \$4.70 in New York?

Mr. SMITH. That is, cane sugar. That would be \$4.80, cane sugar, \$4.70 beet sugar.

Mr. UNDERWOOD. But that is the New York price?

Mr. SMITH. That is all based on the New York price with the freight added. So when I say \$4.70, New York, I mean at a Michigan point bearing a 16 cent rate, we would add that to the \$4.70 rate in New York, and the price in Detroit, which has a 16½ cent freight rate, on the \$4.70 New York basis, would be \$4.86½.

Mr. UNDERWOOD. You would be selling the sugar at \$4.86½ in Detroit?

Mr. SMITH. Yes, sir.

Mr. UNDERWOOD. And in Detroit what would be the price of Hamburg sugar at \$4.40, New York?

Mr. SMITH. At \$4.40, with the freight rate added, it would be \$4.56½.

Mr. UNDERWOOD. It would be \$4.56, New York; the Hamburg sugar would?

Mr. SMITH. On to-day's price, yes, sir. But if we were obliged to sell to-day we would have to meet that price.

Mr. UNDERWOOD. I understand. There is a difference of 32 cents to the advantage of Hamburg sugar. You stated that there is no importation of German sugar into this country, I believe.

Mr. SMITH. When I gave you an illustration of the market price in Detroit I was referring to the market as it was thirty days ago, before this lunacy broke out in New York. To-day we would be obliged to sell at—what is the New York market to-day?

Mr. WILLETT. \$4.55 net, to-day.

Mr. SMITH. We would be obliged to sell for \$4.61½ then, in Detroit, as compared with this \$4.56½, which has been given as the basis of Hamburg sugar. It would be only 5 cents difference.

Mr. UNDERWOOD. The advantage you have by reason of your location would then amount to 4½ cents a hundred?

Mr. WILLETT. May I explain that the German granulated sugar which is quoted from day to day is what is called first class, which is not suitable for consumption in the United States. The value is about 25 cents a hundred less than the value of cane sugar, and 15 cents a hundred less than that of beet sugar.

The CHAIRMAN. I will ask you a question or two. I understood you to say that in the last three years you had gotten about \$4.35 for your product?

Mr. SMITH. Yes; somewhere between \$4.35 and \$4.40.

The CHAIRMAN. That was 40 per cent, or thereabouts, below the price of the cane sugar sold in the same territory?

Mr. SMITH. No; the average has not been more than 15 cents less than the cane sugar.

The CHAIRMAN. Fifteen cents less?

Mr. SMITH. Fifteen cents a hundred. The recognized differential is 10 cents.

The CHAIRMAN. During the period spoken of by Mr. Hathaway when the Hamburg price averaged 2 cents a pound?

Mr. SMITH. Yes, sir.

The CHAIRMAN. That is all I want to ask. I can not make those figures agree some way.

Mr. CLARK. It has been stated on the authority of the chemist of the Agricultural Department that nobody can tell this beet sugar from the cane sugar. If that is so, why do you have to sell it at a lower price?

Mr. SMITH. The difficulty, Mr. Clark, in introducing any new product in competition with a standard, recognized product has always been met in the first instance by a lower price. I believe that beet sugar is absolutely chemically identical with cane sugar.

Mr. CLARK. I know; and that is exactly what puzzles me about it.

Mr. SMITH. At the same time, when they first commenced to market beet sugar in this country there was a prejudice against it, which was fostered by the dealers in cane sugar. The dealers in beet sugar were advised that beet sugar was inferior in quality and was not as salable, and a prejudice was created against it which was even fostered at that time by the cane sugar refiners refusing to furnish the grocers with their sugar if they handled beet sugar. For some time that sort of a war was made against the beet sugar industry, and in order to induce dealers to handle beet sugar it was necessary to sell it at a lower price; and having started in to do that, is is next to impossible to ever recover and get back on the same basis.

Mr. CLARK. Do you suppose that one housewife out of a thousand in the United States ever inquires of the groceryman when she wants refined sugar whether it is beet sugar or cane sugar?

Mr. SMITH. I should say not.

Mr. CLARK. If that is the case, the fellow that buys the beet sugar and sells it, the groceryman, is doing a better business and a wiser business for himself than the fellow who buys and sells the cane sugar?

Mr. SMITH. Sure; he makes more money on it. He sells it at the same price as cane sugar.

Mr. CLARK. And they have been able to get up this prejudice against beet sugar and keep it up all these years, and still keep it up?

Mr. SMITH. We have been unable to get the price back. I do not know why it is. If you can suggest any way, and put it into this bill, we will be glad to take it in lieu of an increase in the tariff. The dealers refuse to handle it unless they get this concession, I think with absolutely no sound reason for it. It is a trade condition which we have been unable to overcome.

Mr. DALZELL. You justify the suspicion by keeping your price down.

Mr. SMITH. We would do away with that suspicion if we were willing to hold our sugar and not sell it.

Mr. CALDERHEAD. But you can not hold it. You must sell it within five or six months.

Mr. SMITH. I say you can not safely store any sugar for an unlimited time, whether cane or beet sugar. It will absorb moisture and become soft, or in some cases it will harden.

Mr. CALDERHEAD. Is it not also because it is only in one form, the granulated form?

Mr. SMITH. That is true; it is all in one form.

Mr. CLARK. If beet sugar and cane sugar are identical, do not the weather conditions affect cane sugar also, when stored in a given place, as they would beet sugar?

Mr. SMITH. Certainly. I have seen any quantity of cane sugar that had become absolutely hard and had to be ground over again and pulverized in order to make it salable.

Mr. CLARK. Your zone lies between the top of the Rocky Mountains and, say, Toledo?

Mr. SMITH. We have not any market at the top of the Rocky Mountains, or nothing west of the Mississippi River that amounts to anything.

Mr. CLARK. You are talking about beet sugar—the whole beet-sugar question?

Mr. SMITH. Yes.

Mr. CLARK. Your market ranges from the top of the Rocky Mountains to Toledo?

Mr. SMITH. It comes to Pittsburg.

Mr. CLARK. Well, say Pittsburg.

The CHAIRMAN. The whole business is governed from New York

Mr. CLARK. What whole business?

The CHAIRMAN. The whole business of beet sugar.

Mr. CLARK. Now, if these men undertake to ship cane sugar into your district, they have to pay the freight rates from New York to Pittsburg more than you pay, do they not?

Mr. SMITH. No; they pay half a cent less than we pay.

Mr. CLARK. You do not mean to say that they can ship sugar from New York to Denver or Omaha or St. Paul cheaper than you can ship it from Michigan, do you?

Mr. SMITH. You have moved your question from Pittsburg to Denver now.

Mr. CLARK. No; I am talking about that territory, from Pittsburg to Denver. Who has the cheaper freight rates in that territory, the beet sugar men or the cane sugar men?

Mr. SMITH. The beet sugar men, I should say; that is, after you get west of Detroit.

Mr. CLARK. You have the advantage of the freight rate?

Mr. SMITH. After you get west of Detroit.

Mr. CLARK. You have as good sugar as they have got?

Mr. SMITH. Yes.

Mr. CLARK. Why do you not drive these grocerymen into paying you as much for beet sugar as they pay for the cane sugar?

Mr. SMITH. It has been found not only expensive but dangerous to try to coerce anybody into doing anything in the last few years.

Mr. CLARK. I know, but you said a few minutes ago that these cane sugar fellows coerced you a few years ago.

Mr. SMITH. They tried to.

Mr. CLARK. They did cut you down 15 cents.

Mr. SMITH. That was before the public conscience was aroused.

Mr. CLARK. It is not so very much aroused yet, I am afraid.

Mr. FORDNEY. When there is a war on with regard to prices, you with your \$2,000,000 of investment would not have very much show of driving the American Sugar Refining Company out of business with its \$100,000,000 of capital, would you?

Mr. SMITH. No; we would hate to try it unless we were sure of succeeding.

Mr. FORDNEY. In other words, you can not afford to get into a war with the American Sugar Refining Company at any time?

Mr. SMITH. No, sir; we have a limited season and a comparatively small output, and most of the time the market is necessarily controlled or dominated by the refiners, who take care of 80 per cent of the entire consumption of this country. It would be an impossible competition.

Mr. UNDERWOOD. What per cent did you state was controlled?

Mr. SMITH. I said about 80 per cent.

Mr. FORDNEY. Based on the Dingley rate of duty, there is about a million tons of sugar that comes into our market from Porto Rico, Hawaii, and Cuba?

Mr. SMITH. Yes.

Mr. FORDNEY. Twenty per cent of the sugar of Cuba comes in free, and the rest pays the regular Dingley duty. If the duty is changed on imported sugar any at all, if it is changed downward, how would you feel about your investment?

Mr. SMITH. I would like to dispose of it before I was subject to an assessment.

Mr. FORDNEY. At less than 100 cents on the dollar of what it cost, would you not?

Mr. SMITH. Certainly. I should consider that the investment would be worth practically nothing if this tariff was materially reduced. It is the best that any average sugar company can possibly do now to pay from 5 to 6 per cent interest on the investment. If you reduce the protection and consequently reduce the margin of profit down below 40 cents a hundred pounds, it would mean the operation of the factories at an absolute loss, and I should want to get out of the business at once and lose it all in a lump and try to get into something else rather than lose it in annual installments.

Mr. FORDNEY. Do you think that American capital could be induced to build more beet sugar factories in the country if the duty on imported sugar was increased?

Mr. SMITH. Yes, sir.

Mr. FORDNEY. And you were assured that it would remain there?

Mr. SMITH. Yes, sir; if we could feel any substantial confidence in the good faith of any such pledges.

Mr. FORDNEY. That is all.

Mr. CRUMPACKER. Is it possible or practicable to powder beet sugar?

Mr. SMITH. Yes, sir.

Mr. CRUMPACKER. To put it in a powdered form?

Mr. SMITH. It can be; yes, sir.

Mr. CRUMPACKER. Or in the form of cubes, so as to meet the requirements of the market?

Mr. SMITH. Yes, sir.

Mr. CRUMPACKER. Why do not the beet sugar manufacturers put it in these different forms so as to meet the requirements of the trade and be free from these disadvantages they are under now?

Mr. SMITH. For the reason that that class of sugar is never marketed in carload lots. It is shipped in mixed carloads. It requires a very much larger and more diverse clientage to take any considerable output of that class of sugar than the beet sugar people have. They market their sugar almost entirely in carload lots and in the larger centers of trade. In other words, it would involve a very expensive selling organization to take care of that variety of output.

Mr. LONGWORTH. Is there no beet sugar put out in the form of cubes?

Mr. SMITH. I do not know of any factory that is making cube sugar.

Mr. CALDERHEAD. You would have to change your machinery?

Mr. SMITH. Yes, sir. That would not be a difficult proposition. It would be somewhat expensive, but it could be done. But the difficulty is principally in marketing.

Mr. CRUMPACKER. You would not have a demand for the beet sugar, cube sugar, in carload lots?

Mr. SMITH. No, sir.

Mr. CLARK. If a wholesaler in Chicago had 100 tons of beet sugar and 100 tons of cane sugar shipped to him, there is nothing about the boxes or barrels to show which is which, is there?

Mr. SMITH. Yes, sir; generally—that is, almost all of the beet sugar manufacturers have their packages marked.

Mr. CLARK. It was testified here the other day in regard to cigar wrappers grown in Florida in competition with Sumatra wrappers that they would ship them up to Chicago or somewhere else and then ship them back to these fellows who make the cigars, so that they would be getting Florida wrappers when they thought they were getting Sumatra wrappers. Do you suppose the sugar men are working the same thing?

Mr. SMITH. I think it is quite likely. I have smoked some of those cigars. [Laughter.]

Mr. CLARK. One other question. It has been testified here by a witness or two that there has been a great improvement and increase of the saccharine matter in these beets. Do you have any reasonable hope of getting it up as high there as it is in Germany?

Mr. SMITH. I do not see why we can not, and I believe we can do it. But it has taken one hundred years to develop the sugar beet to its present state of perfection in Germany and France, and while we are supposed to be more rapid than they are, I do not think we can expect any such result for twenty or twenty-five years yet.

Mr. CLARK. I supposed you began where they left off. After that question, here is another. Do you sugar men up there believe the time will ever come, and if so how long will it be before it does come, when this beet sugar industry will be able to get along without any protection?

Mr. SMITH. I believe so, Mr. Clark. I do not think that we ought, or that any industry ought, to expect to be perpetually protected. But even if that should be necessary, it seems to me that it would be much better policy for this country to continue to protect an industry that will supply it with all it needs.

Mr. CLARK. I did not ask you that. I asked you a plain and simple question.

Mr. SMITH. Well, I think so. I do not know as you and I will live to see it, but I think that some time the industry will be able, by improved methods, to do it. But it can not be done until there is some improvement or until we are willing to reduce the wages that we pay. The bulk of the entire cost of beet sugar is paid out in labor.

Mr. CLARK. You do produce beet sugar cheaper now than you did ten years ago; that is, so far as the total cost of the product is concerned?

Mr. SMITH. I suppose so. I have not been in the business so long as that. This business started about ten years ago.

Mr. CLARK. Yes; I know.

Mr. SMITH. I might say that this company which I represent is also engaged in farming. We have a farm of about 10,000 acres, upon which we are raising quite a large quantity of sugar beets, as well as doing other branches of farming, so that we are somewhat familiar with both ends of the proceeding. I wish to say, also, that we have an association of sugar factories in Michigan, of which I have the honor to be president, and I am requested to represent them here and present their position in this matter at this time. That is, they have agreed that it is absolutely essential to the success of their business that the tariff should not be reduced, and they have given me the statistics of the cost of manufacture of their sugar, and I will say that the average cost for the past five years, presented by the following sugar companies, the German-American Sugar Company, at Bay City; the St. Louis Sugar Company, of St. Louis, Mich.; the Mount Clemens Sugar Company, at Mount Clemens; and the Holland Sugar Company, at Holland, has been in excess of \$4 a hundred pounds.

Mr. UNDERWOOD. To what extent did they exceed it?

Mr. SMITH. The average of one company is \$4.13 and the average of another is \$4.16 for the past five years.

Mr. DALZELL. That does not include interest on capital?

Mr. SMITH. That includes no return on the investment whatever.

Mr. UNDERWOOD. But it does include everything else?

Mr. SMITH. It includes everything else.

The CHAIRMAN. How much are they getting out of the alcohol?

Mr. SMITH. They are selling molasses.

The CHAIRMAN. The same as they were the last time we had tariff hearings?

Mr. SMITH. Yes, sir.

The CHAIRMAN. There is no change in that?

Mr. SMITH. There is no change in the method.

The CHAIRMAN. That is what I mean, or in the amount you get out of it there is no change?

Mr. SMITH. They are getting more for their molasses now than they did, because a great part of it is now sold for cattle feed, for feeding purposes, and the high price of other feed has brought the price of molasses up.

Mr. UNDERWOOD. In estimating the cost of the sugar, do you give credit for the by-product or is the by-product not considered in that?

Mr. SMITH. All receipts for the by-product are taken out of the cost. This is the net cost of the sugar after all returns from the by-product have been credited to the operation of the factory.

The CHAIRMAN. Have you a statement from which you make up the cost in detail?

Mr. SMITH. Yes, sir.

The CHAIRMAN. Have you submitted that?

Mr. SMITH. I have not, but if desired, I will do that.

The CHAIRMAN. Yes, I would like to see that.

Mr. SMITH. That is, dividing the original cost of beets and the cost of operation, everything?

The CHAIRMAN. Yes.

Mr. SMITH. I will file such a statement.

The CHAIRMAN. Showing wages and so on.

Mr. SMITH. Yes.

Mr. FORDNEY. How much of the total cost of production of beet sugar does labor get in this country? For instance, if it costs 4 cents a pound to make sugar from beets, how much does labor get out of that?

Mr. SMITH. I could not answer that offhand. I will say that for the cost of the beet itself—

Mr. FORDNEY. That is, labor, I mean labor alone; what is paid the farmer?

Mr. SMITH. I will give you that. The farmer will get, say, an average of \$50 an acre out of his beets. All of the cost of the production, practically, is labor, and that is estimated, and I think it is moderately estimated, by Mr. Hathaway, at \$33 an acre.

Mr. FORDNEY. In the 4 cents cost is figured what goes to the farmer and the laborer; everything that goes into converting the beets into sugar is labor except what raw material there is in the way of coal and cotton bags, and barrels, and such like?

Mr. SMITH. Yes. I have a statement here by one of the factories which on the cost of \$4.18 a hundred gives the cost of beets at \$3.41 a hundred, of which at least three-quarters would be labor, and the cost of labor in the factory is 47 cents a hundred; supplies 63 cents a hundred, which would give about three-quarters of the cost in labor. I suppose that has been estimated more accurately—

Mr. FORDNEY. Then, if that is true, Mr. Smith, on the 1,700,000 tons of sugar imported last year, or about that, labor only gets (on the imported sugar) about one-half cent a pound, does it not? I mean one-half a cent a pound for refining, the difference between the amount that American labor gets from imported raw sugar and sugar produced in this country is one-half cent per pound, compared with about 4 or 3½ cents?

Mr. SMITH. I should say so.

Mr. FORDNEY. Then, on the 1,360,000 last year imported, labor received about \$17,000,000, whereas, if it had been produced in this country it would have received \$136,000,000, or in that neighborhood?

Mr. SMITH. The principle is right; I have not the time to verify your figures.

Mr. FORDNEY. That is the difference between 4 cents and one-half cent that would go to American labor?

Mr. SMITH. Yes.

Mr. FORDNEY. Then, American labor would be very much interested in producing all the sugar at home that we consume, if those figures are right, would it not?

Mr. SMITH. I should think so.

Mr. UNDERWOOD. The sugar labor might be very much interested, but the labor that eats the sugar might be interested the other way.

Mr. FORDNEY. Well, the labor that eats the sugar would not be hurt by the labor that produces the sugar getting that benefit.

STATEMENT OF GEN. LUKE WRIGHT, SECRETARY OF WAR,
RELATIVE TO THE PHILIPPINE SUGAR INDUSTRY.

MONDAY, *November 16, 1908.*

I only just heard that the committee was hearing arguments with reference to these tariff schedules on sugar and tobacco, as applied to the Philippine Islands. I heard it only about 10 o'clock this morning. I want to say to the committee that we are hardly prepared at this time to go into that question. We are now having investigations made in the Philippines by experts, among them Mr. Hord, the internal-revenue collector for the islands. He is taking up this question with a great deal of care with a view of laying before the committee the cost of production in the Philippine Islands, their capacity for increased production, and various other matters which will enter into any intelligent consideration of this question as applied to the Philippine Islands.

It seems to me that the whole objection, if it has any force at all, lies in the danger apprehended by the producers of the United States, that their market might be destroyed by the inundation from the Philippine Islands, and if that apprehension could be relieved, if that is really their fear, it seems to me that their opposition would cease.

The custom-house report from the Philippine Islands shows that the total exports of sugar for the year 1907 were 118,000 tons, and it is difficult to see, if all of that came to the United States, just how that could in any way affect the market here, when it is considered that between 1,700 and 1,800 thousand tons are annually imported.

Of course, if there were an indefinite increase, I can readily understand how, in the course of human events, it might affect the market here; but until the Philippine Islands took up the whole import of foreign sugars the market here, it seems to me, evidently could not be affected. The importance of that, I think, can be made perfectly obvious to every member of the committee.

The last gentleman was good enough to say—I suppose they all feel the same way—that he had the kindest, most affectionate feeling for the Philippine people, but he did not think it ought to be carried to the extent of destroying his market. It is astonishing, really, gentlemen, how many charitable people there are in the world when it does not cost them anything.

But aside from that we can demonstrate, I think, to the satisfaction of the committee that there is not the slightest possibility of any large increase of production in the Philippine Islands in the near future, in many years. Economic conditions, labor conditions, and all that are such that it is utterly out of the question that there can be any large increase in the near future.

Our purpose had been at the proper time to make suggestions of some fair compromise about this matter, limiting the amount of sugar which might be imported without duty, as an evidence of our good faith and of our actual belief that the market here is not in the least danger, and some gradual increase per annum, with a maximum limit, I think, we could agree upon.

It is not possible that the Philippine Islands could supply the actual increase in demand for sugar year by year, as it is going on in the United States, and if I am correct in that, it would seem

utterly absurd to talk about Philippine sugar endangering the American market until the beet sugar people and the cane sugar people, in spite of this tariff wall which has been erected, raise about 1,800,000 tons more than they are doing now. When that time comes it will then be time enough to talk about putting up the bars against the Philippine Islands.

I was informed a moment ago that the total production of beet sugar in the United States amounted to 440,000 tons last year. Before the beet sugar industry is in the slightest danger that industry must increase from 440,000 to about 2,100,000 tons, and I think, if you will take the statistics which show the annual increase in beet-sugar production, it will be obvious that that can not happen for the next fifty years.

I believe, gentlemen, that is all I have to say, except I should be very glad if you could postpone these hearings—

The CHAIRMAN. We can not postpone the hearings. We have adopted a rule that briefs can be filed, in order to be printed by the 5th of December, and briefs that come in later than that will have to take their chances.

Secretary WRIGHT. Will the committee hear us, say, some time in January?

The CHAIRMAN. I do not think the committee is in a position to concede any hearings in January at this time. If anybody makes application in the future for hearings, the committee will consider the application. But our object is to get through with these hearings and go to work and consider this bill and make as good a bill as we can from the facts laid before us by various people along the lines of an honest tariff bill. That is the object of the committee.

Secretary WRIGHT. We will be allowed, then, at an earlier date—

The CHAIRMAN. We will, of course, be glad to get all the information that will come to us while we are considering the bill. If you have opportunity to file briefs or be heard, of course the other side of the question must have equal opportunity to meet whatever facts you may present at that time. My own idea is that the only menace to the sugar industry from any of these concessions ultimately is a reduction on Cuban sugar. If the 20 per cent reduces that below the point of protection, that is in so far a menace, because that is a large production, and if the point should be reached where the domestic production, in addition to the Philippine Islands, if any of the crop should be placed on the free list (and the Hawaiian Islands, and of course the Porto Rican Islands include part of the production), and added to it the importation of the Cuban sugar at a discount of 20 per cent on the tariff reaches the total consumption, of course then the protection is taken away to the extent of one-fifth, and how far that will remain a protection to the sugar industry remains to be seen, but the great menace is the large quantity of sugar that comes from Cuba, if the concession brings that below the protective point.

Secretary WRIGHT. We can cross that bridge when we come to it. All I am interested in at this time is to show that the American market—

The CHAIRMAN. I want to show further, in regard to that compromise two or three years ago, when this matter was being considered the suggestion of compromise came from those who opposed the low-

ering of the duty to Philippine sugar and Philippine tobacco, limiting the amount. My idea then was that was an illogical proposition. I have not changed my mind in regard to that since.

Secretary WRIGHT. Neither have I—

The CHAIRMAN. Later it came from the War Department, a year or two ago, and I understood that it was acceded to at that time by the representatives of the sugar interests. Now, of course, the amount of sugar imported free of duty in one year could be limited in numbers of tons, and all that came in after that limit had been reached to pay the full duty under the tariff law, or 75 per cent of that duty, as it might be fixed in the law; and the same way in regard to tobacco and cigars, that could be practically operated.

Secretary WRIGHT. Of course, what I said with reference to sugar has equal application to tobacco.

The CHAIRMAN. Yes; it is practical to operate it, of course.

Secretary WRIGHT. I was led to believe from what General Edwards had told me that the strong probability was that we should be able, so far as we could do that, to make some agreement that would relieve the committee of considering this particular phase of the tariff law.

Mr. McCALL. If General Wright should be prepared before the hearings are closed, would not the committee see him personally instead of having him file a brief?

The CHAIRMAN. Oh, certainly.

Mr. McCALL. That would give him an opportunity for us to ask him questions.

The CHAIRMAN. Certainly. This is an important question, a question that might not be considered as coming strictly within a tariff-revision bill, although it could be placed there. In other words, it is a side issue in some senses, and the committee would certainly make every effort to hear both sides of that controversy at any time if opportunity presented itself.

Secretary WRIGHT. Well, you want the Philippine schedules to be dealt with along with the general subjects of sugar and tobacco, would you not?

The CHAIRMAN. That will be for the committee to take up. Individually, I should favor doing it. I do not know how the rest of the committee feels; I have not talked to them about it.

Secretary WRIGHT. Well, sir, we will address ourselves at once to this matter. We were taken very much by surprise to-day, and perhaps we will ask to be allowed to impose on your good nature a little later.

Mr. FORDNEY. May I ask the gentleman one question?

The CHAIRMAN. Yes.

Mr. FORDNEY. You state on account of the large amount of sugar imported that the beet sugar industry should not be alarmed until its production greatly increases?

Secretary WRIGHT. Yes, sir.

Mr. FORDNEY. When Cuban reciprocity was adopted the same argument was urged, that the importation of sugar from Cuba at that time was 615,000 tons, and would not materially increase, but it has run up to a million and a quarter tons since that time. Beet sugar men are fearful that by bringing in more raw sugar free of

duty into this country that that will be the last straw that will break the camel's back.

Secretary WRIGHT. Perhaps it is an irrelevant question; but has the price of sugar declined of late in this country? I don't think it has. Are there any symptoms of it declining?

Mr. FORDNEY. It has retarded the growth of the beet sugar industry.

Secretary WRIGHT. Has it?

Mr. FORDNEY. Yes; very materially.

Secretary WRIGHT. Is it not probable that there are some other causes that have brought about that?

Mr. FORDNEY. Perhaps.

Secretary WRIGHT. I heard Mr. Hathaway state, in answer to Judge Underwood, I believe, that the American Sugar Company had no interest in any of these beet sugar factories. I confess I was a little astonished at that, in view of the statement I heard made, I think, by him—and if I am in error the gentleman will correct me—and by one or two other gentlemen, whose faces are familiar and some of whom I have seen here, to the effect that there was a trustee who owned 51 per cent of the capital stock of all these beet sugar factories, supposedly a trustee representing the American Sugar Company.

Mr. UNDERWOOD. In each one of these beet sugar factories?

Secretary WRIGHT. Yes; that was the statement made three years ago. If I am not grossly mistaken—and I do not think I am—that was the statement made. That may, perhaps, account for some other deficiencies that have cropped up here; I do not know. I would like to run into that a little, if we must do it.

Mr. FORDNEY. I do not know anything about the ownership of any of them. I never had any interest in one and do not have now.

Secretary WRIGHT. Of course I have no doubt of that, sir; although there is no reason why you should not have.

Mr. FORDNEY. But, so far as I am concerned, it would not make any difference who owns them, so long as they are owned by Americans and make sugar from an American-grown product.

Mr. GAINES. Do you think if the time was given you to go into this matter that you would show that it is true that a trustee representing the American Sugar Refining Company owns 51 per cent of the beet sugar business?

Secretary WRIGHT. I could only refer you to the hearings as they were published. The chairman will correct me if I am wrong about that. I do not know that it is very important, still I think when you come to weigh arguments, it is well to know just where the argument comes from and what the motive behind it, whether it is really the honest apprehension of a large body of men who till the soil or whether it is simply the selfish interests of a particular corporation that is monopolizing the refined sugar production and sale in this country.

Mr. FORDNEY. My interest in the matter is representing the people of the Eighth Congressional District of the State of Michigan, and there are 20,000 farmers in that district raising beets. That is my interest.

Secretary WRIGHT. I understand, sir; but I can say that it seems to me that would be rather a pertinent inquiry, as to what is at the

bottom of a matter that relates to the Philippine sugar. It seems to me that might be important.

Mr. GAINES. I agree with you. I think that would be of the highest consideration, and if what you believe to be true is really true, I should like to know it.

Secretary WRIGHT. Unless I am totally wrong—and I do not think my memory is altogether failing—it was about three years ago when we had this same subject up before this same committee that the statement I refer to was made, and the chairman will doubtless remember what was stated at that time.

Mr. SMITH. May I say, in reference to this same point, that so far as the company I represent is concerned, the American Sugar Refining Company does not own and never did own a dollar of interest in any way, shape, or manner in the Owosso Sugar Company.

Secretary WRIGHT. I do not think I had the pleasure of hearing Mr. Smith before—

Mr. GAINES. May I ask Mr. Smith a question?

Secretary WRIGHT. But at that time, it was not only conceded, I think by Mr. Hathaway, but by a number of other gentlemen representing beet sugar industries, that that was the fact. Of course that may have all changed, there has been a searching of hearts—

Mr. SMITH. He never made a statement as to my company.

Secretary WRIGHT. No; I do not remember of having the pleasure of seeing Mr. Smith before—

Mr. GAINES. What is understood on that subject by the trade, generally, Mr. Smith, as to the ownership by the trust in the beet sugar concerns; is it understood that the trust owns a considerable interest in the beet sugar concerns?

Mr. SMITH. These gentlemen are here. It seems to me it would be better for them to answer. I might tell you what I have heard and believe, but not having any knowledge or reliable information, I think it would be at least indelicate for me to say.

Mr. GAINES. I understand that a good many of these things are morally known in the trade without you knowing in such a way that you could testify to them, and that the persons who do know them in such a way that they could testify to them would not like to do it, and we might not ask them to.

Mr. SMITH. I do not hesitate to say that the Michigan Sugar Company is generally referred to as the trust organization.

Mr. GAINES. And what is the Michigan Sugar Company?

Mr. SMITH. It is the company owning six of the sixteen sugar factories in Michigan and operating them.

Mr. GAINES. Holding and operating six of the sixteen?

Mr. SMITH. Yes.

Mr. GAINES. Is it supposed to have any interest in the other ten sugar factories in Michigan?

Mr. SMITH. Not to my knowledge. If it has any, it is not supposed to be a controlling interest, or an interest more than—in fact, I do not know what they may have in the others. I am simply giving you the general opinion, as I understand it. I do not know anything about it myself.

Mr. BONYNGE. You say they are regarded as a trust in Michigan. Do you mean the American Sugar Refining Company?

Mr. SMITH. It is supposed that interests connected with the American Sugar Refining Company have large interests in these six factories.

Secretary WRIGHT. It might be well worth considering in connection with this general subject, if the American Sugar Refining Company owned all the sugar factories, just how fast the increase in production would continue. They are in a position, if they control it, to increase or decrease the production pretty extensively. However, I do not know anything about that except what I have stated before.

Mr. CRUMPACKER. If we abolish the tariff on sugar imported from the Philippine Islands, is there anything down there that would prevent the American Refining Company getting control of the product even there?

Secretary WRIGHT. Nothing in the world. Really, just as a well-wisher of the Philippine people, I have been almost in hopes they would.

The CHAIRMAN. I do not suppose any change in this tariff would prevent the American Sugar Refining Company from buying stock in any corporation it wanted to?

Secretary WRIGHT. No.

Mr. SMITH. I do not know that I was understood to say that I believed the American Sugar Refining Company had a controlling interest; I do not know whether I was so understood or not. I don't know about that. I simply say they are supposed to have a large interest in the Michigan Sugar Company.

The CHAIRMAN. Well, something has been said in regard to that in the former hearings.

Secretary WRIGHT. I am simply giving my memory of what was admitted on all sides at the former hearing.

Mr. BONYNGE. That is far short of being 51 per cent, even if they had 51 per cent of all the sugar factories in Michigan.

Secretary WRIGHT. That was not the statement made before. It appeared before, if I am not grossly in error, that all those—of course the hearings will show for themselves, but that is my recollection of it.

Mr. BONYNGE. I think your recollection is wrong about that.

Mr. GAINES. I think Mr. Hathaway desires to make a statement.

The CHAIRMAN. Have you any different statement to make now?

Mr. HATHAWAY. What statement did I make?

The CHAIRMAN. I do not remember. It is recorded.

Mr. HATHAWAY. I never made any remark in my evidence before of the kind General Wright has referred to.

The CHAIRMAN. Well, some person did; several persons did.

Mr. HATHAWAY. General Wright has quoted me.

Secretary WRIGHT. I said that was my recollection.

Mr. HATHAWAY. Well, you were in error there.

The CHAIRMAN. Well, make it as brief as possible.

SUPPLEMENTAL STATEMENT OF F. R. HATHAWAY, REPRESENTING THE MICHIGAN SUGAR CO., OF DETROIT, MICH.

MONDAY, *November 16, 1908.*

Mr. HATHAWAY. What I want to say is this: That every director of the Michigan Sugar Company is a Michigan man. I want to say next that every certificate of stock issued by the Michigan Sugar Company, as far as the records are concerned, with the exception of about \$100,000 of stock, is held by a Michigan man or Michigan men.

The CHAIRMAN. What about the \$100,000?

Mr. HATHAWAY. That is scattered around in different places.

The CHAIRMAN. Let us have the whole truth.

Mr. HATHAWAY. That is scattered around in different places outside the State.

Mr. BONYNGE. What is your capitalization?

Mr. HATHAWAY. Twelve million five hundred thousand dollars.

The CHAIRMAN. Is there one director that represents that \$100,000?

Mr. HATHAWAY. No.

The CHAIRMAN. Is there any director outside the Michigan people in the concern?

Mr. HATHAWAY. No, sir.

Mr. GAINES. Are any of those Michigan people, directors, directly or indirectly connected with the sugar trust?

Mr. HATHAWAY. Not to my knowledge in any way.

Mr. GAINES. Does not a Michigan man hold it as trustee?

Mr. HATHAWAY. He does not.

The CHAIRMAN. I think you will find out about that in the former hearing.

Mr. GAINES. I know that there is a good deal about it in the former hearing, but I thought perhaps I could find out something about it now.

The CHAIRMAN. The witnesses that appeared then seemed to know more about it.

STATEMENT OF F. T. SHOLES, REPRESENTING THE CONTINENTAL SUGAR COMPANY, CLEVELAND, OHIO.

MONDAY, *November 16, 1908.*

The CHAIRMAN. Please give your full name and residence.

Mr. SHOLES. F. T. Sholes, Cleveland, Ohio. I am secretary and treasurer of the Continental Sugar Company of Ohio.

I am here to speak for the interests of the Continental Sugar Company of Ohio.

The statistics which we have listened to this morning are more than I can attempt to cover. Mr. Smith has covered the argument of certain trade points, and I would like to give you the results of our company as briefly as possible.

In 1899 the subject of the production of beet sugar was presented to us for investment purposes. We investigated the reports as furnished by the Agricultural Department, several pamphlets and direct cor-

response with Washington on it; we believed it to be a favorable investment, and the company was organized and capital subscribed in Cleveland at that time; entirely in Cleveland.

We began operations and the education of the farmer for the cultivation of beets in that territory.

We are now operating in 22 counties and engage the product of about 3,000 farmers in that immediate vicinity.

We have secured from them for the year 1908—that is the year we are now working on—approximately 12,000 acres of beets, and have expected to harvest, and are now harvesting, approximately 100,000 tons.

The figures of last year—that is, the campaign closed in 1907—were so nearly representative of a fair average—and we have had worse and better ones—that I will give you those figures as to just exactly what has been paid to the farmer, what we have secured from him in tonnage, and what we have made on the last year's campaign, being, as I say, a fair average, there having been worse ones and better ones in our history.

We harvested and paid for 87,633.2 tons of beets. We paid the farmers \$470,458.44.

The beets cost us in the factory, after paying the farmers and the freight and delivering into the plant, \$6.35 per ton, a total of \$556,292.57.

We produced 18,639,123 pounds of sugar.

We paid in wages to the employees and operatives of the plant \$184,695.73. I may say here that there are no salaries included in that above \$5,000, which is paid to one man, one salary of \$3,600, and one salary of \$3,000, and one salary of \$2,000, the rest being all below that.

We paid \$15,700 in insurance and taxes; \$78,285.47, for coal, coke, lime rock, barrels, bags, and other materials going into the manufacture and producing of the sugar. We paid \$52,684.40 in freight.

We handled 4,200 cars of sugar beets, coal, coke, lime rock, and the sundry supplies, and the sugar cost us \$4.09 per hundred pounds.

Our proceeds from sales were \$4.38 per hundred pounds, leaving us a profit of 29 cents per hundred pounds.

Mr. UNDERWOOD. \$4.09 or \$4.90?

Mr. SHOLES. \$4.38 net proceeds—

Mr. UNDERWOOD. But the cost.

Mr. SHOLES. \$4.09, a net profit of 29 cents per hundred pounds.

We have an investment of \$1,463,000, and we are firmly of the belief, and our figures certainly give that evidence, that any reduction of the present tariff would mean the abolition of our business. This is only one company in Ohio.

Mr. UNDERWOOD. What dividends have you paid since you have been in operation?

Mr. SHOLES. We have paid two dividends in the eight years we have been in the business.

Mr. UNDERWOOD. How much have you put out of your earnings into betterments and improvements?

Mr. SHOLES. I have no figures to give that, but there has been no depreciation included in this cost of \$4.09. The depreciations that have been made upon the plant and investment have been charged

against the profit and loss account, which accrues from the difference between the \$4.09 and the \$4.28, and its accumulation.

Mr. UNDERWOOD. What do you figure your profits to have been during that time?

Mr. SHOLES. I would rather not answer that question in point of figures. I can say that we have had better years and worse years, and our net earnings last year were a little over \$40,000, charging off the depreciations.

Mr. FORDNEY. How much investment?

Mr. SHOLES. \$1,463,000.

Mr. UNDERWOOD. Out of your gross earnings, did you expend anything for improvements or betterments last year?

Mr. SHOLES. Not any serious amount. There are always more or less changes or additions made in the plant, and the improvements and betterments are added. If I remember correctly, the figure was about \$12,000 last year, but that is the difference between the gross cost of the improvements or betterments and the salvage of the displacement or whatever is taken out of it.

Mr. UNDERWOOD. Then you made last year really about \$52,000 instead of \$40,000 net profit, if you do not include the betterments and improvements?

Mr. SHOLES. Yes; only our books do not show it that way. That is a fair consideration of it.

Mr. UNDERWOOD. Was the stock paid for in cash, or have you issued stock dividends to account for the profits that you have invested in betterments and improvements?

Mr. SHOLES. With the exception of a very small quantity—I think it was \$45,000, if I remember correctly, made to equalize the authorized capital stock of \$1,200,000—all of the capital was paid in in cash. That \$45,000 was issued in fractional shares, to equalize holdings and finish our capital stock, having at that time a greater surplus than covered the \$45,000, if those are the correct figures.

Mr. UNDERWOOD. What do you figure the advantage of the zone in which you sell your product is over the Atlantic seaboard, in the matter of freight rates?

Mr. SHOLES. That is a question that I can hardly answer. I am not prepared to answer that. We are manufacturing in Ohio and seeking a market for our product. We are obliged to meet the current conditions, the competition of business, and we do not have to meet that question you ask at the seaboard, and when we have an offer for sugar in Pittsburg, Buffalo, Cincinnati, or Cleveland, we simply know that the price quoted by our competitors is so and so, and we can either meet it or cut it.

Mr. UNDERWOOD. But you do have an advantage in freight rates within that zone, do you not?

Mr. SHOLES. Certainly. Freight rates from New York to the zone point and our local freight rate.

Mr. UNDERWOOD. I would be glad, if you have the opportunity, if you would file with your statement here figures showing what it does amount to, if you could get those figures.

Mr. SHOLES. Not being acquainted with the matter, I should be obliged to refer to the figures presented at this hearing. It is something I have never handled at all.

The CHAIRMAN. Are there any further questions? Have you anything further to say, Mr. Sholes?

Mr. SHOLES. Nothing more, Mr. Chairman.

STATEMENT OF W. H. BAIRD, GENERAL SUPERINTENDENT
OF THE AMERICAN BEET SUGAR COMPANY.

MONDAY, *November 16, 1908.*

The CHAIRMAN. Give your full name, and where you reside.

Mr. BAIRD. W. H. Baird; residence, Denver, Colo. I am the general superintendent of the American Beet Sugar Company.

I spent between five and six months last year in visiting the sugar factories of Europe for technical studies, almost entirely, studying the methods used there, and I traveled through Holland, Belgium, Germany, France, Spain, Italy, and Austria in doing this, and as an incident to the study of the manufacture of sugar, to find why they made sugar cheaper than we did. From a purely technical standpoint the prices of their labor came in, which prices I am ready to submit to the committee.

I have made out a list here of the prices which we pay in our factories, the American Beet Sugar Company. These prices are taken from the scales as submitted to me by the local superintendents of the factories. Our factories are located in three different States, Colorado, California, and Nebraska.

Mr. BONYNGE. How many are located in Colorado?

Mr. BAIRD. Three in Colorado, located at Las Animas, Rocky Ford, and Lamar.

Starting with the men of higher rank, we pay for general foremen from \$150 to \$160 per month. The only place where we find a comparison with these men is Germany, where they pay from 75 cents to \$1.25 per day, or \$22 to \$37.50 a month, which in some cases is augmented slightly by the giving of a little house to live in, close to the place. I may say that in some of our factories we do practically the same, furnishing a clubhouse or residence for the man on the ground. So it almost balances.

Among the laborers, coming down the list, we have, beginning with the work as the beets are fed into the factory, those that work in the beet sheds. Our feeders we pay 20½ cents an hour—that is, for beetshed men; while in Germany they pay 5 cents an hour, and in Austria 7 cents an hour. For the feeders of beets, those that work in the wet places, we pay 17½ cents an hour; Germany pays 6½ cents an hour, and Austria 7 cents an hour.

At the beet washers we pay 17½ cents an hour to 22 cents an hour, depending upon the work the man does. In Germany they pay 5 cents an hour, and in Austria they pay 5½ cents an hour.

At the cutters we pay 20 to 25 cents an hour, and the only place where I have any equivalent is France, where they pay from 8 to 10 cents an hour.

Sharpening knives, a slightly skilled labor, we pay $22\frac{1}{2}$ to $27\frac{1}{2}$ cents per hour. In France they pay 5.7 cents to 10 cents an hour, depending upon the factory.

At the diffusion battery, which is more or less skilled work, we pay the head men 25 cents an hour. Germany pays such a man from 6 to 10 cents an hour and Austria pays from 4 to 5 cents an hour. France pays from 9 cents to 10 cents an hour for that work.

The helpers on this battery, ordinary labor, we pay 20 cents an hour. Germany pays 4 cents an hour; Austria pays 4 to 6 cents an hour. France pays 6 cents to $7\frac{1}{2}$ cents an hour.

Under the battery, where it is wet, we pay 20 cents, Germany pays from 5 to 6 cents, and Austria pays from 4 to 6 cents, and France pays 8 cents.

At the carbonation the chief man gets 25 cents an hour. In Germany he gets 5 cents an hour. In Austria he gets 5 cents an hour. In France he gets 8 cents an hour.

The filter presses, we pay the foremen 25 cents an hour, and the only price I have here in my official list comparing to that is 8 cents in France, although I know from conversation and ordinary observation that they pay about 1 cent more an hour for a foreman than the laborer gets.

Filter pressmen, who work at the hard labor of the filter press—and you may call it the commonest of the labor in the factory—we pay $17\frac{1}{2}$ cents an hour; Germany pays 4 cents an hour, Austria pays 5 cents an hour, and France pays 7 cents an hour.

At the evaporators we pay 25 cents an hour; Germany pays 4.4 cents an hour, Austria 5.8 cents an hour, and France 8 cents an hour.

The more highly skilled laborer of the vacuum pans, boiling the sugar to grain, we pay from \$100 to \$125 a month, and in general by the year. In Germany they pay from \$18 to \$22 a month, and in general not by the year. In Austria in general they pay \$18 a month, or \$294 by the year, if they keep them during the whole year. In France they pay \$40 a month for three months and give a compensation of \$10 extra for traveling expenses.

At the centrifugals, which is more or less skilled labor, we pay from 20 to $22\frac{1}{2}$ cents an hour. In all the factories in Europe that I visited the work in the centrifugal machines is paid so much per sack of sugar produced, and their arrangement is such that it is almost impossible to translate it, to compare it with our wages, as they produce nothing but raw sugar and it comes out in a different way from ours, and so I have not attempted it.

Cleaning the boilers, firing and stoking. We pay 30 cents an hour for our head boilerman. In Austria they pay 7 cents. In France they pay 7 cents, plus \$15 bonus.

For firemen we pay 25 cents an hour, and for their firemen they pay from $6\frac{1}{2}$ to 7 cents an hour.

Boiler cleaners, we pay 20 cents an hour, and the only place I have any record of corresponding to that abroad is in France they pay 6 cents an hour.

Blacksmiths, which will be a good example of the skilled mechanical laborer, we pay 40 cents an hour; Germany pays from $7\frac{1}{2}$ to 10 cents an hour; Austria pay 7 cents an hour; and France pays 8 cents an hour.

I found in going over this work that practically everything that enters into the cost of the manufacture has a relative value, following more or less the wage scale. As, for instance, one of the largest expenses that we have in the sugar business is our lime, larger in America than it is in Europe, from the fact that our beets are of lower purity, and we use a larger quantity of lime.

The value of the lime in the factory is almost entirely a labor cost, as it is a matter of getting it out of the ground and of burning it. So our lime will cost about \$10 a ton in the factories I am thinking of, and theirs is very much less—I would not care to say in exact figures, but nearer \$5—from \$4.50 to \$5 a ton.

The same thing holds true of filter-press cloths, which are a large item with us. They have reduced the cost of the highly skilled labor, which gets a comparatively high price in this country and a low price in Europe.

The coal in Germany, one of the countries that is competing, is very low for the same reason. It is a very cheap coal, and the principal cost connected with it is the labor cost; so that their coal in Germany is actually lower in price than ours.

These cover practically all the prices of labor that I have ready to submit.

Mr. UNDERWOOD. What is the efficiency of the labor in this country as compared with the countries in Europe that you speak of?

Mr. BAIRD. In a sugar factory it is practically the same, from the fact that a sugar factory is made up of stations requiring about the same number of men to watch each station, whether they are efficient or inefficient men, and there are very few places, unless it would be feeding the beets into the factory, or running the centrifugal machines, or stoking in the boiler house, where individual efficiency would cut very much figure.

So I found, in general, the number of men employed was practically the same as ours, or slightly less, unless you take the countries in the extreme south of Europe—Spain and Italy—where, of course, labor is quite inefficient. But that has really nothing to do with this case, because they do not compete to any extent. But if you take Austria and France and Germany, labor is practically the same as ours in efficiency.

Mr. UNDERWOOD. From your studies do you think the labor cost per ton of sugar would bear out the comparison of the figures there, where you compare them man to man? Do you think that there is the same cost in the matter of labor per ton?

Mr. BAIRD. The labor cost in any of these countries would be quite a good deal more than any of the figures I give you, from the fact that they get so much more sugar per man.

Mr. UNDERWOOD. By reason of its higher saccharine qualities?

Mr. BAIRD. By reason of the additional saccharine matter and the additional purity of the beets; yes. If you go into it, you will find that their labor is lower than this list would indicate.

Mr. UNDERWOOD. You have made no calculation as to the amount of cost, so far as labor is concerned, per ton of sugar?

Mr. BAIRD. Not per ton of sugar; no. I would say that over there 100 pounds of sugar would cost about 7 to 8 cents for labor. That is an exceedingly rough estimate.

Mr. UNDERWOOD. Our 100 pounds of the beet sugar in your factories would cost about how much?

Mr. BAIRD. Well, near 48 cents.

Mr. UNDERWOOD. There is a difference, then, of between 48 cents and 7 cents in the labor cost of the production of 100 pounds of sugar?

Mr. BAIRD. Yes; but when I say that I say that with what I said before, that there are other things entering which make our labor cost high in this country.

Mr. UNDERWOOD. The competition from abroad in sugar comes largely from Germany, does it not?

Mr. BAIRD. Yes, sir.

Mr. UNDERWOOD. The competition of the other European countries does not cut any figure, does it?

Mr. BAIRD. Austria would. If Germany could, Austria would.

Mr. UNDERWOOD. Those two countries?

Mr. BAIRD. Those two countries; yes.

Mr. UNDERWOOD. How are the factories in Germany situated, so far as the seaboard is concerned?

Mr. BAIRD. Almost every factory in Europe is situated on the seaboard; that is, it is on canal board. Everything is shipped by water to seaboard. The factories working in the center of Bohemia, for instance, have a very short haul to the Moldau, and from there have a water haul out to the mouth of the Elbe, and by lighterage on board ship. That takes them right down through the heart of the beet-growing countries of Europe.

Mr. UNDERWOOD. Did you make any figures on the cost of freight from the interior points to the seaboard, and from the seaboard to New York, for instance?

Mr. BAIRD. I did not, because I was studying this purely from a technical standpoint and it did not occur to me that anything else would come up when I was studying it. It was purely to satisfy my own curiosity as to cost, and so forth—

Mr. POU. Did you figure out the cost of sugar in the plants you visited?

Mr. BAIRD. It would be very difficult to figure that out unless one had private figures. There are a great many elements that enter into it, so that it would be very difficult. For instance, in the German factories, those that were willing to tell me said that the price they got for their sugar they hoped would pay the expenses of running their factory. They make their money off of molasses and pulp, both of which command very high prices. Most of them told me that they run their factories for their agricultural benefit—that is, that they would run them anyway if they paid expenses, on account of the agricultural benefits to be given to the lands, the rotation of crops.

Mr. POU. You did not make any figures yourself on that?

Mr. BAIRD. No; I couldn't make any but very rough ones, but the best ones I could make are well below 2 cents a pound. Further than that any figures would be doubtful.

The CHAIRMAN. What do they do with their pulp?

Mr. BAIRD. Most of it is dried.

The CHAIRMAN. And then what do they do with it?

Mr. BAIRD. It is fed to cattle.

The CHAIRMAN. Are our people making any advance in using pulp now?

Mr. BAIRD. They have made a very great advance. But you must remember that there is a great difference between Germany and America; you must remember that Germany has no feed that corresponds to our corn at all, no feed that corresponds to our feeds that we give to cattle. So they must use barley or oats or rye or potatoes, or things of that kind, and the sugar of the molasses is used where the starch of our corn would be used. They have gone so far with it that a Mr. Steffins, who is quite an inventor in the sugar business, has invented a method by which they do not extract near so much sugar, leaving in the pulp 3 or 4 per cent, and that is run out and dried and makes a fodder which is called the Steffins fodder, and they say that this fodder is very profitable.

The CHAIRMAN. Could not our people use that pulp in the same way, substituting it for corn and using the corn for other purposes?

Mr. BAIRD. It is simply a question of the difference in price. Of course, their corn over there costs all it costs here plus the freight and their tariff, which is high, and they only buy corn to finish fattening their pigs—

The CHAIRMAN. I am speaking about our own people. It seems to me it is a great waste for us to waste the pulp.

Mr. BAIRD. Well, we feed it now.

The CHAIRMAN. All of it?

Mr. BAIRD. Practically all of it.

The CHAIRMAN. You do not dry it?

Mr. BAIRD. No; it does not pay to dry it. Dried pulp would come in competition with alfalfa hay, and wet pulp is an entirely different thing.

The CHAIRMAN. But is not the cost of transportation of the wet pulp so great that it does not pay to transport it?

Mr. BAIRD. We do not transport it. It is generally fed right at the factory; the cattle are brought to the factory instead of it being sent out by freight to be fed to the cattle.

The CHAIRMAN. So you think they are using most of it in that way?

Mr. BAIRD. They are in our factories; yes, for the last few years, for a long time—

The CHAIRMAN. It must have been the last year or two if they are using most of it?

Mr. BAIRD. Yes.

The CHAIRMAN. You were speaking of getting the figures as to the cost of labor abroad. How did you get those prices?

Mr. BAIRD. These were gotten from people I met while over there, that were willing to give the figures to me. I do not suppose they would have given them to me if they knew I would have given them to the Ways and Means Committee.

The CHAIRMAN. Persons employed in the factories?

Mr. BAIRD. Yes, sir. In most part every figure I have here was gotten in writing.

The CHAIRMAN. Your prices seem better fitted to India or Japan.

Mr. BAIRD. I was quite surprised myself at the figures, but you must remember that 5 cents an hour means 60 cents a day, which is over 2 marks, and 2 marks a day is a pretty good wage in Germany.

That is higher than they pay in cotton mills and other industries over there. For that reason I said that their wages would show more than this would show, because everything that enters into this takes a lower wage.

The CHAIRMAN. Did you get any statistics as to wages paid in cotton mills and other industries?

Mr. BAIRD. Only incidentally. I mean in a casual way. In general, they told me that the wages paid in sugar factories were from 10 to 20 per cent higher than in any other industry, from the fact the season was short and they had to attract men to it.

The CHAIRMAN. Could you give the committee any figures as to the wages paid in the cotton industry over there?

Mr. BAIRD. No, sir; I can not.

The CHAIRMAN. Only that general statement?

Mr. BAIRD. Only that general statement.

The CHAIRMAN. What other besides the cotton industry did that apply to?

Mr. BAIRD. In the weaving industries, such as the jute mills, where they make sugar bags and other things. It also applies quite universally, but common labor used by the year, labor that is kept on the farm all the year round.

The CHAIRMAN. I do not know whether you gave the wages of those who raised beets or not.

Mr. BAIRD. I don't know about those. I only got the wages from farmers in one place and that was—well, that was a good enough figure, but it was only from one place, as I was not at all interested in this at that time.

The CHAIRMAN. Have you those figures?

Mr. BAIRD. Yes.

The CHAIRMAN. I wish you would give them.

Mr. BAIRD. Eleven dollars an acre for work done on the beets from the time they come out of the ground until they are on the wagon to go to the factory.

The CHAIRMAN. Does that include planting?

Mr. BAIRD. Yes; it included planting.

The CHAIRMAN. You said from the time they came out of the ground.

Mr. BAIRD. That included planting, but not the ownership of the animals; it included the work of drilling, thinning, and many hoeings; about five hoeings, I would say roughly.

The CHAIRMAN. Right there, could you give the cost for that labor in Michigan, for instance?

Mr. BAIRD. I am not in the agricultural department of my work and I would not know. I don't know about Michigan, anyway.

Mr. BONYNGE. Do you not know what they pay in Colorado for that work?

Mr. BAIRD. I do not. I know less accurately about that than I do about this one that I have quoted, and I prefer to leave that to the people who do know.

The CHAIRMAN. You do not look after that department?

Mr. BAIRD. No; that is not my work.

Mr. FORDNEY. It is my opinion that in Michigan the same labor receives about \$20 per acre.

The CHAIRMAN. We will find some one that knows.

Mr. CRUMPACKER. What do the farmers get for beets per ton at the factory?

Mr. BAIRD. The farmers in most of the countries visited and in competing countries do not receive a price as our farmers do at all. In Germany the sugar factories are run on large estates, and the sugar factory occupies the same relative position to the estate that a thrashing machine would occupy here among the big farmers.

Mr. CRUMPACKER. Do the proprietors or owners of the sugar factories do their own cultivating or hire the estates grown for them?

Mr. BAIRD. They generally have large estates of from 400 to 1,200 or 1,500 acres.

Mr. CRUMPACKER. So that the small farmer, the peasant farmer there, does not produce sugar beets "on his own hook," as a rule, to sell to the factories?

Mr. BAIRD. As a rule, he does; but as a rule he is very "seldom." You do not find very many of him.

Mr. CRUMPACKER. Do you know what he gets by the ton when he sells his beets to the factory?

Mr. BAIRD. The only price that I have is one given me by a friend in Magdeburg, who said that "sugar is going down so that the poor devils are only getting about \$3 a ton."

Mr. CRUMPACKER. What is the yield per acre? How many tons an acre?

Mr. BAIRD. I can not tell you.

Mr. CRUMPACKER. You did not investigate that matter?

Mr. BAIRD. No; I did not pay any attention to the agricultural side of the question.

Mr. CRUMPACKER. What is the difference in percentage of sugar content between the German beet and the American beet? Do you know that?

Mr. BAIRD. Not near enough to tell you with any degree of accuracy. Our beets vary so much here, and there is more or less difference.

Mr. CRUMPACKER. There is a substantial difference, is there?

Mr. BAIRD. In average I believe there would be a substantial difference, if you will average all the beets in the United States; but as I only happen to know about our own analyses I could not say much about that.

Mr. CRUMPACKER. Are their mills as large as the American mills or factories and are their methods of production substantially the same as ours, or are ours the same as theirs?

Mr. BAIRD. Their mills run about the same as ours—here a small one and there a big one, depending on the estate. But there is one vital difference between their mills and ours, in that they make raw sugar and we make white sugar. We make sugar directly for consumption, while they make only the raw sugar for the refineries.

Mr. CRUMPACKER. Their machinery, their method of production, is the same as ours, is it?

Mr. BAIRD. Except that it is simpler, very much simpler.

Mr. CRUMPACKER. And cheaper?

Mr. BAIRD. And very much cheaper; yes.

Mr. CRUMPACKER. Can ours be simplified and cheapened to advantage?

Mr. BAIRD. If we make raw sugar; yes.

Mr. CRUMPACKER. The difference is in the refining process only, is it not?

Mr. BAIRD. No; not entirely. We have the additional expense and will have for some time in the West. I do not know about the East.

Mr. CRUMPACKER. Does it cost any more to refine raw beet sugar than it does to refine raw cane sugar?

Mr. BAIRD. When I speak of refining in a sugar factory, it is not anything at all relative to refining such as a refinery would do in New York or the South.

Mr. CRUMPACKER. Did you learn, while you were in Germany, the domestic price of sugar?

Mr. BAIRD. To the consumer?

Mr. CRUMPACKER. To the consumer, in Germany.

Mr. BAIRD. When I was there it was about $6\frac{1}{2}$ American cents a pound.

Mr. CRUMPACKER. And yet the factories were making it at a cost of about 2 cents?

Mr. BAIRD. Yes.

Mr. CRUMPACKER. I think that is all.

Mr. GAINES. You made a remark to the effect that 5 cents an hour would be 60 cents a day. Do they have a twelve-hour day there?

Mr. BAIRD. Yes; the same as all sugar factories do.

Mr. GAINES. You do in this country also?

Mr. BAIRD. Yes, sir; a twelve-hour day; two shifts, working day and night.

Mr. GAINES. Do you know anything about the price paid in the sugar industry in Cuba?

Mr. BAIRD. I do not. I never was there. I do not know anything about it.

Mr. FORDNEY. I want to ask Mr. Baird if I understood him correctly. You say that they are satisfied over there in the production of sugar if they can have their by-products for profit?

Mr. BAIRD. Many of them are. That is the impression I got simply in casual conversation; yes, sir.

Mr. FORDNEY. Thank you.



**STATEMENT OF C. F. SAYLOR, DEPARTMENT OF AGRICULTURE,
WASHINGTON, D. C., RELATIVE TO BEET SUGAR.**

MONDAY, *November 16, 1908.*

Mr. SAYLOR. Mr. Chairman, I am from the Department of Agriculture. I am here simply because I understood that the chairman or the members of the committee wanted me to come up here. I do not represent the vested interests. I have nothing to do with them.

The CHAIRMAN. If you have any information on this subject the committee will be very glad to get it.

Mr. SAYLOR. I do not know whether I have or not, but if I have I am at your service.

I have not any address to make on this subject, Mr. Chairman. I am simply here because I understood the chairman or other members of the committee wanted me here. The secretary asked me to come here.

The CHAIRMAN. I do not know anything about you personally, but I am very glad to see anybody here that understands the facts about this matter.

Mr. SAYLOR. You know, I have charge of the work of developing the beet-sugar industry, and I suppose that is why I became identified with the line of investigations you are making here. I have nothing to do with the vested interests. It is simply the line of investigating the conditions of producing sugar and fostering the industry in places to which it is adapted.

The CHAIRMAN. The Department of Agriculture started in three or four years ago with the idea of developing a single-germ beet seed. What has been the result of that?

Mr. SAYLOR. That, Mr. Chairman, is along the line of scientific investigation. It belongs to our scientific department. But I will say this: You know it takes years to change the character of a plant. It is probably more amenable to development than an animal. They began along that line, as you say, four years ago. As a matter of fact, it was probably six or seven years ago. If you wish to get at the real facts the proper thing would be to call before you the specialists who have devoted their time to the subject. My work is practical, along the line of investigating conditions.

The CHAIRMAN. Do you know what progress they have made?

Mr. SAYLOR. Oh, yes. They are up to 35 or 40 per cent of single-germ seed. You will understand, Mr. Chairman, that that is purely a scientific proposition.

The CHAIRMAN. Is the percentage increasing from year to year?

Mr. SAYLOR. From year to year; it is increasing very rapidly. There is no question but what they will get a single-germ seed; and then, after they get the single-germ seed, they will have to breed it up to a high quality. That means a long time, but it means a great future for that industry.

The CHAIRMAN. Yes; we have had that illustrated by some very skilled experts on the sugar beet question. Will you tell us what particular line you have followed in the Agricultural Department?

Mr. SAYLOR. My line, Mr. Chairman, has been to investigate for eleven years conditions for producing sugar, especially beet sugar, and, where it is adapted to the region, to foster that industry.

Mr. BONYNGE. Mr. Saylor, there has been some question as to the extent to which the beet sugar industry could be developed in the United States. What can you say on that subject?

Mr. SAYLOR. I should say that that would depend largely upon the attitude of this committee and this Congress, and the encouragement the industry gets. It is the thorough belief of the Department of Agriculture (and, as it is the one subject to which I give all my time, it is mine) that the sugar industry is the one industry that is back of a lot of things in this country. It is the mother lode in the development of western conditions. I have been here all day, and we have not heard yet a real explanation of the sugar industry, because it means more than the question of sugar. It means corollary industries. It means the development, the breeding, and the feeding of stock; it means the development of farm conditions to the very highest possible degree. It means trolley lines, and a general development. It is the one industry that will capitalize and call other industries around it. It takes, you understand, years to do

that; but it has gone far enough to indicate that the sugar industry is one that will go into those farming countries where we have been growing corn and oats and wheat, and stuff like that, and selling it on the market, and will intensify the agricultural industry and bring around it all of these others.

The CHAIRMAN. How long have you been in the Agricultural Department, Mr. Saylor?

Mr. SAYLOR. I have been there eleven years.

The CHAIRMAN. Previous to that time, did you have any experience in raising sugar beets?

Mr. SAYLOR. Mr. Chairman, I was raised on a farm and educated in an agricultural college. I was a special agricultural chemist; I was a member of the board of trustees of an agricultural college, and chairman of a committee of an agricultural experiment station for thirteen years.

Mr. BONYNGE. Mr. Saylor, you stated that the development of the sugar beet industry depends upon the attitude of Congress toward the sugar industry. What did you mean by that, specifically?

Mr. SAYLOR. That brings me into the line of statesmanship. That is hardly my line; but I will make it plain, since you have asked the question.

The CHAIRMAN. Before you go any further, Mr. Saylor, I want to have you explain to the committee how you understood that the chairman of the committee had sent you an invitation to come here. Who told you that?

Mr. SAYLOR. I think Secretary Wilson told me that.

The CHAIRMAN. Oh! I understand it now.

Mr. BONYNGE. Now, let Mr. Saylor answer the question that I put to him. You stated that the development of the beet sugar industry depends upon the attitude of Congress toward the industry.

Mr. SAYLOR. Yes, sir.

Mr. BONYNGE. And I asked you to state what you meant, specifically, by that remark of yours.

Mr. FORDNEY. Will you let me add one thing to your question?

Mr. BONYNGE. Yes; go ahead.

Mr. FORDNEY. Mr. Saylor, in addition to that, do you think the industry needs protection in order to develop it?

Mr. SAYLOR. That is a matter of opinion on my part.

Mr. BONYNGE. What is your opinion?

Mr. SAYLOR. I think so.

Mr. FORDNEY. I respect your opinion highly.

The CHAIRMAN. I think we all agree on that point, Mr. Saylor.

Mr. SAYLOR. All right.

Mr. BONYNGE. How much territory is there in the United States that is adapted to the growing of sugar beets? Can you state how much territory of that kind there is in the United States?

Mr. SAYLOR. It is adapted to a large part of the farming district of New York, Pennsylvania—I am talking now about the real farming districts—in fact, you can take a line drawn across the country that will take in Chicago, the Northern States, say, Minnesota, Michigan, Wisconsin, the northern half of the State of Iowa, both the Dakotas, Colorado, Utah, Idaho, Montana, and it is adapted to nearly all of the intermountain States where they can get water.

Mr. BONYNGE. It takes irrigation, of course.

Mr. SAYLOR. Out in that country; yes. It is a vast country.

The CHAIRMAN. Have you ever investigated the soil of these different States?

Mr. SAYLOR. I am not a scientist in that line, you know. I have investigated it in the way of having it investigated by our scientists. I have been collecting all that sort of information.

The CHAIRMAN. You have studied their investigations, in other words?

Mr. SAYLOR. Yes.

The CHAIRMAN. And determined from them where the soil was adapted to this industry?

Mr. SAYLOR. Yes; but I have charge more largely, Mr. Chairman, of other matters.

The CHAIRMAN. You speak of New York. What part of New York do you say is especially adapted to this industry?

Mr. SAYLOR. Almost any of the well-cultivated portions.

The CHAIRMAN. Do you know what percentage of saccharine matter they find in the sugar beets raised around the Lyons factory?

Mr. SAYLOR. Yes. It will run from 14 to 15 per cent; somewhere around there.

The CHAIRMAN. A good, high percentage?

Mr. SAYLOR. A good, fair percentage.

The CHAIRMAN. You find that soil pretty well adapted to almost anything, do you not?

Mr. SAYLOR. Yes; very well adapted. The point about Lyons is that the industry there has had to contend with so many specialized interests—too much peppermint and cabbage and things like that.

Mr. FORDNEY. They raise everything there but Democrats.

The CHAIRMAN. That soil will raise anything?

Mr. SAYLOR. Anything; but a soil in order to raise sugar—

The CHAIRMAN. I know about that. That is right in my district.

Mr. SAYLOR. I know it, Mr. Chairman. It is all right.

Mr. BONYNGE. What is the percentage of saccharine matter in the beets raised in Colorado?

Mr. SAYLOR. It will average about 15 per cent. That is what it will average.

The CHAIRMAN. That is where they irrigate?

Mr. SAYLOR. That is where they irrigate.

The CHAIRMAN. The trouble with us about Lyons is that we have a little too much water sometimes.

Mr. SAYLOR. What I want to say, Mr. Chairman, if you will just allow me to drop a few remarks, is this—

The CHAIRMAN. We are glad to have you drop in remarks all the time. It will save us asking questions.

Mr. SAYLOR. If I can help the committee, it may be drawn out; but I will drop in what I can. What we look upon in the department as my special work is the fact that the sugar industry offers for the future the one great impetus to develop the agricultural country. It offers a good many things. It induces the investment of capital. It takes a lot of money to build a sugar factory; but you can not grow sugar beets on land alone. It encourages rotation. It will build up a tobacco district, for instance, as it has done in Wisconsin. Up in Wisconsin they antagonized the sugar beet industry because they had

had a hard time in getting land enough to grow their tobacco. But after the sugar industry went in, and they developed land to grow sugar beets, their sugar beets left the land in condition to produce tobacco. Now they have increased their tobacco area greatly. The sugar industry is one that appeals to cooperation, and encourages every other industry in the agricultural line, especially the intensive lines, such as producing milk—the dairy, the creamery, feeding, etc. The sugar beet is one of the things and about the only crop that we know of that will go out and clarify land that is charged with alkali. The sugar beets are driving the alkali lands out in California and Nebraska. They are driving them out of existence. They are producing lands; and it is because it is so general, so helpful, that it appeals to the Department of Agriculture. It takes years to develop those conditions, to bring about all the results that must come from this industry; and that is why I take the liberty of suggesting that it ought to be fostered and taken care of until it can bring about these results.

Mr. FORDNEY. Mr. Saylor, the Agricultural Department has sent out a great deal of literature in the last few years encouraging the beet sugar industry, has it not?

Mr. SAYLOR. We have done everything we could. We have implicit faith in that industry, with every other thing that has gone into the country; and so far as we could we have encouraged it. We have given our people encouragement.

Mr. FORDNEY. You have heard here the statement as to the cost of production in the United States, have you, Mr. Saylor?

Mr. SAYLOR. Yes.

Mr. FORDNEY. Does that agree with your ideas and information?

Mr. SAYLOR. In the main it does. Understand, I am not technical on the question of producing sugar; but I have been for eleven years around sugar factories all the time, and in that time a person will get more or less information.

Mr. FORDNEY. You have investigated, Mr. Saylor, the cost of production of sugar in Cuba, have you not?

Mr. SAYLOR. Yes, sir.

Mr. FORDNEY. What is the average cost of producing sugar there?

Mr. SAYLOR. At the time I made up the estimate—and I went through thoroughly in Cuba, and took the items off the books—it cost about \$1.50 a hundred pounds.

Mr. FORDNEY. A dollar and a half per hundred pounds of 96 per cent sugar?

Mr. SAYLOR. I think the French experts put it at \$1.25. That was some years ago. I think perhaps wages are a little higher now.

The CHAIRMAN. Are there any further questions? Have you any further statement to make, Mr. Saylor?

Mr. SAYLOR. I have none to make. I am simply here because I supposed I was called here.

Mr. CRUMPACKER. Just one question. You are the author of Report No. 86, issued by the Department of Agriculture, on the beet sugar industry?

Mr. SAYLOR. Yes, sir.

Mr. CRUMPACKER. I refer to the one issued in last September.

Mr. SAYLOR. Yes, sir.

Mr. CRUMPACKER. That goes into the subject quite fully?

Mr. SAYLOR. Yes.

Mr. CRUMPACKER. From all of its standpoints?

Mr. SAYLOR. Yes. That is, the last year's report.

Mr. UNDERWOOD. What report is it that you refer to?

Mr. CRUMPACKER. Report No. 86.

Mr. SAYLOR. That is the report of last year, on the progress of the beet sugar industry. I have one for every year of my eleven years' investigations.

Mr. CRUMPACKER. These reports have been issued annually for several years?

Mr. SAYLOR. Yes, sir.

STATEMENT OF G. W. McCORMICK, OF MENOMINEE, MICH., MANAGER OF THE MENOMINEE RIVER SUGAR CO.

MONDAY, *November 16, 1908.*

The CHAIRMAN. Give your name to the stenographer and also to the committee.

Mr. McCORMICK. My name is G. W. McCormick. I am manager of the Menominee River Sugar Company, of Menominee, Mich. We have the only beet sugar factory in the Upper Peninsula of Michigan, and we are located so close to Wisconsin that it is rather difficult to know which State we are in. We are on an island in the middle of the river, which is the boundary line. We get about three-fourths of our beets from the State of Wisconsin. We have a factory which has a capacity of 1,000 tons of beets every twenty-four hours. The capital stock of our company is \$825,000, which was all subscribed by local people. We have no entanglements. We are quite isolated, situated as we are in the upper peninsula. Our people were induced to invest their money there in a beet sugar factory because they believed that the protection that was given to beet sugar in this country would warrant their entering into the manufacture of beet sugar at a profit. Most of our subscribers are men who had made their money out of the lumber business; but when they began to manufacture sugar from beets they found out that it was not cutting lumber from saw logs, and we found rather a serious problem, first, in getting the farmers acquainted with the growing of sugar beets. That is the most serious problem that we have to contend with. The soil is well adapted for this crop. The climate is equally well adapted, but the farmer had not had the experience in intensive farming that is necessary at first to make a success of this crop. However, after five years' time and a considerable agricultural force, which has cost us about twenty to twenty-four thousand dollars a year, we have been able to get our farmers interested in the better cultivation of the soil and in the successful growing of sugar beets.

I am not here, gentlemen, to give you any statistics. I think you have heard enough; at least, if I were on the committee I would have said that I had heard almost enough. I do not want to take more of your time. I just want to say that our corporation sent me down here to represent them, and represent their voice and sentiment to the extent of saying that they do not want to see any reduction in the tariff on sugar. As to the matter of what it costs to produce beet

sugar, you have already heard statements from Mr. Smith and Mr. Hathaway, and their statements correspond with our experience. As to the question of the selling price of sugar, we sell in the same markets that they do; therefore our price is the same. The profits on the business, gentlemen, would not induce any of you men sitting there to come up and pay more than par, I assure you, for the stock. We have had two dividends of 5 per cent in five years in our corporation. And our people feel about this a good deal as a farmer would feel who had developed a fine herd of well-bred stock and had a good pasture for them to live in. He would not want to throw the fences all down, and let in a lot of rawboned, hungry, outside cattle that he had no interest in to eat up that pasture that he had for his own stock. And they feel that if we have got a good market in the United States it belongs to the people of the United States, who have invested their money in institutions here, and not to the outside world, in which we have nothing more than a sentimental interest.

STATEMENT OF EDWIN F. ATKINS, OF BOSTON, MASS., WHO REPRESENTS THE CUBAN SUGAR INTERESTS.

TUESDAY, November 17, 1908.

Mr. ATKINS. I had the honor to appear before your committee during the discussion of the Cuban reciprocity treaty in 1902. We appealed then for a differential in favor of Cuban sugar, and while we did not get all that was asked for, we did get a preferential duty, which worked manifestly to the benefit of Cuba during the first year or two. That treaty expires next month. It was made for five years, and the five years expire next month. Thereafter it is subject to cancellation by either contracting party on twelve months' notice. Of course it is a matter of importance, and the Cuban people are naturally anxious about the course to be pursued.

I have here a cable, which I have the honor to present to you, from the president of the Agrarian League of Cuba, the successor of the Planters' Association. The Agrarian League takes in the sugar manufacturers and also the agricultural interests, not only pertaining to sugar, but to other interests, including cattle. It reads:

Please represent Cuban Agrarian League at Washington and request committee to reserve decision until Cuban case can be presented through proper channels.

(Signed) NEGRA,
President Agrarian League.

Following this I received another cable from Cuba, the translation of which I will give you. It comes from the president of the Economic Committee of Business Organizations. That committee, I might explain, is similar to our merchants' associations in the North. It is the committee that represents the different associations on all the economic questions and takes into consideration various interests. The cable reads as follows:

Economic Committee adds its authority to that of the Liga Agraria and begs you to make similar request in respect to tobacco in case this article is brought up.

(Signed) GELATS.

That cable was sent through a misapprehension that the tobacco schedule was to be discussed jointly with the sugar schedule, which has not been the case.

I will present this cable to the clerk of the committee and suggest that it be filed with the tobacco papers.

The discussion of the sugar schedules involves very large interests and conflicting interests. It includes the domestic sugar and the colonial interests whose sugar pays no duty and goes into consumption free of tax. It includes the very large Cuban interest, which is a matter of the most vital importance, and the Philippine Islands question, their sugar interests, and the very large refining interests of this country. I suppose the refining interests of this country represent close to \$200,000,000, \$175,000,000 to \$200,000,000, of invested capital. Yesterday the beet interests were mentioned as aggregating some \$60,000,000, a large sum and one worthy of every consideration, but the refining interests far outweigh that in point of investment.

I would state, gentlemen, that I am here not to speak with authority from the planters' associations in regard to what course may be pursued, but to make suggestions on my own responsibility, leaving them to make their suggestions at a later time, after they have had their meetings and can present the result through diplomatic channels.

Among my various interests I have that of sugar manufacturing in the island of Cuba. This interest was not recently acquired, not acquired for speculative purposes, but it came to me as the result of business established nearly three-quarters of a century ago, an interest which I took up and have developed in my time. The third generation is now about entering upon it. This was entered into at a time when the merchants of New England had extended their commercial relations throughout the world, at a time when it was not considered unpatriotic to have commercial relations with other nations and at a period when foreign investment acquired through such business relations was not referred to as expatriated capital.

I want to call your attention to the sugar schedules and the rates of duty thereon. A reference to the Statistical Abstract of 1907 shows among its valuable information the ad valorem rates assessed upon the various schedules. I have taken a list of the principal schedules in our tariff, and I will refer briefly to them and file the figures for your reference and verification.

The tobacco schedule, yielding a revenue of \$26,125,000, comes at the head of the list, paying an ad valorem rate of 87.19 per cent. Next comes spirits, wines, and liquors, yielding a revenue of \$15,797,000, paying an ad valorem rate of 73.14 per cent. Next comes the very small item of beverages, including mineral water, ginger ale, etc., yielding a revenue of only \$64,000, about 1 per cent of the revenue derived from sugar. That paid 66.16 per cent. Then comes sugar and molasses, the schedule known as the "sugar schedule," yielding last year (which was abnormal and which I will explain later on) a revenue of \$60,335,000, which pays an ad valorem of 65.03 per cent. Eliminating the molasses, the ad valorem rate was 65½ per cent. Below follow, in the order of their importance, lead, earthenware, wool and its manufactures (so often referred to as being an extremely high schedule), which paid 58.19 per cent, as against 65½ per cent on sugar. Then I have taken the other important schedules, and we come down to leather and its manufactures, 30.93 per cent; iron and

steel and manufactures, 28.83 per cent; and chemicals, about 25 per cent.

What I wish to call your attention to is this: The statistical report gives the average ad valorem rate of duty on all imported articles for the year 1907 as 42½ per cent. Deducting sugar and molasses, the average rate was 39½ per cent on all articles imported into the United States as against 65½ per cent on sugar.

The CHAIRMAN. Please state that again.

Mr. ATKINS. The whole statement of the schedule?

The CHAIRMAN. I wish you would repeat your last statement.

Mr. ATKINS. My last statement was this, that the statistics show that the ad valorem rate of duty on all imported merchandise was 42½ per cent. That is given in the Statistical Abstract. Deducting sugar from the imports, the ad valorem rate on all articles, exclusive of sugar and molasses, was 39½ per cent. Sugar, exclusive of molasses, 65½ per cent. I have compared this with the other schedules in the order of their importance.

Champagne, not a schedule but an article in the liquor schedule, paid 54.25 per cent, against 65½ per cent on sugar. In other words, sugar is classed among the luxuries; while it is an article of prime necessity, as our friend, Mr. Oxnard, told us yesterday.

The table referred to by Mr. Atkins follows:

SCHEDULE A.—Showing revenue and ad valorem rates of duties upon principal tariff schedules; Statistical Abstract and Report of Bureau of Commerce and Labor, 1907.

	Revenue.	Rate.
		<i>Per cent.</i>
Tobacco and manufactures.....	\$26,125,000	87.19
Spirits, wines, and liquors.....	15,797,000	73.14
Beverages.....	64,000	66.16
Sugar and molasses.....	60,335,000	65.03
Lead and manufactures.....	982,000	59.71
Earthenware.....	8,024,000	58.56
Wool and manufactures.....	36,555,000	58.19
Cotton and manufactures.....	38,999,000	53.38
Glass and glassware.....	3,921,000	53.22
Brass and manufactures.....	43,000	45.32
Carriages.....	2,116,000	44.90
Salt.....	207,000	43.75
Breadstuffs.....	1,457,000	34.54
Vegetable fibers and manufactures.....	22,538,000	33.66
Leather and manufactures.....	6,134,000	30.93
Iron and steel and manufactures.....	12,323,000	28.53
Chemicals.....	7,523,000	24.88

Going back for a few years, a period of ten years, we find the ad valorem rate on sugar in 1898 as 77.11 per cent, then 76 per cent—I omit the fraction—71 per cent, 72.43 per cent, about 87 per cent, 96.48 per cent, 74.65 per cent, 56.17 per cent (that is 1905). In 1906 it was 61.12 per cent, and in 1907 65.03 per cent—that is, sugar and molasses together, sugar being 65½ per cent.

The reduced duties under Cuban reciprocity covering the years 1904 to 1907 showed a reduction. Under the existing conditions 3¼ cents duty paid may be considered a full normal average price for twelve months, which would indicate an ad valorem rate of about 65 per cent. That is for sugar, under the continuance of the present schedule, although the short Cuban crop of 1908 and higher f. o. b. values will temporarily reduce the rate on the ad valorem basis.

I will file this statement for verification.

The statement referred to by Mr. Atkins follows:

SCHEDULE B.—Average values centrifugal sugar, 95 test, with average ad valorem rates of duty, as returned in Statistical Abstract, 1907, for sugar and molasses.

Year.	New York value duty paid.	Ad valorem rate duty on f.o.b. value.	Year.	New York value duty paid.	Ad valorem rate duty on f.o.b. value.
1898.....	\$4.23	\$77.11	1904.....	\$3.97	\$74.65
1899.....	4.42	75.94	1905.....	4.27	56.17
1900.....	4.56	71.46	1906.....	3.68	61.12
1901.....	4.05	72.43	1907.....	3.75	65.03
1902.....	3.54	86.79			
1903.....	3.72	96.48	Average.....	4.02	73.72

NOTE.—Reduced duties under Cuban reciprocity cover years 1904 to 1907. Nineteen hundred and five was a year of short crops in Europe.

Under existing conditions $3\frac{1}{2}$ cents duty paid may be considered a full normal average price for twelve months, which would indicate an ad valorem rate of about 65 per cent, although the short Cuban crop of 1908 and higher f. o. b. values will temporarily reduce the rate on an ad valorem basis.

Mr. ATKINS. Since the arguments before your committee in 1902, the statistical position of sugar has completely changed. The year 1898, which was the year of the Spanish war, showed a consumption of a little over 2,000,000 gross tons. The free sugar supply—and I refer to the free sugar supply as domestic, including the sugar produced in the United States and under the American flag in her colonies paying no duty—the domestic supply was then 556,000 tons, the Cuban crop 230,000 tons, the requirements from all other countries being 1,217,000 tons. Ten years later, in 1907, the consumption had risen to approximately 3,000,000 tons, the free sugar supply to 1,278,000 tons, the Cuban crop to 1,428,000 tons, and the requirements of all other countries had fallen to less than 300,000 tons. I am giving the statistics of 1907, as the statistics of 1908 are not completed or available.

This shows that during the ten-year period which I have quoted the consumption of the United States increased 991,000 tons, the average annual increase being slightly under 5 per cent. During the same period the supply of free sugar increased 722,000 tons, the Cuban crop 1,198,000 tons, while our requirements from all other countries have decreased 929,000 tons, and the revenue under the Dingley tariff—if we except the year 1907, when there were large imports just previous to the end of the fiscal year, has not increased since 1897, but it has rather diminished in the face of the steady increase of consumption.

Now, this condition has naturally wrought a great change in the price of Cuban sugar. When this treaty was made it was our hope and it was the expectation of the government officials of the United States that this differential accorded to Cuba—20 per cent, amounting to 34 cents a hundred pounds—would accrue largely, I will not say entirely, but largely to the benefit of the Cuban producers, they in turn having given a differential running from 20 to 40 per cent on United States goods entering their ports as against other foreign goods.

The rapid increase in the domestic production and in the Cuban crop jointly have now supplied the requirements of the United States to within 300,000 tons, and naturally the differential has been lost to Cuba. She now gets but very little of that differential; how little I have tried to explain by this schedule, which I will not read, but will place on file.

I have prepared in this schedule [exhibiting schedule] the weekly market quotations taken from the reports of Messrs. Willett & Gray, giving in the first column the quotations of Hamburg beets. I have not gone into the daily quotations, that not being necessary. The second column shows the parity of beet sugars as compared with centrifugal sugars, when those beet sugars are landed in New York. The third column gives the selling price of Cuban centrifugal sugar as compared with the parity of beet sugars in New York at the same date. The next column shows the cents per 100 pounds which centrifugal sugars received below the parity of beet sugars landed in New York. In connection with this I have placed here a column showing the weekly receipt of sugars in the Atlantic ports, meltings, and the receipts in Cuban ports as the crops came forward and accumulated there ready for shipment.

Now the differential accorded to Cuba amounts to 34 cents a hundred pounds. On January 3 the market in New York ruled 28 cents below the parity of Europe. The next week 28 cents. The next week 34 cents, absorbing all the differential. The next week 36 cents; then 32 cents, then 42 cents, then 43 cents, then 49 cents, then 46 cents, then 38 cents, then 41 cents, then 41 cents, then 35 cents, then 32 cents. Then, as the Cuban sugar receipts began to decrease, the market rose nearer to the parity of Europe. The following year, 1908, the year commenced on January 2 with a quotation of 24 cents a hundred pounds below the parity of Europe against the 34 cents differential, and the quotations followed—12 cents, 15 cents, 26 cents, 34 cents, 36 cents, 40 cents, 39 cents, 23½ cents, 27 cents, and 17 cents by the middle of March. At that time a great shortage in the Cuban crop began to become apparent and buyers were attracted to the market and bought sugars in advance for future shipment, putting the price up. The parity gradually rose, and by the end of May, when the Cuban receipts in the various ports had been reduced from 58,000 tons to two or three thousand, the difference in the parity was only ½ cent, and it ruled in that way during the rest of the year, at times, in a few instances, rising to a full parity.

The point I wish to illustrate here is that during the period of heavy Cuban receipts, whether those receipts were forwarded to New York, Boston, or Philadelphia, or whether they accumulated in the stores in the ports of Cuba, the pressure to sell, owing to the excessive receipts over requirements, brings the sugar market down in New York so that the Cuban planters lose the differential that is accorded to them. It is no fault of the Government; nobody can be blamed for it. The buyers buy as cheaply as they can, as we all do, and where a refiner wants two or three cargoes of sugar and eight or ten cargoes are offered he is going to take the best price.

Mr. McCALL. In other words, the sellers compete with each other?

Mr. ATKINS. Yes, sir. The same thing was illustrated yesterday in the condition of Louisiana and in the condition of beet sugar. It is the excess of supply over the demand that puts the market down,

and when the demand is in excess of the supply then the market advances. It is the simplest law of commercial trade and the one most apt to be overlooked.

It is a popular impression on the part of a great many who are not conversant with the real situation that the refiners get this differential accorded to Cuba which the Cuban producer ought to get. That is a fallacy.

The statement referred to by Mr. Atkins follows:

SCHEDULE C, 1907.

Date.	Hamburg beets (sterling).	Ditto parity centrif- ugal New York.	Cuban centrif- ugal, duty paid.	Below parity of Europe against 34 cents dif- ferential.	Ditto c. and f.	Receipts all sugars Atlantic ports.	Meltings.	Receipts in Cuba, 6 ports.
						Tons.	Tons.	Tons.
Jan. 3	8.9 $\frac{3}{4}$	3.81	3.56	0.28	2.21	23,438	20,000	27,000
Jan. 10	8.9 $\frac{3}{4}$	3.84	3.59	.28	2.21	28,119	27,000	31,000
Jan. 17	8.9 $\frac{3}{4}$	3.84	3.50	.34	2.15	31,855	27,000	45,000
Jan. 24	8.9 $\frac{3}{4}$	3.84	3.48	.35	2.13	30,829	28,000	56,000
Jan. 31	8.7 $\frac{1}{2}$	3.80	3.45	.32	2.13	23,992	28,000	61,000
Feb. 7	8.9 $\frac{3}{4}$	3.81	3.42	.42	2.07	36,524	28,000	61,000
Feb. 14	8.10 $\frac{1}{2}$	3.85	3.42	.43	2.07	40,727	35,000	65,000
Feb. 21	8.11 $\frac{1}{2}$	3.87	3.38	.49	2.03	60,594	35,000	65,000
Feb. 28	9.0	3.88	3.42	.46	2.07	63,640	35,000	65,000
Mar. 7	9.0 $\frac{1}{2}$	3.89	3.51	.38	2.16	54,464	35,000	62,000
Mar. 14	9.1 $\frac{1}{2}$	3.91	3.50	.41	2.15	47,422	35,000	60,000
Mar. 21	9.2 $\frac{1}{2}$	3.92	3.51	.41	2.16	63,896	40,000	60,000
Mar. 28	9.3	3.93	3.58	.35	2.23	33,125	40,000	61,000
Apr. 4	9.3	3.93	3.61	.32	2.26	38,765	34,000	60,000
Apr. 11	9.3	3.93	3.755	.195	2.385	36,188	37,000	39,000
Apr. 18	9.5 $\frac{1}{4}$	3.98	3.765	.215	2.415	57,620	39,000	37,000
Apr. 25	9.5 $\frac{1}{4}$	3.98	3.73	.25	2.38	76,891	39,000	37,000
May 2	9.6	3.99	3.765	.225	2.415	40,898	39,000	34,000
May 9	10.0 $\frac{1}{2}$	4.12	3.83	.29	2.48	64,787	41,000	29,000
May 16	9.10 $\frac{3}{4}$	4.07	3.86	.21	2.51	46,691	41,000	22,000
May 23	9.11 $\frac{1}{4}$	4.09	3.92	.17	2.57	65,985	42,000	16,000
May 29	10.0	4.11	3.90	.21	2.55	33,369	41,000	10,000
June 6	9.11 $\frac{1}{4}$	4.09	3.84	.25	2.49	64,437	41,000	7,000
June 13	9.9	4.04	3.73	.31	2.38	70,439	43,000	4,000
June 20	9.8 $\frac{1}{2}$	4.03	3.71	.32	2.36	42,550	41,000	2,000
June 27	9.9	4.04	3.875	.165	2.525	61,632	45,000	2,000
July 3	9.6 $\frac{3}{4}$	4.00	3.885	.165	2.485	22,135	46,000	1,000
July 11	9.5 $\frac{1}{4}$	3.98	3.835	.145	2.485	14,983	46,000	1,000
July 18	9.9	4.04	3.835	.205	2.485	19,592	47,000	1,000
July 25	9.9	4.04	3.94	.10	2.59	13,840	47,000	None.
Aug. 1	9.9	4.04	3.94	.10	2.59	15,629	46,000	None.
Aug. 8	9.9	4.04	3.94	.10	2.59	31,887	44,000	None.
Aug. 15	9.9	4.04	3.89	.15	2.54	27,958	39,000	None.
Aug. 22	9.11 $\frac{1}{4}$	4.09	3.89	.20	2.54	47,971	37,000	None.
Aug. 29	9.11 $\frac{1}{4}$	4.09	3.92	.17	2.57	40,425	40,000	None.
Sept. 5	10.3	4.16	3.92	.24	2.57	35,619	36,000	None.
Sept. 12	10.0	4.11	3.95	.16	2.60	18,536	41,000	None.
Sept. 19	9.11 $\frac{1}{4}$	4.09	3.95	.14	2.60	25,397	41,000	None.
Sept. 26	10.0	4.11	3.95	.16	2.60	30,971	41,000	None.
Oct. 3	9.9	4.04	3.95	.09	2.60	39,560	41,000	None.
Oct. 10	9.8 $\frac{1}{2}$	4.03	3.95	.08	2.60	43,931	41,000	None.
Oct. 17	9.4 $\frac{3}{4}$	3.96	3.90	.06	2.55	16,300	41,000	None.
Oct. 24	9.3	3.93	3.90	.03	2.55	47,485	41,000	None.
Oct. 31	9.3	3.93	3.90	.03	2.55	34,586	41,000	None.
Nov. 7	9.4 $\frac{3}{4}$	3.96	3.90	.06	2.55	31,238	35,000	None.
Nov. 14	9.5 $\frac{1}{4}$	3.98	3.80	.18	2.45	27,415	33,000	None.
Nov. 21	9.4 $\frac{3}{4}$	3.96	3.70	.26	2.35	6,538	33,000	None.
Nov. 27	9.3	3.93	3.625	.305	2.275	11,754	33,000	None.
Dec. 5	9.5 $\frac{1}{4}$	3.98	3.625	.355	2.275	40,455	33,000	None.
Dec. 12	9.9	4.04	3.85	.19	2.50	19,863	33,000	None.
Dec. 19	9.8 $\frac{1}{2}$	4.03	3.85	.18	2.50	15,988	33,000	None.
Dec. 26	9.10 $\frac{3}{4}$	4.07	3.85	.22	2.50	11,612	30,000	1,000

SCHEDULE D, 1908.

Date.	Hamburg beets (sterling).	Ditto parity centrifugal New York.	Cuban centrifugal, duty paid.	Below parity of Europe against 34 cents differential.	Ditto c. and f.	Receipts all sugars Atlantic ports.	Meltings.	Receipts in Cuba, 6 ports.
						Tons.	Tons.	Tons.
Jan. 2	9.11½	4.09	3.85	0.24	2.50	22,275	25,000	2,000
Jan. 9	9.99	4.06	3.94	.12	2.59	16,261	24,000	9,000
Jan. 16	9.10½	4.07	3.92	.15	2.57	15,321	25,000	10,000
Jan. 23	9.99½	4.06	3.80	.26	2.45	8,225	25,000	15,000
Jan. 30	9.11½	4.09	3.75	.34	2.40	21,627	25,000	21,000
Feb. 6	10.0	4.11	3.75	.36	2.40	41,523	27,000	40,000
Feb. 13	9.10½	4.07	3.67	.40	2.32	48,992	28,000	49,000
Feb. 20	9.99	4.06	3.67	.39	2.32	42,165	20,000	56,000
Feb. 27	10.00	4.12	3.885	.235	2.535	68,682	32,000	56,000
Mar. 5	10.3	4.16	3.89	.27	2.54	45,046	35,000	52,000
Mar. 12	10.69	4.22	4.05	.17	2.70	55,780	35,000	50,000
Mar. 19	11.00	4.33	4.125	.205	2.775	62,307	34,000	45,000
Mar. 26	11.4½	4.40	4.36	.04	3.01	28,442	40,000	40,000
Apr. 2	11.4½	4.40	4.36	.04	3.01	37,079	40,000	39,000
Apr. 9	11.6	4.43	4.36	.07	3.01	36,768	41,000	32,000
Apr. 16	11.8½	4.47	4.36	.11	3.01	64,516	41,000	27,000
Apr. 23	11.99	4.50	4.42	.08	3.07	49,273	39,000	18,000
Apr. 30	11.8½	4.47	4.42	.05	3.07	65,663	39,000	10,000
May 7	11.8½	4.47	4.36	.11	3.01	49,224	40,000	8,600
May 14	11.5½	4.42	4.36	.06	3.01	76,003	41,000	11,000
May 21	11.2½	4.36	4.24	.12	2.89	62,901	41,000	10,000
May 28	11.4½	4.40	4.27	.13	2.92	42,366	41,000	5,000
June 4	11.2½	4.36	4.36	-----	3.01	38,712	41,000	4,000
June 11	11.4½	4.40	4.40	-----	3.05	19,644	45,000	5,000
June 18	11.00	4.33	4.31	.02	2.96	46,227	45,000	2,000
June 25	11.00	4.33	4.25	.08	2.90	47,634	43,000	2,000
July 2	11.5½	4.42	4.39	.03	3.04	35,795	45,000	2,000
July 9	11.5½	4.42	4.39	.03	3.04	37,682	43,000	2,000
July 16	11.3	4.37	4.36	.01	3.01	29,434	45,000	1,000
July 23	10.10½	4.29	4.25	.04	2.90	30,725	45,000	None.
July 30	10.8½	4.25	4.25	-----	2.90	54,100	44,000	None.
Aug. 6	10.2½	4.15	4.125	.025	2.775	24,126	40,000	None.
Aug. 13	10.00	4.12	4.08	.04	2.73	31,417	37,000	None.
Aug. 20	9.10½	4.07	4.08	+.01	2.73	31,600	37,000	None.
Aug. 27	9.5½	3.98	3.90	.08	2.55	44,917	37,000	None.
Sept. 3	9.8½	4.03	3.96	.07	2.61	20,417	38,000	None.
Sept. 10	9.6	3.99	3.90	.09	2.55	56,251	37,000	None.
Sept. 17	9.9	4.04	3.95	.09	2.60	28,386	40,000	None.
Sept. 24	10.0	4.11	3.98	.13	2.63	38,885	40,000	None.
Oct. 1	9.6	3.99	3.98	.01	2.63	46,102	40,000	None.
Oct. 8	9.6½	4.00	3.98	.02	2.63	61,140	45,000	None.
Oct. 15	9.11½	4.09	3.96	.13	2.61	19,950	45,000	None.
Oct. 22	10.4½	4.19	4.04	.15	2.69	26,342	45,000	None.
Oct. 29	9.11½	4.09	3.98	.11	2.63	55,550	45,000	None.
Nov. 5	10.1½	4.14	3.95	.19	2.60	36,365	40,000	None.
Nov. 12	10.3	4.16	3.94	.22	2.59	25,470	45,000	None.

Mr. ATKINS. I have prepared another statement showing the weekly quotations, from Messrs. Willett & Gray, of centrifugal and granulated sugar at an equal date. This schedule covers a period of two years, 1907 and 1908, up to November 12. It shows that in the early part of 1907 the refiners' margin reached for a short period 1½ cents. Granulated sugar sold at 1½ cents over the price of raw sugars, but that was for a very short period, and by the last of March the margin began to drop to 97 cents, 94 cents, 91½ cents, 88½ cents, 87 cents, 83½ cents, 87 cents, and so on. During the summer months the margin dropped on the 25th of July to 76 cents a hundred pounds, and then it ran to 71 cents, 71 cents, 76 cents, 76 cents, 73 cents, 73 cents, 70 cents for a number of weeks, then 75 cents again, then it rose to 80 cents and up to 97 cents, at the end of the year, after the last of November, but late in December it again dropped to 70 cents.

Mr. FORDNEY. What caused that drop in the price?

Mr. ATKINS. The pressure of sugars on the market late in the season from Louisiana and from the beet districts, the supply exceeding the demand.

Mr. FORDNEY. Were you speaking of refined sugar?

Mr. ATKINS. I am showing the prices of refined sugar and how they have followed the course of raw sugar. The refiner always attempts to maintain a margin, and the average margin figures a slight fraction over 90 cents a hundred.

Mr. FORDNEY. Then it is not true that the sugar trust fixes the prices both for the raw and the refined sugar?

Mr. ATKINS. It fixes it in this way, by being the largest factor. It is really fixed by the refiner buying it and you selling it. It is fixed by the producer and refiner. The refiner buys just as cheaply as he can. If he wants one cargo and three cargoes are offered, he buys the cheapest cargo.

Mr. FORDNEY. There is a general impression that the American Sugar Refining Company fixes the price in the United States market both for refined and raw sugar.

Mr. ATKINS. The raw sugar market is fixed by the price abroad, the price at which the refiner can buy. He will not pay any more for domestic sugar than the foreign sugar will cost him, and if he can buy the domestic sugar at a less price he takes the domestic sugar. The refiner buys just as cheaply as he can, just as you gentlemen would do under similar circumstances; you would not pay more than the asking price for any article of merchandise.

Mr. FORDNEY. Are Cuban raws bringing in our market as much as German raws?

Mr. ATKINS. No. This table I have just presented shows that the price of Cuban raw sugar is largely below the parity of Europe. The reason is that the Cuban sugar, plus the domestic supply, is almost enough to meet the United States requirements. We do not need any from abroad. If the price of German sugar drops the Cuban is enabled to cut his price to the extent of the differential, but the domestic producer, having an advantage of \$1.35 a hundred over the Cuban producer, can cut his price down—I can not see how far; but we see now they are cut far below the Cuban price. The whole thing is governed by the very simple law of supply and demand, and I think that we are all perhaps a little inclined when we are disappointed in getting a certain price for goods to throw the blame on somebody else.

The cost of refining is generally admitted to be about 62 cents a hundred pounds, and if the refiner gets a margin between the cost of his raw sugar and the price of his refined of 90 cents a hundred pounds during the year, he makes the difference between the cost of refining, 62 cents, and 90 cents, which gives him a profit of about 28 cents a hundred pounds. I mention that to contradict the statement—it has not been made here, but it is often made—that the refiner, we will not say the trust, gobbles this differential which was given to Cuba. The figures show this is not so. He can not get it. He could not get it if he wanted to; there is too much competition among the refiners themselves.

(The statement referred to by Mr. Atkins follows:)

SCHEDULE E.—REFINERS' MARGIN, 1907.

Date.	Price granulated.	Price centrifugal.	Margin, 100 pounds.	Date.	Price granulated.	Price centrifugal.	Margin, 100 pounds.
January 3.....	4.62	3.56	1.06	July 3.....	4.85	3.835	1.015
January 10.....	4.50	3.56	.94	July 11.....	4.75	3.835	.915
January 17.....	4.62	3.50	1.12	July 18.....	4.75	3.835	.915
January 24.....	4.60	3.48	1.12	July 25.....	4.70	3.94	.76
January 31.....	4.65	3.48	1.17	August 1.....	4.65	3.94	.71
February 7.....	4.50	3.42	1.08	August 8.....	4.65	3.94	.71
February 14.....	4.55	3.42	1.13	August 15.....	4.65	3.89	.76
February 21.....	4.55	3.38	1.17	August 22.....	4.65	3.89	.76
February 28.....	4.55	3.42	1.13	August 29.....	4.65	3.92	.73
March 7.....	4.55	3.51	1.04	September 5.....	4.65	3.92	.78
March 14.....	4.55	3.50	1.05	September 12.....	4.65	3.95	.79
March 21.....	4.65	3.51	1.04	September 19.....	4.65	3.95	.70
March 28.....	4.55	3.58	.97	September 26.....	4.65	3.95	.70
April 4.....	4.55	3.61	.94	October 3.....	4.65	3.95	.70
April 11.....	4.65	3.735	.915	October 10.....	4.65	3.95	.70
April 18.....	4.65	3.765	.835	October 17.....	4.65	3.90	.75
April 25.....	4.60	3.73	.87	October 24.....	4.65	3.00	.75
May 2.....	4.60	3.765	.835	October 31.....	4.65	3.90	.75
May 9.....	4.70	3.83	.87	November 7.....	4.65	3.90	.75
May 16.....	4.85	3.96	.99	November 14.....	4.60	3.80	.80
May 23.....	4.85	3.92	.93	November 21.....	4.60	3.70	.80
May 29.....	4.85	3.90	.95	November 27.....	4.60	3.625	.975
June 6.....	4.85	3.84	1.01	December 5.....	4.55	3.625	.925
June 13.....	4.85	3.73	1.12	December 12.....	4.65	3.85	.70
June 20.....	4.85	3.71	1.14	December 19.....	4.65	3.85	.70
June 27.....	4.85	3.875	.975	December 26.....	4.55	3.85	.70

Average of margin, 0.903.

SCHEDULE F.—REFINERS' MARGIN, 1908.

January 2.....	4.55	3.85	0.70	June 11.....	5.20	4.40	0.80
January 9.....	4.75	3.94	.81	June 18.....	5.25	4.31	.94
January 16.....	4.75	3.92	.83	June 25.....	5.25	4.25	1.00
January 23.....	4.75	3.80	.95	July 2.....	5.25	4.39	.86
January 30.....	4.75	3.75	1.00	July 9.....	5.25	4.39	.86
February 6.....	4.75	3.75	1.00	July 16.....	5.25	4.36	.89
February 13.....	4.65	3.67	.98	July 23.....	5.25	4.25	1.00
February 20.....	4.56	3.67	.88	July 30.....	5.15	4.25	.90
February 27.....	4.65	3.835	.765	August 6.....	5.05	4.125	.925
March 5.....	4.75	3.89	.86	August 13.....	5.05	4.08	.97
March 12.....	4.85	4.05	.80	August 20.....	5.05	4.08	.97
March 19.....	5.05	4.125	.925	August 27.....	4.75	3.90	.85
March 26.....	5.25	4.36	.89	September 3.....	4.95	3.96	.99
April 2.....	5.25	4.36	.89	September 10.....	4.95	3.90	1.05
April 9.....	5.25	4.36	.89	September 17.....	4.95	3.95	1.00
April 16.....	5.35	4.36	.99	September 24.....	4.95	3.98	.97
April 23.....	5.35	4.42	.93	October 1.....	4.95	3.98	.97
April 30.....	5.35	4.42	.93	October 8.....	4.85	3.98	.87
May 7.....	5.15	4.36	.79	October 15.....	4.85	3.96	.89
May 14.....	5.35	4.36	.99	October 22.....	4.75	4.04	.71
May 21.....	5.35	4.24	1.11	October 29.....	4.85	3.98	.87
May 28.....	5.20	4.27	.93	November 5.....	4.75	3.95	.80
June 4.....	5.20	4.36	.84	November 12.....	4.60	3.94	.66

Average, 0.908.

Mr. ATKINS. I come now to the matter of cost to the Cuban interests. It seems to me, gentlemen, that this sugar schedule, the most important one in your tariff list, the one producing the largest revenue and the one involving enormous conflicting interests, can not be rightly considered without consideration of the Cuban and Philippine Island questions. Those three questions are so involved it would seem to me, uninitiated as I am, that they must be considered jointly. It would be most difficult for a committee of the House to estimate revenue upon any schedule without counting on what the State Department might do in the way of reciprocity treaties or what

action it might take with reference to repealing the duty on the Philippine Island sugar, and for that reason I have suggested that the decision be reserved in accordance with the request from Habana until the whole question can be taken up and other parties not able to be present to-day can present their case.

We come now to the cost. So far we have not gotten at the real cost, in my opinion, of any sugars. I am prepared to state—while no accurate data is available in regard to the average cost in Cuba, I do not hesitate to state, from a very long experience there and a general knowledge of a great many things in a great many places—that the average f. o. b. price in Cuba at all ports, all districts, would be in the neighborhood of \$2.20 a hundred pounds, 2.2 cents a pound; that is, f. o. b. To show what that means, the shipping charges, which in Cuba include the packages, amount on the average in all ports to 20 cents a hundred pounds. That would reduce the cost of the sugar in store to 2 cents a pound, United States currency. Out of that the manufacturer has to pay his inland freight to the different ports of shipment. The freight can be estimated for all ports and all distances at not less than 10 cents a hundred pounds.

The CHAIRMAN. You are speaking of 96° test sugar?

Mr. ATKINS. Yes, sir. All of the Cuban crop, practically all, is centrifugal, and 91½ per cent of all the sugars imported into the United States are sold on the basis of 96°. That leaves a very small proportion of the low grades. One dollar and ninety cents is my opinion of the average cost, and I state it at a very low figure in order that no one may take exception to it; \$1.90 is the cost at the factory. Various factories in Cuba, many of them, are doing it cheaper. I know they are doing it cheaper. I do not deny that I am doing it cheaper myself, but I know many estates can not do it for that price, a great many estates, fairly well conducted at that. That would leave the cost of the sugar in the cane—that is, the cost of the raw material entering into the manufacture of sugar—\$1.37 on a hundred pounds, leaving but a little over one-half cent a pound to pay all the other manufacturing expenses, a figure so low I have almost hesitated to give it, a figure so low that I believe my associates in Cuba would say that it represented less rather than more than the average cost. The figures I have given do not vary very much from the figures given some years ago by General Bliss when he was before this committee.

Taking the sugar at \$2.20 f. o. b. I want to say that leaves but \$2.50 per ton to the planter for his cane, out of which he must pay the cultivation, the depreciation of his fields, which is large, the depreciation of his cattle in use, and harvesting expenses. Two dollars and fifty cents a ton, in my opinion, is a very low estimate to cover the actual cost, leaving him not one cent of profit on his business. The freight I have added at the rate of 25 cents a ton.

Starting from \$2.20 f. o. b. we may add 10 cents a hundred pounds as the average freight from all the ports in Cuba in normal years. The present duty on sugar is \$1.35, the cost of refining 62 cents a hundred pounds. The freight to Chicago is at present, I believe, 28 cents. The lowest price at which granulated sugar can be laid down in Chicago refined from Cuban sugar would be \$4.55 a hundred pounds, a little more than 4½ cents a pound. That is without any profit whatever, not even interest on capital employed, without any

profit to the producer of the sugar cane in Cuba, to the manufacturer of the sugar there, to the refiner of the sugar in this country, or to anybody else. Naturally, it is not to be expected that people are going to do business without any profit, but I have figured down the actual minimum cost at which sugar can be laid down in Chicago.

Now, I will go to beet sugar. The gentlemen here yesterday gave their experience in regard to the cost of beet sugar, and I noticed one thing to which I should like to call your attention. They gave the cost of beet sugar to the manufacturer at the price which the manufacturer pays for his beets. There is a very large profit to the farmer in raising the beets. If you want to get at the cost you must eliminate that profit. In Mr. Saylor's report for 1906 he states that the cost of an acre of beets on irrigated land, the average cost, is \$40 an acre, and on natural land, without irrigation, \$30 an acre. The irrigated lands being of less proportion than unirrigated lands, it seems to me quite safe to take an average cost per acre of beets at \$35, being the difference between the two extremes.

Mr. Saylor gives, on page 104 of that report, the average tonnage of beets per acre as 11.26 tons; cost per acre, \$35. This would equal a cost per ton of beets of \$3.11. To this I add railroad freight at an estimated amount which I have tried to put at an extreme figure of 60 cents a ton. One of the gentlemen mentioned yesterday 40 cents a ton as the freight rate at his factory.

The CHAIRMAN. The statement was that the excess over 40 cents was paid by the farmer.

MR. ATKINS. Yes, sir. In one of the States, I think Michigan or Wisconsin, I noticed in some of the reports they had a freight rate of 40 cents a ton not exceeding 100 miles. A great deal of the beets are delivered by the farmers directly to the mill and incur no railroad charge. This would bring the cost of a ton of beets to \$3.71 to the manufacturer, the cost to the farmer being \$3.11.

Now, Mr. Saylor gives the average yield of sugar on weight of beets during the same year as 11.42 per cent. This would equal 228.4 pounds on 2,000 pounds of beets costing \$3.71—that is, the beets—making the cost for the raw material entering into the manufacture of 1 pound of granulated sugar 1.62 cents.

I do not dispute any of the figures given yesterday in regard to the cost of the beet sugars by the manufacturer, but I call attention to the fact that the witnesses have given the cost inadvertently, unintentionally, I have no doubt. They give the cost of the sugar based on the price which they pay for the beets. I hold that the principle of protection is the protection of all, that part of the protection given by the sugar schedule is intended for the farmer and another part is intended for the manufacturer, and that it is not right, it is not proper, after the farmer has taken his part of the protection, for the manufacturer to claim that the United States should give it to him a second time. I will not tire you with these figures, but will present them for verification.

Mr. Saylor's report shows in 1907 a smaller tonnage of beets per acre and a higher yield of sugar per ton, the one about offsetting the other, and the cost of the raw material entering into the manufacture of 100 pounds of sugar beets that year was \$1.64. It was \$1.62 the previous year.

TUESDAY, November 17, 1908.

[Saylor's Report, 1906.]

Beet-sugar Industry.

Cost per acre of beets (page 24) :		
Irrigated lands -----	40	} \$35.00
Natural lands -----	30	
Average tonnage of beets per acre (page 104) :		
11.26 tons cost per acre \$35 = a cost per ton of beets -----		3.11
Railroad freight per ton of beets figured on total beets, part only delivered by railroad (estimated) -----		.60
		<u>3.71</u>
Average yield sugar (page 104) on weight of beets, 11.42 per cent = 228 $\frac{1}{2}$ pounds on 2,000 pounds beets, cost \$3.71 or per pound of sugar ---		1.62
Cost of manufacturing, cooperage, and delivery to cars ----- (?)		1.25
		<u>2.87</u>
	[Saylor's Report, 1907.]	
Cost per acre (1906 report) -----		<u>35.00</u>
Average tonnage beets per acre (page 63) :		
10.16 tons cost per acre, \$35 = a cost per ton of beets -----		3.44
Railroad freight per ton, figured upon total beets, part only delivered by railroad -----		.60
		<u>4.04</u>
Average yield sugar (page 62) on weight of beets, 12.30 per cent = 246 pounds per ton on 2,000 pounds beets; 1 ton of beets yielding 246 pounds sugar costs \$4.04 = per pound sugar -----		1.64
Cost of manufacturing, cooperage, and delivery to cars ----- (?)		1.25
		<u>2.89</u>

Now, I am not prepared to give you and you must therefore ask some of the other gentlemen interested what the manufacturing expense of 100 pounds of beet sugar would amount to. If it does not exceed \$1.25 a hundred, and I think they would hardly claim that it would exceed that, the cost would be 2.87 cents a pound. In order to verify that I went over such figures as were obtainable of the Utah-Idaho Sugar Company. It is a large company and one of the best managed companies, like the Great Western Sugar Company of Colorado, and, by the way, I think I saw no representative of either of those companies here. None of their experts were here to tell you that they could not stand any reduction in the duties on sugar. This company turned out something over 108,000,000 pounds of sugar. They paid the farmers for the beets \$5.17 a ton. The cost of the beets was something over \$2,187,000, making the cost of 100 pounds of sugar \$2.02, which is a comparatively high price for the beet. Then they give the items of working expenses, amounting to \$1,029,613, or 95 cents per 100 pounds of sugar.

Mr. UNDERWOOD. If it will not disturb you, I would like to have you give the committee those items of cost.

Mr. ATKINS. The items are bags, \$146,447; coal and coke, \$328,483; lime, \$52,539; taxes, \$72,144; labor, \$430,000, making a total of \$1,029,613. Then they state that owing to the panic—and this statement is entirely justified by the facts—that the buyers could not take

the output, and they had to put the sugar in store all over the country and incurred the expense of storage and insurance and interest for many weeks, and in some cases for several months, and they put down the total of their expenses at \$4,000,000. The difference between the items given and \$4,000,000—\$782,991—I take it, represents the expense for the extraordinary charges which they incurred during that period. That amounts to 73 cents per 100 pounds, making the figure \$3.70 a hundred pounds in this year of extraordinary expense.

Mr. UNDERWOOD. Three dollars and seventy cents is the total cost of the sugar at the factory?

Mr. ATKINS. Yes, sir. These are figures taken from their report, and from other information I am led to believe that they are very near to the actual cost.

I want to call your attention to this feature: The farmer received for his beets in Utah and Idaho \$5.17 a ton. Based upon Mr. Saylor's figures of the cost of the beets, \$3.44, the profit to the farmer would be \$1.73 a ton. I do not claim that the farmer is not entitled to his profit; he is well entitled to it.

The CHAIRMAN. Was there any credit given in that report for the by-products?

Mr. ATKINS. There were no items in the report, but I have no doubt that they credited some by-products which they got in before arriving at these figures. That \$1.73 a ton to the farmer would amount to 70 cents on a hundred pounds of sugar. Deducting that from the \$3.70 would bring the cost of 100 pounds of granulated sugar to 3 cents. A few years ago—I have this direct from stockholders of this company—they were producing sugar in these factories at less than 3 cents a pound. I believe that the figures which I give represent—2½ cents, we will call it 3 cents a pound for granulated sugar—will very nearly represent the average cost. Michigan can not do it for this price, California can do it for less, and I believe that Utah and Idaho are doing it for less.

Taking this cost at Colorado points at 3 cents and adding the freight rate to Chicago, where the great traffic meets—all of the sugars from New York and Michigan and Colorado points meet at Chicago—those people can lay down their sugars in Chicago at \$3.28 against the cost of sugars from Cuba, refined in New York, of \$4.55, giving them an advantage over Cuba of \$1.27.

I repeat, gentlemen, that I believe in getting at the actual cost, the comparative cost, you must figure it in this way, by eliminating all the profit both to the agriculturist and the manufacturer. Then, if you are to pursue the Republican policy adopted in a recent platform of protecting home industries to the extent of the difference in cost, it should not be difficult for your committee to arrive at a conclusion in regard to how much protection this industry is entitled to.

Mr. UNDERWOOD. I would like to ask you a question to see if I understand you. Your contention is that, eliminating all profits, both to the farmer and the manufacturer, the beet sugar at Chicago has an advantage of \$1.27 over the Cuban or foreign sugars?

Mr. ATKINS. Exactly.

Mr. UNDERWOOD. They have that much profit to be distributed to them?

Mr. ATKINS. Yes, sir.

Mr. McCALL. That is assuming that the Cuban sugar is laid down in Chicago without any profit at all?

Mr. ATKINS. Yes, sir.

Mr. McCALL. You figure that the Colorado man would have an advantage of \$1.27 a hundred pounds?

Mr. ATKINS. Yes, sir.

Mr. McCALL. And whatever profit the Cubans get will have to be added to this \$1.27?

Mr. ATKINS. Yes, sir. But the Cuban planter is not going to work for nothing for a long period.

Mr. CLARK. Did you hear the statement of Mr. Hathaway yesterday, that it cost \$3.50 or \$3.75 a hundred pounds to produce this beet sugar?

Mr. ATKINS. I think I missed that statement.

Mr. CLARK. Mr. Hathaway said that they paid \$2.40 to the agriculturist; that is what it cost them?

Mr. ATKINS. Yes, sir. That is not the cost for which the sugar can be produced. You must eliminate the profit to the agriculturist. If they pay \$5.17 a ton for the beets, the farmers make \$1.75 a ton profit.

Mr. CLARK. Mr. Hathaway's statement was that he paid \$2.40 for the sugar in the beet?

Mr. ATKINS. Very likely. He did not give the price of the beets.

Mr. CLARK. If it is true that these beet sugar men can make this beet sugar as cheaply as you say, how can you Cuban people compete at all?

Mr. ATKINS. I have just told you.

Mr. CLARK. What I want to know is this: If it costs you the price you figure at Chicago and it only costs these beet sugar men the price you figure for them at Chicago, how can Cuban planters or sugar men compete with the beet sugar men at all?

Mr. ATKINS. If I can give you a further explanation, perhaps I can explain that point.

Mr. CLARK. Very well, proceed.

Mr. ATKINS. Official returns from Germany last year showed a yield of beets of 15.55 net tons per acre, while the average return of beet sugar in the United States was 10.16 net tons per acre. The official returns from Germany on the yield of the beet was 15.78 per cent, or 315 pounds to the net ton. I reduced these figures to our measure, and in the United States it was 12.30 per cent, or 246 pounds a net ton.

The United States has been advancing year by year in the quality of its work, but they are far behind Europe now and they have still a great deal to learn. They will improve their work as years go on, I have no doubt. There are able men connected with it, and they will improve, and when they get their work to the point of Germany, figuring on the protection of freights from the Atlantic coast which they have, they will not need any protection in order to give them a profit against Cuba.

I do not come here pleading for the abolition of duties on sugar. I would not suggest such a reduction in the duties as would cripple the beet industry of the United States, but I want to show to you gentlemen that the present protection is not needed, and I want to illustrate the fact that a high protective duty invariably leads to a poor

quality of work. That has been so in all countries. It is only when competition has become sharp, extremely so, that the costs have been reduced and the methods have been improved, and a reduction of the duties to-day would tend to hasten an improvement in the manufacture of beet sugar.

Mr. CLARK. The Chicago prices we have been talking about on Cuban sugar leaves no profit at all, as I understand it. Is that true or not?

Mr. ATKINS. We have not come to the condition of selling sugar at the bare cost. I do not claim that.

Mr. CLARK. You would quit it if you did?

Mr. ATKINS. Yes, sir.

Mr. BOUTELL. What is the beet sugar cost at Chicago.

Mr. UNDERWOOD. Three dollars and twenty-eight cents.

Mr. BOUTELL. And the other sugar \$4.50?

Mr. UNDERWOOD. Four dollars and fifty-five cents.

Mr. ATKINS. I estimate that the average cost of the beet sugar laid down in Chicago is 3.28 cents per pound.

Mr. CLARK. If it costs the Cuban sugar men 4.55 cents per pound a ton to get their sugar on the market at Chicago, without any profit, then these beet sugar men have a net profit of 1.27 cents, where you get none at all?

Mr. ATKINS. If it came down to the question of bare cost they would have that difference.

Mr. CLARK. How much do you get for your sugars in Chicago?

Mr. ATKINS. The Chicago price of granulated sugar is about 4.55 to-day.

Mr. WILLETT. About 4.78; 4.55 plus 28 freight.

Mr. CLARK. That puts you in a hole, then, to the extent of 28 cents a hundred?

Mr. McCALL. No; they get 4.55 plus 28. They get 4.78.

Mr. CLARK. That just leaves you where you started in, then?

Mr. ATKINS. No, sir. I am simply illustrating the fact here that the actual cost at the competing point in Chicago is that, in order that you gentlemen may form your opinion of the protection that should be afforded to the beet sugar industry, both manufacturers and agriculturists, in the United States.

Mr. CLARK. What will become of these beet sugar men when Cuba becomes a part of the United States?

Mr. ATKINS. That is a danger which I hope will not arise at the present time. But there is imminent danger of that coming about most unexpectedly, very unexpectedly, unless some reasonable concession is made for Cuba.

Mr. CLARK. Have you any information as to whether they produce beet sugar in Germany or France or anywhere else as cheaply as you can produce cane sugar in Cuba?

Mr. ATKINS. They can produce it cheaper under present conditions than in Cuba. The cost of producing sugar in Cuba, figuring on my own results since 1903, shows an advance of 23½ per cent. This advance came in this way: Our control over Cuba has helped to raise the cost of wages there, the standard of living and everything, while the price of sugar has not increased at all.

Mr. CLARK. Now, leaving out the question of difference of cost of labor temporarily, what is the reason why the Michigan and Colo-

rado sugar men can not produce beet sugar as cheaply as they do in Germany, or is there any other element of cost in there?

Mr. ATKINS. Allow me to refer to my notes again. Perhaps I can explain that. I have shown you the difference in the tonnage of cane in Germany and in the United States, Germany cultivating in a most scientific way, with the greatest of care, and the United States cultivators not having yet reached that standard. I have shown you the yield of sugar from the beets in Germany and in the United States. The manufacturers in the United States have not yet brought the beets up to the point of quality of the beets produced in Germany, not having yet reached their standard of manufacture. Now, the State of Michigan, if my friends of the opposition will excuse my referring to this—the State of Michigan shows the lowest tonnage of beets per acre of any of the States of the Union. It shows a yield below the average yield of the rest of the United States. Consequently their sugar costs them more than any other State in the United States; it costs them more than the average.

Mr. FORDNEY. Mr. Atkins, you stated that the cost of production of beet sugar was \$3.70. Mr. Hathaway yesterday made the statement that the cost was from \$3.75 to \$4.

Mr. ATKINS. I suppose Mr. Hathaway is figuring on the price that the manufacturers pay the agriculturist for the beet. I have deducted the profit to the agriculturist.

Mr. FORDNEY. Why do you do that? The farmers would not raise the beets unless the manufacturers paid them the price.

Mr. ATKINS. I am stripping the whole business profit on their part, and everything, in order to get at the bare cost and allow your committee to arrive at your own conclusions as to the amount of protection required. It would not be fair to estimate the cost of Cuban sugar on the bare cost there and take the price of beet sugar on the cost that the manufacturers pay for the beets.

Mr. FORDNEY. You say there is great danger of the annexation of Cuba. If the Government would remove the duty from Cuban sugar and put the beet sugar men in this country out of business, there would be no danger of annexation, would there? That would certainly put the beet sugar men out of business here.

Mr. ATKINS. There would be very little danger of annexation in that case, but such a condition as that is not to be desired. Nobody asks for such a condition as that.

Mr. FORDNEY. You stated, Mr. Atkins, when Cuban reciprocity was being considered by the Committee on Ways and Means, that if the concession was made such as you asked the United States would get the greater portion, or would get all the importations to Cuba.

Mr. ATKINS. No; beg pardon. I did not make that statement.

Mr. FORDNEY. You should get it, you said.

Mr. ATKINS. Oh, you mean when Cuban reciprocity was considered?

Mr. FORDNEY. Yes.

Mr. ATKINS. I think the greater part of the importations.

Mr. FORDNEY. You said, "We ought to get almost everything Cuba consumes." The fact is that for four years prior to the adoption of Cuban reciprocity we sold Cuba \$25,000,000 worth of products per year and took from her an average of \$40,000,000 worth per year.

Mr. ATKINS. I think it is more than that.

Mr. FORDNEY. No. That was the average of four years prior to the adoption of Cuban reciprocity.

Mr. ATKINS. Yes; during the period right after the war.

Mr. FORDNEY. In the four years since that we have sold Cuba an average of \$40,000,000 per year of products and taken an average of \$86,000,000 of her exports per year. It was not a good trade, was it?

Mr. ATKINS. It is not fair to figure in dollars and cents on the imports of Cuba. The same crop of 1,000,000 tons will give you very much more money when figured on the value of imports in one year than in another year, and during the year 1905, for instance, when there was a shortage of 1,000,000 tons in the European crops, the prices in Cuba rose to a very high figure, and the imports did not, as given in the United States statistics in dollars and cents, represent the increase in pounds or tons of sugar that you would be led to suppose.

Mr. FORDNEY. But we pay the same rate of duty going on our goods exported to Cuba now as before the adoption of that law.

Mr. ATKINS. No, sir.

Mr. FORDNEY. Yes. I beg to differ with you.

Mr. ATKINS. No; you have a differential now, ranging from 20 to 40 per cent. They are on a much higher level of value in this country than Europe is.

Mr. FORDNEY. Did not the Cuban government call its Congress together shortly after that treaty was signed and raise the duty to all countries?

Mr. ATKINS. To us?

Mr. FORDNEY. To all countries; raised the duties just the amount provided for reduction, so that we pay the same as before, while Cuba pays 20 per cent less.

Mr. ATKINS. If you get into the Cuban market at 75 cents on the dollar as an advantage over the foreign manufacturer, what difference does that make?

Mr. FORDNEY. The difference made is that we pay the same as before, and we are accepting their imports at 20 per cent less than before, and we have not had our share of the increase of trade.

Mr. ATKINS. On the article produced in the United States I have to pay that increase of duty.

Mr. FORDNEY. Mr. Atkins, you said in your pamphlet, "Tariff relations with Cuba, actual and desirable," a statement you made recently, this:

While the present differential duty of 0.34 cent per pound has proved sufficient to protect Cuba in the United States markets against the lower cost sugars of Europe and Java, she can not long compete with our domestic sugars against the duty she is now paying of 1.35 cents per pound.

Then you wound up by saying that Cuba wants "a square deal." How much have we got to give Cuba before she gets "a square deal" from us?

Mr. ATKINS. I think when the Cuban planters make the request to reduce the tariff of the United States there should be a very material reduction, not less than one-half a cent a pound from the schedule, and the present differential of 0.34 cent a pound should be retained; not 20 per cent, because on the lower rate it would be a higher ratio of percentage, but that the specific differential of 0.34

cent should be retained. That would have the same effect in Cuba in competing with domestic sugars. I would make that apply to the schedule of all countries, and Cuba would have the same advantage over European countries—foreign countries—as she has to-day.

The CHAIRMAN. I would like to hear from you on the point as to why that differential of 0.34 cent, the difference between refined and raw sugar, should be retained at that amount. I would like to have the facts and arguments stated fully on that point, either now or after Mr. Fordney asks his questions.

Mr. FORDNEY. One more question, Mr. Atkins. Mr. Smith, representing the Owasso Sugar Company, in Michigan, stated yesterday that his firm had received a profit of but 29 cents a hundred pounds on their product. How much reduction do you think that company could stand and still survive the storm?

Mr. ATKINS. I know of estates, sugar estates, in Cuba that are not paying their operating expenses.

Mr. FORDNEY. Should not charity begin at home?

Mr. ATKINS. No government protects the manufacturer against the maximum cost. Protection is supposed to be accorded to all, in fact to cover the average cost, figuring on the average cost, not the maximum cost. Now, of these gentlemen that are in the beet-sugar business here, many are worthy gentlemen, but I think some of them mentioned yesterday that they had been engaged in the lumber business and other business in Michigan, and they can hardly expect to enter a business that has been developed in Europe for two or three generations and where they have the most scientific men in the world employed; they can hardly expect to step out of the lumber and wool and cotton manufacturing business into the sugar business and acquire the same degree of proficiency in the course of two or three years as those Germans have, or as have people in the United States who have been trained from childhood scientifically.

Mr. FORDNEY. One said he stepped out of the oil business into the sugar business.

Mr. ATKINS. Well, so much the worse. [Laughter.]

Mr. FORDNEY. Mr. Atkins, then, as a citizen of the United States, would you protect the Cuban before you would protect the American manufacturer?

Mr. ATKINS. No, sir; no, sir. In order that my position may not be misunderstood, let me tell you this: My house was established long before I was born, some seventy-odd years ago. My father and predecessor in that house was one of the prime movers in the development of the western country, the territory between the Missouri River and the Pacific coast. I have the keenest interest to-day in the general business development of the United States, and particularly of that district; the keenest interest. I would be the last man in the world to advocate any measure that would injure, in my opinion—permanently injure or cripple—any established American industry.

Mr. FORDNEY. Mr. Atkins, those beet sugar men who made the statements yesterday made such statements, if true—and I believe the sugar men at any time [laughter]—that no more reduction in foreign imported raw sugar can be made and the beet-sugar industry survive in this country.

Mr. ATKINS. Exactly. The steel people make the same assertion.

Mr. FORDNEY. I have not heard that.

Mr. ATKINS. They contend that you can not reduce the duty on steel rails.

Mr. FORDNEY. I have not heard that.

Mr. ATKINS. There are some manufacturers that can not manufacture steel rails in this country at a less duty than that under which they are being manufactured to-day. But I do not believe in taxing all the population of the United States in order to maintain any special individual manufacturer that can not produce at the average cost. That is the case not only with the beet sugar and steel industries, but with every other industry. God helps those that help themselves, but the idea is that the United States Government ought to help those who can not and will not help themselves. I do not believe in that principle.

Mr. FORDNEY. Mr. Atkins, when Cuban reciprocity was considered, a man representing that interest appeared here from New York—a man by the name of Hubbell, or Hubbard, and he made the statement that he represented a certain society and had received no outside money from any interest for coming here to represent that interest. When put on oath afterwards he admitted that he had deliberately misled the committee when he made that statement. He said he had received money from Mr. Havemeyer and from the Cuban Government, through our representative, our military governor, down there.

Mr. ATKINS. I do not recognize that name. I do not know of anybody receiving money from Mr. Havemeyer. I would not contradict the fact. I know I was delegated as chairman of the American producers in Cuba, and also representing Cuban producers, in making the opening appeal. We raised for the legitimate purposes of that campaign between Cuba and the United States the sum of \$18,000. Six thousand dollars of that was returned to the subscribers, and \$12,000 was expended in the legitimate purposes to pay one or two representatives in Washington, who were doing a perfectly legitimate business here, and all the printing and publishing expenses.

Mr. FORDNEY. The man's name was Thurber. I was not in any way intimating that the interests in favor of that law or measure were dishonest, except this particular man. He tried to create the impression that the people of the United States, the merchants, wanted Cuban reciprocity. He afterwards admitted that that was not true.

Mr. ATKINS. That his statement was not true?

Mr. FORDNEY. Yes.

Mr. ATKINS. I am sorry that anybody should make a false statement and put themselves in a false light.

Mr. FORDNEY. Mr. Atkins, at the time you made your statement before the Committee on Ways and Means in Cuban reciprocity I was present and it is my recollection that you stated that unless a 50 per cent reduction in our duty was given to Cuba within thirty days they would have a very disastrous panic down there. Now the reduction did not come for nearly two years afterwards, and the fact was they were then in better condition than when you made that statement.

Mr. ATKINS. I am not in the habit of making exaggerated statements, sir, and unless you can show me that in print I would be obliged to doubt that statement. What I did say, according to my

recollection, was that if some reduction was not afforded to Cuba, ultimately there would be a serious and disastrous panic, or words to that effect. The conditions in Cuba at that time were very bad.

Mr. FORDNEY. I will accept your recollection. My recollection was that you said thirty days.

Mr. ATKINS. It is not material.

Mr. FORDNEY. However, our trade with them by a reduction of duty there did not benefit us as we supposed it would, and the consumer has not had the benefit of that 20 per cent reduction in the United States. Is that right?

Mr. ATKINS. The consumer has had the benefit of that reduction in the sugar.

Mr. FORDNEY. In the price of sugar?

Mr. ATKINS. What are you speaking of?

Mr. FORDNEY. The lower price to the consumer here.

Mr. ATKINS. It was not intended to give it to the consumer. It was the intention of the United States Government and the belief of the rest of us that that benefit would accrue to the Cuban producer and put Cuba in a proper financial condition. Conditions have so changed to-day that Cuba does not get the benefit of the differential, and, as I have tried to illustrate in my schedules here, that goes neither to the Cuban producer nor to the American refiner, but to the benefit of the consumer in the United States. The reason is this: The production of our domestic sugars amounts to something like 1,425,000 tons, and that production, together with the production of Cuban sugars, almost supplies the United States. During the period when they are coming in—about eight months—they exceed the requirements of the United States, and it is the united pressure of these goods on the market that brings prices down and down until they reach a point where Cuba has lost her differential. Now, having an advantage of 34 cents over sugars from other countries, Cuba can cut 34 cents until that differential, or perhaps more than that differential, is given away to the consumer, and they thereby get the benefit of it. The domestic producer comes in. He has an advantage of \$1.35 over the Cuban producer. He can cut prices until he undersells Cuba. That is what is taking place to-day.

If you will read Willett & Gray's trade reports you will find that in the city of Denver, the point of origin of these beet sugars, the price is 5¼ cents a pound. That same granulated is shipped out to Chicago, where it meets the granulated from New York, and is sold at 4.85 cents as against 5.25 cents there. They pay freight for 1,000 miles on that sugar and sell it for 40 cents less than they can get for it in Denver. That is the effect of excessive protection. San Francisco is quoting \$5.40. They produce refined beet sugars there, almost enough to supply the Pacific coast, and they have access to the Sandwich Island sugar, 450,000 tons, practically without duty; and Hawaii can ship several thousand miles additional around to New York, because in New York the price is fixed by the Cuban sugars, and they can sell in New York, because they have a big margin there, that is because of our present irrational system. San Francisco, which ought to get the cheapest sugars in the United States, is paying about three-fourths of a cent more than New York.

Mr. FORDNEY. Mr. Atkins, do you favor a further reduction of the duty on Cuban sugars?

Mr. ATKINS. Personally I favor a reduction of duty, making it applicable to the entire schedule, giving Cuba the differential. Whatever would apply to the general schedule would apply to the Cuban schedule.

Mr. FORDNEY. Do you believe that would injure the beet and cane sugar in the United States?

Mr. ATKINS. Not materially. I do not think there is any need now of the present protection. I think the reduction should be at least a half a cent a pound. When the Cuban people get here they will say what they think.

Mr. FORDNEY. The men engaged in the manufacture of beet sugar say they can not stand any reduction.

Mr. ATKINS. Yes; exactly. But the best manufacturers have not been here. I have not seen Mr. Maury, of Denver.

Mr. FORDNEY. I thought the best in the world were in Michigan, and they are all here. [Laughter.]

Mr. ATKINS. I do not want to reflect on your manufacturers, but the figures show that the industry in Michigan is far behind the average in the United States, and the average of the United States is far behind the countries of Europe. There is an immense field for improvement here. If I was a young man, I believe I would go into the beet sugar industry in the United States, even in the face of a large heavy reduction in the duties.

Mr. FORDNEY. This gentleman, Mr. Baird, who appeared yesterday, very clearly showed why sugar could be made cheaper in Europe than here, because labor was only receiving about 10 or 15 per cent in Europe of what it received in the United States. Labor enters largely into the cost.

Mr. ATKINS. I do not want to dispute the fact that sugars can be made cheaper in Germany and elsewhere in Europe than in the United States. I do not wish to advocate the removal of the duties in the United States. I am personally desirous of and advocate the continuance of protection to our domestic sugar industry, but not the unreasonable protection that they are having now, and from the refiners' standpoint these beet sugar people are taking the trade away from the refiners of the Atlantic coast by cutting. The refiners of the Atlantic coast can not go below the cost of imported raw sugars plus the cost of refining, but with the present large margin of protection beet sugar factories can cut, as they are cutting to-day, and undersell the sugars from New York in the markets of Chicago.

Now you raise your protective duties. Those sugars which have already reached New York State, east of Buffalo, and Pennsylvania east of Pittsburg—central Pennsylvania and central New York—those sugars flow to the Atlantic coast and are transported from 1,000 to 1,500 miles to get there. You lower your duties. That beet sugar industry is not destroyed. They can maintain prices in their own territory. There is no reason why they should not supply the territory west of the Mississippi River, or at certain seasons of the year west of Chicago. But there is no reason why they should not be held to that territory. Why should the United States Government destroy the refining interest on the Atlantic coast for the sake of establishing a new beet industry in the central part of the continent?

Mr. FORDNEY. Mr. Atkins, you are a manufacturer of raw sugars in Cuba, are you not?

Mr. ATKINS. Yes, sir.

Mr. FORDNEY. Mr. Saylor, from the Agriculture Department, said yesterday that raw sugars in Cuba, at 96 per cent pure, could be produced at $1\frac{1}{2}$ cents a pound.

Mr. ATKINS. Where did he get his information?

Mr. FORDNEY. He said he had visited the island and made an investigation, and found it was about that cost, although others claimed it could be produced at a cent and a quarter. He put it as high as $1\frac{1}{2}$ cents. If that is true, when the beet sugar men of the State of Michigan pay \$2.40 a hundred pounds for the sugar in the beets, if we should remove the duty from Cuban sugar it would be impossible for the beet sugar industries in this country to exist, would it not?

Mr. ATKINS. If that were true, yes. I do not question his reports or say that any statement he makes is not true. I accept them. It is for others to repudiate these reports if they do not find them true. But I may say I have never been able to get accurate information about the cost of production at the present time, under present conditions, in Cuba at $1\frac{1}{2}$ cents a pound. I know that one of the leading sugar estates a number of years ago, an estate that claimed to be producing sugar at $1\frac{1}{2}$ cents, had a large floating indebtedness, which was increased year by year, and I naturally questioned the accuracy of their statements. They finally went into the hands of a receiver, and it was found that they carried on their books as an asset a million dollars advanced to the planters for planting cane, every dollar of which after the end of years had to be charged off as a loss. They thought they were getting cane at a price that allowed them to manufacture sugar at the rate of $1\frac{1}{2}$ cents a pound. In reality that cane was costing them more than 2 cents a pound for the sugar.

There are a great many irresponsible statements of that kind made in Cuba, and a man like Mr. Saylor, who does not, possibly, have a thorough understanding of the Spanish language, may go down there and be misled. I have lived on the island for over thirty-five years, part of every year, and I have tried to make the most careful investigations in regard to the cost. I have an extended acquaintance among the leading planters there, and I have never been able to get at such information. I knew several estates several years ago that could produce sugar at $1\frac{1}{2}$ and $1\frac{3}{8}$ cents a pound, but those figures do not prevail to-day, and the figures I gave you at \$2.20, as I said, are low instead of being too high.

Mr. FORDNEY. Mr. Atkins, the price was given at the time of the hearing on Cuban reciprocity, away back in 1903 and 1902, ranging from a cent and a quarter to $2\frac{1}{16}$ cents in Cuba, by men who made statements before the committee at that time. Colonel Hill said it cost a cent and a quarter.

Mr. ATKINS. Do you remember who Colonel Hill was? I never heard of him.

Mr. FORDNEY. No. Mr. Armstrong said 2 cents, Mr. Mendoza said $2\frac{1}{4}$, and so on. Some of them put it much lower than that. But several statements were made to the effect that it could be produced at a cent and a quarter at that time.

Mr. ATKINS. After making the statement before the Ways and Means Committee, I took the train immediately and then a boat, and went to Habana. When I reached Habana I found a meeting of planters in session there, and they were trying to get at the cost of

manufacture. They put the cost delivered in store, at $1\frac{3}{4}$ cents, while I had testified before the committee that it was 2 cents. They called me in and I discussed the matter, and I said: "How much have you allowed for depreciation to the cane fields?" They said, "We did not figure on that. We figured on the cost." I said, "What do you mean by the cost? Do you mean what you pay out in cash?" They said, "Yes." I said, "Suppose you were drawing on your capital to the extent of \$50,000 or \$60,000 or \$100,000 a year. Is not that a part of the cost?" They thought it was, but they had not figured on it, neither had they figured on the depreciation of the railroads or the actual outlays or depreciation on carts and implements and machinery. They simply figured their disbursements as against their receipts. They asked me what my depreciation was, and I said \$100,000. They asked me what the output of my place was, and I told them, and they divided that by the figures I gave them of my depreciation and added that to the cost of the output, and their figures came out a little higher than mine did. The trouble in Cuba in getting at the cost is that nobody that I have seen there has detailed agricultural accounts. Their accounts are not kept in such form that you can get at the actual agricultural cost. They are not kept in this country, except in very few instances.

MR. GAINES. In your article here on "Tariff relations with Cuba, actual and desirable," you say:

As long as the island is prosperous and under some form of United States control, a republican government may be maintained; but should her great sugar industry was made unprofitable, either by cancellation of the treaty or by long continuance of the present high duty against her sugar, revolution, fed by her unemployed, is sure to result in the future as it has under similar circumstances in the past.

And then you refer to the necessity of giving Cuba what you call, in connection with this Cuban duty, "a square deal." What do you mean by the expression "Square deal" in that connection?

MR. ATKINS. I will tell you just what I mean by that expression, sir. When we went into Cuba and drove out Spain, we destroyed a government that had existed there for two or three centuries. It was not the kind of government that we would call a good government, but still it protected property and it protected lives, except of those people that were in arms against the government. It was a government, and it was a government that other foreign governments could call upon and hold responsible for the protection of the lives and property of foreign citizens. We stepped in there and made the treaty of Paris. I will not tire the committee or the audience by referring to the treaty of Paris, because we are all familiar with it. We afterwards made what we call the Platt Amendment of the Senate, which allowed the United States to interfere there in case the Cuban government could not maintain order and could not protect the lives of citizens and the property of citizens.

The whole world expects the United States Government to protect the property of their citizens and the lives of their citizens, and in order to do that the United States went in there two years ago and landed troops and assumed control for the second time. That condition, if this experiment of delivering the Government again over to the Cubans is made, will be repeated unless the Cubans can govern themselves and maintain order and protect the lives of Englishmen

and Germans and Frenchmen and Spaniards on the island, and protect their property. This Government has got to act quickly, and it will not hesitate to act quickly if we go in there again. Very few people believe we will ever get away if we go back there again. Now, having assumed control and having passed laws and put into effect in Cuba our immigration law, our Chinese-exclusion act, and our contract-labor law, which was done by the United States Government in order to prevent unusual cheap labor, in order to prevent sugar from being produced in Cuba at very low prices in competition with domestic sugars; having done that, and raised the cost of her production, Cuba naturally expects—and the foreign and European residents of the island having property in Cuba naturally expect—that the United States will treat Cuba, if not as her own territory, at least as an adopted child. That will give the producers in Cuba a chance to live against the domestic production of this country.

Mr. GAINES. My object was to see, if I could, who it was that was complaining, or, as you might put it, threatening revolution.

Mr. ATKINS. Please do not take that as a threat. I was simply trying to explain conditions in order that you might consider them.

Mr. GAINES. Then I will withdraw the term "threat" and substitute or suggest "danger of revolution." I will put it that way. Your contention is, as I understand it, both now and formerly, that the United States has raised the price of labor. The people generally, therefore, would have no occasion, on account of the action of the United States Government, to revolutionize, would they?

Mr. ATKINS. Well, sir, are you acquainted with the black belt of our own country?

Mr. GAINES. Fairly well.

Mr. ATKINS. Those people have an opportunity to gain pretty good wages if they want to work. Are they a saving people? Do they save up their money? In Cuba they have the same class of people for their labor. They get very high wages, and the consequence is that they work fewer days in the month. When the Cuban plantation negro earns \$12 or \$14 a month and his feed, he is satisfied. If he can earn that in fifteen days instead of thirty days, he will work fifteen days, and no longer. Now, if you could say they are in better condition by being able, if they wish, to get good wages and to provide for their families and for their comfort, well and good; but they do not do that. Just as soon as the crop is over and anything happens to stop the course of commerce, thousands of men are thrown out of employment, and they are absolutely without means. What do they do? They levy on my cattle and other people's cattle and pigs and anything that they can pick up. They buy an old gun and a machete and commence to rest. They send you letters demanding \$5,000 to protect your property. That is not the better class of the Cuban people. That is the class that the better class of people in Cuba have to contend with, the class that they have to control, somewhat similar to the people we have to contend with in the black belt of the South.

Mr. GAINES. Do I understand you propose to still further increase the wages of that class of people by a manipulation of the American tariff for the purpose of inducing them to behave themselves?

Mr. ATKINS. No, sir. Such a proposition as that is a surprise to me. I do not see how you can imagine such a thing.

Mr. GAINES. I am merely trying to find out. I could never understand the situation before. In your hearing on the 15th day of January, 1905, when Cuban reciprocity was under consideration in the Committee on Ways and Means, you used this language:

The labor in Cuba is very limited, and I have very strong doubts in my mind whether there is labor enough in Cuba to cut and take off, possibly, a crop of 800,000 tons. The wages are high. Wages there run quite as high as the average agricultural labor in the United States. The men can not be had, and in order to increase the cane crop of Cuba, I think, you have to import the labor to make it.

Mr. ATKINS. Yes.

Mr. GAINES. What I can not understand is this, that if the agricultural laborer is just as prosperous in Cuba as he is in the United States, why we need take that into consideration in making up our minds as to whether there should be a reduction in the tariff so far as it affects Cuban cane sugar.

Mr. ATKINS. Well, sir, in order to keep labor employed in Cuba—and it must be employed if it is going to be quiet—you must keep the business interests of the island in a condition where they can earn a fair return on their investments. Otherwise they will go out of business and shut down. That is what happened when the Democratic government came in here some years ago and canceled the reciprocity treaty with Cuba.

Mr. GAINES. Is it your contention that in order to keep peace in Cuba we must do something here in our tariff schedule that will make the agricultural laborer in Cuba more prosperous than similar labor is in the United States?

Mr. ATKINS. My contention is this, that the United States has assumed the control of the island of Cuba, the guardianship of the island of Cuba, and it has had to give certain pledges, if not moral pledges, to the world, and if the United States does not do something to keep the financial condition of Cuba in a fair state she will not be fulfilling her duty. It is not necessary to legislate for the special protection of the Cuban industry. What I want is that the United States shall reduce or lower its tariff bars here to a reasonable extent, so that Cuba will not be crowded out. If Cuba had any other market in the world that argument would not hold good, but if you will allow me to refer to a little memorandum I have, I will read it. The United States takes all the Cuban sugar crops. As I told you, the United States production has been very rapidly increasing—722,000 tons in the last ten years, the domestic crop—and there is hardly room now for any sugar outside of Cuba's to enter into the consumption of the United States.

Now, to show that there is no place where Cuba can market her crops other than here, I give you these figures. Here are the crops of the various European countries. I will only give you the excess. Germany produced in excess of 919,000 tons; France, 68,000 tons; Austria, 877,000 tons; Holland and Belgium together, 299,000 tons. For Russia there are no accurate statistics available, but it is estimated to be about 400,000 tons excess. The balance of Europe, that is, Sweden, Denmark, Italy, Spain, and so forth, produced about enough between them to offset their consumption. Now, continental Europe has an excess of 2,500,000 tons for export. She can not send them to the United States. Java produces 1,156,000 tons. There is

3,719,000 tons in producing countries that have to find a market. England can take about 1,800,000 tons. They are supplied by European continental countries and from her own colonies. She can not take a pound from Cuba. The United States can take but 300,000 or 400,000 tons from all this excess outside of Cuba. The balance of this supply must find market in the Far Eastern countries, including Japan. To secure these markets new factories are now being erected in Manchuria, Japan, Formosa, and South Africa.

1908.

	Germany.	France.	Austria.	Holland and Belgium.	Russia.	Balance Europe.
Crops.....	2,127,000	728,000	1,425,000	407,000	1,410,000	435,000
Consumption twelve months to September 1.....	1,208,000	660,000	548,000	208,000	1,000,000	435,000
Excess over consumption.....	919,000	68,000	877,000	299,000	400,000	None.

Excess over consumption:	Tons.
Germany.....	919,000
France.....	68,000
Austria.....	877,000
Holland and Belgium.....	299,000
Russia.....	400,000
	2,563,000
Sweden, Denmark, Italy, Spain, } Jointly produce their requirements.	
Java.....	1,156,000
	3,719,000

Great Britain takes 1,832,000 tons, which are supplied from above countries and from her colonies. The United States can take but 300,000 to 400,000 tons from all countries, outside of Cuba, and balance supply must find markets in the far eastern countries, including Japan; to secure these markets new factories are now being erected in Manchuria, Japan, and Formosa; factories are also being constructed in South Africa.

Cuba can market no sugar outside of the United States, as Canada accords a preferential duty to British colonial sugar.

Every country in the world is at work to-day to produce its own requirements of sugar and prevent sugar from coming in from any other country; every country, I may say, except Great Britain; and in the case of Cuba, in regard to marketing her crop, on which her welfare depends, she is so placed that she can send it only to the United States.

The CHAIRMAN. Mr. Atkins, have you substantially the same sugar plantation there now in Cuba that you had twenty-five years ago?

Mr. ATKINS. It is much larger now.

The CHAIRMAN. When did you enlarge it?

Mr. ATKINS. Some years ago. I had possession of some 4,000 acres under a mortgage, and now I have 22,000 acres. The output is increased in proportion.

The CHAIRMAN. Will you tell the committee what the profits were last year on your crops?

Mr. ATKINS. I beg your pardon. I have no objection to whispering it to the chairman of the committee [laughter], but I would not

like to have that put in print for the benefit of my competitors here. [Laughter.] I hope you will allow me to speak in average terms.

The CHAIRMAN. If you desire to state it privately to the chairman, the chairman will be glad to hear it; but if not, I will ask you, Mr. Atkins, how the profits compare for the five years under reciprocity and the five years preceding?

Mr. ATKINS. I could not tell you without referring to my data. The profits I do not think would be very different in my own case. They vary very much, indeed, nearly 300 per cent. In a year when there was a short crop in Europe the price advanced to a high point. Sometimes I have made short sales when the market declined.

The CHAIRMAN. You do not think there is much difference under reciprocity for five years and before reciprocity for five years?

Mr. ATKINS. Not much.

The CHAIRMAN. Is it not true that in the five years of reciprocity the world's price has been very low?

Mr. ATKINS. Yes; but not so low as it was previously.

The CHAIRMAN. Not below the five years previous to reciprocity?

Mr. ATKINS. Until the date of the Brussels Convention—I must again call on our statistician, Mr. Willett—Mr. Willett, when was the bounty abolished in Europe, in the Brussels Convention? In what year?

Mr. WILLETT. In 1903.

Mr. ATKINS. Yes. Previous to that the prices were very low. After the Brussels Convention, when the governments of Europe agreed to abolish their bounties, they curtailed their crops, and they had a bad year, and prices advanced for one year, and then they declined again.

The CHAIRMAN. You say now that the price averaged higher in the world's market for five years than for the five years previous?

Mr. ATKINS. I would not want to make that statement without my records, and they do not go back to that date. I know that before that convention was in force I at one time sold sugars as low as $1\frac{3}{8}$ cents, cost and freight. I think at one time the price touched $1\frac{1}{4}$ cents. But those were artificial conditions, Mr. Chairman; entirely artificial conditions.

The CHAIRMAN. I think you are mistaken on the average price, but it may be that we have not the right figures. I asked you a few moments ago, and you said that you thought the differential of 34 cents should be retained on refined sugar.

Mr. ATKINS. I beg your pardon; not refined sugar. I said "on Cuban sugar." On Cuban sugar Cuba gets here differential of 34 cents a hundred pounds.

The CHAIRMAN. Oh, you meant differential on Cuban sugar, and not on refined sugar?

Mr. ATKINS. Yes. If the question had been asked me in regard to refined sugar I should have answered in this way, that the protection on refined sugar of one-eighth of a cent a pound ought to be retained, in my opinion. It amounts to about 5 per cent ad valorem on foreign cost of refined sugar. It is so very small that no reasonable party could advocate the removal of the duty on refined sugar.

The CHAIRMAN. Or the reduction of it?

Mr. ATKINS. Twelve and one-half cents you can not reduce very much without abolishing it.

The CHAIRMAN. You could reduce $12\frac{1}{2}$ cents.

Mr. ATKINS. But what would you gain by it? There is nothing to be gained.

The CHAIRMAN. You do not regard that as excessive protection?

Mr. ATKINS. No, sir; 5 per cent I do not regard as excessive protection, but I do regard $65\frac{1}{2}$ per cent as excessive protection. That is the protection that the domestic producers of raw sugar get.

The CHAIRMAN. That protection on refined sugar is prohibitive, is it not?

Mr. ATKINS. It is not prohibitive.

The CHAIRMAN. Comparatively speaking, it is prohibitive, is it not?

Mr. ATKINS. No, sir. It regulates the price of refined sugar coming in from Germany here. Refined sugar would come in every now and again and pay that duty were it not for the differential accorded to Cuba on raw sugar. The refiners are buying their raw sugars, say, at 35 cents below the parity of the raw sugars imported from Germany, and that is what protects them more than anything else against the importation of German granulated. If you raise the parity of centrifugal sugars in New York, you bring that protection down to $12\frac{1}{2}$ cents on granulated sugar. Before this reciprocity treaty was negotiated we used to get German granulated sugars every little while. It was enough to regulate the price. The refiner in New York could not advance his price beyond the parity of German granulated.

The CHAIRMAN. And he was not compelled to lower it?

Mr. ATKINS. No; he did not need to.

The CHAIRMAN. I understood you to say that now the consumer is getting the benefit of this differential on Cuban sugars.

Mr. ATKINS. Yes, sir.

The CHAIRMAN. Entirely?

Mr. ATKINS. I would not say entirely, because there are times when sugars rise to within a quarter of a cent a pound of the parity, but on the market the Cuban seller gives away—according to the statement you will see here, if you will look it over carefully—gives away that differential. The reduction of the price of raw sugar here reduces the price of granulated, and the consequence is that the consumer gets his sugar at 34 cents or 40 cents, or whatever the difference may be, cheaper than he would otherwise get it.

The CHAIRMAN. And during the remaining four months, when this sugar is not coming in from Cuba and the beet sugar is not being marketed in the United States, the price goes up?

Mr. ATKINS. The foreign sugars will not come to New York for less than they can get in London.

The CHAIRMAN. Production has greatly increased under reciprocity, has it not?

Mr. ATKINS. Yes. But before the insurrection occurred in 1895 Cuba produced 1,040,000 tons of sugar.

The CHAIRMAN. They are going beyond that?

Mr. ATKINS. Yes. They produced the year before last 1,400,000 tons, last year 950,000 tons.

The CHAIRMAN. Reciprocity has had something to do with it?

Mr. ATKINS. Undoubtedly. Without reciprocity I doubt if Cuba could produce at a profit at all.

Mr. FORDNEY. Mr. Atkins, may I ask you one more question, please?

Mr. ATKINS. Yes; but I would ask you that you do not exclude the other gentlemen here, for they have something to say.

Mr. FORDNEY. Thank you. I have considerable to say, and I will be as brief as possible. In your statement of your cost of production in Cuba you take into consideration the depreciation and the interest on the plant?

Mr. ATKINS. No interest on the plant, but the depreciation, based on actual cost of maintenance and repairs account, paid out in cash every year.

Mr. FORDNEY. The statement of the beet sugar men does not take into account the depreciation or interest on the investment?

Mr. ATKINS. No. That would advance the cost. I think any outlay in the way of repairs or the replacement of old machinery by new should be included. They include that, as every good manufacturer should in the working expenses of the year. That is the custom of the refiners, and it is the custom of all our up-to-date manufacturers.

Mr. FORDNEY. Mr. Atkins, it is true also that when there is a war on, on price, when the price of raw sugar in the New York market fluctuates, the refiners are benefited by the reduction of prices, whereas it is a fact that the beet sugar manufacturers have no such change, because they secure their raw material under contract which can not be and is not changed at any time?

Mr. ATKINS. Will you allow me to qualify that statement a little? The refiner is not benefited by it. They buy their sugar at the lower price, but they drop the price of refined sugar according to what they pay for the raw sugar. If the business was in the hands of the American Sugar Refining Company, or the trust, they could in a measure control that; but three-eighths of the refining business is done outside of the American Sugar Refining Company. They are subject to sharp competition. Fortunately for us who are selling sugars, if one does not drop the price of refined sugar the other one does.

Mr. FORDNEY. But they are benefited to this extent, that by getting their raw material for less money they can control the market, or undersell the beet sugar men, who enjoy no change in the price of raw material?

Mr. ATKINS. That goes without saying. They can not drop the price of granulated below the cost of raw sugar plus the cost of refining; but the beet sugar people can reduce to any extent almost, their margin of protection is so large.

Mr. FORDNEY. When they only make 29 cents a hundred pounds they have not very much leeway to go down on the price, have they?

Mr. ATKINS. When the Colorado manufacturers are selling in Chicago one-half of a cent a pound below Denver, the point of origin, it would seem to be an indication that there is a margin of profit there.

Mr. FORDNEY. Mr. Atkins, you stated that Cuban reciprocity—that is, the reduction of 20 per cent in the rate of duty—did not personally benefit the producers in Cuba, and that the prices to-day are practically as they were before.

Mr. ATKINS. I did not say practically the same, but considering the basis of value. The value fluctuates, you know.

Mr. FORDNEY. But at all events your profits are about the same?

Mr. ATKINS. In a general way.

Mr. FORDNEY. It did, however, give you a monopoly of the American markets on raws as against our foreign imported raw sugar?

Mr. ATKINS. Exactly, in that way. If it were not for the possibility of underselling foreign shippers in the New York market the Cuban industry could not be maintained to-day.

Mr. FORDNEY. But any further reduction in duties, if the beet sugar men are correct in their statement, would not only give you a monopoly of the American market against other countries of the world, but against the domestic producer also, would it not?

Mr. ATKINS. It would give us just that advantage, just that much, but I question the statement that has been made of the cost of the American sugars.

Mr. FORDNEY. Well, a very good lot of fellows in my district—

Mr. ATKINS. Let me say right there that some of the best fellows in the crowd have not come here at all; some that are right up to date. And one of the men in charge of the beet sugar houses in Colorado, Utah, and Idaho is the leading authority in the United States, but he is not here; he could give you information.

Mr. FORDNEY. Oh. Mr. Boetcher is here, one of the heaviest producers in Colorado and I hope to hear from him.

Mr. ATKINS. I hope you will.

Mr. FORDNEY. I think he will bear out the statement made by the other gentleman from Michigan.

Mr. ATKINS. I hope somebody will ask him whether he figures on the cost of the sugar at the price the manufacturer pays the farmers for the beet.

Mr. FORDNEY. If he is an intelligent fellow he will tell you that the cost of production is based upon the cost to him.

Mr. ATKINS. Well, I think he will give his answer in such a way that most of you will not understand it.

Mr. BOUTELL. There has been some mention of Cuban insurrection, or revolution, as a factor that we ought to consider in adjusting our United States tariff. Did you ever see a Cuban revolution at short range?

Mr. ATKINS. Well, along about 1896, I spent a great deal of time on my place, and I never went to sleep without a revolver under my pillow, and I kept a guard at my door at night. There was a rifle on my bed very much of the time, and I was frequently called out at any hour of the night under an alarm.

Mr. BOUTELL. So that you know about the volatility of the laboring classes there?

Mr. ATKINS. Having lived with them for many years, and being so thoroughly acquainted with them, having employed several thousand men, I know something about the character of these men; but I like them, I like the Cuban character, for it is a very attractive character; but they are not the same as our people, and they will never be.

Mr. BOUTELL. So all your conclusions are based upon absolutely first-hand information?

Mr. ATKINS. First hand.

Mr. BOUTELL. Now, if this further reduction that you contend for should be made, would it, in your opinion, decrease the price of sugar, granulated sugar, to the ultimate consumer? I do not know that I can describe the ultimate consumer in any better way than to say the

man who eats the sugar. I want to know whether a man can buy sugar cheaper?

Mr. ATKINS. If the Cuban and our domestic production nearly equal the consumption, the restriction will be to the benefit of the consumer; that is, to the benefit of the consumer almost entirely. Whatever the first reduction might be, the Cuban or the other producers would get a little, but the cost of production plus the duty—

Mr. BOUTELL. We have already heard in these hearings of several instances of decrease from the present rates, by reciprocity or otherwise, where there has been absolutely no decrease in the cost to what I call the ultimate consumer, the man who buys the article, and it has not appeared fully in these hearings who in this instance was the beneficiary. It would be interesting if we could find out how to make some change in the tariff which would benefit the man who eats the sugar.

Mr. ATKINS. The consumer in this country is paying all of the tariff, excepting in a few instances where temporary arrangements are made, and the producer gives you part of his profit. But, generally speaking, the consumer pays all of the tariff on sugar. Now, that would not hold good on some other articles where the percentage of the production in the United States is a small one. The sugar that comes in from abroad is in larger proportion. If sugars were entirely free in the United States under the present conditions of supply of the United States, and if Cuba were the supplying country, the prices would probably drop down to the actual cost, or nearly so, and the consumer would get the benefit. But I do not think that a duty then would have any more effect than a duty on cotton.

Mr. BOUTELL. If I recollect the figures given in these sugar hearings, they show that notwithstanding free sugar from Porto Rico and the concession made to Cuba, affecting imports of several hundred thousand tons, there still has been no decrease in the price to the ultimate consumer.

Mr. ATKINS. They lose sight of the fact that the whole sugar market of the world is ruled by the first prices; the tariffs of the world, the bounties paid by certain countries, temporarily set the tide from one side to the other, raising the price temporarily in that particular country; but the world's price of sugar, the German price, as it is quoted, for example, in Hamburg or in the London market, regulates the price in the United States as well as in all other parts of the world. A short crop in continental Europe will advance the price of sugar in Cuba, and a short crop in Cuba will advance the price of sugar in other countries.

Mr. BOUTELL. Now, let me ask you this practical question: Can you suggest any change in the sugar schedules of the present tariff which would not interfere seriously with our present income of, say, \$60,000,000 a year and at the same time give sugar to the ultimate consumer at a cheaper price?

Mr. ATKINS. Well, you can't have your cake and eat it, too. I want to call the attention of the committee to this, that the revenue from sugar is not \$60,000,000 a year. I think it was \$60,000,000 in 1907 because of the high price and the very large amount of sugar entered in the United States just at the end of the fiscal year. But the revenue from sugar, under present conditions, I think the tariff ex-

perts in Washington would tell you, would probably be about \$52,000,000, not any more than that. Last year it was \$50,000,000. But a reduction of half a cent a pound, in my opinion, allowing for the increase in consumption of 1909 over 1907, would cause a reduction of revenue of about \$15,000,000, but after that the revenue would steadily increase. That is a bit of opinion perhaps that I am not called upon to offer, because you have statisticians in Washington so much more competent to figure that out than I am.

The CHAIRMAN. If we took the duty off of sugar coming into the United States, could you sell sugar from Cuba in competition with the German sugar?

Mr. ATKINS. Not under present conditions. I could a few years ago, but my cost now in Cuba has increased about 25 per cent. It would seriously interfere with us; very seriously.

The CHAIRMAN. And would probably operate in the same way with the cane sugar and the beet sugar in the United States. They could not exist under those conditions, could they?

Mr. ATKINS. If you took all the duty off—no; I do not think they could.

The CHAIRMAN. And if so, and the sugar came out of the world's market, after a while the price of it would go up, would it not?

Mr. ATKINS. Yes. You must consider that continental Europe is not prepared to immediately supply the world.

The CHAIRMAN. They could after a while, but not at once?

Mr. ATKINS. And, of course, that supply would naturally decrease the price; but I think the question of the abolition of duties in the United States is not one to be considered, one that I have not heard seriously urged by anybody.

The CHAIRMAN. There are a class of people who think that because the trust refines the sugar, that the duty should be taken off of refined sugar. Of course, that ultimately would mean the taking off of the duty on sugar entirely.

Mr. ATKINS. The question was asked yesterday, what effect it would have to increase the duty on raw sugar and take it off of refined sugar. It seems to me that an action of that kind, where you place the duty on the raw material and take it off the manufactured material, would simply be to throw the trade abroad, to import the manufactured article instead of the raw material.

Mr. CLARK. But how could that be? That would cost the German man who imported his sugar in here just as much as it is costing now, would it not? If you took the differential off, if you took this tariff off of refined sugar and put it on raw sugar, then it would cost the German importer, or whoever it was—the foreign importer—as much to get his sugar in here as it does now, would it not? Five cents on raw sugar and 5 cents on refined sugar is practically the same.

Mr. ATKINS. Twelve and one-half cents. A man could not import the raw material.

Mr. CLARK. Not if he put it on raw sugar. Twelve and one-half cents is 12½ cents, no matter where it is put.

The CHAIRMAN. I do not believe the stenographer is able to hear all of Mr. Atkins's replies.

Mr. ATKINS. But 12½ cents taken off of refined sugar and added to raw sugar would be 25 cents.

Mr. CLARK. But how much would it put sugar down to the man who eats it?

Mr. ATKINS. About a half cent a pound.^a

Mr. CLARK. Are you sure the sugar trust would not gobble the half cent?

Mr. ATKINS. Well, I am sure that if he could gobble it I would join him. If they held those sugars for four or five or six months, they would get more for it, and distribute it more evenly. But they do not hold it, and probably they are very wise not to do it, because it would not give them enough to pay for the cost of doing it. The pressure of sugar on the market is more rapid than the refiner can take care of. If the refiner has to carry that stock, then he is going to take sugar at the lowest possible price, and if he is offered twice as much sugar as he can refine, he is going to buy from the lowest seller.

Mr. CLARK. But the statement was made absolutely and unequivocally that the American Sugar Refining Company fixes the price of raw sugar that it buys, and fixes the price of refined sugar when it is sold. Now, if that is true, then the taking off of whatever you want taken off would not do the man who eats the sugar one particle of good.

Mr. ATKINS. But the Cuban and the Louisiana crop are very different things.

Mr. CLARK. If the American Sugar Refining Trust Company, popularly called, does fix the price of raw sugar, as he said, then it fixes the price of your raw sugar. If it fixes the price of refined sugar which is made out of the raw sugar from Louisiana, then it fixes the price of refined sugar made out of raw sugar from Cuba. Now, his statement is either true or not true—one or the other. What we are trying to get at—that is, what I suppose Mr. Boutell was trying to get at, and I know it is what I am trying to find out also—is this: Would the taking this off simply do you good, or would it do the bulk of the people good? If it is not going to do the bulk of the people good, I do not care a straw whether it is taken off or not.

Mr. ATKINS. I think that if a man can purchase goods at a lower price, that he should have the benefit—

Mr. CLARK. If he doesn't fix the market price, but if he is in a position to fix the market price at which he buys, and in a position to fix the market price at which he sells, there ought to be some way to stop that. I am talking about what a man has to pay for the sugar that he uses.

Mr. ATKINS. If the supply is regulated through the demand, he would have to pay what the sellers demand or shut up his refinery. Those people, if they refined their sugar, would send it up and distribute it throughout the country in competition with the other refined sugar.

Mr. CLARK. But that is precisely what he said he couldn't do.

Mr. ATKINS. Why?

Mr. CLARK. Because the American Sugar Refining Company, if that is the name of it—well, Mr. Colcock took Vicksburg as a point of illustration, and said that if the Louisiana men undertook to refine their own sugar they could not sell it even in Vicksburg in competition with the American sugar trust, because the sugar trust would send its sugar in there and sell it so low that it would

^a Question regarding Louisiana sugar omitted.

put them out of business, and then, as soon as it had them shut out, it would mark the sugar up again and recoup itself.

Mr. ATKINS. I never heard of that theory. There are some very able men here, and I am sure that the American Sugar Refining Company has to compete with those other sellers. The general way is to buy those Louisiana sugars and ship them by sea to New York. I maintain that the only trouble with the Louisiana sugars declining below New York is the pressure, the excess of supply over demand.

Mr. POW. Did the concession that the United States made to Cuba have any effect at all on the price of sugar to the ultimate consumer?

Mr. ATKINS. Undoubtedly, and that is what I am trying to get settled in regard to this schedule. If you study it over, I think that point will be clear to you.

Mr. UNDERWOOD. In other words, the price since the concession was made has gradually gone down to the consumer?

Mr. ATKINS. The consumer is getting the benefit of it and nobody else.

Mr. POW. You contend that if there is a reduction of a half cent a pound, that the ultimate consumer will get the benefit of all of that half cent?

Mr. ATKINS. He will under present conditions, ultimately; not immediately, but ultimately.

Mr. POW. If that is done, then a man can go into any good store and buy sugar at a half a cent a pound cheaper than he can get it without that reduction?

Mr. ATKINS. I am not speaking of the retail grocery trade, because you may buy it at one store at one price and at another price at another store. I mean the people of the United States could obtain sugars just that much cheaper.

Mr. POW. If you can not get it from the retail grocer, then you can not get it at all.

Mr. ATKINS. I mean that there is no fixed price between the retail grocers if they get a customer. That is, they will make him pay more than another man would pay if they can. You can not base your calculations upon the retail grocery trade, but if you want to buy sugar in 100-barrel lots or 20-barrel lots, then you will get the benefit of it.

Mr. NEEDHAM. To what extent have refining interests in the United States invested in sugar lands in Cuba? It is reported that there have been large investments.

Mr. ATKINS. I do not think that the refining interests in the United States have large investments in Cuba, but certain individuals have invested there.

Mr. NEEDHAM. Do you know what the acreage is?

Mr. ATKINS. I do not remember.

Mr. FORDNEY. Who are the refining companies that compete for raw sugars on the New York market? You spoke of there being competition; that prices went down at times.

Mr. ATKINS. Arbuckle Brothers are very large refiners, and I think they have a capacity of something like 8,000 barrels a day. Then there is the Federal Refinery; Mr. Spreckels is here present. I do not know what their capacity is, but it is very large. Then there is the National, represented by Mr. Post, or Mr. Post's man. There

are three large companies. In New York there is another new company started which they call the Warner Company.

Mr. FORDNEY. What percentage of refined sugar is made by the American Sugar Refining Company?

Mr. ATKINS. I understand about five-eighths.

The following paper was submitted by Mr. Atkins:

TARIFF RELATIONS WITH CUBA—ACTUAL AND DESIRABLE.

By EDWIN F. ATKINS, of *E. Atkins & Co., Boston, Mass.*

[Reprinted from the Annals of the American Academy of Political and Social Science, September, 1908.]

Cuba's political disturbances have in the past followed economic conditions that have caused discontent and encouraged revolution. Such was the case in the ten-year insurrection and again in the insurrection of 1895, which preceded the Spanish-American war.

Previous to 1868 the tariff laws for Cuba were framed with the object of giving its trade to Spain, and for this purpose four different rates of duty were enforced, the first and lowest rate being upon Spanish merchandise in Spanish vessels, the second rate upon Spanish merchandise in foreign vessels, the third rate upon foreign merchandise in Spanish vessels, and the fourth rate upon foreign merchandise in foreign vessels. A duty was in force in Spain against Cuban sugar as a protection for the cane sugar produced in its southern provinces.

As long as the European countries were dependent upon the West Indies for the greater part of their sugar supply, and Cuba was producing with slave labor and had the buyers of Europe competing with those of the United States for her sugar, little attention was given to the fact that all legislation at Madrid was for the benefit of the mother country and that nothing was being done with a view to holding foreign markets for the island.

As years passed the continental countries of Europe all became producers of beet sugar and levied heavy duties against foreign imports, thus closing their markets to Cuba, and as soon as their production exceeded their consumption requirements export bounties were paid, which enabled them to sell free-trade England at prices a good deal below cost of production. Cuba could then no longer compete there, and so became dependent upon the United States, where, fortunately for her, a countervailing duty, in addition to the regular tariff, had been enforced against those countries paying an export bounty.

With the gradual abolition of slavery in Cuba, 1866-1880, her cost of production had greatly increased, while, by reason of the growth of the beet sugar industry, values had been cut in two. Spain through all these changes held blindly to her course of protecting her home trade, regardless of the interests of Cuba, and the inevitable result was the long and disastrous insurrection, 1868-1878, which brought financial ruin to so many of the sugar estates of the island.

During this period the United States, up to 1884, was almost as negligent of her foreign trade interests as was Spain of the interests of Cuba. When the change came from wooden to iron ships and

from sailing to steam vessels, England was prompt, not only to furnish tramp steamers for the transportation of Cuba's sugar crop to the United States, but with English capital she built and operated under the Spanish flag steamers which carried both Spanish and English merchandise to Cuba, taking advantage of the first and third columns of the Spanish tariff for Cuba, from which American merchandise was debarred, for the United States contented herself by imposing an additional duty of 10 per cent upon Cuban and Porto Rican merchandise in Spanish vessels. This provision was applied by the United States as late as 1874 upon a cargo of molasses imported by a Spanish schooner. In 1884 these discriminating duties were abolished by agreement with Spain. But we had for many years the singular spectacle of English-built Spanish steamers, operated largely by English capital, running from English and Spanish ports and supplying Cuba with the many articles of need which should have gone from the United States, including flour from American wheat, which was shipped from New York to Santander under the British flag and thence to Habana as Spanish flour. These same Spanish steamers came in ballast to our southern ports to load cotton back to Europe.

All this was allowed for years in the name of protection to American industries and American shipping, and at a time when, through radical changes in the commerce of the world, we were every year taking a larger proportion of Cuban exports and paying through New York, by remittance of exchange, to Spain, England, Germany, and France, in settlement for merchandise with which they were supplying Cuba.

In 1890 the McKinley tariff bill was passed, and by what was known as the Aldrich amendment power was conferred upon the President of the United States to negotiate treaties of reciprocity which would admit sugar free of duty from such countries as would make concessions in their tariffs upon American merchandise. Under the power so conferred a treaty of reciprocity was negotiated with Spain, and afterwards similar treaties were made with the principal sugar-producing countries of the world, and the United States tariff upon sugar was practically abolished; so our exports to Cuba rapidly increased, the cost of food supplies in Cuba was greatly reduced, and the island entered upon a period of prosperity such as it had not known for many years. This lasted until the year 1895, when the second insurrection occurred.

In 1894 the change from a Republican to a Democratic administration at Washington was followed by the passage of the Wilson tariff bill, which again placed a duty upon sugar, canceled the reciprocity treaties, and brought a return to the Spanish tariff rates in Cuba. Prices of sugar declined, while the cost of living increased; confidence was destroyed through such conditions, together with a threatened insurrection, and as the estates finished their crops in the spring of 1895, all work on the plantations ceased, and the thousands of laborers suddenly thrown out of employment and unable to gain a livelihood took to the woods and joined the ranks of the insurgents. The destruction of property, the loss to commerce, and the reduction of Cuba's sugar crop from 1,040,000 to 230,000 tons, with the Spanish-American war which followed in 1898, are now matters of history. In 1897 the Dingley tariff bill was passed, by which 96 test

sugar paid 1.68½ cents per pound, about double the rate under the Wilson bill.

Following our war with Spain and the taking over of her colonies came a radical change in our trade relations with Cuba through the reciprocity treaty, which took effect December 27, 1903. By this treaty Cuban sugar enters the United States at 20 per cent less duty than is charged upon other foreign sugar under the existing Dingley rates, or in round figures 1.35 cents per pound against 1.69 cents, the full rate on ninety-six test sugar, and Cuba concedes to the United States a reduction ranging from 20 to 40 per cent from her regular tariff rates charged to other countries.

When this treaty took effect the serious competition between European beet and Cuban sugars in the United States ceased. Under the Brussels agreement all government bounties, except those of Russia, were abolished, and the continental countries took steps to restrict their production to their consumption. England could no longer supply her requirements below cost of production, and began drawing upon her own colonies and Java, and these sugars, paying a higher rate of duty in the United States than Cuban sugars paid, were diverted to England and to the eastern countries as long as Cuba could supply our markets.

The first effect of the reciprocity treaty with Cuba was, as expected, to give that country the greater part of the differential duty and largely to divert her orders for supplies from Europe to the United States; but as an effect of changing the sugar tariffs of practically the entire commercial world, and the subsequent diversion of commerce to its more natural channels, combined with a poor agricultural season in Europe, crops were reduced and prices temporarily rose in 1905. This stimulated production in all cane sugar countries, including Cuba, and large crops and lower prices in 1907 were the consequence.

Cuba, after the Spanish-American war, and under the stimulus of the reciprocity treaty, gradually recovered from the effects of the insurrection, but it was not until 1904 that her sugar crop again equaled that of 1895, preceding the second insurrection.

In tracing sugar legislation for the last forty years we get an illustration of how the tide of commerce has been changed and diverted from one channel to another by the raising and lowering of tariffs and by payments of bounties, at times bringing great temporary prosperity, and again sweeping away all barriers in seeking its natural outlet.

As has been stated, the first effect of the present reciprocity treaty was to give the greater part of the differential, amounting to roundly one-third of a cent per pound, to the Cuban producers, but as our domestic production and the Cuban crop increased, the New York duty-paid price dropped, and during the period when the bulk of the Cuban crop is marketed (January to June) prices fell so far below the parity of Europe as to transfer the benefit of the differential to the consumers in the United States, so that in effect, while the reciprocity treaty in 1907 gave the United States markets for raw sugar to Cuba, as against other foreign competitors, by allowing her to undersell them, the island received but little pecuniary benefit from the differential accorded to her, and it still had to pay 1.35 cents per pound against the free sugar from our western beets, and

the caned sugars of Louisiana, Porto Rico, and Hawaii, which sources were supplying nearly half of our annual requirements and forcing sales at the time of the heaviest receipts of Cuba sugars.

While United States control has, upon the whole, greatly benefited Cuba, and both General Wood and Governor Magoon are entitled to every credit for their administration of affairs, this relation has not been without its advantages. When the Cuban reciprocity treaty was under discussion at Washington every effort was made by special interests to reduce the proposed differential on sugar to the lowest possible figure, and fearing the competition for our domestic sugar through cheaper Cuban labor, our "contract labor law," the "Chinese exclusion act," and our immigration law were all put in force in the island by General Wood, through directions from Washington, and afterwards made permanent by the joint resolution of Congress known as the "Platt amendment." This action has effectually prevented Cuba from getting an adequate supply of labor to harvest her increasing crops, and the average wage of the agricultural laborer throughout the year is now quite as high as that paid in the United States. Figures from the pay rolls of a well-known Cuban plantation show an increase in cost of labor between July, 1902, and July, 1906, of over 40 per cent, and an increase in the harvest season months of March, 1903 and 1907, of 33 per cent. With United States control came the labor agitator from the North and the formation of labor unions under his direction. This has led to a succession of strikes from trivial cause, many of which have had most disastrous consequences.

In providing by treaty for the exports of the United States, duties in Cuba were so adjusted as to give the trade to this country by differential duties ranging from 20 to 40 per cent. Under this provision our exports to Cuba have shown a most satisfactory growth, and from an insignificant amount under Spanish tariffs they reached the value of \$51,300,000 out of a total of \$104,400,000 imports for the twelve months ending December 31, nearly 50 per cent of the total. That the percentage was not greater was largely due to the high values prevailing in the United States, owing to control of prices of so many commodities by combinations, and to higher freight rates from the United States than from Europe, due to similar control of steamship lines.

Cuba has unquestionably benefited through United States control, first by securing a market for her sugars, when all others were closed to her, and, secondly, by the maintenance of order through the presence of United States troops during all but four years of the time which has elapsed since our war with Spain in 1898. Millions of foreign capital have been invested in Cuban sugar, tobacco, and cattle industries, in the building of railroads, the establishment of banks, and other important enterprises. But both the consumers and producers in the United States have also benefited, the first through the lowering of the tariff rate on Cuban sugar, the second by an increased foreign market for their goods.

The political overturn in Cuba in August, 1906, with the threatened destruction of foreign property, forced the United States to again intervene by authority conferred by both governments under the Platt amendment to the Senate army appropriation bill of February 25, 1902, afterwards ratified by the Cuban Congress. This

insurrection, which was fortunately checked before much destruction had been accomplished, stopped all agricultural work at a critical period and destroyed confidence, so that very little planting was done for the crop of 1908, and these conditions, followed by a severe drought during the next summer, reduced the sugar crop of 1908 to 925,000 tons against 1,420,000 tons the previous year.

In the early spring of the present year it was announced from Washington that the United States troops would be withdrawn not later than February 1, 1909; further credit was then refused to the planters, imports fell off, and general stagnation followed. These are the conditions prevailing to-day, for there are very few people connected with the business of the island, even among the Cubans themselves, who believe the country is yet prepared for an unrestricted independent government, free from United States control in some form.

The subject of tariff revision will soon be under discussion at Washington. The treaty of reciprocity with Cuba, which went into effect on December 27, 1903, was for five years from that date (to December 27, 1908), "and from year to year thereafter until the expiration of one year from the day when either contracting party shall give notice to terminate."

Already a movement is suggested on the part of our beet sugar producers to prevent any reduction in the sugar schedule and if possible to terminate this treaty. These interests claim that, given a high protection, domestic sugar should, within a few years, supply our consumption at a saving of some eighty million dollars, now sent abroad in payment for imported sugars. They ignored the fact that the greater part of these imports are paid for, not in cash, but in merchandise, the product of our factories, mines, and farms, over fifty millions of which now goes to Cuba alone.

Another argument against reduced duties is that the United States can not spare any of its revenue from sugar; a glance at the following figures will show the effect upon revenue, of the marked increase in domestic production:

Consumption, supply, and revenue from sugar—ten years.

[Sugar given in gross tons.]

Year.	Consumption.	Free sugar supply.	Cuban crop.	Other countries, bal. requirements.	Revenue to June 30.
1898.....	2,003,000	556,000	^a 230,000	1,217,000	^b \$29,504,000
1899.....	2,078,000	537,000	345,000	1,196,000	61,596,000
1900.....	2,220,000	478,000	308,000	1,434,000	57,741,000
1901.....	2,372,000	698,000	635,000	1,039,000	63,040,000
1902.....	2,566,000	876,000	850,000	840,000	53,033,000
1903.....	2,550,000	971,000	999,000	580,000	63,430,000
1904.....	2,767,000	881,000	1,040,000	846,000	58,152,000
1905.....	2,632,000	1,070,000	1,163,000	399,000	51,439,000
1906.....	2,864,000	1,177,000	1,179,000	508,000	52,645,000
1907.....	2,994,000	1,278,000	1,428,000	288,000	^c 60,334,000
Increase since 1902.....	428,000	402,000	575,000	-----	-----

^a Spanish-American war.

^b Revenue effected by change in tariff August, 1907.

^c Temporary increase from heavy Cuban importations previous to June 30.

NOTES.—Sugar statistics are for calendar years; revenue for fiscal years; figures of consumption and crops from Willett & Gray's reports.

The revenue from sugar and molasses for year ending June 30, 1908, was \$50,106,000.

During the ten-year period above given the consumption of the United States increased 991,000 tons, the average annual increase being slightly under 5 per cent; during the same period the supply of free sugar increased 722,000 tons, the Cuban crop 1,198,000, while our requirements from all other countries have decreased 929,000 tons, and the revenue under the Dingley tariff has (if we except the year 1907) not increased since 1899, but has rather diminished in face of the steady increase of consumption.

Following these figures to a logical conclusion, and barring partial crop failures, such as occurred in Cuba the present year, when the crop is reduced to 925,000, the present tariff rate would first shut out sugars from all foreign countries, other than those from Cuba, then check, and afterwards reduce, the Cuban production, for the reason that sugar paying a duty of 1.35 cents per pound can not compete with that paying no duty.

The revenue from sugar under the present tariff has apparently reached and passed its maximum point, and any increase in tariff rates would soon decrease it by artificially stimulating the domestic production for which consumers are already paying some one hundred million dollars annually, but little more than half of which reaches the United States Treasury.

Under the treaty of Paris, 1898, and the provision of the Platt amendment, 1902, the United States first made themselves responsible for and afterwards assumed the right to protect life and property in Cuba. In case of further trouble following the contemplated withdrawal of United States troops, either we must return promptly or so far abandon the Monroe doctrine as to permit the landing of troops by the European governments for the protection of their citizens whose interests there are large and steadily increasing.

While the present differential duty of 0.34 cent per pound has proved sufficient to protect Cuba in the United States markets against the lower cost of sugars of Europe and Java, she can not long compete with our domestic sugars against the duty she is now paying of 1.35 cents per pound. As long as the island is prosperous and under some form of United States control, a republican government may be maintained; but should her great sugar industry be made unprofitable, either by cancellation of the treaty or by long continuance of the present high duty against her sugar, revolution, fed by her unemployed, is sure to result in the future, as it has under similar circumstances in the past. Revolution would be followed by a third and final occupation by the United States, by annexation, and finally by abolition of all duties. Whether such a condition is desirable in the near future, either for the United States or for Cuba, is open to grave doubt, but no government in any form, other than one of military force, can be maintained unless the people are given a "square deal" and allowed to benefit through their own industry.

To put the sugar industry of Cuba upon a sound basis does not require the removal of duties here, or such drastic measures as would prevent a fair and just return to our beet sugar and other producers upon their invested capital. But these interests are no longer dependent upon the present high Dingley rates—a liberal reduction can now be made in our sugar schedules; and by continuing the present differential of 34 cents per 100 pounds, our large and increasing export trade to the island can be held, through maintaining its leading industry in a sound and healthy condition.

Will our domestic producers allow such reduction, or will they, by pursuing the former policy of Spain, risk all, and bring about the very conditions of free trade which they are so anxious to avoid?

STATEMENT MADE BY CLAUS A. SPRECKELS, OF 138 FRONT STREET, NEW YORK CITY, REPRESENTING THE FEDERAL SUGAR REFINING COMPANY.

TUESDAY, *November 17, 1908.*

Mr. SPRECKELS. Mr. Chairman and gentlemen of the committee, I appear before your committee as the president of the Federal Sugar Refining Company of New York, an entirely independent concern, with no direct or indirect affiliations, understanding, or agreement of any kind whatsoever with the sugar trust, and in order that you may understand my exact position and know that I am asking for no favors, would state that I would be perfectly satisfied if you should finally decide to agree upon free trade in both raw and refined sugars. I would, of course, appreciate and think we are entitled to a moderate protection on refined sugars, but would prefer absolute free trade to the present schedule, under which the sugar trust is the principal beneficiary and enabled to exact special privileges and conditions on sugars produced in Louisiana and the Hawaiian Islands.

It is evident that the country desires a revision of the tariff, and expects a reduction of duties whenever it can be shown to be reasonable, feasible, and advantageous. Personally, I take no stock in the old and threadbare theory that the duty on sugar can not be abolished on account of the Government requiring the revenue, and have full confidence that your committee and the Senate Finance Committee can, after your years of experience, raise the necessary revenue from other sources.

As far as the production of the domestic sugar is concerned I claim that beet sugar factories located in proper localities, such as Colorado, California, Utah, Idaho, and Oregon, should, and I am informed, can produce granulated sugar at $2\frac{1}{2}$ cents per pound. Of course, if it be the purpose of this Government to impose a tariff which will enable the production of articles in unsuitable localities at the expense of the American public, then an import duty is necessary and will always have to be maintained.

As far as Louisiana is concerned, I contend that the sugar trust is in a position to seize at its discretion a large share, if not all, of the benefit of the protection granted.

As far as our colonies are concerned, they to-day are able to produce sugars in competition with the rest of the world.

Under the circumstances, I believe the sooner our Government reduces and gradually wipes out entirely the duty on sugar the better it will be for the country and all concerned. Of course bearing in mind that the differential afforded refiners should be reduced in proportion to the reduction in duties on raw sugar.

The CHAIRMAN. I understand that what you recommend is that sugars be absolutely free, excepting refined sugar?

Mr. SPRECKELS. No; both.

The CHAIRMAN. That is, all on the free list?

Mr. SPRECKELS. If you take it off of raw, take it off of refined.

The CHAIRMAN. And you think the result of that would be that the beet sugar factories east of the Rocky Mountains could not exist in proper localities?

Mr. SPRECKELS. They are not in their proper localities. If you want to raise beet sugar in Florida, or cane sugar in Michigan, put a tariff of 5 cents a pound on it, but those are unnatural conditions.

The CHAIRMAN. They could not raise cane sugar in Michigan if you put 50 cents a pound duty on it. What effect would that have on the Louisiana cane sugar; it would put them out of business, would it not?

Mr. SPRECKELS. I am not so certain about that. They sold their sugars last year on practically the basis of 80 cents per hundred pounds protection.

The CHAIRMAN. And you propose to take it off?

Mr. SPRECKELS. But the tariff is 1.68½.

The CHAIRMAN. You propose to take it all off.

Mr. SPRECKELS. I do not know but what they can produce it when on the free list, but I have no evidence of that.

The CHAIRMAN. You are not putting it on the ground of what you know, but what you do not know. You say that you do not know but what they could produce it?

Mr. SPRECKELS. I do not think that it requires all the protection that exists to-day.

The CHAIRMAN. Well, Mr. Spreckels, if you take the differential off refined sugar by making all the sugar free, why can not you take the differential off of refined sugar when there is a tariff on raw sugar, making the same tariff on the sugar after refining, according to the degree of purity that there is on 96° test?

Mr. SPRECKELS. When sugar is selling at 4 cents a pound—take, for example, 96 test sugar will produce about 93 pounds granulated sugar out of a hundred, therefore there is a loss of 7 per cent; 7 pounds out of every hundred pounds is lost.

The CHAIRMAN. After you have made up that loss, what reason is there for any more differential?

Mr. SPRECKELS. If you will allow me to explain, I will proceed. The loss of 4 cents would amount to 28 cents, and if that same sugar is selling at 2 cents a pound the loss is only 14 cents. We do not require that differential, because we do not lose that extra 14 cents.

The CHAIRMAN. You could stand the loss on sugar at 2 cents a pound on refining, but you can not stand the loss on sugar at 4 cents a pound in refining?

Mr. SPRECKELS. That is correct.

The CHAIRMAN. So that the only differential required for refined sugar would be to make up the difference between 2 and 4 cents a pound on a loss?

Mr. SPRECKELS. That is correct.

The CHAIRMAN. Which would be 4 cents on the hundred pounds?

Mr. SPRECKELS. No; that would be 14 cents.

The CHAIRMAN. How many pounds would you lose?

Mr. SPRECKELS. Seven pounds.

The CHAIRMAN. Oh, 7 pounds. Well, that would be 14 cents. Then the 14 cents would be sufficient differential on refined sugar over 96 test?

Mr. SPRECKELS. Plenty.

The CHAIRMAN. No matter what the duty is on raw sugar?

Mr. SPRECKELS. Oh, no. If you put a duty on of 10 cents, you lose 7 per cent of duty.

The CHAIRMAN. We have protection now at 4 cents a pound—that is, duty-paid sugar?

Mr. SPRECKELS. Yes.

The CHAIRMAN. And you say that 14 cents would be sufficient to cover it—that is, the difference between the 2 cents and the 4 cents?

Mr. SPRECKELS. Yes, sir.

The CHAIRMAN. That would cover the difference on refined sugar?

Mr. SPRECKELS. It would.

The CHAIRMAN. What proportion of sugar used in this country do you refine at your refineries?

Mr. SPRECKELS. I must think for a moment as to that.

The CHAIRMAN. Approximately; I do not care about the exact figures.

Mr. SPRECKELS. Of the total consumption of the United States?

The CHAIRMAN. Yes; what percentage of the total consumption?

Mr. SPRECKELS. About 12½ per cent.

The CHAIRMAN. And you have been in the refining business—

Mr. SPRECKELS. Let me say that I made an error there; it is not quite that much. About 9 per cent, I should say.

The CHAIRMAN. You have been in the refining business a good many years?

Mr. SPRECKELS. Thirty-three years.

The CHAIRMAN. Of whom do you purchase your raw sugars? What raw sugar is it, Cuban or Louisiana?

Mr. SPRECKELS. We unfortunately can not get any of the Louisiana sugar; we tried it last year.

The CHAIRMAN. Where do you buy it?

Mr. SPRECKELS. We buy of Java, Cuba, Porto Rico. We do not buy Hawaiian or Louisiana sugar.

The CHAIRMAN. You can not get the Hawaiian sugar?

Mr. SPRECKELS. They are under contract with the trust to deliver their sugars at three-eighths of a cent a pound less than the basis of the Cuban tariff, therefore they only have a protection of 1 cent a pound there.

The CHAIRMAN. And at what prices do you buy the Cuban sugar as compared with the Hamburg price, laid down in New York?

Mr. SPRECKELS. It varies considerably from time to time. Sometimes it pays as much, sometimes less, than the European sugar.

The CHAIRMAN. When the Cuban crop and the Louisiana crop all come in together, as they do in the winter time, they get less than they do when the crops are not coming in?

Mr. SPRECKELS. Not always.

The CHAIRMAN. Do you not generally? Is not that the general trend of the market?

Mr. SPRECKELS. I am not certain about that.

The CHAIRMAN. How much below the world's price do you get it at any time—the extreme price?

Mr. SPRECKELS. You have reference to the Cuban sugar?

The CHAIRMAN. The Cuban sugar; yes.

Mr. SPRECKELS. We get the full benefit of the reduction of the tariff, about 35 cents a hundred pounds.

The CHAIRMAN. And at some time, I understand you to say, you pay the full price of the world's market for Cuban sugar. The great bulk of the Cuban sugar comes in here at a discount below the world's price?

Mr. SPRECKELS. The great bulk does; yes.

The CHAIRMAN. And that price that you pay is the market price in New York, of course; and who fixes that?

Mr. SPRECKELS. Supply and demand.

The CHAIRMAN. Well, supply and demand, of course; but the world's market has something to do with it. Does the price at which the American Sugar Refining Company buys it have anything to do with it?

Mr. SPRECKELS. No more than if I buy it. It is a question of supply and demand.

The CHAIRMAN. But if there is keen competition?

Mr. SPRECKELS. There is no competition.

The CHAIRMAN. You all want it, the American Sugar Refining Company wants it, and, of course, the price is paid.

Mr. SPRECKELS. Correct.

The CHAIRMAN. And if the sellers are more numerous and the quantity of sugar is larger in the market, you get it below that. And, of course, you all buy it as cheaply as you can, and the seller sells it for the best price he can get?

Mr. SPRECKELS. Quite true.

Mr. UNDERWOOD. You are in the sugar-refining business, are you not?

Mr. SPRECKELS. Yes, sir.

Mr. UNDERWOOD. You are familiar with the business and have been in it thirty years?

Mr. SPRECKELS. I am.

Mr. UNDERWOOD. I would like to ask you as to whether there is any margin of profit to the manufacturer on refined sugar between the differential and the loss in weight on sugar by reason of its being refined?

Mr. SPRECKELS. Not always. For example, you take sugar laid down from Hamburg to-day. It can be imported for \$4.70 per hundred. Our price to-day is \$4.55 per hundred. That is our price.

Mr. UNDERWOOD. How much does the differential to the refiner amount to?

Mr. SPRECKELS. Twelve and one-half cents per hundred.

Mr. UNDERWOOD. Does it take that entire $12\frac{1}{2}$ cents to cover the loss to the manufacturer to-day and the shrinkage in his material by reason of the refining,

Mr. SPRECKELS. Approximately; yes, sir. It will vary from 10 to 15 points. The average would be, say, $12\frac{1}{2}$ cents.

Mr. UNDERWOOD. Then you say that there is no profit to the refiner due to the differential?

Mr. SPRECKELS. No, sir.

Mr. UNDERWOOD. What effect would there be upon the business of the refiners of this country if we reduce the tax on sugar one-half a cent a pound?

Mr. SPRECKELS. I think it would be a great benefit to it, stimulate the trade, stimulate other trades, such as the canning of fruit and preserves; for example, England is the greatest consuming country

for sugar per capita in the world. Their consumption per capita is nearly 100 pounds, while in this country it is only 80 pounds. We all know, or think we do, that the English people do not actually consume that sugar. They do not eat as many sweetmeats as the American probably, but they export that to their colonies and to foreign countries in the shape of marmalades, jellies, jams, and all sorts of preserves. England does not raise those fruits, but we do. If we have cheaper sugar our fruit can be exported in the shape of these marmalades, jellies, and jams.

Mr. UNDERWOOD. The present prices that the American Sugar Refining Company pays the Louisiana people and the Hawaiian people is at least one-half a cent under the European cost with the tariff added, is it not; the Hamburg price with the tariff added?

Mr. SPRECKELS. A little more than one-half a cent—about 0.68 of a cent.

Mr. UNDERWOOD. Then, so far as protection for the Hawaiian and Louisiana planter is concerned and the present price that he is selling sugar for, he would be fully protected by a tariff reduced one-half a cent, would he not?

Mr. SPRECKELS. Yes.

Mr. UNDERWOOD. He is selling sugar now at half a cent below the Hamburg price with the duty added. Therefore, if we reduce it one-half a cent, the Louisiana and the Hawaiian sugar producers would have a protection that would amount to more than what their selling price is to-day; that is, the duty added to the foreign price would amount to more than what their selling price is to-day, and the planter would receive the same protection that he does to-day.

Mr. SPRECKELS. He could receive the same price.

Mr. UNDERWOOD. How far into the interior can you go to meet the beet-sugar trade in competition, when they are putting their sugars on the market?

Mr. SPRECKELS. That varies. We go to Chicago, and as far as the Mississippi River, but they ship as far as Pittsburg, and sometimes into the interior of New York State. Buyers for certain reasons will not take beet sugar, and the beet sugar is selling for a less price. Many people do not know the difference; yet there is a difference. For example, for preserving. The beet sugars, as produced in this country, are not fit for that, because they are semi-refined; they do not pass it over boneblack.

Mr. UNDERWOOD. So that they can not be used for those purposes?

Mr. SPRECKELS. Not to the same advantage.

Mr. UNDERWOOD. You say that the territory beyond the Mississippi River, then, is within the zone that the beet-sugar man controls for his own market?

Mr. SPRECKELS. It is.

Mr. UNDERWOOD. And the zone between Pittsburg and the Mississippi River both contend for?

Mr. SPRECKELS. Yes.

Mr. UNDERWOOD. And you control the zone east of Pittsburg?

Mr. SPRECKELS. Practically.

Mr. UNDERWOOD. Therefore to the extent that the manufacturer of sugar in Colorado, Idaho, and California—that territory that you say is adapted to that purpose—is concerned, the freight rates would

protect them to the extent of one-half a cent reduction on the tariff, would it not?

Mr. SPRECKELS. I think a little more than that. The freight rates from that country and the western coast enable them to sell for from a cent to a cent and a half per pound more than the eastern man.

Mr. POU. If Congress should finally pass an act reducing the present duties on sugar a half a cent a pound, would or would not that, in your opinion, make sugar cheaper to the ultimate consumer?

Mr. SPRECKELS. I think it would.

Mr. POU. You think he would feel the benefit of the half-cent reduction?

Mr. SPRECKELS. I do.

Mr. BOUTELL. Right in that connection and along that line, to whom does the Federal Sugar Refining Company sell its refined product—what class of purchasers?

Mr. SPRECKELS. The wholesale grocers.

Mr. BOUTELL. For example, what customers have you in Chicago, if you do not mind telling?

Mr. SPRECKELS. All the wholesale grocers, and there are dozens of them there.

Mr. BOUTELL. I understand—that is, your customers are all one class, wholesalers, or jobbers, and you do not sell to retailers?

Mr. SPRECKELS. We do not.

Mr. BOUTELL. Is there any contract or agreement between your refinery and the jobbers as to the prices at which they shall sell to the retailers?

Mr. SPRECKELS. Absolutely none.

Mr. BOUTELL. Do you know whether there is any such means among other refiners in exacting contracts from their jobbers?

Mr. SPRECKELS. There has been, I believe, but it has been abolished.

Mr. BOUTELL. In continuing the sale of this product down to the man who eats the sugar, do you know whether there is any exaction by any of these jobbers of the retailers as to the limitations of price?

Mr. SPRECKELS. No, sir.

Mr. BOUTELL. You stated in your first paragraph that the Federal Sugar Refining Company had no agreement or understanding of any kind whatever with the so-called trust?

Mr. SPRECKELS. Yes, sir.

Mr. BOUTELL. Have you any understanding or agreement with reference to prices with any other refinery?

Mr. SPRECKELS. Absolutely none.

Mr. BOUTELL. Absolutely independent?

Mr. SPRECKELS. Absolutely independent.

Mr. BOUTELL. If I gather your meaning from the way in which you stated it, it was to the effect that, aside from your business, as a citizen and a taxpayer, you would have no objection to having absolute free trade in both the raw and refined sugar?

Mr. SPRECKELS. Yes, sir.

Mr. BOUTELL. You expressed the opinion that this \$50,000,000 or \$60,000,000 revenue derived from sugar could readily be raised. Speaking in round numbers, our income from duties on imports is about \$300,000,000 a year, and the \$60,000,000 from sugar would be one-fifth of the entire national income from duties on imports. Have

you thought at all, not as a sugar man, but as a taxpayer, of any method of raising this \$60,000,000?

Mr. SPRECKELS. I have, many times. I suggest that you have something right in this room. You have chairs, I see, that are imported from Vienna, and you could put a tax on those.

Mr. BOUTELL. But are they not now taxed? I think the North Carolina and Michigan furniture men have looked to that.

Mr. SPRECKELS. You have not taxed it enough; but that is merely an object lesson in this room; but you can put the tax on tea or coffee.

Mr. BOUTELL. How much would a tax of 5 cents a pound on coffee amount to?

Mr. SPRECKELS. I could not say, but I think there are people in this room who could tell. I do not know how much coffee is consumed.

Mr. BOUTELL. Your general idea, as I grasp it, is—not going into details—that in taking the duty off of refined sugar and reducing the income to the extent of \$60,000,000 you would raise that by other duties?

Mr. SPRECKELS. By other duties.

Mr. RANDELL. How about an income tax?

Mr. SPRECKELS. That is quite agreeable to me.

Mr. RANDELL. Did you say that if the tax is reduced half a cent a pound that the Louisiana cane sugar growers could maintain their present prices?

Mr. SPRECKELS. Yes, sir; because they are giving more than that away to-day.

Mr. RANDELL. I understood you to say, in answer to the gentleman from North Carolina, that if this reduction was made it would ultimately go to the consumer. What I want to know is this: If the consumer gets the reduction and the producer of sugar gets the same prices, how do you reconcile those two statements? How can one get as much for the production of sugar and the consumer pay less.

Mr. SPRECKELS. Are you talking about free trade?

Mr. RANDELL. No, sir.

Mr. SPRECKELS. Talking about a reduction?

Mr. RANDELL. I understood you to say that if the tariff is reduced one-half cent a pound that the producer of raw sugars can maintain the same prices that he now gets. You stated that, if I did not misunderstand you.

Mr. SPRECKELS. I am not speaking of the Louisiana producer particularly.

Mr. RANDELL. Now, I want to understand this statement. If this reduction of a half a cent a pound was made, could the producer of raw sugar maintain the same prices he is getting now?

Mr. SPRECKELS. I think he could.

Mr. RANDELL. What I wanted to know was, how can the producer get the same price and the consumer get the sugar for half a cent a pound less? That is a question in mathematics that I can not solve.

Mr. SPRECKELS. The consumer would get it by reason of the lower duties on the eastern coast; for example, we are not buying Louisiana sugars.

Mr. RANDELL. I know; but how can the producer get it, and the consumer get the benefit of it, too?

Mr. SPRECKELS. The consumer will get it from the importations from foreign countries. Louisiana does not produce all the sugar that is consumed in this country.

Mr. RANDELL. And how would it affect the revenue?

Mr. SPRECKELS. I am not speaking of the revenue.

Mr. RANDELL. Would not the Government get half a cent less on sugar imported from Cuba and other countries, on the raw sugar? And yet according to your statement the producer of sugar in this country would get no higher and no less price.

Mr. SPRECKELS. The producer would not. The producer does not produce all the sugar which is consumed in the United States. That is my answer to that.

Mr. RANDELL. Then, which statement do you adhere to?

Mr. SPRECKELS. Both.

Mr. RANDELL. That the consumer will get that half cent, or the producer get it?

Mr. SPRECKELS. Both of them would get it.

Mr. BOUTELL. One question here, and it is suggested by this last question of Mr. Randell's, and that is, that where you, in the manufacturing trade, speak of a consumer—and I infer this from what Mr. Atkins said—you would mean, for example, the jobber, the wholesaler; in other words, you do not recognize laws of commerce or trade which inevitably and automatically affect the price at which a retailer shall sell to his retail customers?

Mr. SPRECKELS. No, sir.

Mr. BOUTELL. So that in all these discussions the word "consumer," that is, reducing the price of material to the "consumer," means the price at which the manufacturer puts it out to the jobber or wholesaler?

Mr. SPRECKELS. Quite right.

Mr. BOUTELL. And the effect of the price at which the wholesaler sells to the retailer, or the retailer sells to the country or city customer, is something which is not taken into consideration.

Mr. UNDERWOOD. Then if there is a wholesale grocers' association in the country which might be called a trust, this question can not regulate it; that would have to be regulated in another way?

Mr. SPRECKELS. Yes.

Mr. UNDERWOOD. It comes back to the proposition in which you stated that Louisiana and Hawaiian sugar producers would receive the same amount by a reduction of a half a cent, and yet there would be a reduction to the consumer, due to the fact that the foreign sugar coming into the market would fix the price to the consumer, and the refiners to-day are paying more than a half a cent under the European market price, with the tariff added—that is the reason both propositions are true?

Mr. SPRECKELS. That is the idea.

Mr. CLARK. What is the reason that they do not refine sugar where it is made?

Mr. SPRECKELS. Because it is not profitable to refine it. You must bring it to a central place.

Mr. CLARK. New York is no more central than New Orleans, is it?

Mr. SPRECKELS. They can not refine it profitably; that has been demonstrated time and again.

Mr. CLARK. What has been demonstrated?

Mr. SPRECKELS. It has been demonstrated in Hawaii.

Mr. CLARK. That you can not refine it on a plantation?

Mr. SPRECKELS. Yes, sir; it has been demonstrated that it is not profitable to refine it on a plantation.

Mr. CLARK. Why isn't it as profitable to refine it at San Francisco, St. Louis, New Orleans, or Chicago as it is to refine it in New York?

Mr. SPRECKELS. I do not think you understand me, sir. I say it is unprofitable to refine it. I suppose you have in mind the refining of the sugar on the plantations in Cuba?

Mr. CLARK. I didn't have any idea of its being refined on a plantation, especially. I understand that, in a general way, of course, the refinery is an expensive institution, but why they can not have it refined at some place accessible to the sources of production of raw sugar I can not see.

Mr. SPRECKELS. They can, and they do have.

Mr. CLARK. I can not understand why it can not be refined easier there than to ship it to New York. What is the sense of sending everything to New York in the first instance, and then bringing it back again?

Mr. SPRECKELS. There is absolutely no sense in it.

Mr. CLARK. But that is what they do, is it not?

Mr. SPRECKELS. No, sir; they do not. They refine it in Louisiana. The American Sugar Refining Company, the so-called trust, has a refinery there now, and they are building a new one.

Mr. CLARK. You have one?

Mr. SPRECKELS. No, sir; we have not; we only have in New York.

Mr. CLARK. Where is your refinery?

Mr. SPRECKELS. At Yonkers, N. Y.

Mr. CLARK. That is what I say, and that is where you get your Cuban sugar. Do you get Louisiana or Texas sugar?

Mr. SPRECKELS. No, sir.

Mr. CLARK. And you do not get Hawaiian sugar?

Mr. SPRECKELS. No, sir; none.

Mr. CLARK. What is the proportion of sugar, if you know, that is produced in Louisiana, and is refined in Louisiana?

Mr. SPRECKELS. Seventy-five per cent.

Mr. CLARK. Is there any sugar refined in the Sandwich Islands?

Mr. SPRECKELS. There is one refinery there.

Mr. CLARK. Some years ago there was a great deal of sugar refining at San Francisco, was there not?

Mr. SPRECKELS. There is to-day; there are two refineries there.

Mr. CLARK. Do they refine as much sugar in San Francisco now as they did twenty or twenty-five years ago?

Mr. SPRECKELS. Just about the same.

Mr. CLARK. Why do they not refine it in the Sandwich Islands, where they produce it?

Mr. SPRECKELS. Because, as I say, they can not refine it there profitably on a plantation.

Mr. CLARK. Why can not they?

Mr. SPRECKELS. That is a matter that would take more time than I could use to answer. The fact is that the planters themselves have a refinery. When they could not agree with the so-called "trust" upon the sale of sugar, they established a refinery themselves in San Francisco rather than to put the refinery on a plantation. They shipped

the raw product to San Francisco, because the greater the production the less cost per unit. Now, you can not go on a plantation and make 5,000 tons of sugar (which you may have to make in a week) and make it profitably.

Mr. CLARK. I understand that, but I can not understand why they do not have one or two places in the Sandwich Islands where they produce so much sugar.

Mr. SPRECKELS. They have one refinery in Honolulu, Hawaiian Islands, but it has not proved a success.

Mr. CLARK. That is largely the fault of the management then, isn't it?

Mr. SPRECKELS. No; but the locality.

Mr. CLARK. You do not know anything about the profits of the corner grocery man who sells sugar, do you?

Mr. SPRECKELS. I do not think he makes any profit.

Mr. CLARK. That is just exactly what I was going to get at. Isn't it true that nearly all of the grocery men, and practically all of them in the United States, make sugar what they call a "leader," and that they sell refined sugar at perhaps as small a profit as any article that they carry?

Mr. SPRECKELS. That is true.

Mr. CLARK. So that practically the retail dealers of the United States make nothing out of it, and that all of the profit goes to the producer of raw sugar, the refineries, the wholesalers, and the jobbers?

Mr. SPRECKELS. That is right.

Mr. FORDNEY. You spoke about canning and preserving fruits. Isn't it true, under the existing law, that 99 per cent of the duty paid on sugar and put into fruits in their preparations to be shipped abroad can be gotten back as the drawback?

Mr. SPRECKELS. Yes.

Mr. FORDNEY. Then free sugar, for that purpose, would not in any way aid the production of that article in the preserving of fruits to be shipped abroad?

Mr. SPRECKELS. I think it would.

Mr. FORDNEY. To the extent of 1 per cent only.

Mr. SPRECKELS. No; more than that. It costs them more originally for the sugar, and the capital invested, if he buys it for 2 or 5 cents a pound; there is quite a difference in the investment, the first cost.

Mr. FORDNEY. One per cent on the drawback is not of any consequence?

Mr. SPRECKELS. I should say it was.

Mr. FORDNEY. Or 99 per cent of it. If 1 per cent was wiped out it would greatly stimulate the exportation of fruits abroad, would it not?

Mr. SPRECKELS. It would stimulate it to that extent only.

Mr. FORDNEY. I understand you, in answer to a question put by the chairman, to say that there was no competition on raw sugars in the New York market.

Mr. SPRECKELS. I did not say that; you misunderstood me.

The CHAIRMAN. I did not understand him to say that. I understood him to say that they did it as cheaply as the American Sugar Refining Company.

Mr. FORDNEY. As a refiner, do you think that the American consumer and the manufacturer would be benefited by free sugar instead of duty-paid sugar?

Mr. SPRECKELS. I do, decidedly.

Mr. FORDNEY. Do you think that the domestic production of sugar could exist under free trade?

Mr. SPRECKELS. If properly located; yes, sir.

Mr. FORDNEY. Where would it have to be located—in New York?

Mr. SPRECKELS. No; I would locate it in California or Colorado. You have heard the testimony of yesterday, that they moved the factories from Michigan into Colorado.

Mr. FORDNEY. The freight from Colorado to the seaboard is less than \$1 a hundred?

Mr. SPRECKELS. They do not send it to the seaboard; they have a local market.

Mr. FORDNEY. If they should send it to the seaboard, the freight would be less than \$1, while the duty is 1.68½?

Mr. SPRECKELS. I do not think I quite understand what you mean.

Mr. FORDNEY. You are in favor of the abolition of duty on sugar. Would not the refineries be the greatest beneficiaries of such a change of law?

Mr. SPRECKELS. I do not think they would be benefited any more, except by the increased consumption.

Mr. FORDNEY. You stated a while ago that the sugar trust, or the individuals of that concern, were benefited by the tariff.

Mr. SPRECKELS. I did.

Mr. FORDNEY. Then you are benefited, because you are a heavy stockholder in the American Sugar Refining Company.

Mr. SPRECKELS. I am a "has been." I am no longer a stockholder in that concern.

Mr. FORDNEY. I remember that it was stated a year ago that you were one of the heaviest stockholders.

Mr. SPRECKELS. I was, but I am no longer a stockholder.

Mr. FORDNEY. According to the statement of the sugar beet men, the abolition of the duties on sugar would be destructive to them. It would be absolutely ruinous to their interests, would it not, if they are correct in their statements?

Mr. SPRECKELS. If you say the Michigan people; yes. That is true, according to the testimony which you have heard. I think, however, there is other testimony that you have not heard. The people who produce sugar at 2½ cents a pound are not coming here to tell you that they want a reduction.

Mr. FORDNEY. I never knew of any one who wanted a reduction.

Mr. SPRECKELS. I want all I can get. If you keep on you will be encouraging the production of sugar in Alaska, because it pays so well.

Mr. FORDNEY. Don't you think it would be better for us to produce all the sugar in the United States that we need, rather than to buy it from the foreigner, and, by producing it ourselves, to give American people employment?

Mr. SPRECKELS. Yes; if you raise the sugar in the proper climate. Sugar should be grown in tropical climates. About 25 per cent of all of the beet sugar is raised by, and the fields are cultivated by, Asiatic labor.

Mr. FORDNEY. The cane sugar?

Mr. SPRECKELS. No, sir; the beet sugar. Twenty-five per cent of all of the beets raised in the beet fields of this country is cultivated by Asiatic labor.

Mr. FORDNEY. Unless the consumer would receive the benefit of the reduction of the duty, it would not be wise to change, would it?

Mr. SPRECKELS. But the consumer would receive the benefit of it.

Mr. FORDNEY. He did not receive it in the case of the Cuban reciprocity, did he?

Mr. SPRECKELS. I think that at times he did and at times he did not.

Mr. FORDNEY. Well, give us the difference between the "did" and the "did not."

Mr. SPRECKELS. Well, I will answer the question by saying that what I mean is that sometimes we got the full benefit of the Cuban tariff and sometimes we did not. When we got the full differentials the public got it.

Mr. CRUMPACKER. I would like to know why it is that the Louisiana sugar raisers sell their product to the sugar trust at a lower rate than the cost of foreign sugar.

Mr. SPRECKELS. I do not know, but I suppose it is because they love them so.

Mr. CRUMPACKER. Do the Louisiana sugar growers decline to sell to your refinery at all?

Mr. SPRECKELS. They do.

Mr. CRUMPACKER. Even though you were willing to pay the current rate?

Mr. SPRECKELS. Yes, sir.

Mr. CRUMPACKER. And possibly even pay more than those rates?

Mr. SPRECKELS. I am sorry to say that that is true. I wanted to bring a photograph of a steamer for which we were only able to obtain one-third cargo, although we held her at her berth in New Orleans during the height of the sugar season. We were willing to give a little above the current rate, but we were unable to secure those sugars against the trust, although offering prompt cash.

Mr. CRUMPACKER. What are the relations between the Louisiana sugar growers and the trust?

Mr. SPRECKELS. I could not say. The relations of the trust are very extensive.

Mr. CRUMPACKER. How are those sugars sold?

Mr. SPRECKELS. They are sold in the open market.

Mr. CRUMPACKER. And they would not sell to your refinery, even though you offered more than the trust?

Mr. SPRECKELS. They would not.

Mr. CRUMPACKER. Is that same thing true respecting the Hawaiian sugars?

Mr. SPRECKELS. It is.

Mr. CRUMPACKER. Do you have a contract with the Hawaiian sugar growers?

Mr. SPRECKELS. We have none. For the past three years the trust has contracted at three-eighths of a cent a pound less than the New York price.

Mr. CRUMPACKER. Have you tried to break into their market?

Mr. SPRECKELS. I have. I tried to trade with them, but I could not.

Mr. CRUMPACKER. Are the stockholders of the so-called sugar trust interested in growing cane sugar?

Mr. SPRECKELS. Not as a company.

Mr. CRUMPACKER. Are the individual stockholders so interested?

Mr. SPRECKELS. I believe they are.

Mr. CRUMPACKER. They are interested in sugar growing in Hawaii and in Louisiana?

Mr. SPRECKELS. Yes, sir.

Mr. CRUMPACKER. You are not aware of any business reasons why the Louisiana sugar grower should refuse to sell to your company at the same rate or at better rates than they sell their product to the trust?

Mr. SPRECKELS. No, sir.

Mr. CRUMPACKER. You stated that the sugar trust practically absorbed all of the differential that is granted by reciprocity to the growers in Cuba. How does it manage to absorb that differential?

Mr. SPRECKELS. I do not think it requires any special management. When the crop comes on to the market it comes on too rapidly—that is, it comes too much at a time. It is regulated by supply and demand, as I stated before, but the Cuban planter wants to sell and is anxious to realize, and so much so that he is willing to take off the differential.

Mr. CRUMPACKER. Why don't you get the benefit of that?

Mr. SPRECKELS. We do.

Mr. CRUMPACKER. You get your percentage of the differential?

Mr. SPRECKELS. We do.

Mr. CRUMPACKER. So that at periods when there are importations from Cuba the price of sugar goes down, and in order to make a quick sale they will let it go at these prices?

Mr. SPRECKELS. Oh, yes; they will knock off that differential, and sometimes a little more.

Mr. CRUMPACKER. So that the American Sugar Refining Company in that respect operates as a speculator?

Mr. SPRECKELS. Precisely.

Mr. FORDNEY. You stated a moment ago that you would be able to refine if the differential on refined sugar was cut down to 14 cents per hundred.

Mr. SPRECKELS. If the tariff be taken off raw sugar, I am willing that the tariff on the refined shall be taken off also.

Mr. FORDNEY. I understood you to say that it would be \$1.68½ per hundred on bulk or raw sugar coming into this country?

Mr. SPRECKELS. Yes, sir.

Mr. FORDNEY. And on refined it would be \$1.95 per hundred, leaving the differential 26½ cents between the raw and the refined sugar?

Mr. SPRECKELS. Yes, sir.

Mr. FORDNEY. And the loss on refining would be equivalent to about 14 cents per hundred?

Mr. SPRECKELS. It is somewhat more than that. Assuming it is 4 cents a pound, that would be 28 cents per hundred pounds. If the price be 2 cents per pound, it would be one-half of that, or 14 cents.

Mr. FORDNEY. Assuming it is 14 cents per hundred, there would be a margin of 12½ cents per hundred pounds to pay the cost of refining. On the basis of 2 cents, it gives that much advantage over the foreigner?

Mr. SPRECKELS. Yes, sir.

Mr. FORDNEY. If the sugar costs 2 cents and the loss on refining is 28 cents, they would lose only $1\frac{1}{2}$ cents.

Mr. SPRECKELS. We have been figuring on $12\frac{1}{2}$ cents. You are dealing with 96 per cent sugar.

Mr. FORDNEY. I want to know how you work out that $12\frac{1}{2}$ cents differential. There is only a difference between the raw and the refined sugars of 25 cents, and the difference for that must be compensated for in the price of the refined sugar. At 2 cents it is 14 cents and at 4 cents it is 28 cents, and that would leave only $1\frac{1}{2}$ cents.

Mr. SPRECKELS. The duty is on sugar which is 100 per cent pure sugar, and it is $\$1.82\frac{1}{2}$; that is, provided it is below 16, Dutch standard, as to whiteness. The difference between $\$1.82\frac{1}{2}$ and $\$1.95$ for the white is exactly $12\frac{1}{2}$ cents. We deal with pure sugars.

Mr. CRUMPACKER. The mathematical difference between $\$1.68\frac{1}{2}$ and $\$1.95$ is $26\frac{1}{2}$ cents. We have been informed that there is a cost or waste of 14 cents per hundred in refining. Taking that from the 26 cents leaves $12\frac{1}{2}$ cents as the real differential or benefit or protection to the refiner.

Mr. SPRECKELS. That is the condition to-day.

Mr. CRUMPACKER. What would you say about taking off the $12\frac{1}{2}$ cents and fixing the differential large enough to cover the waste in refining?

Mr. SPRECKELS. If the duty be taken off, and the price of sugar is 2 cents instead of 4 cents, it should be proportionately less.

Mr. CRUMPACKER. Yes.

Mr. SPRECKELS. It would be 7 per cent on 4 cents a pound sugars and 7 per cent on 2 cents a pound sugars. The difference is 14 cents. If the sugar is only 1 cent a pound, the loss is only 7 cents per 100 pounds of sugar.

Mr. CRUMPACKER. My idea is that the law be amended so as to cover the loss in the cost of refining, whatever it may be. That would put the American refiner upon the same footing as the foreign refiner.

Mr. SPRECKELS. I think he is entitled to some protection, for this reason—

Mr. CRUMPACKER. Let us hear your reason.

Mr. SPRECKELS. To cover the difference in the cost of labor.

Mr. FORDNEY. How about the sugar producer: Is he not entitled to some protection?

Mr. SPRECKELS. He is entitled to protection enough to cover the difference in the cost of labor.

Mr. CRUMPACKER. I want to know if the American Sugar Refining Company is at a disadvantage in refining as compared with the foreign refiner.

Mr. SPRECKELS. They are not.

Mr. CRUMPACKER. Are we refining sugar as cheaply as they are refining it in foreign countries?

Mr. SPRECKELS. Yes, sir.

Mr. CRUMPACKER. Then you do not need any aid in that direction?

Mr. SPRECKELS. We will take it if we can get it.

Mr. CRUMPACKER. That is an important concession. I am glad that you made it.

Mr. SPRECKELS. We do not need it.

Mr. CLARK. Do we export large quantities of preserved fruit?

Mr. SPRECKELS. No, sir.

Mr. CLARK. Mr. Fordney asked you a question about the saving to these people. These people get drawbacks, but usually they are the larger manufacturers, whereas the smaller ones do not?

Mr. SPRECKELS. The smaller ones would not be benefited.

Mr. CLARK. In that transaction we import the sugar, whereas the foreigner imports both the fruit and the sugar?

Mr. SPRECKELS. Yes, sir.

Mr. CLARK. The foreigner would not be in any better fix because he imports the fruit?

Mr. SPRECKELS. No, sir.

Mr. FORDNEY. Not if he pays labor the same?

Mr. SPRECKELS. No, sir.

Mr. NEEDHAM. Has your company invested in any sugar lands in Cuba?

Mr. SPRECKELS. No, sir.

Mr. NEEDHAM. Have your stockholders?

Mr. SPRECKELS. As an individual, I am so interested.

Mr. NEEDHAM. Are you largely interested as an individual in Cuba sugar lands?

Mr. SPRECKELS. No, sir; only in a small way.

Mr. NEEDHAM. What was the purpose of this investment down there?

Mr. SPRECKELS. It was a gamble; it was a speculation—

Mr. NEEDHAM. You hope for the annexation of Cuba?

Mr. SPRECKELS. Precisely. That is why I bought it.

Mr. NEEDHAM. Have not the sugar people generally throughout the country invested in the sugar lands in Cuba within the last few years?

Mr. SPRECKELS. Not as refiners.

Mr. NEEDHAM. Have not the refiners of the United States done so?

Mr. SPRECKELS. I can only speak for myself. I do not know what the others have done.

Mr. BOUTELL. In reference to the purchase of lands in Cuba, you stopped short in one of your answers, and I think you intended to say that you expected soon to do something. What was it?

Mr. SPRECKELS. I was going to say that I expect very soon to see annexation with Cuba.

Mr. BOUTELL. From your acquaintance, or as a matter of competent knowledge, how many other investors have made investments in Cuba on a similar basis?

Mr. SPRECKELS. That I can not say. I do not know. There have been some others who have thought just like I did.

Mr. BOUTELL. You would say there had been some others?

Mr. SPRECKELS. I would say so. I suppose they think as I do.

Mr. BOUTELL. The wish is usually father to the thought, so that in the case of Cuban annexation you take it for granted that similar methods have stimulated or fostered the acquirement of those sugar lands?

Mr. SPRECKELS. That is quite true.

Mr. CLARK. The reason that Louisiana produces raw sugar is because Louisiana is properly located climatically?

Mr. SPRECKELS. Yes, sir; partially, and if economically worked; but some of the best sugar factories are not properly located. They should take their mills and move them to some other place.

STATEMENT OF G. W. SWINK, OF ROCKY FORD, COLO., REPRESENTING THE RAISERS OF SUGAR BEETS.

TUESDAY, *November 17, 1908.*

Mr. SWINK. Mr. Chairman and gentlemen of the committee, I am a little bit hard of hearing, and you will have to bear somewhat with me, and, further, I am not much of a public speaker, and what I have to say I want to say purely and simply from the farmer's standpoint, not from that of any manufacturer or anything of the kind.

I have the honor to represent a large farming community, and in our country we depend solely on irrigation for raising the crops and improving the country. I do not know but what I had better first take up our irrigation systems. When I went to that country, in 1871, there were very few irrigation ditches built. Since that time we had some progress, up to along about 1884, and on up to about the time of the introduction of the sugar beet industry. I commenced, in 1884, to try to demonstrate what could grow best in that country, and I found that almost all kinds of vine crops, root crops, and such as that, did about the best. A little later on in our experimenting I found that the sugar beet was well adapted to that country, and I commenced to investigate the growing of sugar beets, and I continued on from year to year until we got a sugar plant.

Now to go back to the irrigation, somewhat; as I stated, in the early days we had but very few irrigation ditches. To-day we have 1,088 irrigation systems. That means main canals, reservoirs, and pumping plants. Those 1,088 irrigation systems have 1,902 miles of main lines of canal. The most of them are out of the Arkansas River, and some of them from its tributaries. This country that I speak of is only one district, that is the southeastern district of Colorado. We have five districts in our State, and our Arkansas Valley district represents nearly one-third of the irrigated lands of the State. There is one district that irrigates more land than we do. Then we have 14 reservoirs that have a storage capacity of 419,743 acre-feet. Some of you may not understand that. It is a foot deep and that many acres of water. The 1,088 irrigation systems irrigate 376,734 acres of land, and in that area we have 6,480 farmers irrigating from those canals, which makes an average of about 40 acres to the farm. I will state there that we have found that our best interest is to have smaller farms and better cultivation, and we have worked along that line, and we find that there is more money to the farmer in small farms and thorough irrigation and thorough cultivation than in large farming.

In that neighborhood that I represent we have six sugar plants—that is, six in Colorado—and one in western Kansas. Those sugar plants paid to the farmers last year over \$3,000,000. That was paid for the beets grown in the vicinity in a radius up and down the valley of about 200 miles. For labor to run the plants they paid out something over \$1,000,000. For coal they paid out \$350,000 and for limestone \$225,000. They paid out a large amount for coke also. I did not get just the data of that; I do not know just how much there was of that. We paid to the railroad company—one plant did—over \$300,000 for transportation of coal, coke, stone, and sugar, and that class of articles. We have nothing that concerns the prosperity of our country, and that means so much to the farmer, as the sugar

interest. All the money we get is earned, it is raised from the soil, and we have it, and it is not as if we were running a very large business and there was a good profit in it, and it went to somebody else outside of the country, some corporation or something of that kind; but where it is paid to the farmer it goes to all classes of business and enables us to use and reuse it a great many times.

It is not only that; it goes to the merchant and business men of all classes, to stone men and coke men, and in fact it reaches every point of business, almost, in our State.

It may be said there is great profit in growing beets, which I admit. With good luck there is good profit to the farmer. There is nothing that is as staple, nothing that appears to be as satisfactory, as the growing of beets. We have other industries that may make larger returns, with all good luck, but they are more perishable. Our beet industry is one of the most hearty crops that we have. Hail may cut them off, but they will come right on again, provided they have got a little size, and I have known them to be cut off the third time, and yet make a good crop; so that it shows that it is a very sure crop, and there is nothing that has helped us out in the settlement of that arid country as much as the sugar interest has. It has become a fact with our river, which we once thought would be inexhaustible for irrigation, that the mean flow of the river cuts but a small figure at this time. We have got to depend largely upon the flood waters, and upon reservoirs which catch the flood waters, for our irrigation. In order to make it possible to grow beets or to grow any crop under a system of reservoirs, it has got to be a crop from which there are large returns, because a system of reservoirs is expensive, very expensive to build and middling expensive to maintain, and the seepage and evaporation are great, which makes the water pretty costly. Without some crop which we can get large returns for, the building of reservoirs and the improvement of the country would practically stop. As you all know, we have a large area of country adapted to the growing of sugar beets. It simply depends upon the amount of water and the building of reservoirs and the storing of water, to reclaim any more country. If we lost our beet interest, I look upon it that it would be disastrous to us, because we would practically have to stop reclaiming any more of the country, because the water is too expensive for growing wheat, corn, oats, and barley, and that kind of stuff. The returns would not be great enough to justify it.

Mr. UNDERWOOD. Can not you grow alfalfa out there?

Mr. SWINK. Yes, sir.

Mr. UNDERWOOD. Is not that a very profitable crop?

Mr. SWINK. Yes, sir; the best crop we have got, as a rule, except the sugar beets. It is the next best paying crop we have got.

The CHAIRMAN. What does the farmer get for his beets there, at the factory?

Mr. SWINK. He gets \$5 flat rate, and then the freight added. Now, I can not tell you just what the freight is, because the factory pays the freight. The farmer does not pay any freight. We get \$5 delivered.

The CHAIRMAN. Then the farmer delivers the beets on board the cars?

Mr. SWINK. Yes, sir; on board the cars.

The CHAIRMAN. And he gets \$5?

Mr. SWINK. Yes, sir.

The CHAIRMAN. Do you know what it costs to make a pound of sugar in those factories? What is the average cost per pound?

Mr. SWINK. No, sir; I do not.

The CHAIRMAN. You do not know anything about that part of it?

Mr. SWINK. No, sir; I do not know anything about any part of it, particularly, except growing the beets.

The CHAIRMAN. Is it profitable, raising beets at \$5 a ton?

Mr. SWINK. Yes, sir; under anything like good ordinary circumstances it is practically the best crop we have got.

The CHAIRMAN. How many tons per acre can you produce?

Mr. SWINK. It varies very much. It varies all the way, you might say, from 8 tons to 30 tons. Eight tons would be very low and 30 tons is very high. The average in our neighborhood—

The CHAIRMAN. Do you know what the average per cent of sugar is in the beets?

Mr. SWINK. About 15 per cent. Some years it has been a little more and some years a little less, but that is the average per cent.

The CHAIRMAN. What is done with the molasses that is made in the making of sugar?

Mr. SWINK. I think it is all worked into sugar, except some refuse that goes to a feeding plant. There is a certain amount of refuse and sirup that goes to a feeding plant. What that is worth I could not tell you.

The CHAIRMAN. Do you know anything about the pulp?

Mr. SWINK. That is fed by the farmers, mostly. The pulp is sold to the farmers for about 25 cents a ton.

The CHAIRMAN. The farmer draws it away from the factory?

Mr. SWINK. Yes, sir; the farmer hauls it away, of course.

The CHAIRMAN. What other crops do you raise there?

Mr. SWINK. We raise some wheat, a very little corn, a good deal of oats, and vegetables. We raise a good many melons.

The CHAIRMAN. I was going to ask you whether they raised the Rocky Ford melon there, or whether that is confined to Florida and Georgia.

Mr. SWINK. No, sir; we are not going to give that up yet; as we were the introducers of that, we are going to hold it.

The CHAIRMAN. Is that a profitable crop?

Mr. SWINK. Yes, sir.

The CHAIRMAN. How does that compare with the beet crop for profit?

Mr. SWINK. If you have all good luck, it is better, and if you do not have good luck, it is not near as good.

The CHAIRMAN. What is that?

Mr. SWINK. If you have all good luck, it is a better crop, and if you do not have good luck, it is not as good. It is very perishable.

The CHAIRMAN. How does it average from year to year?

Mr. SWINK. It does not average as good.

The CHAIRMAN. It does not average as good?

Mr. SWINK. No, sir.

The CHAIRMAN. That is all I care to ask the witness.

Mr. CLARK. You started to tell what the average crop of beets was, but the chairman interrupted you. What is the average crop of beets out there to the acre?

The CHAIRMAN. He said from 8 tons to 30 tons.

Mr. CLARK. I know he said from 8 to 30 tons, but that is hardly any information at all. What is the average crop?

Mr. SWINK. About 14 to 15 tons.

Mr. CLARK. That is a good crop?

Mr. SWINK. Yes; under average cultivation.

Mr. CLARK. Fifteen tons is an average crop and \$5 is an average price?

Mr. SWINK. Yes; about. Now, understand me, some years they do not reach that.

Mr. CLARK. Oh, I understand that.

Mr. SWINK. Average years it runs about that.

Mr. CLARK. What is the labor cost of raising an acre of beets?

Mr. SWINK. That varies right smart. That depends upon the kind of soil and the condition of the ground and season. Some seasons it costs more than others.

Mr. CLARK. What would it average? You have been at it thirty years.

Mr. SWINK. Yes, sir; but only eleven years for sugar plants. It averages right along from about \$30 to \$35.

Mr. CLARK. How much does it cost to raise an acre of alfalfa?

Mr. SWINK. It does not cost near as much as to raise an acre of beets.

Mr. CLARK. How much does it cost?

Mr. SWINK. It costs to grow alfalfa what the water is worth and the expense of irrigation and the expense of cutting, and so on.

Mr. CLARK. How much does it amount to?

Mr. SWINK. That depends somewhat on circumstances.

Mr. CLARK. Of course it does.

Mr. SWINK. You have got to irrigate it.

Mr. CLARK. But you have been out there thirty years, and you seem to be a careful farmer, and you ought to know what the average is. What we are trying to get is information.

Mr. SWINK. Yes, sir; and I am glad you are. I will be glad to answer you.

Mr. CLARK. What does it cost to raise an acre of alfalfa, one year with another, in that stretch of 200 miles?

Mr. SWINK. Well, sir, it would cost to raise alfalfa, to grow it, ready to cut, probably about \$4 an acre.

Mr. CLARK. Now, that is not the way to get at it. What you want to do is to put it on all fours with this proposition about putting your beets on the cars. How much will it cost to raise an acre of alfalfa and get it on the cars f. o. b.?

Mr. SWINK. I would have to figure that up a little.

Mr. CLARK. About what would it cost? You have an idea?

Mr. SWINK. It would cost, just at a guess, without figuring it up, I should think about \$6.50 or \$7 per ton, \$28 per acre.

The CHAIRMAN. How much will an acre of alfalfa bring, one year with another?

Mr. SWINK. I want to illustrate a little there.

Mr. CLARK. All right.

Mr. SWINK. On that sugar question, when we commenced our sugar industry alfalfa was rather a drug at \$3 a ton in the stack. To-day it is worth \$6 a ton in the stack.

Mr. CLARK. Yes.

Mr. SWINK. Now, the reason for that is that we have decreased our alfalfa area quite a little, and plowed it up and put it into beets, which has divided the crop. Another reason is that by the growing of beets we have increased our feeding interests. We are feeding thousands of sheep more than we fed then, thousands of cattle more than we fed then, and it is mainly on account of having our sugar industry to connect with that. Now, to give you an idea along that line, you take an old sheep. If any of you have been in the sheep business you know when they get about 6 years old they are counted "pelicans" and worthless sheep, and you take those sheep and with the pulp you can make good meat out of them when you can not do it with corn and hay.

Mr. CLARK. You do not eat those old sheep yourself out there, do you? You ship them into the cities?

Mr. SWINK. We do not eat near as many of them as you do. [Laughter.]

Mr. CLARK. You ship those old sheep to the cities, do you not?

Mr. SWINK. You bet we do.

Mr. CLARK. And sell them for spring lamb. About how many tons of alfalfa do you generally raise to the acre—what would be the average?

Mr. SWINK. The average is about 4 tons to the acre.

Mr. CLARK. How many crops do you cut? Is that for the whole crop?

Mr. SWINK. Yes; for the whole crop.

Mr. CLARK. That is for the year?

Mr. SWINK. For the year. Now, sometimes we only cut two crops. If we have not got plenty of water, it cut the crop short, but with plenty of water and a good season we sometimes cut four crops. But the average is about three crops.

Mr. CLARK. Do you ship alfalfa out of that valley or do you try to consume it all there?

Mr. SWINK. Almost all of it is consumed there. We used to ship it.

Mr. CLARK. You get 4 tons to the acre?

Mr. SWINK. Yes.

Mr. CLARK. At an average of \$6 or \$7 a ton?

Mr. SWINK. Yes.

Mr. CLARK. That makes \$24?

Mr. SWINK. Yes.

Mr. CLARK. And your labor costs \$3.50?

Mr. SWINK. Yes; that is, \$3.50 to get it ready to cut. Then you have got to cut it and put it up.

Mr. CLARK. What would it cost to cut it and put it up?

Mr. SWINK. It costs you 75 cents a ton to cut it and put it up.

Mr. CLARK. To cut it and put it up?

Mr. SWINK. Yes.

Mr. CLARK. That is \$3 more per acre, then?

Mr. SWINK. Yes.

Mr. CLARK. That pulls it down to \$17.50?

Mr. SWINK. Yes; that is about it.

Mr. CLARK. Now, you get \$75 for an acre of beets?

Mr. SWINK. Yes.

Mr. CLARK. And \$35 is a very liberal estimate for labor, and that makes \$40 profit?

Mr. SWINK. Yes.

Mr. CLARK. Do you raise any other crop that is as good as the alfalfa crop besides the beet crop?

Mr. SWINK. Not unless we have a cantaloupe crop, and we have all good luck, and that beats anything yet.

Mr. CLARK. That is a very uncertain crop?

Mr. SWINK. Very uncertain; it is very perishable.

Mr. CLARK. And there are so many competitors in the market now?

Mr. SWINK. Yes.

Mr. RANDELL. When you speak of putting up the alfalfa, and say that it costs you 75 cents to put up the alfalfa, is that in the stack or bales?

Mr. SWINK. In the stack. We always put it in the stack first, and sometimes afterwards bale it, but we do not bale it very much. It is nearly all fed there.

The CHAIRMAN. Are there any other questions from the committee? Is there anything else you desire to say, Mr. Swink?

Mr. SWINK. Yes, sir; I want to say some more here. I want to dwell a little more on what this is to our country. I want to say this: I have been there a long while, and I have taken lots of interest in trying to improve that country. I have tried pretty near everything we could try, and there has been nothing so successful as the growing of beets. There is nothing that is any more certain. A man who has not a dollar can buy a piece of land, go in debt for it, with an assurance that he can pay for it; more so than almost anything else. I know that by practical experience. I have sold, myself, to sugar beet people coming there to settle a number of pieces of land at good prices, fair prices, and they have paid it off. Now, to give you an idea how that has worked, and the success with which it has worked, especially since we have had the sugar interest there, I had occasion to call to mind all the small tracts of land I had sold, because I had to make out some water rights to them, and out of all the lands that I had sold there were only 3 per cent of the purchasers that paid a dollar down, and there were only 7 per cent of that which ever fell back to me. They all paid out on their land. So that shows that it has been for the interest of our farmers. They could not pay the price for the land and pay out on it unless it was to their interest.

Now, another thing. It has induced the building of railroads. You take from Hally to Rocky Ford, a distance of over 100 miles, the Santa Fe has built a railroad, paralleled herself 12 miles north, so as to accommodate the people and ship their beets to and from their different factories all along the line, and it has opened up the country, and they are also extending their lines, which probably they would not do, and will not do if there is anything to hinder our beet interests, so that we could not go ahead in the business.

Mr. RANDELL. What is the market value of that land?

Mr. SWINK. The market value is about 100 per cent higher than it was when our sugar industry was introduced.

Mr. RANDELL. What is it now?

Mr. SWINK. The value of land to-day varies very much. That depends upon what ditch it is under, the management of the canal,

the lay of the land, the quality of the land, and the management of the different canals. It is a fact that the value of our land is practically in the water. We have any amount of government land all over the country there that is just as good land as other land, but if there is no water on it it is valueless.

Mr. RANDELL. When under irrigation, what will it average in price?

Mr. SWINK. It will run all the way from \$50 to \$300 an acre. Land from which you have got to haul beets, say three or four or five miles, is not near as high-priced as it is closer. The closer you get to a beet dump or a railroad the higher the price of land is. Fifty dollars is the price of the land where they have got to haul the beets, say two or three or four miles, to a station, and the high-priced land is land that is near a town, that they grow small stuff on, mostly.

Mr. CLARK. Is it generally supposed that you can grow beets successfully on any land in Colorado that you can get water on?

Mr. SWINK. Yes; you can grow beets successfully on any land except what is called dobe land; that is a stiff, heavy land that is very hard to work, and it is hard to water, and when you get it wet once it gets very hard when dry.

Mr. CLARK. Just roughly, what portion of the lands in Colorado could be utilized for raising beets if you could get water on to it; one-fourth?

Mr. SWINK. Yes, I think so; more than that, probably.

Mr. CLARK. One-third?

Mr. SWINK. Yes; I should think probably one-third. I do not know just the area of the mountain country. Of course, in the mountain country we could not grow them. When you get up to an altitude of 6,000, 7,000, or 8,000 feet, that is too high. Eight thousand feet would be too high, and 7,000 feet, probably.

Mr. CLARK. The water in Colorado is not sufficient to irrigate the lands, is it?

Mr. SWINK. No, sir.

Mr. CLARK. Down in the Arkansas Valley part of it you have utilized about all the water that is available now?

Mr. SWINK. All the mean flow of the river; yes, sir. But, as I stated before, the only thing we can do is to store it up, and we are doing it now.

Mr. CLARK. How much do they expect to increase the area of farming lands, if you can use that phrase, by this impounding of the waters?

Mr. SWINK. I think it would be safe to say that if we have the proper protection and proper management you might say it would be increased 50 per cent, maybe 100 per cent; that is, it might be doubled.

Mr. CLARK. Do you raise any fruit in that valley?

Mr. SWINK. Yes, sir.

Mr. CLARK. How does the fruit crop compare with this beet crop?

Mr. SWINK. In places it pays, I think, better. That is a crop that does very well in some places in Colorado, but in other places it does not do well at all.

Mr. CLARK. Is the fruit crop anything like as certain a crop as the beet crop?

MR. SWINK. No; I do not think it is. It is not in our country. But there are some places in Colorado where it is pretty near a success every year.

MR. CLARK. Does frost interfere with your fruit crop down in the Arkansas Valley?

MR. SWINK. Yes; we have lost our entire crop the two last years. It is the first time we ever lost our entire crop, and there have been two total failures of the fruit crop. That is something that never happened before.

MR. CLARK. I would like to ask you one question more. Suppose they cut down this tariff 50 per cent on sugar, do you think that would put your neighborhood out of the business of raising sugar beets?

MR. SWINK. I can not tell you whether it would or not.

MR. CLARK. What do you think about it?

MR. SWINK. I think anything that would discourage capital for putting in plants would work very much against our country.

MR. CLARK. I know, but that was not what I asked you. I asked you if it would stop you people from this industry of raising sugar beets?

MR. SWINK. I think that would just depend upon what the plants did. If the sugar plants should throw the burden of the decline on to the farmer, I think we would have to quit business, but if it did not we might go ahead.

MR. CLARK. That 50 cents on a hundred pounds would cut the price of your beets down from about \$5 a ton to about \$4, would it not?

MR. SWINK. That is about it.

MR. CLARK. That would still leave you a profit of \$25 an acre on your beet raising?

MR. SWINK. It would, with all good luck. If we had a poor yield, which we have sometimes, it would cut it down so that there would be nothing in it; but with all good luck, it would still, I think, show a profit; yes, sir.

MR. FORDNEY. As a guaranty to the industry, you would rather see the duty raised instead of lowered, would you not?

MR. SWINK. See it raised?

MR. FORDNEY. Yes; if we are going to make any difference, any change in the tariff, you would rather see it raised instead of lowered?

MR. SWINK. From the farmer's standpoint, I would. I am always willing to play fair.

MR. FORDNEY. Yes.

MR. SWINK. From the farmer's standpoint, if the duty was raised, it would probably protect us and give us more; but I do not know about that; I can not tell, because, as I understand it, we are subject to what you call monopolies—that is, combines. Whether it would figure out to our interest or to somebody else's interest, I do not know about that.

MR. FORDNEY. If retaining the present rate of duty or raising it would insure the continuation of the factories, it would then benefit the farmers, would it not?

MR. SWINK. How is that?

MR. FORDNEY. If retaining the present rate of duty, or even raising it, making it higher, would retain the factories, and permit them to continue in the industry, it would benefit the farmers, would it not?

Mr. SWINK. If they paid more for the beets, it would; yes, sir. [Laughter.] It would benefit the farmer. That is something you can not control.

Mr. FORDNEY. I agree with you.

Mr. HILL. Is the general sentiment of Colorado in favor of a protective tariff generally, or only on beets?

Mr. SWINK. Are the people of Colorado in favor of a protective tariff?

Mr. HILL. Generally?

Mr. SWINK. Generally they are, but I do not know as the last election showed it very well. [Laughter.]

Mr. BONYNGE. You were a victim of the last election yourself, were you not, Senator?

Mr. SWINK. Yes; and I was just like the balance of them—I got left.

Mr. GRIGGS. You are not a Democrat?

Mr. SWINK. Pardon me?

Mr. GRIGGS. I do not mean to insult you at all; but I say, you are not a Democrat.

Mr. SWINK. Not a Democrat?

Mr. GRIGGS. Yes.

Mr. SWINK. I never have been. I have voted with the Republican party ever since its organization.

Mr. GRIGGS. You mean in Colorado? Yes; I understand. We have got some good citizens in Colorado.

Mr. SWINK. You bet we have; a whole lot of them.

The CHAIRMAN. Are there any further questions to be asked of Mr. Swink? Have you anything further to offer, Mr. Swink?

Mr. SWINK. Now, I would just like to say this in conclusion: That as I look at it, anything that would tend toward lowering the price of sugar might have something to do with stopping the building up of manufactures in our State. To stop the industry where it is would mean to stop building reservoirs or any more ditches or improving any more land. With the present condition of things I think our people are perfectly satisfied, and we are getting along nicely. We have gotten along better than we ever did since I have been in the country, and we are perfectly willing to let well enough alone. That is about all I want to say on the subject.

Mr. CLARK. The people of Colorado do not expect any more unusual profits by reason of the bounty given by the Government than other good agricultural States have, do they?

Mr. SWINK. No; I do not think so.

Mr. CLARK. The profit to the farmer on beets now is about \$40 an acre, is it not?

Mr. SWINK. Yes; that is you might say the extreme profit. It does not average that all the time.

Mr. CLARK. You stated that the cost of labor was \$35 and the average crop was 14 or 15 tons, and the average price was \$5. That would make the price for an acre of beets \$75, less the labor cost, \$35, which would give \$40 to the owner of the land or the producer.

Mr. SWINK. That is, as I stated, with good luck. But sometimes you have got to plant it over, and quite often you have got to do it, which reduces the price to the farmer. He has got losses to contend with.

Mr. CLARK. Outside of melons and truck gardening, which is dependent on the location of the farm close to a railroad center or a big city, alfalfa is your next best crop?

Mr. SWINK. Yes, sir; alfalfa is practically our next best, surest crop to-day, at the present price.

Mr. CLARK. And that pays you a net profit of about \$17 or \$18 an acre?

Mr. SWINK. Hardly that. But there is another point right in there. Supposing we quit growing beets and we go back to alfalfa; we are going to produce so much alfalfa that we will get just where we did before.

Mr. CLARK. What I wanted to do is to make a comparison. How much per acre can the wheat grower make? What is the profit to the owner of the land after you deduct the cost of raising wheat?

Mr. SWINK. A great deal of our ground is rented ground, to the farmer, and the man who does the work—the farmer—makes more than the landlord.

Mr. CLARK. But after you deduct the price of labor does the owner, the landlord of the land, make as much as \$20 an acre on wheat?

Mr. SWINK. Deducting the price of the labor?

Mr. CLARK. If you deduct the price of the labor, is the net profit to the owner of the land or the landlord as much as \$20 an acre on wheat?

Mr. SWINK. I think it is right in the neighborhood of \$20.

Mr. CLARK. Then the farmers of this country who are making \$20 net as the result of their crops are making the average profit, the average success, of the farm interests in the country, are they not?

Mr. SWINK. Yes, I think so; about that.

Mr. CLARK. Then on beets, by reason of the protective tariff, you are making very largely in excess of the average return—the net profit—of the average farmer in the country, are you not?

Mr. SWINK. On which; the beet interest?

Mr. CLARK. Yes.

Mr. SWINK. Yes; because there is no other farming which pays as well as that.

Mr. CLARK. Then if for any reason the price of beets or of beet sugar is reduced so that the profit in raising beets is reduced down to \$20 an acre, you would still go on raising beets, would you not?

Mr. SWINK. I do not know whether we would or not?

Mr. CLARK. Would not that be as profitable as any other crop, at \$20 an acre?

Mr. SWINK. You might; but it would make a good deal of difference whether you had to grow \$4 beets or \$5 beets.

Mr. CLARK. I understand it would make a difference, but you would still go on raising them at a net profit of \$20? It would still be as good as any other crop?

Mr. SWINK. I could not say whether it would or not.

Mr. CLARK. That is all.

Mr. FORDNEY. Did your land bring \$300 an acre before you began to raise beets?

Mr. SWINK. Three hundred dollars?

Mr. FORDNEY. Yes. You stated that the highest priced land was \$300 an acre.

Mr. SWINK. No, sir. The highest priced land I know of when we commenced to raise beets around there was \$100 an acre. But I can not say that the raising of beets increased the land \$200 an acre. It was only by building up our towns, and it is the small tracts of land around the towns that are so high priced. That is where the high-priced land is. But out in the country it has increased the land about 100 per cent.

Mr. GRIGGS. Was that the highest priced land—\$100 an acre?

Mr. SWINK. One hundred dollars an acre was the highest price before we commenced our sugar beet raising.

Mr. FORDNEY. Your alfalfa crop would not bring you a fair rate of interest on your \$300 an acre land?

Mr. SWINK. No, sir.

Mr. FORDNEY. Nothing but the beets you grow would do that?

Mr. SWINK. No.

Mr. BONYNGE. Has the agitation for the admission of Philippine sugar free retarded the growth of the sugar refineries in your country? Have there been any factories proposed that have been abandoned because of the danger of the admission of Philippine sugar free, to your knowledge?

Mr. SWINK. I do not know to what extent that might retard it, because I do not think there has been any sugar plant put up since it has been talked of, putting Philippine sugar on the free list.

Mr. BONYNGE. No factories have been erected for how long a time in Colorado?

Mr. SWINK. That is only two years.

Mr. BONYNGE. Since two years ago?

Mr. SWINK. Yes.

Mr. CLARK. Did they not move a factory from Michigan to Colorado within less than two years?

Mr. SWINK. Well, that was two years ago, I think.

Mr. FORDNEY. It was over two years ago.

Mr. CLARK. You have been a farmer all your life, have you not?

Mr. SWINK. Yes, sir.

Mr. CLARK. Where did you live and farm before you went to Colorado?

Mr. SWINK. In Illinois.

Mr. CLARK. That is a pretty good farming section, is it not?

Mr. SWINK. Yes, sir.

Mr. CLARK. What would be the average corn crop in Illinois?

Mr. SWINK. The average corn crop?

Mr. CLARK. Yes. What part of Illinois did you come from?

Mr. SWINK. The central part, Fulton and Schuyler.

Mr. CLARK. That is a good part of the State.

Mr. SWINK. Yes.

Mr. CLARK. What would be the average corn crop in that part of Illinois?

Mr. SWINK. With favorable conditions, if we got an average of 50 bushels of corn it was a very fair average crop of corn.

Mr. CLARK. How much does it cost to raise an acre of corn?

Mr. SWINK. That depends on the season.

Mr. CLARK. There must be some kind of an average in Illinois. About how much do you think it would cost to raise an acre of corn in Illinois?

Mr. SWINK. That is pretty hard to answer, just what it would cost to raise it. You can state that it would cost to raise it one year, but it might cost more the next year.

Mr. CLARK. That is the reason I asked you that question.

Mr. SWINK. It is pretty hard to tell what the average would be.

Mr. CLARK. About how much—\$5. Could you raise an acre of corn for \$5?

Mr. SWINK. No; I do not believe we could, for \$5.

Mr. CLARK. For \$6 or \$7 or \$10?

Mr. SWINK. That depends a whole lot on your ground.

Mr. CLARK. There is not an acre of corn in America that costs \$10 to raise, is there, except where it is irrigated?

Mr. CALDERHEAD. Oh, yes.

Mr. CLARK. It does not cost that in Kansas.

Mr. SWINK. I do not know that there is. I do not know that it would cost that.

Mr. CLARK. Would \$7.50 be a fair price?

Mr. SWINK. You mean over and above the rent of the land?

Mr. CLARK. Yes; I want you to answer that question now, if you can, just like you answered in regard to the cost of raising an acre of beets. I want to get at a comparison, if I can.

Mr. SWINK. I am not as well prepared to answer that as I am the question in regard to the beets, from the fact that I am not there, and have not been, you see, for thirty-seven years, raising corn.

Mr. CLARK. The average price of corn in the United States, one year with another, is not over 40 cents, is it?

Mr. SWINK. That might be so; but I know it is more than that now, and has been for two years.

Mr. CLARK. I know it is. It happens to be more than that now. What would you say was an average good price for corn, one year with another?

Mr. SWINK. I think you are about right; 40 to 45 cents.

Mr. CLARK. Say 45 cents, then.

Mr. SWINK. It has sold from 45 to 50 cents. That is the way it generally runs; sometimes higher.

Mr. CLARK. That makes \$22.50 for an acre of corn, without taking out anything for raising it. If you count for raising it \$7.50, which I think is a big price, that would leave only \$15 an acre for the corn.

Mr. SWINK. For the corn?

Mr. CLARK. Yes; net profit.

Mr. SWINK. Yes, sir.

Mr. CLARK. Now, you are getting, according to your own statement a while ago, \$40 an acre on these beets. You are getting \$40 an acre on the beets and \$15 profit on the corn in the best corn land in America.

Mr. BONYNGE. Can you not raise more acres of corn with a given amount of labor than you can of beets?

Mr. CLARK. I know, but what I was trying to get him to state was the average cost of an acre of corn. He would not state it, so I stated it myself at a high price.

Mr. BONYNGE. The labor on the beets costs more.

Mr. CLARK. But on the cost of raising an acre of beets out there you take into consideration this \$5 or \$10 an acre, whatever it may be, for watering. What I was trying to get at is the difference be-

tween the cost of raising an acre of corn and an acre of beets. If you take off this 50 cents per 100 pounds on sugar, as some suggest, it still leaves these beet men \$25 an acre profit, and that is nearly twice as much profit as the corn raiser makes. The corn raiser is not here. Now, how much wheat will you raise on an average per acre in Illinois or Iowa?

Mr. SWINK. Wheat?

Mr. CLARK. How much wheat will you raise on the average?

Mr. SWINK. That is pretty hard for me to answer now.

Mr. CLARK. If you have only a general idea, I can tell myself, but I am not the witness.

Mr. GRIGGS. You made preparation only to answer on beets, did you not?

Mr. SWINK. The wheat crop, I suppose, varies in Illinois just the same as it used to. It used to vary very much, all the way from nothing to an average crop, and the average crop, I think, would be something about 20 bushels, when I was farming.

Mr. CLARK. How much is a fair average price for wheat?

Mr. SWINK. About \$1 a bushel.

Mr. CLARK. About \$1 a bushel. That would be \$20 an acre. How much does it cost to raise an acre of wheat and harvest it, cut it and thrash it and get it into the stacks, and on the cars, f. o. b.?

Mr. SWINK. That depends on the price of labor.

Mr. CLARK. But you know what the price of labor is. We all know out there.

Mr. SWINK. I do not know as we all know. Some pay more than others.

Mr. CLARK. Some of these gentlemen live in the cities, and they do not know anything about farming. You and I do.

Mr. SWINK. Yes.

Mr. CLARK. How much do you say it will cost to raise an acre of wheat and harvest it, thrash it, and put it in the stacks, and get it f. o. b. the cars?

Mr. SWINK. I would have to figure that up, and I do not know; offhand I would not like to answer.

Mr. CLARK. Would \$5 be a plenty?

Mr. SWINK. I do not know about that.

Mr. CLARK. It costs about \$2 an acre to get it in the ground, does it not?

Mr. SWINK. To get it where?

Mr. CLARK. To sow it.

Mr. SWINK. Two dollars an acre to sow it?

Mr. CLARK. Yes; to sow wheat.

Mr. SWINK. Two dollars an acre. I was figuring on the bushel. It might be.

Mr. CLARK. That would be a fair average?

Mr. SWINK. You mean to stack it and get it thrashed?

Mr. CLARK. No; I mean to plow the ground up and harrow it and sow the wheat.

Mr. SWINK. I did not understand you. Yes.

Mr. CLARK. Would \$5 be a fair average cost of getting this acre of wheat on the cars?

Mr. SWINK. I should think so, probably.

Mr. CLARK. That leaves \$15 to the wheat farmer per acre; and you are getting two and two-thirds times as much as the wheat farmer

or the corn farmer. Does the hay crop pay as much out in that country as it does in Michigan and Ohio and Kansas and Illinois?

Mr. SWINK. How is that?

Mr. CLARK. Does the hay crop pay as well in the Central West, as we have gotten into the habit of calling it here lately, as the corn crop or wheat crop?

Mr. SWINK. I think that the hay crop would pay us better.

Mr. CLARK. I am not talking about Colorado. I am talking about Illinois, Iowa, and Missouri and Kansas, and that country.

Mr. SWINK. I suppose so. They appear to raise more of it, and if it did not pay they would not.

Mr. CLARK. Those are the three great crops there?

Mr. SWINK. Yes.

Mr. CLARK. And you get two and two-thirds times as much out of your beet crop as those farmers get out of theirs. Now, do you think there would be anything unfair in taking away \$1 a ton on your beets?

Mr. SWINK. I think it would be a great hardship on us. I think it is a question whether our farmers would continue and take the chance on it.

Mr. CLARK. They could not grow anything else that would pay better?

Mr. SWINK. No; but it is the class of labor. It is a question whether they would not rather do something else.

Mr. FORDNEY. How would the cost of raising 40 acres of corn compare with the cost of raising 40 acres of beets?

Mr. SWINK. It is very different. One man could grow 40 acres of corn.

Mr. FORDNEY. He would not grow as many acres of beets, would he?

Mr. SWINK. You bet he would not.

Mr. FORDNEY. You have to have the same amount of labor whether you get a good or a bad crop of beets, do you not?

Mr. SWINK. One man can put in and cultivate about 20 acres of beets—that is, one man with a team; but he can not thin them nor he can not top them. He may haul them to market. About 20 acres, that is about what it takes.

Mr. RANDELL. How many acres do you cultivate in beets?

Mr. SWINK. On my different places I have about 200 acres, I think.

Mr. RANDELL. You have no connection with or no interest in any refinery?

Mr. SWINK. Sir?

Mr. RANDELL. You have no interest in any sugar-refining plant?

Mr. SWINK. Not a bit in the world. I have no interest in any plant, no stock in any plant, or no interest in anything but just growing the sugar beets to put on the cars. That is all the interest I have.

Mr. RANDELL. You have no interest in any irrigation plant?

Mr. SWINK. Oh, yes; I have. I have got stock. Our ditches are most of them run by companies, and they are stocked for so much, and the stock is owned by the farmers. They are cooperative companies in one sense of the word, while they are companies. But I do not own any ditch where I sell the water for a profit. I only own the ditches and irrigate the lands under the ditches.

Mr. RANDELL. The higher price you get for the beets the higher price you can sell your land for?

Mr. SWINK. Yes, sir.

Mr. BONYNGE. What was the average yield in the Arkansas Valley this past year?

Mr. SWINK. In 1907 and 1908, you mean?

Mr. BONYNGE. Yes; the crop that is now being gathered.

Mr. SWINK. The average yield?

Mr. BONYNGE. Yes; in the Arkansas Valley.

Mr. SWINK. In the entire valley?

Mr. BONYNGE. Yes.

Mr. SWINK. I am not sure about that, but I think the average yield was about 13 tons, the average for the valley. Some neighborhoods average more than others. Our neighborhood averages more, because we have got more good farmers.

Mr. BONYNGE. It has been a good year, has it?

Mr. SWINK. This last year would not average that. This is the worst year we ever did have.

Mr. BONYNGE. Would it average more than 11 tons to the acre this year?

Mr. SWINK. That I could not tell, but my understanding is that they are not yielding as well this year as usual, on account of the frost last spring and the dry weather; but the crop is not harvested, and I could not tell you the yield this year. I only speak of the yield last year.

Mr. FORDNEY. The success of the beet sugar industry does not depend entirely on the crop in Colorado, as there are many factories in other States where conditions are much different from what they are where you raise beets by irrigation. In Wisconsin and Michigan the farmers must depend upon the elements for sunshine and rain where you, in irrigating countries, can give water to the beets when they need it, and you have sunshine all the time, so that the conditions which prevail there would not control the industry all over the United States, would they?

Mr. SWINK. No, sir; I do not think so. The conditions in the different localities are very much different. Even in an irrigation district they are very much different, of course.

Mr. FORDNEY. The industry could not survive alone in Colorado if it could not elsewhere—in other States?

Mr. SWINK. No, sir; I do not think so.

Mr. BOUTELL. What is the nature of the farm labor on the beet farms there? Do they have any trouble in getting labor?

Mr. SWINK. No, sir; we have not had much trouble. We employ American boys and girls, some Japs—quite a good many—and Mexicans and some Indians in thinning the beets. The Mexicans and the Indians are down in New Mexico. We go down there about thinning time and bring them up, and they do the thinning and then go back. Some of the Japs stay there during the whole entire season and raise beets as well as thin beets. The thinning of them 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.

Mr. BONYNGE. What do you pay for that labor?

Mr. SWINK. What do we pay?

Mr. BONYNGE. Yes.

Mr. SWINK. Where we pay by the day we pay them \$1.50 a day, but most of them top by the acre. It costs \$6.50 an acre to top the beets and \$6.50 to \$7 for thinning; that is, thinning and hoeing—one hoeing.

STATEMENT OF K. R. BABBITT, GARDEN CITY, KANS., REPRESENTING THE UNITED STATES SUGAR AND LAND CO.

TUESDAY, *November 17, 1908.*

Mr. BABBITT. Mr. Chairman and gentlemen, I only desire to engage the attention of the committee for two or three minutes. I am here representing the United States Sugar and Land Company, a corporation which about three and a half years ago began operations and made its investments in western Kansas, in the two western counties in Kansas. It has perhaps there reached an actual investment of something over \$3,000,000, represented by a sugar factory which cost approximately \$1,000,000, by a large tract of land, and irrigation systems embracing something over 200 miles of main canals and main laterals and large storage reservoirs, and the company is owned entirely by individuals residing in Colorado and Kansas. Not a share of its stock is owned by any other interest or identified with any other branch of the sugar industry. The company is engaged in developing that part of Kansas by inviting tenants onto its lands, by offering them the opportunity of purchasing those lands on payments extending over a period of ten years, and generally endeavoring to work out the development of its own business and of that particular country.

There is no division of opinion among the directors or stockholders of that company as to the necessity of at least continuing the present protection which is afforded to their product. It is true that the farmers of that country, I believe, have shared, to a much greater extent than the owners of factories, in whatever profits there have been growing out of the industry. This company, as I said, has been operating for three and one-half years there and has paid one dividend. It has not paid anything like the prevailing interest rates on its investment, and it depends for its profits upon its ability to improve conditions of raising beets. Those conditions are improving. The farmers are learning how to raise beets and they are doing better. But, just incident to what has recently taken place before the committee, I desire to say that last year's crop, which embraced something between 8,000 and 10,000 acres, did not average the growers quite 10 tons per acre. Now, I think it is fair to say that in many of the years that is about what the average will be to the grower, and the figures stated to you, perhaps, are the figures obtained by Mr. Swink, who is undoubtedly the most experienced and accomplished beet raiser probably in Colorado, and located in one of the most favorable situations for the raising of beets in the United States, as we understand it. But I am simply here to say that I speak not more for this company than for the several thousands of men in those two counties in western Kansas who are very greatly interested and who have profited much more than the company by the introduction of this industry there, and there is no place anywhere, I am sure, which more fully presents the truth of what Mr. Saylor said before you yesterday as to the effect of this industry in a general revival of business conditions in that country. The lands have increased, undoubtedly, from 50 to 150 per cent since this industry was instituted there, and the farmers are taking very much more interest in the cultivation of their soil, and it has had the effect of introducing generally a much more skillful cultivation of the soil and a general

revival of business and a change in the whole face of conditions in the country. I may say that this company, I know, is properly and ably managed, it has skillful men in every department and business men at the head of it, and its profits have not been such as to be particularly inviting, and the only profit that can be worked out of it will come from an improvement of conditions there; and certainly any substantial reduction, from whatever cause, in the price of their product would result in an absolute destruction of that investment, so far as it is related to the beet industry. I thank you.

Mr. UNDERWOOD. You are not as favorably located for the beet sugar industry in Kansas as they are in California and Colorado and the arid country, are you?

Mr. BABBITT. As it was stated before, the best results, as I understand it—I can not speak as an expert—depend upon the supply of water. The character of the soil in western Kansas is, of course, very much the same as that in eastern Colorado. It is only 150 miles east of Rocky Ford; I think that is about the distance. The same general conditions prevail for a short distance over the line in Kansas as prevail generally in Colorado.

Mr. UNDERWOOD. You raise beets by irrigation?

Mr. BABBITT. Yes, sir; we have to do it entirely by irrigation. The waters that flow in the rivers during the year are not sufficient, and in order to insure crops it has been found necessary to have storage reservoirs. This has involved large investments, and those reservoirs are being installed all along. If I may be permitted to differ from Mr. Swink, I think there is water enough falls in Colorado to irrigate every acre of irrigable land. It is only a question of installing reservoirs, and they are being installed slowly.

Mr. UNDERWOOD. Where do you dispose of your product?

Mr. BABBITT. I understand mostly at Missouri River points.

Mr. UNDERWOOD. You do not come into competition with the eastern refiners at all?

Mr. BABBITT. I am sure I do not know whether we meet competition there, but that is where our market is, at Missouri River points. It has occurred to me in that connection that if beet sugar were not raised to supply that very large area of land in the Middle West the inhabitants of that land would have to pay a very much larger price for their sugar than they do now.

Mr. CLARK. The amount of sugar raised out there on your plantation does not affect the people of western Kansas very much, does it?

Mr. BABBITT. Of our individual industry?

Mr. CLARK. Yes.

Mr. BABBITT. Certainly not. That is on the basis of all beet sugar industries.

Mr. CLARK. Where do you get your storage waters from?

Mr. BABBITT. From the Arkansas River.

Mr. CLARK. I know, but where. Do you use water out of the river?

Mr. BABBITT. I beg your pardon?

Mr. CLARK. Do you use simply the water out of the river or do you have a reservoir somewhere?

Mr. BABBITT. We have both.

Mr. CLARK. Well, I asked you where the reservoir was, and you said you got your water out of the Arkansas River.

Mr. BABBITT. I certainly did not understand you. Our reservoir is situated probably 3 miles from the river, and water is taken to that reservoir in a ditch 15 miles long.

Mr. CLARK. You have been engaged in this enterprise three and a half years?

Mr. BABBITT. This particular company has been engaged in it for that time.

Mr. CLARK. How long have you been engaged in raising sugar beets in a commercial way in western Kansas?

Mr. BABBITT. I think that this is probably the first company that attempted to raise sugar beets in western Kansas. I am not advised that there are any others. It is just across the border from the Rocky Ford district in Colorado.

Mr. CLARK. You say there is water enough out there to irrigate all the irrigable land in Colorado?

Mr. BABBITT. I believe that water enough falls in the State, in those mountains, if it be conserved in reservoirs, to do that. Of course I can not prove it as a technical matter.

Mr. CLARK. Oh, of course; I understand that.

Mr. BABBITT. I believe that is the general idea, that it is only a question of storing the water that falls.

Mr. CLARK. By "irrigable land" you mean land that is topographically situated so as to make it profitable to irrigate?

Mr. BABBITT. I do.

Mr. CLARK. There was a statement in a newspaper here, I have forgotten what paper, but it was some large metropolitan paper, that on account of the small quantity of snow that fell out there they had a scarcity of water in the mountains and in the reservoirs. Is that true or not?

Mr. BABBITT. This year?

Mr. CLARK. Yes.

Mr. BABBITT. I can not speak with any great degree of authority on that this year, but I think if anyone goes out among the mountains in the Rocky Mountain Range any winter I have ever seen—and I have seen twenty of them—he will not be impressed with the scarcity of snow.

Mr. CLARK. That has been my experience.

STATEMENT OF J. F. STILLMAN, OF NEW YORK CITY, REPRESENTING ARBUCKLE BROTHERS, NEW YORK CITY, INDEPENDENT SUGAR REFINERS.

TUESDAY, *November 17, 1908.*

Mr. STILLMAN. I appear on the part of Arbuckle Brothers, New York, independent sugar refiners, to place on record our desire for lower duties. We think it is much better for the business as a whole to have lower duties.

I had no intention of appearing here except to say that, but several questions have been asked, and not answered, as to why the Louisiana people and the beet sugar people had to accept 50 cents a hundred less than the world's price for sugar. I say it was not necessary. It was to this extent. The inference was made that it was owing to the enmity of the sugar trust. I think this fact should be taken into ac-

count, that the beet sugar producers are trying to raise a crop that comes to fruition at a time when the distribution of the year is past, when several crops are coming in. The beet crop comes first, soon followed by the Louisiana crop, immediately followed by the Cuban crop. It comes in at a time, I say, when the distribution has gone by. Cane sugar, at any rate, and partly beet sugar, is a thing that should be marketed promptly. It is not a crop that stands storage; and I think that if the committee will keep that in mind they will see why the people who raise these crops in immense quantities at a time when the distribution is past must accept almost any price they can get. That is the reason why they must do so.

Mr. HILL. Did I understand you to say that you are connected with Arbuckle Brothers?

Mr. STILLMAN. Yes, sir.

Mr. HILL. And I understood you to emphasize the fact that they are an independent concern?

Mr. STILLMAN. Yes, sir.

Mr. HILL. How long have they been independent?

Mr. STILLMAN. Ever since they have had a sugar refinery.

Mr. HILL. Is there any agreement between the Arbuckle Brothers and the American Sugar Refining Company?

Mr. STILLMAN. No, sir.

Mr. HILL. Has there been at any time?

Mr. STILLMAN. No, sir; not at any time. There has been constant war.

Mr. CLARK. You, together with several other witnesses, have testified that this sugar has to be sold right away; that these men who own the raw sugar can not hold it; that you can not store it. Does that apply to refined sugar as well as to raw sugar?

Mr. STILLMAN. No; refined sugar can be stored very much longer than raw sugar.

Mr. CLARK. That is what I could not understand. I could not understand why they had to sell and you did not have to sell.

Mr. STILLMAN. We do sell.

Mr. CLARK. But you do not sell all at once.

Mr. STILLMAN. We do not buy all at once. We have not any crop coming in to us in two months that must be distributed over the year's consumption.

Mr. CLARK. That is what I was wondering about; that it had all to be disposed of at once.

Mr. STILLMAN. It does not always.

Mr. CLARK. How many months in the year do you buy this sugar; that is, how many months in the year is the actual market for raw sugar?

Mr. STILLMAN. We buy sugar all the year, all the time.

Mr. CLARK. Did you not state a while ago that the reason these men had to take what they could get for their sugar was on account of the deterioration of the sugar, and that they could not store it?

Mr. STILLMAN. Yes, sir. They have to do that because their crop comes into the market at a time when the main distribution of the year is past. The refiners buy all the time, according to their wants. They do not hold back and wait for this crop to come and then buy it.

Mr. CLARK. Yes; their crop comes in a different season?

Mr. STILLMAN. The beet crop of Europe comes in about the same time as the beet crop of America comes in. At the same time the crop of Java has come into port. It takes sixty days to bring that crop here. They begin in May to grind, and most of their sugar is shipped in the first part of July and the first of August, and it gets in here about the time that the domestic beet crop is coming on the market.

Mr. LONGWORTH. When do you get the crop from Louisiana?

Mr. STILLMAN. In October and November.

Mr. LONGWORTH. October and November?

Mr. STILLMAN. And December.

Mr. LONGWORTH. About the same time as the beet crop?

Mr. STILLMAN. About. I think it follows a little later.

Mr. McCALL. How much sugar does your company refine in the year, about?

Mr. STILLMAN. Oh, from 200,000 to 300,000 tons during the year.

Mr. FORDNEY. Did I understand you to say that you would favor abolishing all duty on sugar? I did not quite understand your first statement.

Mr. STILLMAN. If I thought only of our own business, I would advocate it.

Mr. FORDNEY. But if you thought of the United States Treasury you would not?

Mr. STILLMAN. I would not. If I thought of the welfare of the whole country, outside of the Treasury, I think I would.

Mr. FORDNEY. If you were thinking of the welfare of the beet and cane sugar producers of the country, you would not recommend it, would you?

Mr. STILLMAN. No, sir; I would not. If I thought of their welfare, I suppose I would make a prohibitive duty on all sugar.

Mr. FORDNEY. Do you believe the beet sugar industry could survive on free sugar?

Mr. STILLMAN. No, sir; I do not.

Mr. FORDNEY. Then, certainly, if we had free sugar, this \$60,000,000 to \$100,000,000 invested in that industry would perish?

Mr. STILLMAN. I think it would. I do not advocate no duty, or free sugar.

Mr. FORDNEY. Do you think that industry could stand any reduction in the present rates on raw sugar?

Mr. STILLMAN. What industry; the beet sugar industry?

Mr. FORDNEY. The beet sugar industry?

Mr. STILLMAN. I do not own any beet sugar interests, and the most I know is what I have heard here. I should judge by that it could.

Mr. FORDNEY. One gentleman, Mr. Carmen Smith, representing the Owasso Beet Sugar Company, stated yesterday that the profit of that company was but 29 cents a hundred pounds on their product last year. They could not stand very much reduction of duties, could they?

Mr. STILLMAN. Yes; they could, if they do the work right, as I understand it.

Mr. FORDNEY. In the first place, to do good work they would have to get the farmer to raise the beets at a less price?

Mr. STILLMAN. They want to do some missionary work in that direction; yes, sir.

Mr. FORDNEY. What is that?

Mr. STILLMAN. They want to do some work in that way, as well as reducing the cost of their own operations.

Mr. FORDNEY. In the first place, they must produce beets at a less price than they do now, and secondly they must get the sugar out at a less price?

Mr. STILLMAN. They must pay less for the beets and get more sugar out of them.

Mr. FORDNEY. And pay less for their labor?

Mr. STILLMAN. No; I do not think so.

Mr. FORDNEY. Labor enters largely into the cost of production.

Mr. STILLMAN. But that will be made up by the increased yield of the labor.

Mr. FORDNEY. Well, they are gradually improving. They do produce sugar at a little less price now than when the industry was first started in the country?

Mr. STILLMAN. I do not know the history of their business, but if they say they are improving, I am willing to believe they are. I do not know from my own knowledge.

Mr. FORDNEY. There is one thing certain; that if all the sugar we consume in this country were produced here, American labor would get much more out of it than they do now, would they not?

Mr. STILLMAN. I do not know whether they would or not.

Mr. FORDNEY. When it costs 50 cents a hundred pounds more to purchase raw sugar imported from a foreign country?

Mr. STILLMAN. I did not quite understand your question. You said American labor would get more out of it. Out of what?

Mr. FORDNEY. More pay out of the production of the sugar.

Mr. STILLMAN. The gross amount of money paid to the laborers of this country of course would be greater if all the sugar was raised in this country.

Mr. FORDNEY. Yes; the gross amount received by labor would be greater than at the present time.

Mr. STILLMAN. There is no doubt about that in my mind.

Mr. FORDNEY. Your idea of good labor conditions in the country is when labor is well employed and well paid, is it not?

Mr. STILLMAN. Yes.

Mr. FORDNEY. Then anything that is done by the Government in the way of placing a tariff on imported articles would be in the line of protecting American laborers against foreign laborers that receive less pay, would it not?

Mr. STILLMAN. If you will excuse me, I did not intend to deliver a political address, but I do not like the term "protecting American labor." I do not think American labor is protected. It seems to me it is rather degraded by the present process. When you look at those people coming into New York, I do not think they raise the quality of American labor a bit. I did not mean to raise a question of that kind.

Mr. FORDNEY. I was not trying to make a political speech. I could not do that if I tried.

Mr. STILLMAN. Neither can I.

Mr. FORDNEY. But one gentleman, Mr. Baird, yesterday did say that the expert labor in producing sugar in some of the countries in Europe receives about one-seventh in dollars and cents what American labor receives for the same kind of labor in this country.

Mr. STILLMAN. Yes.

Mr. FORDNEY. And the duty on that sugar produced by that cheap labor abroad certainly must protect that labor here, must it not?

Mr. STILLMAN. If that is what you call protection of labor, yes.

Mr. FORDNEY. That is all.

Mr. STILLMAN. There are other things. I said if I considered the benefit to the whole country I would advocate free sugar. It is supposed that free sugar would increase other industries so much and enter so largely into the daily life and manufactures of the people that the benefit of it would be distributed throughout the country much more, I think, than the profits to a few, a comparatively few, beet sugar people.

Mr. CRUMPACKER. What is your company?

Mr. STILLMAN. Arbuckle Brothers.

Mr. CRUMPACKER. Does your company refine any Hawaiian sugar?

Mr. STILLMAN. No; we have not had any.

Mr. CRUMPACKER. Why do you not buy the Hawaiian product?

Mr. STILLMAN. We were offered, some time ago, an opportunity to buy some Hawaiian sugar by contract. I think that is the way that the business is done. The planters contract for their year's output. We did not want to bind ourselves to take cargoes of sugar that came into New York whenever they might come. The business is done in that way. They ship the sugar and the receivers here take it on arrival, no matter whether their refineries here are overloaded or not, and we did not want it on those terms.

Mr. CRUMPACKER. So that in selling that sugar they naturally or necessarily sell at a smaller price than the current price?

Mr. STILLMAN. We were offered that sugar at a smaller price; but we preferred to be free to buy when and where we wanted to.

Mr. CRUMPACKER. Do you refine any Louisiana sugar?

Mr. STILLMAN. Yes.

Mr. CRUMPACKER. Do you pay the same prices for Louisiana sugar that you do for other sugar in the market?

Mr. STILLMAN. Yes, sir; when we have to.

Mr. CRUMPACKER. Does the American Sugar Refining Company buy the bulk of the Louisiana product?

Mr. STILLMAN. I am not in their confidence. I do not know.

Mr. CRUMPACKER. Do you know whether they refine the bulk of it?

Mr. STILLMAN. I do not; not from my own knowledge.

Mr. CRUMPACKER. Has the American Sugar Refining Company a refinery in Louisiana?

Mr. STILLMAN. It is said so.

Mr. CRUMPACKER. Yes. Now, Mr. Stillman, in relation to the storing of sugar, is it not practicable to store raw sugar and keep it for a time?

Mr. STILLMAN. Yes, sir.

Mr. CRUMPACKER. How long can it be stored?

Mr. STILLMAN. As long as you like, if you prepare it right.

Mr. CRUMPACKER. Practically all Cuban sugar and Louisiana sugar goes to the New York market in a raw state?

Mr. STILLMAN. Yes.

Mr. CRUMPACKER. So that sugar may be stored indefinitely, for that matter?

Mr. STILLMAN. Yes; practically.

Mr. CRUMPACKER. But it comes, you say, in such quantities and at certain seasons of the year so as to make the price low?

Mr. STILLMAN. Yes, sir.

Mr. CRUMPACKER. The producer or the seller desires to dispose of it?

Mr. STILLMAN. He has to. Generally those people are in debt.

Mr. CRUMPACKER. Yes; that is the reason.

Mr. STILLMAN. That is the reason.

Mr. CRUMPACKER. Generally their financial condition is such that they need to sell the sugar?

Mr. STILLMAN. Yes; they need to sell it; not only need to, but must.

Mr. CRUMPACKER. And the refiners, of course, avail themselves of the opportunity to buy as cheaply as they can?

Mr. STILLMAN. Yes.

Mr. CRUMPACKER. And in a way take advantage of the necessities of the producers?

Mr. STILLMAN. Yes; we are mean enough to do that.

Mr. CRUMPACKER. Yes; that is not an unnatural thing. Now, about the differential on refined sugar. That is supposed to be 12½ cents?

Mr. STILLMAN. Twelve and a half cents.

Mr. CRUMPACKER. Could not that be abolished with entire safety to the American refineries?

Mr. STILLMAN. And keep up the present tariff on raw sugar?

Mr. CRUMPACKER. Yes.

Mr. STILLMAN. I do not think so.

Mr. CRUMPACKER. What difference does it make whether there is any tariff on raw sugar or not, in relation to this 12½ cents differential on refined sugar?

Mr. STILLMAN. I do not quite understand.

Mr. CRUMPACKER. I say, what effect does the other tariff have on the interest of the refiner?

Mr. STILLMAN. If the raw sugar is taxed and the refined sugar is not taxed, the refined sugar will come into the market and displace the raw sugar.

Mr. CRUMPACKER. The refined sugar would come into the market. If it were put on the free list, then the refined sugar would come to the market, would it not?

Mr. STILLMAN. If it were on the free list we would stand our chance.

Mr. CRUMPACKER. You would take your chances. Now, I do not understand the logic of your situation. You have a differential which in fact would cover the entire waste in the process of refining, in addition to this 12½ cents, have you not?

Mr. STILLMAN. No; I do not think we have.

Mr. CRUMPACKER. Suppose, for illustration, that a differential is granted sufficiently large to cover all the waste that results from the process of refining; you would not need any differential above that, would you?

Mr. STILLMAN. Why should we not have a differential to cover the additional cost of labor and all the other expenses?

Mr. CRUMPACKER. But if you have free sugar you do not ask any differential to cover the extra cost of labor?

Mr. STILLMAN. No. With free sugar the way we would make our profit would be by reason of the very large increased demand for our product—the very much increased consumption.

Mr. CRUMPACKER. Yes; but you would have to meet the same competition. The foreign refiner would avail himself of conditions, or he would be in a position to be benefited by the same conditions?

Mr. STILLMAN. Yes; he would.

Mr. CRUMPACKER. You would have the same competition, then?

Mr. STILLMAN. We would. We would have the same competition.

Mr. CRUMPACKER. With free sugar you think you can compete successfully with foreign refiners?

Mr. STILLMAN. I think we can.

Mr. CRUMPACKER. But with taxed sugar, notwithstanding—

Mr. STILLMAN. You understand, I am not advocating that; I am not saying that the abolition of the differential would not hurt. But I say if we could have free sugar, all free sugar, we would take our risk.

Mr. CRUMPACKER. Can the American refiners refine sugar as cheaply for the American market as foreign refiners can?

Mr. STILLMAN. I am not a foreign refiner. I do not know.

Mr. CRUMPACKER. Then you are not prepared to say whether this differential is necessary, are you?

Mr. STILLMAN. No.

Mr. CRUMPACKER. You are not contending that it is necessary, are you?

Mr. STILLMAN. No, sir; I have not gone into the subject of the foreign supply of refined sugar to the market.

Mr. CRUMPACKER. Then you are not contending that the differential is necessary for your protection?

Mr. STILLMAN. I do not know. I am not insisting that it is necessary.

Mr. CRUMPACKER. No.

Mr. STILLMAN. Because in many cases the actual test of a thing disproves the theory. Theoretically, it is necessary.

Mr. CRUMPACKER. Is your company interested in the Cuban sugar production?

Mr. STILLMAN. No; we are not producers, if you mean that. We are interested to the extent that we would like to see it increased.

Mr. CRUMPACKER. Your company has no sugar land there?

Mr. STILLMAN. No, sir.

Mr. CRUMPACKER. Do you know of any members, officers, or stockholders of your company who are so interested?

Mr. STILLMAN. This is not a company; it is a private firm, and the members of that partnership are not interested in—

Mr. CRUMPACKER. It is a copartnership. Do you know whether the copartners, any of them, are interested in the sugar plantations and sugar production of Cuba?

Mr. STILLMAN. No; they are not.

Mr. CRUMPACKER. They are not?

Mr. STILLMAN. No; I do not think they have a dollar's worth in Cuba.

Mr. FORDNEY. You say you are interested in seeing the production of Cuba increased. Would you rather see the production of Cuban

sugar increased than to see the production of beet sugar in this country increased?

Mr. STILLMAN. I suppose you mean for the interests of my own business. I say, yes.

Mr. FORDNEY. No; for the masses of the people. You and I are both interested in the people of this country.

Mr. STILLMAN. No. As interested in the people of the United States, I would prefer to see the production of the United States increased, except in so far as the loss of production in Cuba brings a strain on our relations with Cuba that would in any way bring us under the danger of annexing Cuba to this country. I should hate to see that.

Mr. FORDNEY. You state that you feel that you ought to have that differential to protect you against the difference between the cost of labor abroad and the cost of labor here?

Mr. STILLMAN. I mentioned the cost of labor as one element.

Mr. FORDNEY. Do you not think that the beet sugar growers should have an equal amount of protection?

Mr. STILLMAN. I think they have more.

Mr. FORDNEY. What?

Mr. STILLMAN. I think they have much more.

Mr. FORDNEY. They ought to have it, ought they not?

Mr. STILLMAN. I am not objecting to giving them protection.

Mr. FORDNEY. What?

Mr. STILLMAN. I am not objecting to the protection of the beet sugar growers.

Mr. FORDNEY. But I thought you wanted a reduction, or free trade, on sugar.

Mr. STILLMAN. I said for our business.

Mr. FORDNEY. Oh, as a refiner?

Mr. STILLMAN. As a refiner.

Mr. FORDNEY. You are speaking from that standpoint and not in the interest of the masses of the people?

Mr. STILLMAN. I am speaking, as a refiner, of the interests of our business. I said as an American citizen I should like to see sugar free.

Mr. FORDNEY. A complete cessation of the production of either cane or beet sugar in this country, then, would increase your business as refiners?

Mr. STILLMAN. Yes, sir.

Mr. FORDNEY. And that is why you would like to have the difference in the tariff?

Mr. STILLMAN. That is why. I would like to increase our business.

Mr. FORDNEY. That is all I have to ask.

Mr. HILL. What is the consumption of sugar, per capita, in the United States, about?

Mr. STILLMAN. I would have to give you that from my memory of what is in Gray's Reports, and I think that is 77 pounds.

Mr. HILL. Seventy-seven pounds?

Mr. STILLMAN. Yes.

Mr. HILL. Do you have in mind the consumption, or the use of sugar in Great Britain, under free trade, per capita?

Mr. STILLMAN. I am under the impression it was something over 90 pounds.

Mr. HILL. Then your preference for free sugar would be because of its effect in developing other industries, besides the actual consumption, direct?

Mr. STILLMAN. Yes. I did not think I was suggesting any new idea to this committee. I think the committee is as well posted on these things as I am.

Mr. UNDERWOOD. It was testified here to-day that you could not store granulated sugar, or refined sugar—beet sugar. I want to ask you if water shipment of refined sugar has any effect on it.

Mr. STILLMAN. Any granulated sugar is hygroscopic.

Mr. UNDERWOOD. I did not hear you.

Mr. STILLMAN. I say it is hygroscopic. That is, it will absorb water, it will absorb moisture. If it is put anywhere where the moisture can penetrate the wood of the barrel, it will certainly not stand.

Mr. UNDERWOOD. Then it is more advantageous to refine sugar in this country than to refine it abroad and bring it here, is it not?

Mr. STILLMAN. By "abroad" do you mean the producing countries?

Mr. UNDERWOOD. I mean where it has got to stand water shipment to come into this country—at the seaboard.

Mr. STILLMAN. I doubt very much whether the water shipment from England, for instance, to this country would affect it.

Mr. UNDERWOOD. How about the water shipment from the Philippine Islands?

Mr. STILLMAN. They have not any refined sugar there to ship.

Mr. UNDERWOOD. I am asking you for information as to whether it does affect it.

Mr. STILLMAN. That would be a guess. It has never been tried, to my knowledge. We have shipped sugar from this country to Australia, and I presume it arrived there in good order, because the shipments were repeated.

Mr. UNDERWOOD. Then, in your judgment, shipment by water does not affect refined sugar?

Mr. STILLMAN. Not unless the moisture gets into the ship. It does not always get there. Iron ships sweat, and wooden ships do not—they are ventilated. The ships we shipped to Australia in were ventilated wooden ships.

Mr. POU. You spoke of the beet sugar people of the United States, and suggested the possibility of their getting a larger percentage of sugar out of the beets. Do you think that the percentage they get out now is not as great as it might be?

Mr. STILLMAN. Yes; that is my idea.

Mr. POU. How does the percentage that the refiners of America extract from the beets compare with the percentage that foreign refiners extract; do you know?

Mr. STILLMAN. I could only tell you that by reference to reports—Saylor's reports and Willett & Gray's reports. I am not sure. I

think there is a very great difference, but I do not recall it. Those things are all on record.

Mr. POU. That is in favor of the foreign refiner?

Mr. STILLMAN. In favor of the foreign beet sugar.

Mr. POU. Do you know why it is that the Americans do not extract as large a percentage of the sugar from the beets as they might?

Mr. STILLMAN. I have understood it is an agricultural problem. They do not do their agricultural work in a scientific manner. They will probably learn some day. I have no doubt they will.

Mr. POU. That, of course, adds to the cost of producing the sugar?

Mr. STILLMAN. The increase of the percentage of outturn very much diminishes the cost.

Mr. POU. That is all.

Mr. HILL. Do you export any sugar?

Mr. STILLMAN. We do not, I think. I do not know where the sugar goes to when it leaves.

Mr. HILL. You could export and get a rebate of the import duties, could you not?

Mr. STILLMAN. I suppose so. We export sirup and get a rebate on that—a drawback.

Mr. RANDELL. You spoke of exporting to Australia, I believe.

Mr. STILLMAN. Yes.

Mr. RANDELL. What was the extent of those exports?

Mr. STILLMAN. They were not very heavy. We made shipments of a few hundred barrels.

Mr. RANDELL. In shipping sugar from this country to Australia, you had no protection of the tariff?

Mr. STILLMAN. No. We got the drawback, and it was much heavier than it is now. I do not think that business has been done of late years. I was speaking of the olden times.

Mr. RANDELL. How long ago was that?

Mr. STILLMAN. It was fifteen years ago, I think.

Mr. RANDELL. From whom did you get the drawback?

Mr. STILLMAN. From the United States Government; from the Treasury.

STATEMENT SUBMITTED BY C. R. HEIKE, SECRETARY OF THE
AMERICAN SUGAR REFINING CO., NEW YORK CITY.

WASHINGTON, D. C., *November 19, 1908.*

COMMITTEE ON WAYS AND MEANS,

House of Representatives, Washington, D. C.

GENTLEMEN: The American Sugar Refining Company desires to submit the accompanying statement in connection with the consideration of the tariff on sugar.

Your attention is respectfully called to the fact that the sugar-refining business is one of severe and fierce competition; that large numbers of people are employed in the different departments, and

that in the case of the American Sugar Refining Company attention is also called to the fact that the average holding of its stock amounts to less than 48 shares for each stockholder, of whom there are 18,852.

Any legislation hostile to the industry will be keenly felt by many. A careful consideration of the accompanying statements will, we believe, convince your committee that the protection at present afforded the industry is very small, but indispensable.

Sugar apparently exists uncertainty as to whether the American Sugar Refining Company is interested in the beet-sugar industry of the United States. There is no mystery about it. The annual statement for 1907 contains an item which states the fact that the company is interested in the beet industry.

The American Sugar Refining Company in the extension of its business in this direction has done it solely for the purpose of keeping abreast of the general development of the sugar business, whether it be the refining of cane or beet sugar.

Furthermore, the company was sought after by the people who were interested in the beginning of the beet industry in this country to contribute financial aid and such technical knowledge as the company might have at their disposal for the development and prosperity of the industry and the community in which it is carried on, in which cooperation the company was willing to participate.

The interest of the American Sugar Refining Company in the beet-sugar factories of the United States is less than 29 per cent of the total beet-refining capacity for working beets into refined sugar.

The American Sugar Refining Company is not a party to any agreement, expressed or implied, with any competitor, either in regard to the regulation of production or the fixing of prices.

Respectfully, yours,

THE AMERICAN SUGAR REFINING COMPANY,
By C. R. HEIKE, *Secretary*.

REASONS ADVANCED WHY THE PROTECTIVE TARIFF ON REFINED SUGAR SHOULD NOT BE DISTURBED.

The following statements are respectfully submitted:

1. In the event of a reduction in the protection to the refining industry competition would first come from Europe. The cost of refining sugar in the United States is necessarily greater than in Europe, and for this reason adequate protection is imperative. The higher price paid in this country for labor not only directly affects the wages of the men working in the sugar refineries, but also increases the cost of all machinery, materials, and supplies used in the refining process. (See pp. 8, 9, 10.)

2. The greater part of the expenses in the refining operation are incurred for labor performed, whether the work be done at the refineries or in the preparation of the material consumed by them. Any decrease in the differential in favor of refined sugar, rendering necessary a reduction in the expenses of refining, would therefore fall heavily upon labor. (See p. 11.)

3. The machinery and many of the supplies used in the refining process are protected by a high tariff, thus increasing the price of the home products and compelling the refiner to pay considerably more for his needs than his European competitors. This unequal basis for competition between the refineries of this country and those of Europe renders necessary continued protection to the refining industry.

4. A large percentage of the raw cane sugar of the world's production finds its natural market in this country, and this condition has been further artificially encouraged by the preferential tariffs under which much of the sugar is admitted. As a result cane sugar now practically constitutes the sole supply of the refineries (as distinguished from beet sugar factories) of the United States. This raw material is much more expensive to refine and convert into white sugar than the beet sugar, which our European competitors almost exclusively handle. (See pp. 12 and 13.)

5. Not only is the actual cost of refining cane sugar greater than of refining beet sugar, in the matter of process, the number of men employed, etc., but the refining of cane sugar also involves a very much greater investment for additional filter houses, machinery, bone-black, etc. The capital account is thus considerably larger, and the depreciation charges also, than if the refineries were equipped to handle beet sugar only. (See p. 14.)

6. Under the present tariff it has been the purpose of the United States Government to benefit Cuba and the Philippines by admitting the sugar from these countries under a preferential duty. Inasmuch as the market for Cuban and Philippine sugar is necessarily largely confined to the United States, one of the immediate effects of a reduction in the protection on refined sugar would be to partially defeat the object of the preferential tariff and to force down the price of raw cane sugar so as to enable the refiners of the United States to compete with the refined beet sugar of Europe. It is therefore evident that a reduction in the protection on refined sugar would not only work to the disadvantage of the refining industry, but would also injuriously affect the Cuban and Philippine planters. (See p. 15.)

7. The margin existing in recent years between the price of raw and refined sugar has not been excessive, being only a fraction of a cent per pound. This fraction includes not only the cost of refining, but the losses of sugar involved in the refining process, the wear and tear and depreciation on the expensive machinery used, the cost of the packages in which the sugar is delivered to the market, and, finally, the refiner's profits.

8. Although the cost of the refining operations has gradually increased during the life of the Dingley tariff and is now materially higher than in 1900, there has been no increase in the margin between the price of raw and refined sugars. The margin of protection, therefore, has steadily decreased, and such margin as still exists is necessary to a fair return for both labor and capital. (See pp. 16 and 17.)

9. At the time that the Dingley tariff was framed the careful investigations conducted by the government committees convinced the majority in both Houses that the one-eighth of a cent protection

afforded to refined sugar was necessary and just. It would be illogical to reduce it at a time when this margin is considerably less, on average, than it has ever been before, and it is worthy of notice that refined sugar is about the only article among the necessities of life which is lower in cost than in former years. All other necessities, generally speaking, are higher in cost than formerly.

10. The recently framed Canadian tariff (1907) recognizes the necessity for still greater protection than that afforded by the Dingley tariff of the United States. The protection to the Canadian refiner under this tariff is more than twice as great as that under the Dingley tariff. (See p. 18.)

11. The evidence collected by the British tariff commission in 1907 proved that a protective duty on refined sugar was necessary in order to place the refining industry of Great Britain in a position to compete successfully with the refined sugar produced in Germany, Austria, France, etc. The protection suggested for this purpose was 1 shilling per hundredweight or about twice that afforded under the Dingley tariff. Inasmuch as the wages paid to labor are considerably less in Great Britain and still less in continental countries than in the United States, it is evident that the differential duty on refined sugar of 12½ cents per 100 pounds, which constitutes the present protection to the refining industry of the United States from competition with the countries above mentioned, can not be considered excessive. (See pp. 19 and 20.)

12. The removal of the protection now afforded to the refining industry would injure the industry as surely as competition from abroad has gradually undermined it in Great Britain. (See pp. 21 and 22.)

13. Unless the refining industry is adequately protected, refining will be gradually transferred to the points of sugar production. The refining industry of the United States will thus cease as an independent industry. Many of the beet sugar factories of Europe, as well as elsewhere, are now making directly granulated sugar for consumption. While the difficulties are greater in the way of doing this in the case of cane sugar, there is no doubt that ultimately these difficulties will be overcome, with the resultant harm to the refining industry of the United States, unless that industry continues to be properly protected.

14. A blow dealt to the refining industry will not be confined to that industry alone. Very large sums are paid by the refiners annually for the materials they consume. The enormous expenditures for coal, for the transportation of coal, for boneblack, for sugar barrels, and many other supplies in smaller quantities furnish means of livelihood for thousands of men scattered throughout the entire country.

The idea is not uncommon that the refiner is benefited in competition with other countries by the duty on raw sugar. This is a great mistake. The duty on raw sugar operates in two ways to the disadvantage of the refiner. In the first place, it checks consumption, and inasmuch as the refining capacity of the United States is very much greater than that required to meet the needs of consumption, the duty results in smaller meltings than would otherwise be the case.

The fixed charges per pound of sugar are, therefore, higher and the cost of refining is indirectly increased. The duty on raw sugar also directly adds to the expenses of refining, as that operation can not be conducted without waste, and it is evident that the loss to the refiner from this cause varies directly with the cost of the sugar and, consequently, with the amount of the duty.

The impression has also gained ground that the refiner has been directly benefited by the lower tariff under which sugar from Cuba is admitted. This, however, is not the case. The United States is now able to draw very nearly the whole of the sugar needed for its consumption from Cuba, Porto Rico, Hawaii, the Philippines, Louisiana, and the domestic beet industry. These sources of production are all favored under the tariff and, consequently, the sugar can be sold to better advantage in this country than where no preferential tariff in their favor exists. The whole of this sugar is produced during a limited portion of the year and comes to market at essentially the same time. As a consequence, owing to forced sales in larger quantities than the market can readily take, the price of sugar in the United States has been lower than in Europe during the early months of the year, whereas formerly the price at the principal markets of the world was more nearly on the same basis. As a result of the pressure exerted upon the market just referred to, a portion of the reduction in the tariff which Cuba enjoys has been sacrificed, but the public and not the refiner has been benefited. This is clearly demonstrated by the fact that during the four years that the reduction in the tariff in favor of Cuba has been in force the margin between the price of raw and refined sugars has not increased; on the contrary, it has slightly decreased, the average margin during the period 1900-1903, immediately preceding the change in favor of Cuba, being 0.897 per cent, and during the subsequent four years, 1904-1907, 0.875 per cent per pound. Had the refiner himself absorbed either the whole or a portion of the concession made, the margin between the price of raw and refined sugars would have increased.

APPENDIX A.

The following extract taken from the report of the British tariff commission, 1907, section 2, shows the rapidity with which the refining industry in the continental countries of Europe has increased, and indicates clearly the competition which would be likely to arise with the product of the refiners of the United States in the event of any reduction in the protection on refined sugar:

The extent of the development of foreign refining industries is shown by the following increases in the quantities of sugar refined in principal continental countries: In twenty years the German output has trebled, the Belgian output increased seven times, and the French output by 45 per cent. The Austrian output has doubled in the last ten years. The evidence shows that the principal factor in the development of the sugar industries of foreign countries has been the facilities afforded by this country for enabling them to take advantage of the rapidly growing demand for sugar in the United Kingdom.

The sugar production of Europe can be greatly increased. The opening of the markets of the United States to the refined sugar of Germany, Austria, Belgium, France, etc., would undoubtedly stimulate the production and refining of sugar in Europe generally, and

there can be no doubt that under such circumstances large quantities of granulated sugar would be exported to this country.

APPENDIX B.

Comparison of the wages paid in the refineries of Great Britain and those of the United States.

	Average wages paid in Great Britain per week.	United States equivalent of wages paid in Great Britain per week.	Average wages paid in the United States per week.
	<i>s. d.</i>		
Engineers.....	39 8	\$9.52	\$16.50
Boiler firemen.....	25 0	6.00	14.40
Ash men, boiler cleaners.....	22 0	5.28	12.00
Sugar boilers.....	36 6	8.76	16.15
Centrifugal men.....	23 6	5.64	11.20
Melting-pan men.....	23 0	5.52	10.80
Yard men.....	22 6	5.38	10.80
Warehousemen.....	23 6	5.62	10.80
Char-house men.....	23 0	5.52	11.16
Blow-ups.....	26 6	6.36	12.24
Bag-filter men.....	22 0	5.28	10.80
Liquor men.....	24 0	5.76	11.70
Average.....	25 11	6.22	12.38

Foremen in the United States are paid on an average \$4.25 above the average wages shown for each station in the third column, whereas the foremen in Great Britain are paid on an average only 80 cents above the average wages shown for each station in the second column.

A comparison of the above figures shows that the wages paid in Great Britain in the refining industry are on an average only 50.2 per cent of those paid in the United States. The wages paid on the Continent are even lower, being probably not more than 75 per cent of those in the United Kingdom. The United States refiner therefore has to pay more than twice as much for labor as his European competitors.

The above detailed particulars of the wages paid in the refining centers of Great Britain were furnished by the well-known European firm of J. V. Drake & Co., sugar brokers.

APPENDIX C.

The wages paid directly for labor in the refineries of the United States amount to from 25 to 30 per cent of the total refining expenses. The cost of the barrels, etc., in which the refined sugar is sold and of the coal consumed in the refining operations together make up from 51 to 58 per cent of the entire refining expenses. Aside from transportation charges, the value of the barrels is very largely dependent upon the labor expended in their manufacture and that of the coal upon the labor of mining.

It is only fair to say also that a small portion of the increased cost of production is due to changes in the trade affecting varied and different forms of package and the higher grades demanded by the consumer.

APPENDIX D.

The quantity of raw cane sugar imported by most of the European countries is so small that it can be entirely disregarded. France imports about 100,000 tons of high-grade sugar, almost exclusively from her colonies. The imports to England have been steadily displaced by beet sugar, and are now less than 250,000 tons.

The following table shows the raw cane sugar imported into Great Britain for periods of twelve months at intervals since 1886:

Imports into the United Kingdom of raw cane sugar.

[In tons of 2,000 pounds.]

	1886.	1896.	1901.	1906.
Java.....	218,904	64,288	11,704	20,048
Philippines.....	32,368	78,568	2,800	6,272
British West Indies.....	36,176	42,896	38,248	70,840
British East Indies.....	49,112	90,720	9,800	14,056
All foreign countries.....	347,928	256,256	102,648	128,744
All British possessions.....	181,944	178,824	86,520	110,152
Total.....	529,872	430,080	189,168	238,896

Copied from summary of evidence and statistics of the report of the British tariff commission on sugar, page 500, International Sugar Journal, 1907.

These figures are important as showing the extent of practically the only European market open to cane sugar.

It is evident from the above that approximately 130,000 tons only of cane sugar from foreign countries in addition to that from British and French possessions can find a market in Europe.

APPENDIX E.

The two classes of raw sugars derived, respectively, from the cane and from the beet are not refined with equal facility. Cane sugar contains coloring matter which can only be removed by a costly filtration over boneblack. It also contains gummy matters which in the process of clarifying the sugar renders the use of an enormous number of bag filters indispensable. Both these conditions involve the use of much machinery and a vast investment in the refinery itself over that which is necessary when beet sugar is refined. In the latter case the operation is much more simple. The bag filters can be greatly reduced in number, and the filtration over boneblack entirely dispensed with. The ease with which white sugar can be made from this class of material is demonstrated by the work in the beet-sugar factories of the United States and elsewhere. All the factories in this country are now making granulated sugar, and not one pound of boneblack is used in the process.

The additional expense of refining cane sugar, making proper allowance for interest and depreciation on the extra buildings and machinery, amounts to about 6½ cents per 100 pounds more than the cost of refining beet sugar in establishments solely equipped for this purpose. This additional cost alone is about half the present protection on refined sugar.

APPENDIX F.

The fact that the refineries of the United States have to handle almost exclusively cane sugar has necessitated the expenditure of large additional sums for filter houses, boneblack, boilers, and auxiliary machinery. This investment is at least 33 per cent additional to that required in European refineries equipped for refining beet sugar and has reached over \$2,000,000 in a single refinery.

APPENDIX G.

It has been shown under Appendix D that the European market can not take from foreign countries, outside of their own possessions, much more than the 130,000 tons of cane sugar imported by Great Britain. This is less than one-tenth of the production of Cuba in 1907, when the Cuban crop was 1,428,000 tons. Under these circumstances it is evident that Cuba must either materially reduce its sugar production or continue in the immediate future to sell it to the refineries of the United States, as the markets of Canada are closed by the preferential tariff in favor of the British West Indies, and the countries of South America are producing their own sugar.

APPENDIX H.

The following table, taken from Willett & Gray's reports, gives the average prices of raw sugar, 96° polarization, and of granulated sugar in New York for the past eight years in cents per pound, together with the difference in price between the raw and refined sugar:

Price per pound of raw and granulated sugar in New York for past eight years.

Year.	Raw, 96° polariza- tion.	Average.	Refined, granu- lated.	Average.	Difference.	Average.
	<i>Cents.</i>	<i>Cents.</i>	<i>Cents.</i>	<i>Cents.</i>	<i>Cents.</i>	<i>Cent.</i>
1900.....	4.568	} 3.969	5.320	} 4.868	0.754	} 0.897
1901.....	4.047		5.050		1.003	
1902.....	3.512		4.455		.913	
1903.....	3.720		4.633		.918	
1904.....	3.971	} 3.923	4.772	} 4.798	.798	} .875
1905.....	4.278		5.256		.978	
1906.....	3.688		4.515		.829	
1907.....	3.756		4.619		.803	

For purposes of comparison, the years covered have been divided into two periods of four years each, and average prices calculated for each of these periods. The difference in the price of raw and refined sugar, as shown above, has been actually slightly less for the last four years than during the previous corresponding period, and as during the eight years under consideration the cost of refining has steadily increased, it is evident that the refiner's profit was a steadily decreasing one.

The process of refining is not one in which revolutionary advances can be anticipated. Such economies as have been made in the last twenty-five years have been principally due to operations conducted on a larger scale; to the introduction of mechanical improvements designed to reduce the cost of labor and the consumption of fuel.

In the last few years, however, owing to increased competition from the beet-sugar industry and the independent refiners, it has not been possible to operate the refineries at their full capacity. This condition, added to the higher prices paid for labor and material, has resulted in a smaller margin of profit and, consequently, greater need for protection.

APPENDIX I.

Comparison between the Canadian tariff of April 12, 1907, now in force, and the Dingley tariff of the United States of 1897, which is still in force.

	Canadian tariff.			Dingley (United States) tariff per pound.
	British preferential per pound.	Intermediate per pound.	General per pound.	
	Cents.	Cents.	Cents.	Cents.
Refined sugar.....	0.84	1.14	1.26	1.95
96° raw sugar.....	.525	.73	.835	1.685
Difference.....	.315	.41	.425	.265

The above comparison shows that the difference in the Canadian general tariff between refined sugar and 96° testing raw sugar is 0.425 cents per pound, whereas in the Dingley tariff the difference is only 0.265 cents per pound. The above difference does not represent the protection to the refining industry, inasmuch as it takes considerably more than 1 pound of raw sugar to make 1 pound of refined, and the duty on this excess of raw sugar has also to be paid by the refiner. When allowance is made for this, the difference between the two tariffs is even greater than the above figures indicate. The protection to the Canadian refiner is more than twice that to the United States refiner under the Dingley tariff.

APPENDIX J.

Although under the agreement reached by the Brussels convention all bounties previously paid by the participating countries were discontinued, a surtax amounting to 60 cents per 112 pounds was permitted on imported refined sugar. This was taken advantage of generally by all participants with the exception of Great Britain, with the result that the sugar-producing countries are in a position to maintain the price of refined sugar at home sufficiently high to enable the excess to be sold in open markets abroad at a slightly lower cost than that for which the same sugar could be refined there. Added to the surtax are the advantages of cheaper labor; the greater volume of business derived from the British in conjunction with the home markets, and the benefits which arise from refining at or near the point of production.

The following extracts from statements submitted to the British tariff commission (1907) show that the continental countries of Europe have advantages for exporting refined sugar which operate against the English refiner and would, to a very large extent, also operate against the refiner in this country if the protection now existing were disturbed:

(Mr. Robert Kerr, section 112 of the report of the tariff commission on sugar and confectionery, 1907, vol. 7.)

The foreigners have this advantage: While they can send their sugar into our country, we can not, under the surtax, send any into theirs. The surtax of 2s 6d. per hundredweight not only enables the continental refiner to exact a price in his home market which gives him the opportunity of securing a small kartell bounty, but it completely shuts out our refined sugar from his market, while he has free access to ours, thus providing him with a clientele double the size of that available for the British refiner. A larger market means a larger output, and the reduction upon charges following upon increased output is an overwhelming advantage. I attach the greatest importance to this aspect of the question, and consider it not unlikely that continental refiners may be able to undersell us by reason of this alone, and that without "dumping" in the usual sense of selling below cost.

(Mr. Charles Lyle, section 124 of the report of the tariff commission on sugar and confectionery, 1907, vol. 7.)

In view of all this it seems to me that in order to recover the huge trade we have lost it is necessary to have some protection to the home sugar refining trade, and as a matter of equity if 2s. 6d. per hundredweight was deemed by the framers of the convention to be a fair surtax allowed to the foreigner, it would only be fair to grant a like preference to British refiners. At the same time less would be sufficient to very quickly restore the trade to this country, say £1 per ton surtax on foreign refined sugar—that is to say, the excise should be £1 less than the customs rate.

(Mr. L. A. Martin, section 27 of the report of the tariff commission on sugar and confectionery, 1907, vol. 7.)

Taxes, local rates, higher rate of wages, etc., all tend to increase the cost of manufacture in England, and these, with the advantages obtaining in continental countries, make it extremely difficult for the British manufacturer to meet the competition in his own market.

APPENDIX K.

The following paragraphs taken from the summary of the report of the British tariff commission, 1907, volume 7, show the effect of competition from the continental countries of Europe on the refining industry of England. A reduction in the protective duty now in force in the United States would open the way to similar harmful competition from Europe in this country:

The annual consumption of sugar in the United Kingdom has increased enormously. Fifty years ago it was 29½ pounds per head of the population; in 1885 it was 79½, and in 1906 it was 95½ pounds. But the British refining industry has not only failed to keep pace with this great increase in consumption, but has declined absolutely in the last twenty years.

While the British refining industry has declined, the refining industries of Germany, Austria-Hungary, France, and other continental countries have greatly advanced, chiefly through the increase of the population and the growth of the sugar consumption in the United Kingdom. Fifty years ago practically the whole of the sugar used in the United Kingdom was refined here; twenty years ago we refined only 70 per cent, and in 1906 only 45 per cent, the balance being made up by importations of sugar refined in continental factories.

The following table shows the meltings in British refineries, the imports of refined sugar, and the annual consumption for the past twenty years:

Year.	Meltings in British refineries.	Imports of foreign refined.	Annual consump- tion.
	<i>Tons.</i>	<i>Tons.</i>	<i>Tons.</i>
1836.....	899,785	319,634	1,146,414
1837.....	909,903	319,072	1,178,338
1838.....	916,759	314,959	1,182,612
1839.....	899,124	449,411	1,282,660
1840.....	837,401	473,255	1,249,110
1841.....	847,738	644,829	1,335,576
1842.....	819,077	632,386	1,281,528
1843.....	785,000	657,514	1,253,250
1844.....	738,237	683,306	1,348,519
1845.....	768,260	707,535	1,402,409
1846.....	734,000	724,976	1,384,034
1847.....	654,732	772,994	1,378,516
1848.....	684,083	794,581	1,435,566
1849.....	617,801	868,025	1,447,326
1850.....	589,437	934,789	1,488,535
1851.....	582,084	1,044,315	1,592,543
1852.....	580,505	1,000,277	1,539,461
1853.....	595,943	925,783	1,465,345
1854.....	668,095	863,464	1,496,831
1855.....	641,687	746,360	1,353,796
1856.....	670,846	891,869	1,510,434

While the results shown by the above figures have been in part brought about by the bounty system prevailing in Europe, the meltings since the Brussels convention have increased but slowly and are now 229,000 tons less than they were twenty years ago, whereas the consumption during that time has increased 32 per cent.

APPENDIX L.

The refining industry can not flourish away from centers of production unless protected and encouraged by tariff. Unless such protection exists, refining will ultimately be all carried on at the point of production, inasmuch as it is far cheaper to make the sugar in the first instance sufficiently pure for consumption than to transport it in the form of raw sugar, with its accompanying impurities upon which freight must be paid and for which packages must be furnished, to a distant point where the material has to be rehandled and again submitted to every part of the process in its entirety.

In the event of a reduction in the differential tariff on refined sugar, the refiners of the United States have mostly to fear competition from the beet-sugar industry in Europe, as granulated, the standard form of sugar consumed in this country, can be very cheaply made in the numerous factories scattered throughout the sugar-producing districts of Europe. It has been demonstrated not only in Europe, but also in this country, that it costs very little more to convert the entire output of a beet-sugar factory into white granulated sugar than to place the product in the form of raw sugar upon the market. For this reason the factories of the United States now make almost exclusively granulated sugar. The additional cost does not compare with the expense involved in the conversion of the raw sugar into granulated in a separate establishment.

C. R. HEIKE,
Secretary American Sugar Refining Co.

F. M. HATCH, OF HONOLULU, REPRESENTING THE HAWAIIAN SUGAR PLANTERS' ASSOCIATION, SUBMITS STATEMENT RELATIVE TO HAWAIIAN SUGARS.

WASHINGTON, D. C., *November 19, 1908.*

COMMITTEE ON WAYS AND MEANS,
Washington, D. C.

GENTLEMEN: F. M. Hatch, of Honolulu, on behalf of the Hawaiian Sugar Planters' Association, submits to the committee the following statement:

The statement made by Mr. C. A. Spreckles that Hawaiian sugars are sold at a rebate of three-eighths of a cent a pound is not correct. Hawaiian sugars are, in fact, sold in New York at one-tenth of a cent a pound off. This covers two-thirds of the Hawaiian output. One-third is sold in San Francisco, being all that that market will take, under a rebate of one-quarter of a cent a pound. The Crockett Refinery, an independent refinery controlled by Hawaiian interests, is the purchaser there. The rebate in New York of one-tenth of a cent, or \$2 a short ton, is not in any sense a result of the tariff. It is a concession which it is considered reasonable to make in consideration that the purchaser, the American Sugar Refining Company, binds itself for a term of years to take all Hawaiian cargoes on arrival at the market price less this rebate. The Hawaiian producers are thus saved the danger of having to store cargoes awaiting a purchaser and the alternative of being obliged to make sacrifice sales in periods of a glut of sugar in the market. This course of trade has grown up in consequence of the great distance of Hawaii from market and the impossibility of selling the crop in Honolulu.

Mr. Spreckels's statement or intimation that the trust is directly or indirectly an owner in Hawaiian plantations is without a shadow of foundation of fact, so far as the undersigned is informed and believes.

F. M. HATCH.

Representing Hawaiian Sugar Planters' Association.

THE CARVER COUNTY SUGAR CO., CHASKA, MINN., STATES THAT FREE SUGAR WOULD CRUSH BEET-SUGAR INDUSTRY.

CHASKA, MINN., *December 3, 1908.*

HON. S. E. PAYNE,
Chairman Ways and Means Committee,
Washington, D. C.:

Free trade in sugar would crush the domestic beet-sugar industry. Reduction in the tariff would cripple it seriously. We protest against the argument of eastern refiners for the first and against arguments of Cuban planters for the second. Sugar refined in this country from imported raws pays American labor half a cent per pound; that made from home-grown beets pays American farmers and laborers nearly 4 cents per pound. Taking the duty off sugar and putting it on teas and coffees does not relieve the consumer, but only destroys a great home industry and builds up none other here. Please incorporate this protest in your regular printed hearings.

CARVER COUNTY SUGAR CO.

Letters and telegrams of similar purport were received from the following: Iowa Sugar Company, Waverly, Iowa; St. Louis Sugar Company, St. Louis, Mich.; Holland Sugar Company, Holland, Mich.; Mount Clemens Sugar Company, Bay City, Mich.; C. M. McLean, Holland, Mich.

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**PIERRE J. SMITH, NEW YORK CITY, SUBMITS BRIEF RELATIVE
TO REMOVING DUTIES FROM SUGAR.**

NEW YORK, *December 3, 1908.*

HON. SERENO E. PAYNE,
*Chairman Ways and Means Committee,
House of Representatives, Washington, D. C.*

SIR: The present import duty on sugar was imposed for the purpose of raising revenue and for protection to domestic sugar industries.

If for raising revenue, I believe it would be better to have duties raised on the imports of tea and coffee, and, if necessary, reimpose the stamp tax on checks, etc.

By the present excessive duty on sugar, we prevent most advantageous reciprocity treaties with foreign countries, who are anxious to exchange their sugar for our manufactured goods and farm products. Cheap sugar would also benefit our farmers and increase largely our manufactures of preserved and canned fruits, candy, and other numerous articles in which sugar is used.

As a protection to our home industries, it seems entirely out of all proportion for us to raise about \$50,000,000 per annum duty on sugar for this purpose, especially as the total production of about 750,000 tons Louisiana and beet sugar every year is not worth much over this amount in actual value. The protection is supposed to benefit the eastern refiners, Louisiana and domestic beet sugars, as well as sugars from Porto Rico and the Sandwich Islands.

For the eastern refiners it would be much better if they had free raw sugar and a duty of about one-eighth of a cent on imports of refined and raw sugars over No. 16 Dutch standard in color, or even free raw and refined, rather than the present duty, as far as the refiners outside of the "trust" are concerned.

As regards Louisiana, it seems almost a joke to protect these sugars, as they are so much under the control of the "trust" that the planters have to accept almost any terms and prices the local manager of the "trust" names. Outside independent refiners have at times endeavored to secure Louisiana sugars on reasonable terms, without result. In fact, the Louisiana planters would be better off in the end if they would dispose of their machinery and give their time to raising other crops.

As far as the domestic beet industry is concerned, it seems to me that an industry which after so many years still requires a protection of 100 per cent has proved itself unwarranted and detrimental to the general good of the country, especially when a large proportion of it is controlled directly or indirectly by the sugar trust. The advantages to the country from this industry have been very small, while the disadvantages have been very large and costly.

Although their sugars have been sold to the trust at one-tenth of a cent to three-eighths of a cent under the New York price on arrival, the Sandwich Island planters have made enormous profits during the last year, estimated at \$15,000,000, on a crop of 450,000 tons to 500,000 tons, so their protection could certainly be largely reduced. Porto Rico could also stand a considerable reduction in sugar duties, and justice and fair treatment to the Philippines require the same in their case.

The present duties on sugar are entirely too high from any standpoint of fairness toward the country in general, and should be reduced or removed entirely.

I remain, yours, very truly,

PIERRE J. SMITH.

**SUPPLEMENTAL STATEMENT SUBMITTED BY CLAUS A. SPRECKLES
IN ADVOCACY OF FREE SUGAR.**

NEW YORK, *December 3, 1908.*

HON. SERENO E. PAYNE,

Chairman Committee on Ways and Means,

Washington, D. C.

SIR: In a statement presented to your honorable committee on November 18 I submitted certain facts showing the advisability of a material reduction in, or the entire abolition of, the duties now imposed on imported sugar. I showed that with free sugar, refined sugar could be sold at an average of about 2 cents per pound cheaper than it is now being sold to the consumer. The consumption of the United States being 3,000,000 tons annually, 2 cents per pound, or \$44.80 per ton, would mean a saving to the American people of \$134,000,000 a year. The average per capita consumption of sugar is 80 pounds, so that the average family of five consumes, say, 400 pounds of sugar yearly, and, with free sugar, could save on this quantity 2 cents per pound, or \$8 per annum.

Sugar is not a luxury, but a necessity. Why is it, then, that the Government sees fit to place such a heavy tax as this on a necessity? Certainly the people, as a whole, do not benefit by it, and if it is to raise revenue there is no good reason why such a heavy burden should be placed on sugar while other commodities are admitted free, or with comparatively low duties.

In view of the heavy burden imposed on all the people of the country by the heavy sugar tariff, the question naturally arises: "Who receives the benefit from this excessive duty?" When the subject is carefully analyzed, it is found that the "sugar trust" is the chief beneficiary of the present system, and that the practical result of the sugar tariff is to make possible abnormal profits for the "trust" at the expense of the consuming public.

In a letter to your honorable committee the "sugar trust" advances as the principal reason for maintaining the existing tariff the time-worn argument that their stockholders would be injured by a reduction in the duty. The directors of the "trust" seem to believe that the fact that the present large dividends to their stockholders (numbering in all only 18,052) might be reduced is a good reason why the 90,000,000 people of the United States should continue to pay an annual tax of \$134,000,000.

The independent refiners, who are few in number, frankly state that they would be perfectly satisfied with free sugar and that they do not need any protection.

The people as a whole, therefore, may well ask why it is that they are compelled to bear this heavy tax, which benefits so few. The answer of the "sugar trust" protectionist is that the domestic sugar industry must be protected. They, however, begin by first discriminating against certain domestic producers. We refer to the domestic producer in the Philippine Islands (which is as much a part of the United States as Michigan or Louisiana), who has to pay on sugars shipped to the States the full duty less a reduction of only 25 per cent. In other words, with the exception of this reduction of 25 per cent, Philippine sugars have to pay the same duties as if they were imported from a foreign country. This effectually stifles the Philippine sugar industry and as the Philippine Islands are dependent on the American people for fair treatment, this instance can hardly be cited with pride as an example of the American's idea of a "square deal." The "sugar trust" has no interest in the Philippine Island industry.

The other domestic producers, Louisiana, Porto Rico, Hawaii, and the domestic beet sugar industry, supplied during the past year a part of our requirements of 3,000,000 tons annually, as follows:

	Tons.
Louisiana	335,000
Porto Rico.....	194,000
Hawaii	460,000
Domestic beet.....	440,000
Total.....	1,429,000

Porto Rico and Hawaii combined produced 654,000 tons of this total, and they need no protection.

With modern methods of cultivation and manufacture, these countries are so favorably located that they profitably produce sugar in competition with the world. The Hawaiians admit that during the past year they made \$15,000,000 profits on their crop of only 450,000 tons, although they sold their entire crop under contract to the "trust" at 1.1 cents to three-eighths cent per pound under the New York price (which New York price was at times 20 to 40 points under the parity of the world's markets), and while, of course, they are in favor of a protective tariff, so as to enable them to make these enormous profits, this is not the popular idea as to the object of a protective tariff. The "sugar trust" is willing to help these planters in their fight for protection, as they control the price at which their product shall be marketed, and as cited above are able to secure it at considerably under the markets of the world. With free sugar, these plantations would continue to make a reasonable profit, and the people of the country, as a whole, would benefit.

As for Louisiana, this can hardly be called an "infant industry," they having cultivated sugar since 1823, and have only succeeded in getting the total production up to 335,000 tons. In 1894-95 they produced 319,000 tons. Last year, while they received a protection on foreign sugar that paid a full duty of 1.685 cents per pound for 96° test, they were selling their sugar to the "sugar trust" (and refused to treat with the independent refiners) at 90 cents per hundred

under the markets of the world, so that they were then receiving a protection of only a trifle over three-fourths cent per pound. The present crop will be larger than the last one, so that marketing their sugars under these conditions must have been profitable to them. On these figures a protection of three-fourths cent per pound would be ample, notwithstanding the fact that the methods of cultivation and the sugar mills are not modern in any sense of the word. With modern, up-to-date methods, it is believed that Louisiana could get along well enough without any protection. But those interested in the Louisiana sugar industry show no disposition to keep abreast with the times by having up-to-date sugar mills, run on scientific lines, but prefer keeping a strong "lobby" in Washington, so that the entire country may be taxed abnormally for their benefit. In effect, the Government is asked to place a premium on inefficiency.

As the "sugar trust" is able to buy Louisiana sugar at so much under the world's parity, it is plain to be seen why they are interested in the so-called "protection" to the Louisiana planter, which, theoretically, protects him to the extent of 1.685 cents per pound, but actually enables him to secure only a trifle over $\frac{3}{4}$ cent per pound of this amount.

This leaves only the domestic beet-sugar industry (which is controlled by the "sugar trust") to be considered. Last year the beet-sugar refineries produced 440,000 tons, distributed in part as follows:

	Tons.
California	63, 847
Idaho	27, 715
Utah	39, 720
Colorado	183, 345
Total	314, 627

These refineries are favorably located and have nothing to fear from free competition with the world, and well-posted men, in a position to know, claim that they can produce granulated sugar at $2\frac{1}{2}$ cents per pound. Of course they, like Hawaii and Porto Rico, are anxious to have a high protective tariff, as it enables them to make large profits at the expense of the consumer. As a matter of fact, on account of most of the domestic beet-sugar plants being located in the Western States they, in addition to the tariff, have the advantage of freights to most distributing points, which in some cases is over $\frac{3}{4}$ cent per pound. They would have this protection, even with absolutely free sugar.

In States like Wisconsin, which produces 13,751 tons, and Michigan, which produces 76,078 tons, and of the several other States, which combined produce 35,000 tons, a total of 124,649 tons (which is equal to less than three weeks' meltings by Eastern refiners), it is perhaps true that on account of their unfavorable location, they can not produce beet sugar as economically as those more favorably situated, but is it right that they should locate where nature never intended that beets should be grown economically, and then expect the American people, as a whole, to be taxed 2 cents per pound, or \$134,000,000 annually, on the sugar they use in order to support this small industry, the total valuation of the sugar which they manufacture being only \$11,250,000. The average acreage per farmer devoted to sugar beets is small; for example, in Michigan it is only

4.7 acres. It would be far better to use this land for the purpose of cultivating more profitable crops. Their argument for protective duty might be used by some one who desired to produce sugar in Alaska and found it necessary to have 5 cents per pound protection in order to do so.

It is urged that the excessive duty is necessary in the interest of American labor, but, as a matter of fact labor receives no benefit from the tariff on sugar. A large percentage of the sugar beets grown in this country are cultivated by cheap Asiatic laborers, and the increased cost of the sugar consumed by the millions of workers in other industries far outweighs the trifling wages paid the few Americans engaged in growing beets. It is not pretended that the wages of beet cultivators is in any instance higher than that of farm laborers in general.

An effort is made by some to confuse the issue by saying that the duty on raw sugar should be left where it is, but the so-called "differential" on refined should be reduced. This argument is shattered by the statement of independent refiners that they are perfectly willing that there should be no duty on refined if there is no duty on raw sugar; secondly, by the fact that refined sugar receives very little protection under the present rates. The duty on raw sugar testing 96° is 1.685 cents, on refined sugar 1.95 cents. But on raw for every degree over 96° the government taxes 0.035 cent advance. But refined sugars test practically 100°, or 4° over 96°. Adding the increased duty for the increased test, we would have to add 14 points to 1.685 cents, or 1.825 cents, so it will be seen that even under the present rates independent refiners only have an actual protection of one-eighth cent per pound, while the "trust" have the same plus their special advantages.

In reply to my statement, showing the injurious effect of the present excessive tax on sugar on our export trade in articles in the manufacture of which sugar is an important material, it has been urged that under our customs drawback law the duty paid on imported sugar is refunded when such sugar is exported as a component part of any manufactured article. It is true that the drawback law is supposed to provide for a refund of the duty on sugar exported as part of manufactured articles, but the conditions relating to the use of sugar in manufacturing processes render this provision of no practical benefit. The sugar which enters into general consumption includes duty-free domestic cane and beet sugar; duty-free sugar from Porto Rico; imported sugar from Cuba and the Philippines, on which a reduction of the sugar duties is allowed, and sugar from other countries on which the full tariff rates are imposed. It is practically impossible for the manufacturer of articles for export to know which kind of sugar he is using, or to keep the various kinds of sugar separate, so that he can be sure that a certain quantity of imported duty-paid sugar is contained in a particular shipment of his exported products.

Even if it were practicable for the manufacturer to use only duty-paid foreign sugar, the trouble and expense involved in complying with the regulations governing the payment of drawbacks would in most cases make it unprofitable to recover the duty.

Under the present drawback law and the regulations issued by the Treasury Department to carry it into effect, imported raw sugar en-

tering into the manufacture of refined, which in turn is used in preserving the exported articles, must, in order to insure the collection of the drawback, be identified. The word "identify," as used in the law, is construed by the Treasury Department to mean that the manufacturer of the articles intended to be exported must swear that certain specified imported duty-paid materials actually entered into the manufacture of such articles. Compliance with this condition would be practically impossible unless the packer knew in advance that a portion of his product would be sold for export and arranged to use sugar which had been refined from raw sugar, paying the highest rate of duty assessed by the tariff.

The regulations prescribed for the identification of the exported materials require entries to be made at the custom-house at the port of export for each lot of exported goods, and the articles containing the duty-paid material must be inspected by customs officials. Certificates showing the importation of the duty-paid sugar, its delivery to the refiner, and its subsequent delivery to the wholesaler or dealer from whom the manufacturer purchases it, must be filed, together with the copies of the bill of lading covering the exported articles. Where the drawback exceeds a certain amount consular certificates showing the landing of the exported articles in a foreign country must also be furnished. Thus it can readily be seen that in view of the fact that the articles in the manufacture of which sugar is used are generally exported in small lots the recovery of the drawback is exceedingly difficult and, as a rule, unprofitable.

The collection of claims for drawback necessarily involves the employment of customs agents, whose charges represent a considerable percentage of the amount recovered.

In addition to the direct cost of collecting drawback on sugar, the interest on the amount paid as duties, which may not be refunded for a long period after they are paid, is a considerable item of loss.

Some relief from the present difficulties of collecting drawbacks would be afforded by the amendment of the drawback law, as provided for in the bills introduced in Congress by Hon. William C. Lovering, of Massachusetts; but under any conditions the domestic manufacturer using duty-paid sugar will be at a disadvantage in competing in neutral markets with foreign manufacturers enjoying the privilege of free sugar.

Yours, very truly,

CLAUS A. SPRECKELS.

HON. JESSE OVERSTREET, M. C., SUBMITS PETITION FOR FREE SUGAR FROM THE W. W. BACON COMPANY, WHOLESALE GROCERS, INDIANAPOLIS, IND.

INDIANAPOLIS, IND., *December 10, 1908.*

COMMITTEE ON WAYS AND MEANS,
Washington, D. C.

GENTLEMEN: The undersigned respectfully ask for the removal of the duty from raw and refined sugars, in the interest both of the 80,000,000 consumers of the country and the manufacturing industries in which it is an important material. This tax amounts to 2 cents per pound on refined sugar.

We would submit that such an exorbitant tax is not justified by the conditions relating to the production or refining of sugar in this country. Leading sugar refiners have testified that they need no tariff protection against foreign refiners, and that the abolition of the duty on sugar would so greatly increase consumption that their industry would be directly benefited.

The production of sugar in this country is very small in comparison with the annual consumption, and there is no good reason why all the people should be heavily taxed in the interest of one industry.

The relatively high price of sugar operates to prevent its more general use in the manufacture of preserved fruits 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 can not compete in neutral markets with countries like Great Britain, which have the advantage of cheap sugar.

We believe that this is a matter which should be decided by Congress in favor of the policy which will benefit the greater number of the people, and that the interests of the consumers should receive the consideration to which they are entitled. The tax on sugar is paid wholly by the consumers, and is an unnecessary burden on one of their principal articles of food. The repeal of this tax would therefore be an unquestioned advantage to the people of the entire country.

THE W. W. BACON CO.

A similar petition was received from Kuhn & Bro. Company, Pittsburgh, Pa.

CLAUS A. SPRECKELS, NEW YORK CITY, SUBMITS ADDITIONAL STATEMENT RELATIVE TO SUGAR DUTY.

NEW YORK, *December 24, 1908.*

WAYS AND MEANS COMMITTEE,
House of Representatives, Washington, D. C.

DEAR SIR: Referring to the statements of the American Sugar Refining Company, I would respectfully submit the following for your consideration.

First. It is claimed there is severe competition in this country. Even granting this, I can see no argument for keeping up an excessive duty, but I claim the actual competition is small, and outside of the Federal Sugar Refining Company and the Warner Sugar Refining Company, and possibly Arbuckle Brothers, the "trust" directly or indirectly control the balance.

Second. Protection is asked for the large number employed. The number employed in the actual refining is really small, and outside of the actual refining the same number would be employed in handling whatever sugar the country consumed.

Third. Regarding protection for the 18,852 stockholders of the American Sugar Refining Company, I believe that if the company were managed as it should be, the stockholders received all the benefits they should, the entire protection under the tariff would be made up in this way.

Fourth. It is claimed labor, materials, supplies, etc., are higher here. As far as labor is concerned, I claim that the greater efficiency

of the labor and the larger scale on which the business is done in this country offsets any difference in cost of labor.

The articles used outside of raw sugar, coal, water, barrels, bags, boneblack, play but a small part in the cost and can not be considered as much of a factor.

Fifth. It is claimed it is more expensive to refine cane than beet sugar, while in the trade raw cane sugar brings a premium over beet, and the refined product sells at 10 to 20 points over beet.

They claim the extra cost of refining cane is $6\frac{1}{2}$ cents per 100 pounds. If so, they net $3\frac{1}{2}$ to $13\frac{1}{2}$ points more for cane than beet refined. As the latter is not filtered over boneblack, it can not be used for many purposes, and also does not carry well.

Sixth. They state that free sugar would be bad for Cuba and the Philippines, but I claim raw sugar can be produced cheaper in these islands than anywhere else, and believe that if we had free sugar it would not be many years before we could ship refined sugars to Europe, made from Cuban and Philippine sugars. The consumption would also increase to such an extent that we would require more sugar from Cuba and the Philippines every year. I believe Europe has reached its limit, as far as cost of producing sugar is concerned, and same is likely to increase, rather than decrease, in the future. Some authorities predict we will have no grain to spare for export before many years, so Europe will have to raise more grain, etc., than at present.

Seventh. It is claimed the margin of profit has been small, but this was not on account of the tariff protection, but resulted mostly from poor management and attempts to kill any independent competition. The above is the cause of the small margin, and as far as having to control production, owing to competition from domestic beet and independent refiners the usual increase in consumption of about 4 to 5 per cent has or will soon take care of that trouble. The consumption has increased about 500,000 tons within the last five years, while the new beet and cane competition mentioned has a capacity of about 500,000 tons, and the "trust" is interested in some of the new beet plants.

Eighth. I will admit the one-eighth cent protection is required under the Dingley bill, but would not be with free sugar, and all we would require then would be a countervailing duty equal to any direct or indirect bounties which foreign countries might allow their producers.

Ninth. There is no fair comparison in quoting Canada with this country. They consume only 200,000 tons, against our 3,000,000 tons per annum.

As regards England, they are so near the Continent they do not have the same protection in freight that we do, and their own refineries are not up to date or to be compared in any way with ours.

Tenth. I claim refined cane sugars can not be made to advantage on the plantations, and experience has shown that it is best to ship the raws to places in the United States where there are refineries which can handle large quantities at any time. For this same reason the Hawaiian planters have their own refinery at San Francisco, instead of making refined in the Hawaiian Islands.

Eleventh. I agree that all refiners are not benefited by the duty on raws, but the "trust" are especially, in their purchases in Hawaii and Louisiana, under the present tariff.

I am in favor of free sugar as soon as possible, and believe the duty could be reduced at once to basis of 1 cent for 96° sugar without harming anyone.

I remain, yours, respectfully,

CLAUS A. SPRECKELS.
FEDERAL SUGAR REFINING Co.

WISCONSIN SUGAR PRODUCERS SUBMIT PROTEST AGAINST REDUCTION OF PRESENT SUGAR DUTIES.

MILWAUKEE, Wis., *December 24, 1908.*

HON. SERENO E. PAYNE, *M. C.*,

Chairman Ways and Means Committee, Washington, D. C.

DEAR SIR: On behalf of the beet-sugar producers of Wisconsin, consisting of four independent beet-sugar factories, representing an investment of \$3,000,000, 800 employees of these factories, and 8,000 independent farmers who grow beets and have invested \$400,000 in beet implements and devoted much time to learn beet culture, I protest against any further reduction or concessions from the present tariff schedule on sugar, and request that the concessions made from the Dingley rates be reinstated, for the following briefly stated reasons:

Protection is necessary, equitable, and proper for the one fact of higher cost of labor in this country, which the following figures show:

First. Farm labor in the United States costs from \$1.50 to \$2 per day.

Equally efficient farm labor in European beet-sugar producing countries costs from 48 cents to 96 cents per day.

Farm labor in the tropical cane-sugar producing countries costs from 20 cents to \$1 per day.

Considering the low-priced tropical labor only half as efficient as American labor, the cost of American labor averages over 400 per cent higher, while it averages over 100 per cent higher than the European labor. Same holds good for factory labor.

Second. Ocean freights to this country on sugar are so insignificant compared to cost of production that they are no offset to the cheaper foreign labor.

Third. The continuance and further development of the beet-sugar industry in the United States requires protection.

The principle of protection can be justly applied to sugar under the following propositions:

First. Sugar is an agricultural product that is now and always can be successfully grown and manufactured in the United States.

Second. The present home production is less than the home consumption; no sugar is exported.

Third. Sufficient definite protection will therefore assure the further development of the beet-sugar industry in this country.

Fourth. Further development will stimulate the improvement of farm machinery and factory appliances that will work toward a reduction in cost of manufacture.

Fifth. It is one of the few items on the present tariff list that is of actual benefit to the American farmer.

Development of the beet-sugar industry is desirable because:

First. Sugar-beet culture and beet-sugar manufacture give employment to a large amount of labor.

Second. It is therefore a direct benefit to two great classes of our people, the farmer and the laborer.

Third. The culture of sugar beets improves the soil, teaches intensive cultivation, encourages crop rotation, and offers the grower a comparatively certain crop at a fixed market price.

Fourth. The operating of beet-sugar factories during the winter months offers employment to farm labor that is otherwise more or less without employment at that time.

General propositions in favor of maintaining the present tariff on sugar are:

First. It is a large revenue producer, without being a hardship on the people. The cost of sugar in the United States to the consumer is comparatively lower than in any foreign country.

Second. Because everybody consumes sugar, the tariff tax is a uniform tax and therefore a fair tax and amounts to only 70 cents per capita per annum.

Third. Maintenance of a sufficient tariff would work for the continuance of independent manufacturers and always insure to the people of the United States a supply of sugar at reasonable prices, while a reduction will tend toward monopoly and the positive destruction of the home industry.

Fourth. The Republican party at two of its national conventions since 1896 promised continued protection to sugar producers and thus encouraged investments of capital in the United States which now exceed \$60,000,000.

Fifth. Concessions made since the Dingley tariff was enacted now operate to reduce this tariff by one-third. It is a moral obligation of the Republican administration that these concessions be reinstated. This would materially aid more rapid development of the beet-sugar industry and hasten permanent lower prices of sugar to the people of this country.

Sixth. The so-called "sugar trust" is only a refiner of imported raw sugar and therefore not a beneficiary of the tariff on sugar.

I respectfully request that this protest be printed and considered as part of regular hearing.

Respectfully submitted.

WISCONSIN SUGAR COMPANY,
R. G. WAGNER, *President.*

**BRIEF SUBMITTED BY TRUMAN G. PALMER, SECRETARY OF THE
AMERICAN BEET SUGAR ASSOCIATION.**

WASHINGTON, D. C., *December 24, 1908.*

COMMITTEE ON WAYS AND MEANS,
Washington, D. C.

GENTLEMEN: At the time the recent sugar hearings were under way before this honorable committee I was in Europe, where I had

gone for the purpose of looking into the beet-sugar industry of that country. On November 17, the day that Messrs. Atkins, Spreckels, and Stillman appeared before you, I was interviewing Mr. Henry Millington Drake, the Paris member of the sugar brokerage house of J. V. Drake & Co., said to be the largest sugar-brokerage house on the Continent, with headquarters at London, Magdeburg, and Paris.

I will state in this connection that while I had many letters of introduction to European sugar people of local reputation only, my time was limited and I endeavored to spend it with people who had national or international reputations in the sugar world and whose opinions would carry weight with anyone who might be conversant with the sugar industry.

While Messrs. Atkins, Spreckels, and Stillman were telling you that freer sugar from Cuba and the rest of the world to the United States would injure no one, Mr. Drake was telling me quite a different story. The following, taken from the notes I made immediately after the interview terminated, throws considerable light on the prevailing sentiment of European sugar authorities:

Found him thoroughly well posted on world sugar conditions. Says it cost Great Britain £3,000,000 a year by reason of her having brought about the Brussels conference, but it quieted and settled the sugar situation, which was in a nervous condition on account of European bounties on sugar. Says Germany could easily produce a million more tons of sugar per annum, but all European nations and sugar men seem to wish to preserve a normal market. Says that since the Brussels convention the up-to-date cane-sugar people throughout the world have been making money hand over fist.

So anxious was Great Britain to keep things settled, that to renew the convention and get Russia into it, she allowed Russian bounty-paid sugar to come into Great Britain free of countervail. Firmly believes that any great reduction of United States duty on either Cuban or Philippine sugar would result in such a demoralization in the sugar world as has never been seen. In reply to my statement that in apparent good faith some prominent Americans contended that to let in a few hundred thousand tons from the Philippines free of duty would injure no one, he said: "Tell those gentlemen, with my compliments, that they know nothing about it. You have already reached the danger line. You now import but two or three hundred thousand tons of full-duty-paid sugar. Once cut this off so that you import no full-duty-paid sugar and find your market filled without absorbing quite all the Cuban sugar, thus forcing their surplus onto the world's markets—be it even a few cargoes only—and the markets of the world will go to pieces in a jiffy. A hundred or two hundred thousand tons of Cuban sugar forced upon an already overstocked market, and the world market would slump not less than one-half cent per pound immediately, and probably much more. People who have not studied the question carefully have no conception of the sensitiveness of the sugar market. You can not compare the sugar situation with that of other food products. Of those we can scarcely produce enough to supply the world—of sugar, we could produce enough in one year to supply the world for many years. Each nation in Europe, for economic agricultural reasons, would like to double its sugar product, but in order not to demoralize the market, each is trying to hold its output in check. It is to be hoped that while Europe is exercising the greatest possible restraint on production, in order to maintain living prices, you in America will not upset everything by further stimulating the output of Cuba or the Philippines.

My attention was also called to the fact that in December, 1907, the world's sugar statisticians began to lower their estimates of the coming crop and by March, 1908, had cut their estimates by some four or five hundred thousand tons, with the result that during that three-months period the Hamburg price of sugar increased more than 40 cents per 100 pounds, and it was pointed out that if such a cutting down of surplus sugar would raise the price 40 cents per hundred, the converse was true, and an increase of similar proportions in the

world's sugar production, with a market already oversupplied, would reduce the world price of sugar probably much more than 40 cents per hundred.

Mr. Drake but echoed the sentiments which had been expressed to me by the greatest sugar experts in Germany, Austria-Hungary, France, Belgium, and Holland. I had met with it on all sides—government officials, sugar statisticians, editors of sugar papers, raw-sugar manufacturers, sugar refiners, sugar brokers, and officers and chemists of the various sugar associations of Europe—thus including the best-posted sugar men in the world, when it comes to considering world conditions.

The majority of these men have made the sugar industry their life work, as did most of their fathers before them. They were born and bred in a sugar atmosphere. Three-quarters of the beet sugar of the world, and, in fact, nearly one-half of the world's total output of sugar, is produced in Europe, which is the only country that produces beet sugar for export. With a limited world market already oversupplied, a comparatively small variation in the world crop of sugar makes such a difference in the price of this commodity as to mean vast sums of money to the sugar industry of Europe. Europe's home markets are fully safeguarded by protective tariffs, but when the sugar producers reach out to sell their exports in other markets, they are met with the cheap labor competition of the Tropics. They have seen Java, with no tariff concessions whatever, drive European sugars out of China, practically out of India, and partially out of Persia. A 20 per cent reduction by the United States to Cuba has been seen to result in making that island the greatest cane sugar producing center in the world. The sugar men in Europe know the almost untold millions of acres of undeveloped cane lands in both Cuba and the Philippines, and their training teaches them that freer trade relations between either of these islands and the United States means an almost limitless increase in sugar production, with a consequent lowering of the world price of sugar. At least that is the way they put it to me, and the statements of people so widely separated being in such accord, one could not doubt their sincerity, even if so inclined.

From my notebook I quote concerning one French sugar manufacturer, who evidently knew more about the islands than he did about the actions of our Congress:

Impossible to believe American Congress would consider lowering duty on Philippine sugar into home country, considering immense possibilities of the Philippines. Really could not believe our public men so unfamiliar with the possibilities of the Philippines, or of political economy, or benefits of beet culture, or so reckless of public opinion, or so daring as to injure so important a home industry. Could not believe any legislator would even introduce such a bill, on account of the ignominy which would thereby cover him. Perfectly amazed and almost speechless when I informed him that a 75 per cent reduction bill had not only been introduced at each Congress during the last six years, but was passed twice by the lower House. Says the enormous indirect economic advantages of the industry are fully appreciated by the public men and political economists of France.

A distinguished English sugar man, who went as a member of the British royal commission to the West Indies to study how their conditions could be improved, told me he looked for no material increase of sugar production in Hawaii, but looked for Porto Rico to go to 500,000 tons. No material increase in Cuba unless we granted them further tariff concessions.

With Philippine sugar on our free list, he would expect a tremendous exploitation there, which would upset our national revenues, as well as the sugar markets of the world.

To illustrate his ideas concerning the loss of revenue feature, he said that some years ago the British Government decided to allow colonial West Indian sugar to come in free of duty. After the ministry had decided on this measure, one of the ministers asked him what such a policy would cost the British revenues. He told him £1,500,000 per annum, at which the minister was thunderstruck, and called him before the ministry. They told him that on the little West Indian sugar coming in, it would make less than £150,000 difference. He told them yes, on present importations, but if given free trade all the British West Indian sugar would come to Great Britain, and that a great sugar exploitation of the islands would be induced. They saw the point and dropped the plan.

Sir Henry Bergne, now retired, was for many decades in the British foreign office, where he was head of the commercial department and examiner of treaties; was His Majesty's plenipotentiary at the copyright conventions at Berne in 1886 and 1896; acted in like capacity in 1886, 1890, and 1898 at the industrial property conventions held at Rome, Madrid, and Brussels; was the British commissioner at the Brussels sugar conference of 1898; and was His Majesty's plenipotentiary for signature at the international sugar convention at Brussels in 1902. He was knighted in 1903. Sir Henry said that he anticipated no great increase in European sugar production, but that the Philippines and Cuba were capable of a tremendous expansion, and would be so expanded if their sugars were allowed to enter the United States free of duty or if granted further tariff concessions by the United States.

Mr. Philippe de Vilmorin, of Vilmorin, Andrieux & Co., the largest sugar-beet-seed producers in France, expressed the same sentiments as did Sir Henry Bergne.

Doctor Ware, an American residing in Paris, has spent a lifetime in the study of sugar. He has what is said to be the most complete sugar library in the world. His spacious and elaborate study on the Rue de la Bienfaisance is lined on all sides, from floor to ceiling, with nothing but sugar literature, even the doors being shelved to correspond with the balance of the room; so that once in and the door closed no exit is visible. He was the United States juror for awards on sugar, teas, and confectionery at the Paris Exposition of 1900. He estimates that from his private fortune he spent \$50,000 many years ago in trying to get the beet-sugar industry introduced into the United States. He has written a two-volume standard history of the beet-sugar industry of the world, as well as several technical sugar books and a standard work on sugar-beet seed, and he edits from abroad a technical sugar paper published in Philadelphia. He says that the possibilities of sugar production in both Cuba and the Philippines are simply stupendous, and that either of them can easily ruin the home industry if given the chance. He says that the Europeans fully realize the enormous indirect advantages of producing their sugar from home-grown beets, the importance of the by-products, the making of better farmers, the better crops of all other farming products by reason of rotating them with sugar beets. He says that the Europeans feel that if at home they could produce cane

sugar at a cost of 2 cents per pound or beet sugar at a cost of 4 cents per pound they would prefer to produce it from beets at the double cost price of the sugar, on account of the far-reaching value of the indirect advantages, as aside from rum there is no by-product in producing cane sugar and not one indirect advantage. In other words, that home-produced beet sugar at a cost of production of 4 cents per pound is actually cheaper for the nation at large than home-produced cane sugar (if it were possible to produce cane sugar there) at a cost of production of 2 cents per pound.

George S. Dureau, editor and proprietor of the *Journal des Fabricants de Sucre*, the leading sugar paper of France, is convinced that free sugar from either Cuba or the Philippines would mean the total extinction of our home beet and cane sugar industries. He reiterated to me his statement of December 18, 1901, and reproduced in the hearings of this committee, that sugar could be produced in Cuba at a cost of 1½ cents per pound, and added that it is now being produced there at that figure or under. On January 22, 1902, when the Cuban reciprocity treaty was under consideration by this honorable committee, this recognized sugar authority was quoted (p. 168 of the hearings) as saying:

If Cuban sugar is to enjoy a reduction in the tariff in the United States, it should not be difficult to picture the enormous impetus the Cuban industry would take on.

A week before this opinion was read to you, Mr. Atkins (who again appeared before you a few days ago in favor of further reducing our duties on Cuban sugar) delivered to you this opinion:

The labor in Cuba is very limited, and I have very strong doubt in my mind whether there is enough in Cuba to cut and take off possibly a crop of 800,000 tons.

Those who have watched the Cuban sugar crop grow from a few hundred thousand to nearly a million and a half tons per annum under the stimulus of our reciprocity treaty with that country can judge as to the weight which should be given to the opinions of these two men.

Dr. Fred Sachs, of Brussels, secretary-general of the *Société Générale des Fabricants de Sucre de Belgique*, is the recognized Belgian authority on sugar and one of the greatest sugar authorities in Europe. On account of his vast statistical work in connection with the world sugar production, he has been decorated by his home Government with the "Order of Leopold," and for the same reason he has been decorated by the French Government. Doctor Sachs is also editor of *La Sucrerie Belge*, the leading sugar journal of Belgium, as well as being secretary-general of the *Société Technique et Chimique de Sucrerie de Belgique*. He is a chemist and sugar engineer and is interested in several sugar factories in Belgium and elsewhere in Europe. Doctor Sachs is thoroughly conversant with the sugar-producing conditions and possibilities throughout the world and is fearful of the Philippines and Cuba. Quoting from my notes:

Thinks they would flood us with sugar if we let it into our protected market. Would be like paying a big bounty to countries, one of which, without bounty and with most antiquated machinery and methods, has always been able to compete with the world. Foreign as well as American capital would rush in by many, many millions and demoralize the sugar markets of the world. Believes that with free sugar, or further tariff reductions, Philippines or Cuba would swamp our industry.

At Brussels I saw Monsieur Capelle, the Belgian minister of foreign affairs and permanent president of the Brussels convention. I quote from my notes:

Seemed to be well informed as to possibilities of sugar production in the Philippines and Cuba and of the agitation in favor of admitting their sugar to our markets under modified duties or free of duty; also as to the stimulating effect of such action in increasing Philippine and Cuban sugar production. Seemed to think that their possibilities were limitless and that the removal or reduction of our duties on their sugar would result in upsetting the world's sugar market. Said that the matter had been fully discussed and considered at the meetings of the conference.

At The Hague, Mr. Versteeg, the secretary-general of the Netherlands department of agriculture, said to be the best government authority on agriculture, informed me that in Holland the beet-sugar industry was held in the highest esteem by all thinking men, it being of the greatest value to farmers and stock raisers. He intimated that it would be a bold man, or set of men, who would advocate any policy which might result in injury to the home industry. Another official of the department, to whom he gave me a card, accorded me an interview, concerning which I quote from my notes:

Talked freely of the industry and its great value to Holland farmers. Said no thought would be given to a proposition which might in any way injure the home industry, and thus the Holland farmers, thousands of whom would not know how to turn if deprived of this crop.

Mr. Barbe, president of the Western Sugar Refining Company at Amsterdam, is the largest sugar refiner in Holland. His company refines from one and one-half to two times as much sugar as is consumed in the entire Kingdom of Holland. Mr. Barbe was a member of the Brussels convention. He informed me that he had tried to refine Javan cane sugar, but could not do so at a profit on account of the restrictions placed on it by the Dutch Government for the express purpose of protecting the home beet-sugar industry. For the sake of larger dividends he would like to be able to refine cheap Javan sugar, but the beet-sugar industry was a national blessing, which the Dutch Government protected by absolutely excluding even the Javan products, produced by Hollanders in a Dutch possession. He seemed much amused in contrasting our governmental policy toward the home and colonial sugar industries with that of his own country. Quoting from my notes:

He does not believe we will reduce the duty on either Cuban or Philippine sugar—is convinced that a 50 per cent reduction on Cuban or free Philippine sugar would be fatal to the home beet and cane industries. Can't believe that Congress would do such a thing.

I quote a paragraph from my notes concerning an interview with Mr. de Bussy, editor of *De Indische Mercur*, at Amsterdam, a paper devoted to colonial products, especially Javan:

Says Philippines can produce great quantities of sugar and are only waiting to get their status settled when large amounts of capital will go into the industry, if settled favorably to them. Exchanges with Philippine papers and keeps track of the industry. Predicts great increase in Formosa. Japanese good workers and work cheaply. Philippine land as good or better than that of Java.

Occupying high places in the sugar industry of Hungary are the Von Hatvanys, both noblemen, both members of Parliament, both

political economists of note, and both very wealthy. Three of their estates cover 50,000 acres, and all are equipped with up-to-date sugar factories, the one I visited being a 25,000-acre estate equipped with a factory of 3,000 tons daily capacity, said to be the largest in Europe.

The Hatvanys, one of whom was a member of the Brussels Convention, assume a little different, though none the less significant, position in regard to Cuba and the Philippines from that voiced by other political economists I met. Quoting from my notes:

They both feel that our affairs with Cuba and the Philippines and the outcome of it can have little or no effect on the European beet-sugar industry through the dumping of additional large quantities of cane sugar on the English market, as they firmly believe that any further concessions of tariff on these sugars would result in Great Britain closing her doors to them. Their only interest concerns the comparatively small quantity of Javan, Santo Domingan, and other sugars we now consume from tropical countries to whom we grant no tariff favors. They seemed to think that our legislators must surely consider this phase of the question, and would hesitate a long time before taking a step which would precipitate such a condition of affairs.

They were convinced that further tariff concessions to either of these tropical countries would greatly stimulate their production of sugar, and that the United States alone would have to bear the burden of her action, if such action were taken. I suggested that our tariff concession to Cuba was but 34 cents per 100 pounds, while the Brussels convention only provided for countervailing duties in case the gratuity amounted to 50 cents or more per hundred. They called my attention to the recent renewal of the convention, when Great Britain insisted that, notwithstanding the fact that Russia paid liberal bounties, and under the stimulating influence of these bounties had piled up a large surplus of sugar, Russia must be admitted to the convention, surplus and all, and Europe had to submit. They submitted that the laws of the Brussels convention were not the laws of the Medes and Persians, but were flexible and designed to be changed as often as circumstances might dictate, and that our pursuit of a policy that virtually paid a big bounty on certain tropical sugars which we consumed, and thus enabled the producers to dump their surplus on foreign markets at less than the cost of production and still make a profit on their full crop, would not be submitted to. Great Britain had forced Europe to a fair competition in the British market with British colonial sugars, and she would likewise force us and the sugars we favored, if occasion demanded.

In Paris I was told that one of the considerations which actuated Great Britain in admitting the importation of bounty-paid Russian sugar concerned reciprocal advantages granted by Russia on Russian imports of British India tea. In London I was questioned by an official of the British board of trade (a government institution) concerning the bounties paid by our state governments on the production of beet sugar. I told him that only the State of New York did this, and he said that that was his understanding, but that on account of this other governments had endeavored to get Great Britain to countervail against American sugar, not because we exported any, but as a matter of principle; but that on account of the friendly feeling existing between Great Britain and the United States Great Britain had declined to do so. He asked me to confirm

from official sources my opinion of there being only one State which granted a bounty, and advise him, which I promised to do. I mention this incident to show that the closest scrutiny of the sugar question is being observed, and that further tariff concessions to Cuba or the Philippines would probably result in closing all other world markets to their sugar.

I will not take up the space to quote the expressions of other equally noted people in the European sugar world, but will merely state that their opinions as to the enormous stimulation of sugar production which a further tariff concession to either Cuba or the Philippines would inevitably bring about coincides with those I have taken the pains to quote.

Among these notable people whom I met and with whom I discussed the subject were—

Otto Licht, of Magdeburg, the veteran German beet-sugar statistician whose figures and crop estimates on European beet-sugar are accepted the world over;

Professor Doctor von Lippman, the celebrated German sugar expert, of Halle, said to be the greatest sugar chemist and political economist on sugar in Germany; the author of a standard history of sugar and of a standard work on sugar chemistry; the first sugar refiner in Germany to produce refined sugar without the use of charcoal, and for which discovery he was decorated and made a nobleman; the managing director of a sugar refinery which annually turns out 50,000,000 marks' worth of sugar;

Privy Councilor Koenig, president of the Union Association of German Sugar Manufacturers and Refiners;

Doctor Herzfeld, the noted sugar expert, who is in charge of the experimental laboratory of the German Sugar Industry at Berlin, the greatest sugar school in the world;

Doctor Bartins, editor of *Die Deutsche Zuckerindustrie*, the leading sugar paper of Germany;

Mr. Zuckschwerdt, of the great sugar brokerage and banking house of Zuckschwerdt & Beuchel, of Magdeburg;

Doctor Stein, of Liverpool, the technical sugar expert, engineer, and chemist employed by the British Government and the sugar importers as an arbitrator of disputes on classification of sugar imports, and a director in a large British sugar refinery;

Mr. Czarnikow, of London, the greatest sugar importer in the world, with houses in London, Liverpool, Glasgow, Greenock, and New York;

Sir Nevile Lubbock, sugar broker, of London, who was chairman of the British royal commission which was sent to the West Indies to study out how their conditions could be improved, and who was decorated on account of his services in this commission, and who was the expert adviser of the British members of the Brussels convention;

British Consul Drake, one of the largest sugar brokers in Magdeburg, and member of the largest sugar-brokerage houses on the Continent;

Professor Strohmer, chief of the Austria-Hungarian sugar institute, conceded to be the leading sugar expert of Austria, and who believes the sugar world has far more to fear from the Philippines than from Cuba;

Doctor Mikusch, general secretary of the Austria-Hungarian Sugar Association, and editor of the *Wochenschrift des Centralverines für Rubenzucker-Industrie*, the leading sugar paper of Austria;

Monsieur Dormerque, administrator of the French syndicate of sugar manufacturers; and

Mr. H. C. Prinsen-Geerligs, of whom I will have more to say later.

These and others I met are thoughtful, studious men, men of culture, refinement, education, and science, many of them possessors of great wealth. They have devoted their lives to the study of the various phases of this most intricate subject. Largely by their brains and those of their fathers, Europe is being enriched by more than half a billion dollars a year, and has become independent of tropical sugar. They command the highest respect of their monarchs, as is evidenced by the fact that more than one-half of them have been decorated for services rendered the sugar industry. They also command the respect and esteem of their public officials and the people amongst whom they live. My regret is that they can not appear in a body before this honorable committee.

World's beet-sugar production and exportation.

Country.	Number of factories, 1906-7.	Production metric tons (2,204 pounds), 1907-8.	Average sugar production per factory, in metric tons.	Exports metric tons (2,204 pounds), 1906.
Germany.....	369	2,223,321	6,026	1,098,835
Austria-Hungary.....	201	1,409,357	7,012	740,238
Russia.....	277	1,403,300	5,066	93,854
France.....	255	719,900	2,823	280,306
United States.....	63	470,715	6,678	-----
Belgium.....	82	231,499	2,823	210,062
Holland.....	28	173,103	6,182	161,506
Italy.....	35	150,223	4,292	-----
Sweden.....	20	109,500	5,475	-----
Spain.....	33	106,000	3,212	-----
Denmark.....	7	52,700	7,529	-----
Roumania.....	5	21,100	4,220	-----
Canada.....	3	^a 12,500	4,167	-----
Switzerland.....	1	3,370	3,370	-----
Bulgaria.....	1	3,080	3,080	-----
Servia.....	1	-----	-----	-----
Greece.....	1	2,088	2,088	-----
Total.....	1,382	7,041,956	^b 5,033	2,581,911

^a Estimated.

^b General average.

German figures by Otto Licht, Magdeburg. All other figures, except exports, by Fred Sachs, Brussels. Export figures, except Germany, by United States Department of Agriculture.

SUGAR-BEET AREA, EUROPE AND THE UNITED STATES.

About one-half of the sugar of the world is produced from European sugar beets which are grown from as far south as Spain, Italy, and Greece to a point as far north as the Russian province of St. Petersburg and an equally northern latitude in Sweden.

From east to west there are, of course, no climatic limitations, and spread out from the Atlantic to a point far into Russia there are over 1,300 beet-sugar factories, and the industry is now spreading into the Chinese province of Manchuria.

The corresponding latitude in America covers all the territory in the United States north from Norfolk, Va., on the east and Santa Cruz, Cal., on the west, as well as a goodly portion of Canada. However, owing to our mountain ranges the beet-sugar territory dips

from northeast to southwest, and in southern California several hundred miles south of Santa Cruz there are produced the richest beets in the world.

It would thus appear that with a strip of country nearly 800 miles wide and 3,000 miles long lying within the latitude in which Europe produces sugar beets there is no limitation as to the amount of sugar which we can produce from this humble vegetable.

THE BRUSSELS AGREEMENT AND THE CONCLUSIONS OF EUROPEAN SUGAR MEN CONCERNING FUTURE SUGAR PRODUCTION IN EUROPE.

The direct and indirect benefits brought about by sugar-beet culture are so great and so generally recognized in Europe that for a number of years prior to 1903 their large sugar-producing countries were engaged in a maddening scramble to increase their production. Realizing these enormous benefits, one government after another joined in paying larger and larger bounties on export sugar. The sums so paid out in bounties amounted to untold millions, and resulted in Great Britain securing her sugar at far less than the cost of production. While this was a most satisfactory situation for the manufacturers of confectionery, jams, jellies, preserves, and a myriad of other articles, it was ruining Great Britain's sugar-producing colonies. For the purpose of saving her colonial sugars from this unfair competition in British markets, Great Britain forced the signing of the Brussels agreement in 1902, under the terms of which all bounty-paying, sugar-exporting countries, except Russia, agreed to abolish their bounties in 1903. Since that time there has been but little change in the European sugar situation, and the people whom I met in Europe look for no material change in the European production of sugar in the near future.

Sugar production is increasing gradually in the sugar-exporting countries of Germany, Austria-Hungary, Belgium, and the Netherlands, while the production in France has been falling away somewhat, presumably owing to the generally acknowledged fact that it costs about 5 francs more to purchase and treat a ton of beets in that country than it does in Germany.

Russia, on the other hand, not being a party to the Brussels Convention of 1902, has continued to pay bounties and has greatly increased her output of sugar, bringing it up to nearly a million and a half tons, thus placing her on a level with Austria-Hungary, the second largest beet sugar producing country in the world. Russia is said to have a wonderfully rich sugar-beet soil, being very rich and very black, and hence it absorbs the utmost amount of the sun's rays. Should there be any great increase in European beet-sugar production, Russia, with her rich soil and low wage rate, is expected to be found in the lead.

Of the nonexporting sugar-producing countries, Spain, since transferring her colonial problems from her shoulders to ours, in 1898, has built up a home beet-sugar industry, and now, instead of importing sugar, has a small surplus for export, and has joined, or is about to join, the Brussels Convention.

Italy, during the past few years, has built up her beet-sugar industry from almost nothing to 150,000 tons, practically ceasing to be an importer, though she is not expected ever to become an exporter, and the same conditions prevail as to Sweden and largely as to Denmark.

Bulgaria and Roumania are regarded as promising countries for a further development to meet the requirements of home consumption.

Switzerland, on account of the mountainous character of the country, is regarded as out of the question, while Servia and Greece seem to be problematical.

Great Britain recently reduced her Boer war revenue tax on sugar for the reason that it was the most recent tax to be levied, and it was imposed with the distinct understanding that when her revenues permitted of a reduction in taxation this should be the first tax to be removed; and now that the Government has a large surplus revenue, the duty has been cut from about 1 cent to one-half of 1 cent per pound. The tax was imposed purely as a revenue measure and not with a view of protection. No reduction is made by Great Britain in favor of her colonial sugars.

Of late there has been no little agitation looking to the establishment of the beet-sugar industry in the several British islands, with a view to the gradual employment of their vast hordes of unemployed. Prominent sugar importers, who admitted that they had been life-long followers of Cobden and Adam Smith, told me that they were now firm advocates of establishing the industry in the British Isles for the purpose above mentioned. One of the principal drawbacks to establishing the industry in Great Britain has been the preponderance of large landed estates and farm renters with year-to-year leases, making it difficult or impossible for factory projectors to secure long-time contracts for beets. Lord Carrington, president of the British board of agriculture, informed me that last year he secured the passage through Parliament of a bill providing for the purchase of English estates by the Government and subdividing and selling them off to farmers. He stated that under this bill he had purchased 100,000 acres during the past year, was now negotiating for a 25,000-acre tract, and expected to purchase at least 100,000 acres the coming year, thus gradually getting the lands into small ownership by the farmers who till them.

The general impression which I heard expressed in England was that that country would be on a protective-tariff basis within five years. Should this occur, and the cutting up of the lands continue, it is more than possible that the beet-sugar industry will become the leading agricultural industry of Great Britain, for it is claimed that the tonnage, sugar contents, and purity of the beets grown there are higher than in any country on the Continent, and she has cheap labor, fuel, and supplies.

NOTICEABLE CONDITIONS AND CHANGES IN THE EUROPEAN BEET-SUGAR INDUSTRY.

The beet-sugar industry of Europe is undergoing several changes. Formerly the factories were mostly small affairs and produced only raw sugar, which was shipped to central refineries to be refined, thus saving the installation of much expensive machinery at the beet-sugar factory proper. The great expense of the machinery for the final preparation of the sugar for market will be appreciated when I tell you that one refinery I visited in Germany is compelled to prepare its sugar in 20 different styles and sizes of cut loaf, tablets, crushed, powdered, cubes, etc., in order to satisfy the varied demands of the trade, thus requiring 20 sets of special machinery.

With the sharp competition of recent years, many of the smaller factories have been torn down or dismantled and their machinery consolidated in large plants in order to reduce the cost of production, and the new plants being erected are all of large capacity. With this change in the trend of affairs, the large factories began to educate the people to use granulated sugar, so that with a comparatively small additional expense in machinery the trade could be supplied with a product ready for consumption without the intermediary work and expense of the refiner. In most of the countries I visited I learned that they were succeeding in their efforts, and in France, Germany, and Belgium, at least, a goodly portion of the product of the beet-sugar factories is now white granulated sugar for direct consumption.

Another feature which has recently been inaugurated in Europe is the erection at a cost of \$60,000 to \$75,000 of quite a simple factory, which will extract 8 or 9 per cent of the sugar, leaving the balance of it in the cossettes and molasses, to be prepared and used for stock food. These plants cost much less than plants equipped with machinery to extract the highest possible percentage of the sugar in the beet, and what value they lose in sugar they claim to more than make up in the value of stock food. When Mr. Steffens first proposed the matter there he was laughed at, but it is claimed that each of the several factories so installed has proven to be successful. In Europe they secure a low price for sugar for export and pay a high price for imported stock food, and whether or not such plants as the above would be a success in the United States, where stock food is much cheaper than in Europe, is a question. It would be more likely to succeed in our New England and other Eastern States, where stock food is high, than it would in the West, where stock food is much lower.

In some portions of Europe the farmers are so anxious to grow sugar beets that in order not to show favoritism the factories, after receiving all the offers of acreage, allot each farmer his percentage, as is done with an oversubscribed bond issue. This condition tends to avoid demands for higher prices for the factory's raw material.

In some places it is still difficult to induce the peasant farmers to use machinery in the treatment of their crop, some even persisting in using a forked spade in digging out the beets. Nearly all extensive growers, however, use the most modern up-to-date machinery, including steam plows. Where land holdings are large, as in Hungary, these extensive growers contract to furnish all the way from a few hundred acres of beets up to as high as 3,000 acres, which was the largest acreage I learned of any one grower furnishing a factory. Two such growers to each American factory would have furnished us with more beets than all of our American factories sliced last year. These large growers raise beets largely for the indirect benefits secured by rotating beets with other crops and to secure the pulp to feed to their great herds of stock. If for their beets they secure anything like the direct cost of production, it is regarded as a paying proposition, though, of course, they get as high a price as possible.

Many of the factories are operated by large landed proprietors, who raise all kinds of agricultural products, run great herds of stock, operate dairies, flour mills which grind their wheat, and even breweries which work up their barley and hops, thus securing all the indirect advantages as well as the direct.

I visited one of the magnificent estates of Alexander and Joseph von Hatvany, located at Hatvan, Hungary. This magnificent 25,000-acre estate and its beautiful 120-room castle, now occupied by the Hatvanys, formerly belonged to the favorite prime minister of Maria Teresa, who often sojourned there.

The estate is equipped with a sugar factory which was slicing 3,000 tons of beets per day, and is said to be the largest in Europe. The factory consumes the beets from 70,000 acres, many thousand of which are grown on the Hatvany property, while individual growers furnish the factory with as high as 3,000 acres of beets each, which were analyzing 18½ per cent sugar.

The factory has been operated one hundred and eighty days in a season, about double the usual American campaign. This estate is also equipped with seven flour mills, which turn out 30,000 sacks of flour a day, with a brewery which uses up the barley produced, with 4,000 head of oxen and milch cows, with an extensive dairy, the milk being shipped to Budapest, and with an extensive system of narrow-gauge railway equipped with 600 cars.

I visited sugar-beet farms and interviewed the growers of seeds, among them Mr. Vilmorin, of Vilmorin, Andrieux & Co., of Paris, established in the seventeenth century, the largest sugar-beet seed growers in France, and Messrs. Rabbethge and Geisecke, of Klein-Wanzlaben, Germany, the largest growers of sugar-beet seed in the world, and the distinguished services of all three of these gentlemen in the interest of sugar have been recognized by their home governments. The sugar-beet seed industry has grown to immense proportions, but a description of either one of these farms would make a volume by itself. Sugar-beet land in this section of Germany is valued at 10,000 marks per hectare, or \$1,000 an acre. The Klein-Wanzlaben farm covers 4,000 acres and it takes 400 head of oxen to work it. It is equipped with 60 miles of private railway, a 1,000-ton sugar factory, and a dozen or more buildings of huge dimensions for the preparation and storage of sugar-beet seed. Some of the great buildings are four and five stories high and filled with cleaning machinery from top to bottom. The laboratories and seed-testing rooms are of such dimensions as to accommodate several hundred expert operatives, and are equipped with all the machinery and appliances that science has evolved. The library and museum is as large as would be found in a good-sized American city, and is filled with books and relics and appliances pertaining to the industry that are of inestimable value. It was here that before starting the rounds of the building and farms the room was darkened and by means of stereopticon views they showed us what we were about to see. In their vaults they have a record and the pedigree of every mother beet from which they have furnished seed since the foundation of the firm, and they have photographs of every mother beet they have raised for nearly forty years. All these photographs and records are indexed and each can be referred to at a moment's notice. The same care and attention to the minutest detail of seed growing prevails at Vilmorin's farm, just outside Paris, where he has a beautiful chateau and resides during the summer.

Neither the sugar-beet seed growers nor other scientific men I met anticipate being able to materially increase the sugar contents of the beet. Without exception, they feel that about the limit has been

reached, and the sugar-beet seed growers are bringing every scientific effort to bear to raising the purity of the beet, in order that a greater proportion of the sugar in the beet may be rendered extractable.

LABOR.

In France ordinary factory labor is paid from 3 francs to 3 francs 75 centimes per day, equal to 58 and 73 cents United States currency.

In one place in Germany they were paying as high as 2 marks (48 cents) per day for women and 2½ to 3 marks for men, or 60 to 72 cents per day. In another section they were paying their agricultural laborers, who worked in summer from 4 a. m. until 9 p. m., 1¾ marks (42 cents United States currency) per day for men, and 1 mark 10 pfennigs (26½ cents United States currency) for women. In addition to this these laborers were furnished with lodgings, with coffee three times a day, and with a nutritious dinner. I examined the lodgings, kitchens, lavatories, etc., which were furnished these laborers. The buildings were substantial, constructed of brick, with bare cement floors, but would hardly be considered attractive by the average American workman.

In Hungary factory wages run all the way from 40 to 60 cents United States currency per day.

In Austria the agricultural wage rate for women is as low as 12 to 15 cents United States currency per day, and for men 20 to 24 cents. Men, on piecework, working from 4 a. m. to 8 or 9 p. m., are able to earn from 60 to 70 cents per day.

Common labor in the factories is paid from 25 cents to 35 cents per day. Returning from Budapest to Vienna, I landed in a snow-storm, and the next morning many men were engaged by the city in shoveling snow. I learned that they were paid 2 kronen, or 41 cents United States currency, per day.

In order that you may compare the labor figures I have presented with those presented by Mr. Baird, I have tabulated Mr. Baird's figures, and append them herewith.

	United States.	Germany.	Austria.	France.
General foremen..... per month..	\$150.00-\$160.00	\$22.00-\$37.50		
Highly skilled laborer at the vacuum pans..... per month..	a100.00-125.00	b18.00-22.00	c\$18.00	d\$40.00
Beet-sled workmen..... per hour..	.20½	.05	.07	
Beet feeders..... do.....	.17½	.05½	.07	
At beet washers..... do.....	.17½	.22	.05½	
At the beet cutters..... do.....	.20-	.25		
Knife sharpeners..... do.....	.22½	.27½		\$0.08-.10
Head men at the diffusion battery..... do.....	.25	.06-.10	\$0.03-.05	.05½-.10
Helpers at diffusion battery..... do.....	.20	.04	.04-.06	.09-.10
Under the diffusion battery..... do.....	.20	.05-.06	.04-.06	.06-.07½
Chief man at carbonation..... do.....	.25	.05	.05	.08
Filter-press foremen..... do.....	.25			.08
Filter-press men..... do.....	.17½	.04	.05	.07
At the evaporators..... do.....	.25	.04½	.05½	.08
At the centrifugals..... do.....	.20-	(e)		
Cleaning boilers, firing and stoking head boilerman..... per hour..	.30		.07	.07
Firemen..... do.....	.25	.06½-.07		
Blacksmiths..... do.....	.40	.06½-.07½	.07	.08
Boiler cleaners..... do.....	.20			.06

a In general by the year.

b In general not by the year.

c Or \$294 by the year.

d For three months and \$10 extra for traveling expenses.

e Paid by the sack.

COST OF SUGAR PRODUCTION IN EUROPE.

Cost of production is a difficult thing to obtain in foreign countries, even under the most favorable circumstances, and I found it especially so in face of the publicity given to a letter from the State Department to our foreign consuls, asking them to secure such information for the benefit of this honorable committee. Europeans seemed to think that it was about like asking a prisoner to furnish the evidence on which to convict him.

The best specific evidence concerning its low cost of production in any one country is the figures of Otto Licht, compiled from the ruling daily prices on the Magdeburg Sugar Exchange, a most important institution, which fixes the market price of sugar in the very heart of the German sugar industry.

These figures show that in but one year since the Brussels convention has the Magdeburg price of sugar averaged above \$1.97 per 100 pounds, and that with the exception of this one year, when abnormal conditions prevailed in the sugar world, the average price of sugar on the Magdeburg Sugar Exchange during the past six years, has been \$1.85 per 100 pounds.

If these prices did not compensate the manufacturers for the direct and indirect advantages they secured from the industry, it is a fair presumption that the industry would have lagged. The following figures are those of Licht in German marks per 100 kilos, to which I have added the figures per 100 pounds in United States currency:

	Marks per 100 kilos.	United States cur- rency per 100 pounds.		Marks per 100 kilos.	United States cur- rency per 100 pounds.
1901-2-----	15.76	\$1.71	1904-5-----	25.32	2.76
1902-3-----	17.54	1.91	1905-6-----	16.22	1.77
1903-4-----	17.38	1.89	1906-7-----	18.07	1.97

From sugar manufacturers I secured data for factories in different portions of Germany, which worked out a cost of production of \$1.95, \$2.11, and \$1.98 per 100 pounds, respectively; in Belgium, \$1.837; in Holland, \$1.477 and \$1.61; in Austria, \$1.85; and in Russia, \$2.355.

The larger of the above cost figures are those where the receipts from the sale of pulp, molasses, lime cake, etc., were not given, and hence could not be deducted from the total expenses before dividing the expense with the number of pounds of sugar produced. That this makes a very material difference in European cost of production is shown by the fact that in one case where I succeeded in obtaining the figures for the sale of by-products, they turned in a revenue equal to over 30 cents per 100 pounds on the sugar produced.

This factory ran a little over 65,000 tons of beets, made something over 22,000,000 pounds of sugar, and the total expense amounted to \$396,066.50. Figuring on this basis, the cost of producing the sugar would be \$1.79 per 100 pounds. The facts were, however, that the sale of receipts from pulp, molasses, and other by-products amounted to \$58,064.35, and first deducting this amount from the total expenses, and then dividing the remainder by the pounds of sugar pro-

duced, showed a cost of production of \$1.477 per 100 pounds, a difference of 32.2 cents per 100 pounds.

The average cost of sugar beets in the United States last year was estimated at \$5.75 per ton, and the figures of the Department of Agriculture show an average extraction of 12.30 per cent, or 246 pounds per ton, thus making the extractable sugar in the beet cost \$2.33 per 100 pounds before the beets are sliced.

It seems safe to conclude that the net cost of producing sugar in Europe is materially lower than the American beet-sugar factories are paying the farmers for the raw material. In fact, the farmers of the United States are receiving more money per pound of extractable sugar in their beets than the German sugar manufacturers are receiving for the finished product. It should not be concluded, however, that the people of Europe pay a less price per pound for the sugar they eat than do the people of the United States. On the contrary, owing to the levying of consumption taxes and other forms of internal taxation, the retail price of sugar throughout continental Europe is materially higher than it is in the United States.

GOVERNMENTAL INTEREST IN AGRICULTURE IN EUROPE.

In Europe the governments' intense interest in the tiller of the soil is not confined to sporadic efforts, but is constant. A failure of crops in any country of Europe would be a national calamity and the government sees to it that such a thing does not happen. In America the quality of the farmer's brains determine his success or failure. Our Department of Agriculture is doing heroic work. Innumerable experiments are made, and the results are conveyed to a goodly number of our farmers, and there the work might be said to cease. From that time on the farmer is left to himself, and whether or not he profits by this work concerns no one but the farmer himself. In Europe it is quite different. The reasonable presumption there is that unaided the peasant farmer can not produce as abundant crops as when aided by the skilled agriculturist, who sees to it that European lands are enriched by more brains and more fertilizer per acre than any other lands in the world.

Undoubtedly this continuity of effort and the results thereby obtained are best illustrated in their governmental work in connection with the production of beet sugar, which effort began in France and Germany over a century ago and has never ceased for a moment from that day to this.

By governmental aid in the scientific breeding of sugar beet seed they have raised the purity of the beet, and have more than trebled its sugar contents. They have increased the size of the beet to such an extent that 1 acre now produces as many tons of beets as were formerly harvested from 2 acres.

They have assisted the mechanical engineers and machinery manufacturers in perfecting their processes of extraction, so that the rich beets of to-day, manipulated by modern machinery and methods, yield three times as much sugar per ton as they did a few decades ago.

They have taught the farmers how to rotate their other crops with sugar beets with such success that if the sugar beet were now removed and all the land put into other crops the entire acreage would not

produce as much tonnage of other crops as is now produced in addition to their sugar beets.

The further result is that in addition to these vast indirect advantages Europe is saving two hundred and fifty to three hundred million dollars a year which she would otherwise send to the Tropics for sugar, in addition to drawing one hundred and fifty to two hundred millions a year in gold from other countries from the sale of the sugar she exports.

Nor have these efforts ceased. Farmers' meetings in country school-houses are still addressed by scientific agriculturists, who are teaching the farmers how to produce a greater and greater tonnage of sugar beets to the acre. Nor have they stopped the scientific work with the manufacturing end of the industry. At Berlin the Government owns what is admitted to be the greatest sugar institute in the world. The immense four-story building occupied by this institute was erected for this particular purpose, and is equipped with every known scientific instrument and piece of machinery used in sugar work, including a complete working beet-sugar factory in miniature. The laboratories are marvels and the library is said to contain every standard work on sugar which has ever been published, as well as all the current sugar publications of the world and tens of thousands of sugar documents and pamphlets.

Dr. Alexander Herzfeld, one of the world's most celebrated sugar chemists and experts, presides over this institution, assisted by a faculty composed of the ablest sugar experts in the German Empire. In showing me through the building, Doctor Herzfeld explained the workings of the institute. From one year's end to the other the most careful research work is conducted, analyzing and testing first the different commercial varieties of sugar-beet seed and then sending it out to various factories, where it is planted on soils of different character, later noting the tonnage yield, and finally the sugar contents and purity, thus determining which particular seed will give the best results in each character of soil. They study manufacturing processes and have experimental machinery constructed with the view of still further perfecting the manufacturing end of the industry.

They analyze the coal, the coke, and the various other factory supplies used by German beet-sugar factories, and, as Dr. Herzfeld remarked, they had even analyzed the wine which the factory directors drank.

Students in this school take minor positions in the German sugar factories during the ninety-day campaign and then return to their technical studies. The graduates of this school know about all that is to be learned concerning the technical working of a sugar factory, and having graduated they fill the highest technical positions in the factories and in the fields, and secure marvelous results for the industry.

In Germany a young man knows that if he perfects himself in the art of sugar making his future is assured, that even though every other country in the world produces its own sugar, and thus cut off German exports, his country will still continue to produce all the sugar the German people consume; and hence young men of brains and intellect are always attracted to this industry, raising its scientific standard and bringing it closer and closer to the point where the

science of the Temperate Zone can compete with the slave wage rates of the Tropics.

I asked a German official what would be the result if in following the policy already adopted in part by the United States—and now proposed by some to be more completely adopted—the German Government should make such tariff concessions to its South African colonies or to weak but independent sugar-producing tropical countries as would enable them to produce sugar and ship it into Germany in competition with German beet sugar. Instantly he replied: "It would create a revolution and wreck the Empire. Such a thought is preposterous—not to be dreamed of for even a moment. A chancellor who would suggest such a thing would be mobbed within twenty-four hours."

With protective tariffs and bounties and cartels and sugar schools and lectures to the farmers on how to secure the best results, the fostering protection and care of that Government to the sugar industry is real and substantial and both farmers and capitalists know what to expect.

The growth of this industry and its influence on the world price and per capita consumption of sugar, perhaps, is illustrated best by its record in Germany, figures of which, compiled from the tables of Otto Licht, are given below.

Taking these figures of ten-year periods from 1835 to date, it is seen that at the earlier date they had 122 factories that produced an average of but 11 tons of sugar per annum per factory, while now they have 369 factories which produce an average of 6,026 tons of sugar per factory.

The tonnage of beets per acre during this period has been raised from 7.7 to 12.73; the extractable sugar from 122 pounds per ton of beets to 346 pounds; the area harvested from 3,250 acres of beets to 1,110,457 acres; and the sugar produced from 1,408 tons to 2,223.521.

During this period the annual taxes collected on sugar have risen from less than \$4,000,000 a year to nearly thirty-four millions a year, and the per capita consumption has risen from 4.4 pounds to 41.18 pounds. During this period they have had much to do in revolutionizing the cost of production and the price of sugar, the Magdeburg price of which has dropped from \$9.49 per 100 pounds in 1855 to \$1.97 in 1907. To-day the Magdeburg price of the 41 pounds of sugar the average German annually consumes is but a trifle greater than it was forty years ago for the 9½ pounds he then consumed.

Development of the German beet-sugar industry, 1836–1907.

[All weights in metric tons of 2,240 pounds.]

Year.	Number of factories.	Acres in beets.	Beets per acre.	Beets harvested.	Beets worked per factory.	Sugar extraction.	Sugar produced per acre.	Sugar produced.
			<i>Tons.</i>	<i>Tons.</i>	<i>Tons.</i>	<i>Per cent.</i>	<i>Tons.</i>	<i>Tons.</i>
1836-87-----	122	3,250	7.70	25,346	208	5.55	0.431	1,408
1846-47-----	107	31,750	8.82	281,692	2,633	7.14	.632	20,121
1855-56-----	216	114,700	9.50	1,091,990	5,056	8.00	.760	87,359
1866-67-----	296	242,025	10.46	2,535,635	8,666	7.93	.829	201,241
1876-77-----	328	352,185	10.06	3,550,037	10,823	8.15	.820	289,423
1886-87-----	401	692,222	11.88	8,306,071	20,715	12.18	1.45	1,012,968
1896-97-----	399	1,062,202	12.89	13,721,601	34,390	13.38	1.72	1,836,536
1906-7-----	369	1,110,457	12.73	14,171,666	38,406	15.69	1.99	2,223,521

Development of the German beet-sugar industry, 1836-1907—Continued.

Year.	Sugar produced per factory, average.	Sugar imported.	Sugar exported.	Sugar consumed.	Consumption of sugar per capita.	Taxes and customs collected on sugar.	Magdeburg price of sugar per 100 pounds.
	<i>Tons.</i>	<i>Tons.</i>	<i>Tons.</i>	<i>Tons.</i>	<i>Pounds.</i>		
1836-37-----	11	51,527	2,230	60,705	4.4	\$3,710,129.04	-----
1846-47-----	188	68,096	10,019	74,028	5.66	4,440,963.04	-----
1855-56-----	404	46,703	9,645	116,568	7.81	5,775,310.08	\$9.49
1866-67-----	680	6,471	42,975	162,429	9.90	7,501,470.48	6.32
1876-77-----	882	12,350	60,407	241,365	12.47	11,703,589.20	7.96
1886-87-----	2,526	4,570	663,266	354,273	16.54	8,069,760.00	4.22
1896-97-----	4,602	1,620	1,241,230	596,926	24.99	20,854,560.00	2.22
1906-7-----	6,026	3,117	1,008,835	1,144,629	41.18	*33,980,880.00	1.97

* 1905-6; figures for 1906-7 not obtainable.

Though on account of its great indirect, as well as direct advantages, the sugar industry has received more governmental aid and attention in Europe than perhaps has any other, it is not by any means the only industry which receives the fostering care of the Government.

For a nominal annual fee the farmer belongs to an agricultural society, one of whose experts visits his farm every thirty days and inspects his crops and his stock. If his pigs are not looking up to standard, or his cows are not giving enough milk, or the milk is poor, a veterinary is sent for forthwith, and if each and every crop is not up to standard, he is told what to do, and it is seen to that he does it. It goes without saying that the system of rotation of crops is devised by the experts. This system of directing the farmers has reached its highest development in Germany, but it is in vogue to a greater or less degree all over Europe. The effects of it are very striking when the agricultural statistics of western European countries are compared to those of Russia and the United States. The following table for 1906, covering four leading cereal crops in five countries, illustrates the value of this character of work:

Average yield per acre.

	Wheat.	Oats.	Barley.	Rye.
	<i>Bushels.</i>	<i>Bushels.</i>	<i>Bushels.</i>	<i>Bushels.</i>
United States-----	13.8	30.1	25.5	15.7
Germany-----	28.0	47.4	33.5	24.2
France-----	19.8	27.3	22.4	16.7
Austria-----	17.8	27.2	22.9	17.6
Hungary-----	17.6	30.4	22.7	17.3
Russia-----	9.2	18.9	13.4	11.3

While it is an established fact that the cane-sugar industry is an industrial juggernaut which blights and crushes every other industry that lies in its path, it is equally well understood that the beet-sugar industry is an aid to all other industries. On large areas in Germany they have demonstrated by scientific tests covering a period of fifteen years prior and subsequent to the introduction of beet culture, when one-fifth of the land was planted to sugar beets, that the remaining four-fifths of the area yielded 24 per cent more wheat, 14.8 per cent more rye, 25.2 per cent more barley, 41.5 per cent more oats, 86 per

cent more pease, and 102.3 per cent more potatoes than was secured from the entire area before the introduction of the sugar beet as a rotating crop.

The value in dollars and cents of Europe's methods of scientific farming is best illustrated in the production of two of our leading cereals, wheat and oats. The 1907 farm value of all the wheat and oats we produced on the 77,000,000 acres devoted to those two crops amounted to \$1,223,573,000. In the case of each of these crops the average yield per acre in Germany in 1906 was exactly double what it was in the United States in 1907, and hence, had our farmers been as skillful as are the German farmers, in a single year they would have added nearly a billion and a quarter dollars to their income from these two products.

It thus would seem that the scientists of Europe have effectually squelched those who were wont to scoff at the so-called "worn-out soils of Europe" when comparing them with our "virgin soils," and unless we succeed in teaching our farmers better methods of agriculture, the comparison will become more odious than it is now.

In Germany, France, and Austria-Hungary the same paternal spirit is shown in stock raising as in agriculture, and the farmers are being taught that it is as cheap to produce good as poor stock. The Prussian Government owns 4,200 stallions, one of which cost \$150,000 and several of which cost \$75,000 each. In the spring these government stallions are sent on their rounds through the country and their service is furnished at from 2 to 6 marks, a certificate of pedigree being furnished with the service. Individuals may own stallions, but can only use them for service if certified by the government officials, and the farmer accepting service from an uncertified stallion is subject to a heavy fine. The marked effect which this system has had in raising the character of stock in these countries is said to more than justify the establishment of it. Perhaps the best evidence of the value of this scientific method of breeding is seen in the German cavalry, acknowledged to be the best mounted cavalry in the world.

EUROPEAN THEORY OF TAXATION AND POLITICAL ECONOMY.

European countries which formerly collected a large amount of revenue on sugar imports finally raised their customs duties high enough to induce their capitalists to erect beet-sugar factories and produce their sugar at home, and thus become independent of tropical sugar. Then they imposed consumption taxes with which to replace the losses in customs duties, and to-day the eight principal sugar-producing countries of Europe secure over \$188,000,000 of revenue per annum from consumption and other forms of sugar taxation, as is shown by the following table, which I have prepared for the consideration of this honorable committee:

Sugar duties collected in principal countries of Europe, also in the United States.

Year.	Country.	Amount collected, in local currency.	Equivalent in United States currency.	Sugar consumption per capita. <i>a</i>	Tax collected per pound of consumed.	Tax collected per capita.	Tax collected per 82.6 pounds of sugar.
				<i>Pounds.</i>			
1907	Russia	101,467,268 rubles..	\$52,255,640	18.28	\$0.0218	\$0.40	\$1.80
1906-7	Austria-Hungary, kronas.	8186,300,000	38,191,500	23.32	.0343	.80	2.83
1906-7	Germany	146,326,700 marks.	35,118,408	40.37	.0156	.63	1.29
1907	France	153,949,000 francs.	30,020,055	35.24	.0218	.77	1.80
1906-7	Italy	75,618,929 lire.	14,745,691	7.85	.0573	.45	4.73
1907	Holland	24,300,060 gulden.	9,902,250	39.84	.0466	1.86	3.85
1907	Spain	26,696,712 pesetas.	4,618,531	11.08	.0207	.23	1.71
1907	Belgium	17,987,924 francs..	3,507,645	24.57	.0203	.50	1.68
	Total		188,359,720				
1907	United States		60,135,181	82.60	.0084	.69	.69

^a Otto Licht.

^b Estimated by Doctor Mikusch, Vienna.

^c 1908 revenue collected, \$49,984,995; figures on 1908 consumption not available.

At least for Europe, the advantages of this policy are manifold. In the first place, the \$188,000,000 annually collected in revenues from consumption and other forms of internal sugar taxes is a far greater amount than they ever collected on sugar imports. In the second place, their people pay less per pound for their sugar than they did before, or than they probably would now if the world depended exclusively on the Tropics for its sugar supply. In the third place, they keep at home from \$250,000,000 to \$300,000,000 which they would otherwise be compelled to send to the Tropics every year to purchase their sugar. In the fourth place, they annually draw from \$150,000,000 to \$200,000,000 from other countries in payment of the sugar they export. In the fifth place, they give employment to their people and their capital. In the sixth place, without increasing their cultivated area (which is impossible), they produce several hundred million dollars' worth of wheat, barley, flax, and potatoes in excess of what they could possibly produce on the same acreage if they did not have the sugar beet to rotate with. This is what the Europeans call statesmanship and is the reason they have decorated most of the men who have distinguished themselves in the line of sugar production. Their theory is that, in any event, government revenues must be raised; that if they import all their sugar and collect an import duty on it of 2 cents per pound, it raises the price of sugar by that amount; that if, on the other hand, they foster the industry and produce their sugar at home and levy on it a consumption tax of 2 cents per pound, they collect the same amount of revenue, the consumer pays his government no more in taxes, and the countries are enriched by half a billion dollars a year, which compensates many times over the difference in cost between tropical and temperate zone sugar. It is quite in line with Lincoln's statement that "I don't know much about political economy, but I do know that when we purchase a ton of steel rails from Great Britain for a hundred dollars, we get the rails and Great Britain gets the money, and when we produce the rails from our own mines and in our own mills, we have both the money and the rails."

THE DANGER POINTS IN THE SUGAR WORLD, AS SEEN BY EUROPEAN SUGAR MEN.

The authorities I met naturally were pleased at our comparative inaction relative to expanding our home beet-sugar industry. They said that for a few years after the passage of the Dingley tariff bill they were alarmed at our rapid erection of factories, but that when the Spanish-American war terminated and we began to develop a colonial policy so different from what they say could possibly exist in any European country, their fear of the mainland industry ceased and their apprehension was transferred to Cuba and our colonial possessions.

Since the Dutch Government enacted laws which prohibit the further expansion of the cane area in Java, Europe has ceased to worry about the future sugar output of that island.

They say they predicted the extermination by sugar of all other agricultural industries in Hawaii and Porto Rico, but that they fear neither of these islands, regarding 600,000 to 750,000 tons as the maximum capacity of each.

But they can't talk of either Cuba or the Philippines without using expletives. They feel that Cuba, with sufficient labor, is capable of producing anywhere from six to twelve million tons a year, and that the Philippines could easily produce as much more. They are expecting that if we make any further tariff concessions to Cuba, Cuba will find a way to coax the tobacco and other laborers onto the sugar plantations and go on doubling up her sugar crop, and that if we make any considerable concession to the Philippines, American and other exploiters will go in there and, with the aid of native and Japanese laborers, become a tremendous sugar-producing country in an incredibly short space of time, eventually forcing into the British market all duty-paid sugar, including that of Cuba, which now comes to United States ports.

The only other point they fear is Formosa, which is within 100 miles of, but not regarded as being as good a sugar country as, the Philippines.

Formosa is ordering millions of dollars' worth of sugar-making machinery in Europe. One consulting sugar engineer told me that 4 of the largest German sugar-machinery houses had each advised him that they were swamped with work, each house stating that it had received the entire order for all the sugar-making machinery which the Japanese were putting into Formosa. He calculated that the Japanese had two reasons for misleading the machinery manufacturers—one because such a statement would secure them the lowest possible price for the machinery, the other that for a time it would conceal the magnitude of their operations.

SUGAR PRODUCTION IN THE ORIENT, JAVA, AND THE PHILIPPINES.

I did not go to Europe with the expectation of learning anything of note about tropical sugar production. At every turn, however, I found people who were as thoroughly posted on the general tropical sugar situation as they were on their own Temperate Zone production of beet sugar, and at Amsterdam I had the pleasure of interviewing a world-renowned tropical sugar expert and authority, who

had just returned after a seventeen years' residence in Java, next door to the Philippines.

In the latter eighties a serious blight struck the Javan cane, and while its progress was slow, it was sure, and it threatened the total extinction of the sugar industry. In 1891 the Javan planters appealed to the mother country for aid, and Mr. H. C. Prinsen-Geerligs, already a noted scientist in the sugar world, was selected to go out to the island and try and save the industry. Mr. Geerligs went out and took charge of the experimental station, and largely through his efforts not only has the industry been saved, but it has been built up from a few hundred thousand tons to nearly a million and a quarter tons, making it the second largest tropical sugar-producing section in the world.

Mr. Geerligs talked freely, but modestly, of his great work in Java. Perhaps all that will interest this honorable committee is contained in the following from my notes, which were made at the termination of the interview:

They (the 177 Javan sugar planters, whose estates last year produced 1,210,197 tons of sugar) are all independent financially, but are all members of the Sugar Planters' Association and work together. Practically all of them live in Holland. They have all made money, but the people of the islands are just as poor as ever—30,000,000 natives, 60,000 Hollanders and half-castes. Thirty thousand Dutch and native soldiers in all the Dutch possessions. Wage rate: Men, 6d.; women, 2½d.; boys, 2d. per day. Women and boys do only light work. Abundance of people. When planters want laborers they send criers through the towns and get all they want. Pay off every few days, and natives spend their money quickly. The country was occupied 1,200 years ago, but was given up later on. Ruins of most beautiful palaces are still there, but the natives deteriorated as soon as left to themselves. Every inch of ground now cultivated. One who had not been there in ten years would not recognize it. Far more generally cultivated than Holland and Belgium, yet believes that if left to themselves for ten years only rusty railroad tracks and ruins would indicate that civilization had ever been there. The Filipinos are practically the same race of people. Holland can not colonize Java; can merely hold it. The soil is very poor, far inferior to that of the Philippines, which is exceedingly rich. Largely by fertilization have doubled the sugar crop without greatly increasing the acreage. Use much ammonia and oil cake. Without any tariff favors Philippines can compete with the world in sugar production. In no event will the building up of the sugar industry benefit the people of the Philippines. The money will all go to absentee people of wealth. Java enjoys no tariff concessions and asks for none. She has driven European sugar out of China, largely out of India, and partly out of Persia. At 1½ cents per pound Java can make 40 per cent profit, and the Philippines can do much better with modern methods. Fears large production in Formosa. Java has good climate for sugar—always warm, but soil is very poor. Parties wanted him to go into a sugar enterprise in Porto Rico, but he declined, for reason that we had not settled Philippine matters, and that if we encouraged Philippines they would eventually ruin Porto Rican sugar industry, as well as home beet and cane and Hawaii.

To further show the standing of Mr. Geerligs, I reproduce the following from *London Tropical Life* of May, 1908:

THE MANUFACTURE OF CANE SUGAR IN JAVA.

As foreshadowed in our sketch of Mr. Prinsen-Geerligs in the October (1907) issue of *Tropical Life*, that well-known authority on sugar has published an important work on cane-sugar manufacture, a book the contents of which have already made their mark in the sugar-producing world. That part of the book dealing with the chemical as well as the mechanical processes in the industry prove that they have been written by a man of great experience and high capacities. His work is of great value for the practical sugar manufacturer.

When one compares these accounts with those to hand from a primitive center like India, he is either inclined to feel that the Indian cultivator is in an utterly hopeless state, or that the sooner an English Prinsen-Geerligs is discovered and sent to improve the cultivation and manufacture of sugar in India as "P. G." has done in Java the better for the financial position of our eastern empire.

The present book runs into 450 pages, is beautifully printed, and bound in a strong, handsome cover, very attractive to the eye.

Although constantly in correspondence with Mr. Geerligs on the subject, that gentleman, with his usual modesty, omitted to mention the following interesting function, particulars of which we owe to our contemporary, the International Sugar Journal, which reports that "Mr. Prinsen-Geerligs, whose connection with the Javan sugar industry is about to terminate, has been the recipient of well-deserved honors at the hands of the syndicate of Java sugar planters, who have presented him with gold, silver, and bronze medals in virtue of his distinguished services as a director of their experiment stations."

Everyone interested in sugar cultivation will agree with the International Sugar Journal that the honor, unique in its way, is well deserved.

It will also please his English friends to learn that the Dutch Government has recently, as a proof of their appreciation of his services, appointed him an officer of the Orange Nassau Order. Meanwhile we are looking forward to the pleasure of a visit from Mr. Geerligs at an early date, as he is resigning his post in Java to take up his residence in Amsterdam as a consultant.

Further evidence covering the cost of production in the Philippines under antiquated methods was contained in a statement of E. R. Luzuriaga, of Bacolod, Negros Occidental, P. I., and furnished the Senate Committee on the Philippines by Senator Hale. It is as follows:

Senator HALE. I suppose you have seen the figures that he has made as to the cost of producing 100 pounds of sugar on his own plantation or farm or estate, and of six or eight others, as given to me. He states the cost upon his own was 69 cents per hundred pounds; in the next estate, 62 cents; in the next, 74; in the next, 74; in the next, 70; in the two later ones he names, 82 and 89; and the selling price of his own, as against 69, is \$1.735; against 62, \$1.59; against 74, \$1.62; and against the other 74, \$1.48; and against 70, \$1.70, or a net profit per hundred pounds ranging from 64.76 to 99 per cent. * * *

The letter, a copy of which has been given to me, is stated to be confidential and I will not put it in. It is from E. R. Luzuriaga, Bacolod, Negros Occidental, P. I., and dated February 9, 1905.

Now, I do not know, as the letter is stated to be confidential, how much, if any, of it the committee ought to use. In reading it over hurriedly I did not notice that it was marked confidential. These are the figures, to which I have referred, that accompany that letter.

SUMMARY.

Estate.	Acres.	Sugar.	Sugar per acre.	Cost per 100 pounds.	Selling price.	Profit per 100 pounds.	Per cent profit.
Commissioner Luzuriaga..	150	481,250	3,208	\$0.694	\$1.735	\$1.041	130
Señor Juan Arincat.....	37.5	191,125	5,096	.6218	1.59	.769	155
Señor Ramos.....	187.5	440,000	2,346	.743	1.62	.976	131
Señor Juan Cabancar.....	1,500	5,500,000	3,666	.743	1.487	.744	100
Señor Fredrico Inatti.....				.707 .82 .892	1.70	.993	140
Average.....	468.75	415,593	3,579	.744	1.625	.944	135

If still further evidence were needed to corroborate these figures and Mr. Geerlig's views concerning the Philippines, it is furnished by an article in the Manila Bulletin of September, 1907.

The Bulletin states that in the Bais district of Negros Señor Felix Montenegro and his brother-in-law, Señor Jose Bocanegra, large

hacien­deros have each put in a Buffalo-Pitts steam plow, each of which at an expense of \$10 a day does the work of 50 men and 100 carabao; that both plows are operated by natives, and each will take care of 625 acres. The Bulletin states that Montenegro had a worn-out cane field, which he had plowed seven times with a Chinese plow the preceding year and yet failed to get a crop; that he plowed this field 14 inches deep with his steam plow; that he had worked his cane through his primitive mill, which was 22 years old, but "is still in serviceable condition" and in which he "estimates that he loses easily 20 per cent of his sugar in the milling," and yet with this antiquated mill his yield from the "worn-out" land, which would produce nothing when plowed seven times in the customary Philippine manner, was 11,619 pounds, or over 5½ tons of sugar per acre. The Bulletin states that the soil is 12 feet deep and that it is in such good condition that Montenegro has replanted it to cane without replowing. The Bulletin states that the wage rate is from 10 to 12 pesos per month, or from 19 to 23 cents per day. Señor Montenegro estimates his loss of juice at 20 per cent in the grinding, and there is a further average loss in the Philippines of 35 per cent in the boiling, and yet Señor Montenegro marketed 11,619 pounds of sugar per acre from so-called "worn-out soil that presumably, like the other sugar lands of the Philippines, has been constantly in cane for thirty to forty years without a particle of fertilizer ever having been applied to it.

After nearly twenty years of the most scientific work in Java, under a Prinsen-Geerligs, with the use of vast quantities of expensive fertilizers, the most modern and scientifically conducted mills in the world, they have been able to bring the Javan production up to 9,477 pounds of sugar per acre, or 81 per cent of what they are able to get in the Philippines simply by steam plowing, with no science, no fertilization, and a process that loses 20 per cent of the juice in extraction and 35 per cent in the boiling. Mr. Geerligs said that at 1½ cents per pound the Javan sugar planters could make 40 per cent, and that the Philippines with their rich soils could produce much more cheaply, which statement would seem to be fully confirmed by Señor Montenegro's simple and comparatively inexpensive method of installing a \$5,000 Buffalo-Pitts steam plow and without the installation of a modern mill.

The question might well be asked why capital has not gone into the Philippines and developed the industry if there they can produce sugar so cheaply. It might be answered by asking why it did not go into Java long ago, instead of waiting until a comparatively recent date, even though the Dutch maintained a stable government in Java, which Spain did not do in the Philippines, while since American occupation their future tariff relations with the United States have not been determined and capital is a very timid article. Throw open our doors to Philippine sugar and the question will be asked no longer. Under such conditions it would not take a Prinsen-Geerligs to flood the world with oriental sugar.

It will be seen from the following table that with all his skill and expensive fertilizers and sugar machinery Mr. Prinsen-Geerligs has been able to bring the yield of 10 of the 177 Javan sugar estates up to a point approximating what Señor Montenegro has done on the "worn-out" sugar lands of the Philippines with neither skill, fertilizers, or a modern sugar mill:

Javan sugar production, 1893-1907.

Year.	Sugar production.	Number of estates.	Acres in cane.	Maximum yield of sugar per acre.	Number of estates making more than 5 tons per acre.
	<i>Metric tons.</i>			<i>Long tons.</i>	
1893.....	479,660				
1894.....	484,260				
1895.....	537,690				
1896.....	490,061				
1897.....	548,611				
1898.....	725,030	188	198,500	5.1	1
1899.....	762,447	183	206,440	5.7	2
1900.....	744,257	183	224,100	5.2	1
1901.....	803,735	182	242,100	5.0	0
1902.....	897,130	183	266,000	5.3	1
1903.....	952,307	178	249,000	5.8	7
1904.....	1,055,043	176	259,000	6.18	9
1905.....	1,039,178	173	260,490	5.10	7
1906.....	1,067,798	176	272,970	4.19	0
1907.....	1,210,197	176	285,017	6.15	10
1908.....		177	285,289		

NOTE.—1903-1907 figures from Summary of Commerce and Finance, January, 1908, pp. 2640-2741. Figures 1893 to 1898 prepared by H. C. Prensing-Geerligs.

SUGAR PRODUCTION AS AFFECTED BY THE COLONIAL POLICIES OF EUROPE AND THE UNITED STATES.

With the sole exception of France, no European country, not excepting Great Britain, gives preferential treatment to colonial sugars when arriving at the customs-houses of the mother country, and the French sugar manufacturers are not afraid of sugar exploitation in the French colonies. As one French beet-sugar manufacturer put it to me:

Colonial sugar comes to Marseille and Bordeaux, far removed from any beet-sugar factory, where it is refined. We are not afraid of French colonial sugar competition. The French Government would not permit the exploitation of the sugar industry of its colonies, to the great detriment of the home industry. French capitalists recognize this fact and stay out of it. The owners of those colonial sugar estates are mostly niggers. They are lazy, and not provident or enterprising. In a good year they make a lot of money and spend double what they make. The next year they go in debt.

With the exception of Holland, all European sugar-producing countries maintain a sufficiently high import duty on sugar to protect the home industry from competition with tropical cane sugar, and Holland deftly imposes such restrictions on the refining of sugar as to prevent absolutely the refining of cane sugar within the kingdom. Holland capitalists residing in the mother country have invested between one and two hundred million dollars in the sugar industry of the island of Java, a Dutch colonial possession, which now produces nearly a million and a quarter tons of sugar annually. Not only is Javan sugar not exempt from these prohibitive restrictions on the refining of cane sugar, but the restrictions were devised and executed for the express purpose of preventing Dutch capitalists from exploiting a Dutch colony with Dutch money, to the detriment of Dutch farmers and Dutch capitalists, who were producing sugar in the mother country.

Nor was this all. In order to prevent the further exploitation of the Javan sugar industry, which was gradually eliminating the rice

fields of the natives, and by overproduction and consequent lowering of the world price for sugar was threatening to injure the Dutch exportations of home-produced sugar, the Dutch Government has enacted laws which prohibit the further expansion of cane fields in the Dutch colony of Java.

It thus appears that European statesmen are a unit in the purpose to prevent the exploitation of the tropical sugar industry, whether it be to the detriment of their customs revenues or of their home sugar industry, and French, English, German, Belgian, and Dutch capitalists are effectually prevented from exploiting it under the flags of their own countries.

But while Europe has been discouraging and preventing its citizens from this work, at great cost to our revenues and to our industries, we have been providing fruitful fields for the investment of this medley of expatriated capital. We invited them to join our band of expatriated American capital in Hawaii, and with imported contract coolie labor of the lowest type exploit the cane-sugar industry of those islands and crush out all other industries. Their sugar was given free admittance to our markets, and from 1876 to 1905 we made them all rich by giving them over \$150,000,000 of the people's money, which would otherwise have been collected on the sugar they sent us free of duty. At the present time their already bursting wallets are being replenished by the American people to the extent of \$17,000,000 a year.

We invited another cluster of French, Belgian, English, and German capitalists to join with us in crushing out the small sugar and coffee planters of Porto Rico and exploit the island with modern cane-sugar mills. Just what was predicted has come to pass. The native planters are landless, their mills have been abandoned and are going to rust, they are employed at low wage rates by the exploiters, and the American people are footing the bills at the rate of nearly \$8,000,000 a year.

We invited a still larger cluster of this medley of foreigners to join a similar class of Americans in exploiting the sugar industry of Cuba. They responded with alacrity, and it now takes over \$10,000,000 a year of the people's money to satisfy them, and still they are not satisfied, but are clamoring for more.

Altogether the tidy sum the American people hand over to this bevy of exploiters of expatriated capital amounts to \$35,000,000 annually, and is equal to one-half the value of all the merchandise we sell the people of those islands, while the exploiters market their products with us to the value of four times the amount of their gratuity.

These exploiters sold us the bulk of the more than five and one-half billion pounds of sugar we imported in 1907, most of which otherwise would have been produced on American farms, and, at 3½ cents per pound for beets and labor, would have placed \$200,000,000 in the pockets of our farmers and laboring men.

Based on the average yield and value of wheat per acre raised in the United States during the past ten years, the average amount of sugar raised per acre on American beet-sugar farms in 1907, and taking 2½ cents per pound as the average foreign and freight cost of the sugar imported in 1907, it shows that in exchanging domestic wheat for imported sugar it took all the money we received for all

the wheat we raised on over 13,000,000 acres to purchase the sugar we could have produced at home on less than two and one-quarter million acres.

To pay foreign exploiters a cash bonus of \$35,000,000 a year, thereby depriving our farmers and laborers of \$200,000,000 a year, and compel our farmers to cultivate 13 acres in order to earn as much money as they could otherwise earn on two and one-quarter acres, thereby tilling ten and three-quarter million extra acres without additional recompense, virtually losing the use of that vast and valuable area, would not seem to be in harmony with sound political economy.

CUBAN RECIPROCITY TREATY RESPONSIBLE FOR EUROPEAN DISCRIMINATION
AGAINST OUR EXPORTS.

I failed to discover any sentiment in the European sugar world which was antagonistic to our home beet-sugar industry. They seem to regard the production of beet sugar by a temperate-zone country as a heritage fraught with such marvelous economic results that it would be presumptuous to a degree for any nation to feel ill tempered because another nation established such laws as would enable it to produce its sugar at home. If we placed the duty on sugar at 10 cents or even \$1 a pound, there would never be a murmur from Europe. What they do object to is to have a nation of which they are amongst its very best customers, after having erected a reasonable tariff on sugar—one of their important exports—proceed to make concessions from that tariff to tropical countries which can produce sugar more cheaply than they can in Europe, and still charge Europeans full tariff rates, thereby excluding their sugars from our markets, except when, as at the present time, the world's surplus of sugar is small. They do not consider this a "square deal" in any sense of the word, and see, or affect to see, no possible justification for it. Most of them have resented it by striking back at us on our principal exports, notably on our meat products, and it would appear that, however we may fix the tariff, they will continue to find ways to strike back, if not openly, then secretly, as long as we discriminate against their export sugar.

Both before going abroad and while abroad I was credibly informed by high sources that the fundamental cause of our recent tariff troubles with Germany was the Cuban reciprocity treaty, by which the sugar of our second-best customer was excluded from our markets for the benefit of a country which buys but little from us.

Nearly everywhere I went in the sugar districts of Europe our consuls seemed to be mystified at our not producing our sugar at home. They note the wonderful results produced all about them by the beet-sugar industry, and wonder that we are not building scores of new factories every year instead of seeming to coax the Tropics to produce it for us. One of our veteran and most distinguished consuls, a thinker and a political economist of note, a man who loves the soil and appreciates the value of agriculture, looked over my letters of introduction and in a gruff voice greeted me with the remark: "Well, why in h—— don't you produce your own sugar?" He had studied the agricultural side of the question carefully, had seen that we produced a fair tonnage of good beets, and was inclined to blame

the American sugar men for not availing themselves of the opportunity to produce the \$100,000,000 worth of sugar we annually import. I will not deny the fact that on behalf of the industry I disclaimed any responsibility for such a condition of affairs, and that I laid the blame for it at the doors of Congress, and primarily at the door of this honorable committee, without whose initiative and aid we would have made no Cuban reciprocity treaty and had no continued Philippine free trade agitation. I told him frankly that the Cuban treaty agitation at its very inception blocked the erection of 86 projected new American beet-sugar plants, in which there was to have been invested \$49,000,000, and which alone would have produced several hundred thousand tons of sugar a year, and that as a direct result of that treaty a like amount of American capital had gone into new Cuban sugar factories, and that these new Cuban factories were now supplying us with the sugar we had been preparing to produce in new American factories. I will not quote the gentleman's comments, which were forceful, if not elegant.

After calling at one of our embassies, I made the following notes:

He is very much interested in our sugar industry, has observed its great economic advantages in Europe, and wonders why we do not adopt a fixed policy which will result in our producing all our sugar at home. Says a further reduction to Cuba or the Philippines, especially Cuba, would make the people over here furious and immediately result in their exclusion of our meats as the best means of hitting back at us. Says they have already largely excluded it and they would finish the job.

Naturally most of our consuls abroad are cautious when expressing themselves on a subject which is constantly before the legislative branch of our Government and in which the executive branch seems to be deeply interested. It is evident, however, that their views on the subject are in accord with those of the governments of Europe, which would be unable to weather the storm if in any way they injured or retarded the development of agrarian interests, which in the parliaments of Europe are becoming stronger and stronger with each succeeding year.

SIGNIFICANT TESTIMONY.

Eleven years ago the people who advocated the establishment of the beet-sugar industry in America were laughed at by their enemies, who claimed that the sugar beet was an exotic, a hothouse plant, which could never be made to yield sugar at a reasonable price in the United States. I now see that Messrs. Atkins, Spreckels, and Stillman are contending for further tariff concessions, on the alleged ground that American beet sugar can be laid down in Chicago for very much less money than they can lay down tropical cane sugar at the same point. Their present argument is as fallacious as their former one has proven to be, as I will show elsewhere. Their reason for desiring a change in the tariff on sugar is plainly stated below:

Mr. FORDNEY. A complete cessation of the production of either cane or beet sugar in this country, then, would increase your business as refiners?

Mr. STILLMAN. Yes, sir.

Mr. FORDNEY. And that is why you would like to have the difference in the tariff?

Mr. STILLMAN. That is why. I would like to increase our business.

There are those who would have us believe we can let in a half million tons of Philippine sugar without its costing the American people a penny, without reducing the price of sugar, and thus without injury to the home sugar manufacturers, and with great benefit to the struggling Filipino planter. We let in a few hundred thousand tons of Porto Rican sugar, with the result that the mills of the struggling Porto Rican sugar planters are all abandoned—supplanted by the modern mills of rich alien owners, who spend their money in other lands. Supplanting 500,000 tons of full duty-paid sugar with a like amount of free tropical sugar depletes our national revenues by \$16,500,000 a year, and that it injures the American producer already has been shown to this committee.

Gentlemen who have appeared before this honorable committee and presented specious arguments in favor of reducing the duty on sugar contend that one section of the United States could produce beet sugar at a very low cost and could stand a lower rate of duty, and that the sections not so favorably situated should abandon the industry and move and concentrate their factories at the point of cheapest production. This is but an echo of the old free-trade heresy of buying in the cheapest market and selling in the dearest. Furthermore, it is economically wrong. Carried out to its logical conclusion, this principle would give us a wheat State, a corn State, an oats State, a barley State, a cotton State, an apple State, a peach State, and all sorts of specialized States; and when the drought struck Dakota we would go without bread, and when the grasshoppers struck Kansas our stock would starve for lack of corn, and when the frost struck Maryland we would go without peaches, and when the boll weevil struck Texas we would go without clothes, and when a hailstorm swept over Colorado we would go without sugar. There would not be a year but what we would be compelled to go without some commodity we need for our well-being, and the science of rotation, the greatest in agriculture, would be a thing of the past.

While the concession to Cuba was under consideration in 1902 and 1903 the opponents of the concession contended before this honorable committee that the purchasers of the sugar, and not the planters, would be the main beneficiaries if you granted the concession asked for.

On November 17 last Mr. Spreckels admitted to you that there are times when "we get the full benefit of the reduction of the tariff, about 35 cents a hundred pounds."

The terms of the Brussels agreement provide that where the aid or bounty or favors granted to the producers of sugar exceed $2\frac{1}{2}$ francs, or about 50 cents per hundred pounds, such sugar will be excluded from the markets of the signatory powers; and not having exceeded that amount in our 20 per cent concession to Cuba and 25 per cent concession to the Philippines, the markets of the world are still open to those sugars; in fact, some of the former and the bulk of the latter is now marketed in world markets outside of the United States.

Further concessions to these sugars would undoubtedly close all other markets to them, thus compelling their sale in our markets; and if under present conditions, as Mr. Spreckels asserts, there are times when he can absorb the entire concession, it does not require much acumen to make an accurate guess as to what would happen to the

Cuban and Philippine planters when all other markets were closed to their sugar.

The fact has been reasonably well established that sugar has been responsible for many revolutions in the Tropics, and it would appear from the testimony before this honorable committee that the danger of a repetition of such revolutions is not entirely behind us. In the past these revolutions have sometimes been successful, as in the case of Hawaii; sometimes partially successful, as in the case of Cuba; and sometimes they have met with ignominious failure, as in the case of Santo Domingo. In a plea for further reduction of tariff on Cuban sugars, this honorable committee has been told that—

As long as the island is prosperous and under some form of United States control, a republican government may be maintained; but should her great sugar industry be made unprofitable, either by cancellation of the treaty or by long continuance of the present high duty against her sugar, revolution, fed by her unemployed, is sure to result in the future as it has under similar circumstances in the past.

You have also been told that these revolutions—

Will be repeated unless the Cubans can govern themselves and maintain order and protect the lives of Englishmen and Germans and Frenchmen and Spaniards on the island, and protect their property.

This foreign capital in the sugar industry of Cuba, as well as in Hawaii and Porto Rico, is there because the home governments of the owners of it have prohibited its use under their own flag, to the detriment of their home sugar industry. These exploiters are regarded as a menace to the interests of their native countries, by whom they are treated with scant courtesy and less consideration. They join a similar class of Americans, and force tariff concessions from us which injure and stop the development of our home industries, and they wave before you the flag of revolution and bloodshed, which flag they predict will be carried into Cuba if you do not consent to further injure or destroy our home industries for their special benefit.

The worst that could happen if you accede to the demands of this expatriated capital would be the blotting out of the already enormous investment in beet-sugar factories and the taking from our people their richest agricultural and industrial heritage, which is theirs by right. Furthermore, if such a policy were adopted and adhered to, it would work a great hardship on 150,000 sugar-beet raisers, it would blight the growth of many of our far Western States, and it would rob our \$40,000,000 worth of reclamation work of its greatest asset.

Already you have clipped the wings of the beet-sugar industry by stopping further development. Where formerly from 4 to 11 new factories were erected in a season, we now have no more factories than we had in 1906, and yet the production of sugar from American-grown beets has increased from 312,000 tons in 1905 to 463,000 tons in 1907, showing that as they become familiar with the industry our farmers are more and more anxious to engage in it.

The beet-sugar industry has "made good." The promises you made in 1896 have resulted in this 1,100 per cent increase of production in eleven years. What capital now needs is a reiteration of the assurances made in 1896 and 1900, when the dominant party proclaimed that instead of coaxing the Tropics to produce our sugar we were going to produce it by American labor on American farms and in American mills.

For the purpose of arresting your attention and inviting your most serious reflections on this important subject, I have laid before you the opinions of some of the ablest thinkers in the world, and surely the ablest men who have studied the sugar problems. I have given you the opinions of the greatest political economists on sugar in the world, the greatest sugar chemists in the world, the greatest sugar engineers in the world, the greatest sugar-beet-seed growers in the world, the most extensive growers of beets in the world, the greatest producers of beet sugar in the world, the largest sugar brokers in the world, the most renowned editors of sugar journals in the world, as well as the opinions of European officials and government representatives, and some of our most distinguished representatives abroad. Could their views be summed up in one sentence it would be that you can't well ride two horses going in opposite directions, and that if the maintenance and expansion of the home sugar industry be of concern to this honorable committee, and I believe it is, you will be inviting disaster if you tamper with the present sugar schedule, under which the home industry has shown its greatest development.

TRUMAN G. PALMER, *Secretary.*

EXHIBIT A.

DEPARTMENT OF STATE,
Washington, January 27, 1906.

HON. HENRY M. TELLER,
United States Senate.

SIR: In reply to your letter of the 20th instant, I have the honor to inclose a statement, prepared in this department, of the customs duties imposed on importations of various grades of sugar by England, France, Germany, Russia, Austria-Hungary, Holland, Belgium, Spain, and Italy, respectively, and to inform you that none of the countries named therein, with the sole exception of France, gives preferential treatment to sugar arriving at the custom-houses of the home country from its colonies. France exempts sugar imported from her colonies from the payment of import duty, imposing only the consumption duty, while sugar imported from foreign countries is subject to the payment of both the import duty and the consumption duty, as will be seen in the accompanying statement. I have the honor to be, sir,

Your obedient servant,

ELIHU ROOT.

Statement of customs duties imposed by certain foreign countries on imports of various grades of sugar.

[Countries where sugar is provisionally liable to special duty are omitted, the United States not being included therein.]

Tariff classification.	Rates of duty per 100 kilos.	
	Domestic value.	United States equivalent.
AUSTRIA-HUNGARY.		
Raw sugar under 98 per cent polarization	<i>Florins.</i> 2.20	\$0.893
Refined sugar and all sugar of 98 polarization and over	2.40	.974
Molasses	6.00	2.436
(Consumption duty on sugar in addition: 38 kronen (\$7.714) per 100 kilos.)		
BELGIUM.		
Juices and raw cane or beet sugars	<i>Francs.</i> 25.50	4.921
Refined sugars	25.50	4.921
Sugar to be used in the manufacture of vegetable preserves, confectionery, fruit jellies or sirups, condensed milk and milk foods, and also (subject to previous denaturation) sugar for industrial purposes or for cattle foods.....	5.50	1.061
Sugar to be used in the manufacture of invert sugar.....	20.50	3.956
Sirups and molasses produced in the manufacture or refining of sugars:		
Of a total saccharine richness not exceeding 50 per cent.....	10.00	1.93
Of a total saccharine richness exceeding 50 per cent	15.00	2.895
FRANCE.		
Raw sugars, the estimated yield at the refinery being:		
98 per cent or less—		
Consumption duty.....	25.00	4.825
Import duty	5.50	1.061
More than 98 per cent—		
Consumption duty.....	25.00	4.825
Import duty	6.00	1.158
Refined sugars, other than candy—		
Consumption duty.....	25.00	4.825
Import duty	6.00	1.158
(A refining tax of 2 francs (\$0.386) per 100 kilos is also levied on raw sugar and refined other than candies. A superintendence tax is also leviable on the importation of sugar at the rate of 8 centimes (\$0.015) per 100 kilos of refined, net weight.)		
(Sugar imported from French colonies is exempted from payment of the import duty.)		
Molasses:		
Other than for distillation, having a saccharine richness of—	<i>Florins.</i>	
50 per cent or less (import duty)	20.75	\$4.004
More than 50 per cent (import duty)	42.90	5.279
For distillation, for each degree of saccharine richness (import duty).....	.20	.038
GERMANY.		
Sugar:	<i>Marks.</i>	
Refined	18.80	4.474
Raw or unrefined	18.40	4.379
Sirup and molasses.....	40.00	9.52
HOLLAND.		
Unrefined (excise duty):	<i>Florins.</i>	
Of a saccharine richness of 98 per cent or higher	27.00	10.854
Of a saccharine richness of less than 98 per cent for every percentage of quality.	a 0.27	.108
Melada, molasses, sirups, and other saccharine fluids (excise duty)	6.00	2.412
(When the degree of purity of these fluids exceeds 68, the excise shall be raised by 36 cents (\$0.144) for every unit above 68.)		
Refined (excise duty): Loaf and lump and all sugars not specially mentioned ...	27.00	10.854
ITALY.		
Sugar yielding more than 94 per cent of refined sugar	<i>Lire.</i> 99.00	19.107
Sugars, other	88.00	16.984
Molasses, raw, for the manufacture of blacking, of coloring extracts, etc. (subject to denaturation)	1.00	.193
Cane molasses, for the manufacture of coffee substitutes (under control)	Free.	Free.
Other molasses	10.00	1.93
SPAIN.		
Sugar, glucose, liquid caramel, and other analogous products.....	<i>Pesetas.</i> 85.00	16.405
Molasses and honey:		
Containing more than 50 per cent of crystallizable sugar.....	80.00	15.44
Containing up to 50 per cent of crystallizable sugar.....	40.00	7.72

Statement of customs duties imposed by certain foreign countries on imports of various grades of sugar—Continued.

Tariff classification.	Rates of duty per 100 kilos.	
	Domestic value.	United States equivalent.
RUSSIA.		
Sugar, raw.....per pound.....	Rubles. 4.50	2.317
Sugar, refined, in loaves, pieces, or lump, and sugar candy.....do.....	6.00	3.090
Molasses.....do.....	1.80	.927
UNITED KINGDOM.		
Sugar:	£. s. d.	
Not exceeding 76° of polarization.....	0 2 0	.486
Exceeding 76° and not exceeding 77°.....	0 2 0.8	.502
Exceeding 77° and not exceeding 78°.....	0 2 1.6	.518
Exceeding 78° and not exceeding 79°.....	0 2 2.4	.534
Exceeding 79° and not exceeding 80°.....	0 2 3.2	.55
Exceeding 80° and not exceeding 81°.....	0 2 4.0	.566
Exceeding 81° and not exceeding 82°.....	0 2 4.8	.582
Exceeding 82° and not exceeding 83°.....	0 2 5.6	.598
Exceeding 83° and not exceeding 84°.....	0 2 6.5	.616
Exceeding 84° and not exceeding 85°.....	0 2 7.4	.634
Exceeding 85° and not exceeding 86°.....	0 5 8.3	.652
Exceeding 86° and not exceeding 87°.....	0 2 9.2	.67
Exceeding 87° and not exceeding 88°.....	0 2 10.2	.69
Exceeding 88° and not exceeding 89°.....	0 2 11.2	.71
Exceeding 89° and not exceeding 90°.....	0 3 .4	.737
Exceeding 90° and not exceeding 91°.....	0 3 1.6	.761
Exceeding 91° and not exceeding 92°.....	0 3 2.8	.785
Exceeding 92° and not exceeding 93°.....	0 3 4	.809
Exceeding 93° and not exceeding 94°.....	0 3 5.2	.833
Exceeding 94° and not exceeding 95°.....	0 3 6.4	.857
Exceeding 95° and not exceeding 96°.....	0 3 7.6	.881
Exceeding 96° and not exceeding 97°.....	0 3 8.8	.905
Exceeding 97° and not exceeding 98°.....	0 3 10	.929
Exceeding 98°.....	0 4 2	1.012
Molasses and invert sugar and all other sugar and extracts from sugar which can not be completely tested by the polariscope and on which duty is not otherwise charged:		
If containing 70 per cent or more of sweetening matter.....	0 2 9	.504
If containing less than 70 per cent and more than 50 per cent of sweetening matter.....	0 2 0	.486
If containing not more than 50 per cent of sweetening matter.....	0 1 0	.243

^a But not less than 18 florins (\$7.236) per 100 kilos.

NOTE.—One hundred kilos equals 220.46 pounds, 1 pood equals 36.112 pounds, 1 hundredweight equals 112 pounds.

HUGH KELLY & CO., NEW YORK CITY, ASK FOR A REDUCTION IN THE DUTY ON CUBAN SUGAR.

NEW YORK, November 27, 1908.

HON. SERENO E. PAYNE,

*Chairman of the Ways and Means Committee,
House of Representatives, Washington, D. C.*

DEAR SIR: Controlling and representing considerable raw-sugar interests in Cuba, we beg to submit the following data as to the cost of production of cane sugar in Cuba, and our recommendation for a reduction in the tariff on sugar in the United States; this in addition to the information presented to your honorable committee at the hearing granted to sugar planters on the 16th and 17th instant.

We abstain from going into historical facts regarding the necessities of Cuba, past or present, or the economical and political conditions of the island, but shall endeavor to place before your honorable committee only such absolute facts regarding the Cuba cane-sugar business that, compared with the cane and beet sugar industry of the United States, they may recommend a reduction in the tariff on sugars coming into the United States.

Cuba has endeavored to live and move out of her two important staples, viz, sugar and tobacco, the first of these furnishing employment for three-fourths of all the labor employed on the island. While tobacco is of paramount importance in one Province, viz, Pinar del Rio, and of secondary importance in the Remedios district, sugar is the basis of all commercial movement and of all credit in the remaining districts of the island. The production of 1,200,000 tons of sugar, which it is expected Cuba will produce this coming crop of 1909, means the raising, cultivation, and harvesting of 12,000,000 tons of cane. The hauling and treatment of this quantity of cane means the handling of 13,200,000 tons of material, raw and finished, and of all the supplies, fuel, and other goods necessary to the manufacture of sugar, amounting to perhaps another 1,000,000 tons. There is thus an interior movement of over 14,000,000 tons of material in one season, which will give life to railroad activity and provide labor with employment in every direction. It furnishes the means for clothing, feeding, and housing the people in that business, and this in turn gives life to commercial activity in the cities and towns, and added business to the railroads and other public carriers.

More important than all this benefit to the population of Cuba is the benefit which will accrue to the United States in the shape of the large purchases of the manufactures and produce of this country which Cuba will need and will be able to purchase by the earnings of the people in the industry. The more liberal the sugar industry of Cuba is treated the more liberal will the money from that island purchase in the United States.

The cost of producing sugar in Cuba has been stated variously by responsible men before the Ways and Means Committee, but in all cases the cost of production has not been given below 2 cents per pound, and this figure, can be easily proven, is not high.

The average production per factory in Cuba at this time may be roughly set down as 7,000 tons sugar, say 182 factories producing an aggregate of 1,200,000 tons. The cost of a factory equipment, railroad and rolling stock, land and cane fields for a capacity of 7,000 tons of sugar per annum, including a small working capital of, say, \$50,000, is not less than about \$850,000. The capital invested is certainly worth 5 per cent per annum. The wear and tear on machinery and buildings is not less than 5 per cent per annum. The maintenance of railroad plant may be put down at 5 per cent per annum. The depreciation in fields may be set down as 10 per cent per annum. The cost of cane under normal conditions and with an abundant supply of labor has never been less than \$3 per ton, and has been, under competitive conditions, as high as \$4.50 per ton. The cost of manufacture, say one-half cent per pound, must be conceded by our contemporaries in the beet-sugar business as low.

Thus we have the cost of producing a crop of 7,000 tons of sugar, or, say, 14,000,000 pounds per season, as follows:

70,000 tons of cane, at \$3.....	\$210,000
Cost of manufacture, one-half cent per pound.....	70,000
Interest on capital invested, 5 per cent on \$850,000.....	42,500
Wear and tear on machinery, 5 per cent on \$420,000.....	21,000
Wear and tear on railroad, 5 per cent on \$200,000.....	10,000
Depreciation in fields, 10 per cent on \$140,000.....	14,000
Depreciation on cattle and cars, 10 per cent on \$40,000.....	4,000
Total	371,500

Add to this an average expense for railroad haul to the coast, light-erage, and shipping expenses of, say, 25 cents per 100 pounds, \$35,000, and we have a grand total of \$406,500 as the cost of producing and delivering on board vessel in Cuba a factory crop of 14,000,000 pounds of sugar, or, say, 2.90 cents per pound.

In order that our contemporaries in the beet-sugar business may understand that these figures of cost are not excessive, we beg to quote for you from the statements of Messrs. Oxnard and Cutting their own figures, viz:

Beets, per ton, \$4 (containing 15 per cent sugar), as against our cane at \$3 (containing 10 per cent sugar).

Expense of working beets into sugar, \$3 per ton of beets (equals 1 cent per pound for manufacture, as against one-half cent per pound quoted for Cuba).

The average yield of sugar from cane in Cuba is about 10 pounds in each 100 pounds of cane. The present value of these goods in the United States market, duty paid, is 3.86 cents per pound for 96° test.

The cost of delivering sugar in the Atlantic and Gulf ports in the United States is as follows:

	Per 100 pounds.
Insurance, one-half per cent.....	\$0.01
Freight .....	.12
Duty.....	1.348
Weighing .....	.01
Brokerage and charges.....	.01
Loss in weight and test.....	.02
Commission, 2½ per cent.....	.085
Making total charges	1.603

Deducting this figure (\$1.603) from the market value, \$3.86, viz, less \$1.603, we have \$2.257 as the value of 100 pounds of 96° test Cuba centrifugal sugar free on board vessel in Cuba, or, say 0.02–0.257 cent per pound as the present net value of Cuba sugar, which it costs 0.20–0.90 cent per pound to produce, indicating a loss of 0.643 cent per pound on every pound of sugar Cuba will produce this coming crop.

On the other hand, we understand from reliable sources that it does not cost our friends in the beet-sugar business, at the most, more than 2½ cents per pound to produce refined sugar, packed, ready for marketing, which upon the present duty-paid price of sugar would show an apparent profit, through legislative privileges, of exactly the amount of the duty on Cuba sugars, or say, 0.01–0.348 cents on every pound of sugar they produce, and which is taken from the United States consumer. It is this wide margin of profit which permits the beet-sugar interests to slash prices without any regard whatever as to the merits of manufacture, having the range of this entire amount of protection in competition with Cuba and other foreign sugars. On such basis of prices as above shown, and which actually exist, Cuba can not afford to concede even one thirty-second cent per pound without bringing them much nearer to destruction.

If our competitors in the beet-sugar business are so patriotic, why do they not dispose of their sugars to the consumer at cost of manufacture, plus a fair profit of say one-half cent per pound, which would make the price 3 cents, and leave Cuba with a margin of one-

tenth cent per pound profit, of which our beet-sugar contemporaries should not be envious.

In considering the tariff placed upon the product of other countries it should not be omitted to consider the great desire of the manufacturers and producers of the United States to reach out for the export trade, which is so much coveted at this time and advocated by the United States Government in the consular and trade reports gathered at great expense for the benefit of our home manufacturers. If we treat our foreign producers and their product in an inconsiderate manner, all the effort the Government may make otherwise will not bring the desired export business unless we show a reasonable reciprocal feeling or treatment. It is obvious, therefore, that with a substantial reduction of the duty Cuba would receive a living price for its commodity and have a larger money-purchasing power, which must necessarily come to the United States by reason of a reciprocal arrangement.

It does not appear reasonable or just that such an important country as Cuba, and the adjacent island, Santo Domingo, should be held as fair game to be bled for the benefit of perhaps a dozen beet-sugar factories of this country and to the detriment of 85,000,000 of population of the United States.

Another important island is Santo Domingo, which by its natural location and close proximity to the United States should receive the same benefits as Cuba does in our business relations. Santo Domingo on the east end, with Porto Rico, guards the Mona Passage; on the west end, with Cuba, the Windward Passage. Santo Domingo produces principally sugar, say about 60,000 tons per annum, and perhaps 10,000 tons of cocoa, 90 per cent of all of which comes to this country, while Santo Domingo purchases all of its supplies and manufactures from the United States. Yet she is entirely excluded from any favors whatever. Porto Rico on the east end, being now United States territory, enjoys the free entry of all its produce into the United States, yet their labor, especially in the fields, receives not more than 50 cents to 75 cents per day, while in Santo Domingo field labor is paid about \$1.25 per day, which is about the same paid in Cuba, the latter having an advantage at present over Santo Domingo of a 20 per cent reduction in the tariff.

The United States Government officials are to-day in Santo Domingo as well as in Cuba. In the former country they are engaged in the collection of the import duties of the country and with the regulation of its foreign debts and in peaceful pursuits, while in Cuba we have been compelled to station our troops and place our officials at the head of government in order to keep peace and order in the country. It therefore appears but fair and just to Santo Domingo that when tariff revision and treaties are discussed concerning Cuba that that clause be stricken from the treaty excluding all other countries of the West Indies from enjoying a reduction of 20 per cent on United States import tariff schedules and that Santo Domingo be treated at least as liberally as Cuba, having in mind that the trade between Santo Domingo and the United States is growing very rapidly in importance.

In the United States a little over 1 per cent of our people are interested directly in the production of sugar, while nearly 90 per cent of the population are interested in other industries of the United States, and the whole 100 per cent are consumers of sugar.

Some time ago Representative Robertson, of Louisiana, stated that 500,000 people in his State are interested in retaining the full duty on sugar. While this may be true, Louisiana has probably 700,000 other people who are interested in the production of rice, cotton, oil, lumber, etc., who demand a wider market for these products.

Michigan is deeply interested in beet-sugar production, but we should not lose sight of the fact that the people of Michigan produce enormously of lumber, copper, machinery, railroad equipment, and general manufactures, all of which demand constantly widening markets.

Ohio may produce beet sugar, but she produces also machinery and manufactured goods of vastly greater value, for which she demands a market, and the greatest of her sons, William McKinley, now of revered memory, with his dying breath told how she might secure this market.

California may be interested in sugar production, but she produces also wine and olives, and Cuba is a large consumer of these goods.

Kansas produces little, if any, sugar, but her pork industry is vitally interested in the Cuban demand for its goods.

Minnesota produces sugar, if you please, but Cuba wants 3,000,000 sacks of flour per annum, to say nothing of the amount of her lumber products which Cuba can consume annually.

Pennsylvania produces no sugar, but finds every year in Cuba a market for millions in value of her coal and her steel and iron products.

New England produces no sugar, but manufactures shoes, cloth and cotton goods, machinery and machine tools, which demand an outlet in the Cuban market.

Will the Louisiana sugar industry yield nothing to her manufacturing industries?

Have the Ohio and Michigan beet-sugar interests no desire to yield anything to their greatly diversified manufacturing interests?

Has the 99 per cent of our population no rights in this question which the 1 per cent is bound to respect? Is 1 per cent of the population of the United States to determine and dictate what will be the policy of this great country at a time like this? God forbid that in a country where the good of the majority is the good of all so insignificant a minority as 1½ per cent of the population should successfully withstand the sentiment of the great majority with respect to what is not alone morally the duty of the country to Cuba at this time, but for the material good of our own people as well.

If it be true, as the late Hon. O. H. Platt, of Connecticut, said, that if there were but one factory in the United States in any given line of industry, that one factory would be entitled to consideration, then I urge with equal truth in this country, in which the equality of man is our proudest boast, that if there were but one consumer of a given article in this country, that one consumer is entitled to consideration also. And if this be true of one consumer, what shall we say of the rights and the consideration to which 99 consumers are entitled as against the same consideration for one producer.

Respectfully submitted.

HUGH KELLY & Co.,
FRANK SCHAFFER, *President.*

BRIEF SUBMITTED BY ROSWELL A. BENEDICT, OF NEW YORK CITY, IN BEHALF OF THE SUGAR GROWERS AND SUGAR CONSUMERS OF THE UNITED STATES.

NEW YORK CITY, *December 4, 1908.*

COMMITTEE ON WAYS AND MEANS,
Washington, D. C.

GENTLEMEN: This memorandum is in behalf of the sugar-growers of the United States, as well as in behalf of those of us who consume sugar and are therefore interested in the lowest reasonable price of the article. Will the committee kindly investigate the facts in regard to beet-sugar production in Germany and France? If other countries such as these can produce all their own sugar so that the ratio of their own supply to their own demand fixes a reasonable price, considering their wage-scales, it would seem to be a wanton waste of our own opportunities of employment for us to go on importing sugar. Why should we not encourage the beet-sugar industry until beet sugar is produced all over the country, thus giving us a steady and reliable supply and furnishing employment to many of our citizens who are now often idle? Would this not help to relieve the congestion of labor upon other industries and so prevent the depression of wages and the purchasing power of the country?

There is strong reason to believe that lack of sufficient protection against German, Porto Rican, Cuban, Mexican, Hawaiian, Philippine, and other sugar is the only obstacle in the way of making sugar production in this country so general that sugar refineries would be as common as are now creameries and milk dairies, poultry farms, and the like; and that with this wide development of the industry and the appearance of beet-sugar farms and refineries close to every town, we should be saved what we now lose in freights, storage, wastage, insurance, and wholesale and jobbing commissions, and the retail price of sugar would finally be reduced at least one-half.

Of course, this same argument could be used in behalf of protecting other products, and if all were treated alike imports of competing goods would cease and our people would be unable to purchase them at lower prices than those fixed by the ratio of the American supply to the American demand. A little thought, however, will show that no country as a whole can purchase its supplies abroad at a final cost less than that of producing its supplies at home, because to import a given thing instead of producing it at home is to limit domestic industry and narrow the field of domestic employment, and so diminish the aggregate volume of domestic wages and reduce the country's purchasing power, which means to reduce the volume of its domestic business. The importing business can only profit those who sell the imported article in this market at about the American ruling price, or but a trifle under, and pocket the difference between the domestic and foreign wage-increment of cost in the article. The gain in this trade is not available to help employment and business here, because, to repeat the gain, the importer must continue to pay foreign labor and capital for the goods the importation of which yields him his profit. The whole importing business is thus based on the principle of reducing American purchasing power by exporting opportunities to labor and their accompanying wages.

The writer strenuously advocates the swelling of our volume of employment by such protection as will reserve for this country its own domestic market for sugar, in the end cutting out totally imports from every country on earth, including Porto Rico, Cuba, Hawaii, and the Philippine Islands; for the reason that, since employment means wages and wages means business, the highest prosperity of the country can be reached only by swelling employment to its greatest possible volume.

If the query is, What would become of Porto Rico, Cuba, Hawaii, and the Philippine Islands if denied our market for sugar? the answer is, Teach them to close their own ports, do their own work, make their own domestic market, and cease being the victims of foreign commercial filibusters exploiting their respective countries. If people in tropical countries lack abundant employment, food, and other necessaries, it is their own fault and not the fault of countries like ours, that half the year through wallow in snow banks.

The sugar producer in this country is in the same predicament enjoyed by other producers. The importers are constantly longing to part his garments among themselves. But, looked at strictly from the national standpoint and not from that of profit-taking individuals, the only possible employer of this country which can give it the largest wages for its work is the country itself; and this for the reason that it pays wages which average five times as high as those paid by the world outside. Nobody disputes that wages here are the highest in the world. Taking 100 as our scale, the scale of the world at large is but 20. This is easily gathered in a general way and by a Yankee guess from the fact that British wages, compared with our 100, stand at about 50, perhaps a trifle more; but more than likely, taking into consideration the fact testified by Sir Henry Campbell-Bannerman some time before his death, that 12,000,000 of the inhabitants of the British Islands are constantly on the verge of starvation, British wages average a good deal less than 50, compared with our 100, if the amount of wages paid in a year per capita is considered. If British wages stand at 50, German wages stand at about 30, French at about 28, Italian at about 25, and so on until you come to India, where a man is paid 2 cents a day for fanning the white pilgrim, and China and Japan, where wages are somewhat higher. To say that the average is 20, compared with our 100, is safely within the mark; and it thus appears that this country, as its own employer, producing its own sugar instead of importing it, must pay itself an average of five times as high wages as it could get by putting out its work to aliens. The country lives by employment, and it can not live in any other way. Then why not employ it to make sugar?

It is evident that, by any reduction whatever of its present tariffs, for this country to increase imports is for it to accept a less generous employer than itself, and that the country as a whole must suffer with every pound of imports, whether sugar or whatnot, however profitable individuals might find it to export American employment and pocket the difference between the American and foreign scale of payment therefor. The odds are 5 to 1 in favor of the importer of foreign goods, which odds are sufficient to explain the fervor of the free-trade or low-tariff propoganda in this country and the fact that almost the entire press of our seaboard and importing cities indus-

triously disparages the protective policy, and is especially bitter against our beet-sugar producers, who do not want to be sacrificed for the benefit of American and other syndicates which, on the strength of our supremacy in Cuba and the Philippines, have purchased large tracts of sugar, tobacco, rice, and other lands in those islands.

With regard to sugar, as with regard to other things, the protective policy is justifiable not only because, from the low labor standards of countries abroad, this country must always be its own most generous employer, but because there is no possibility, through any sort of development or perfection of our sugar industry, of our reaching such low costs that any other policy would mean anything else than the ultimate total destruction of sugar making here. Why? Because cost of subsistence must always be the naked cost of production, and that cost must always vary with climate, differences in soil being practically negligible when any two large national areas are considered. Therefore, in a broad, general way, cost of subsistence, hence cost of production, varies directly with latitude between the poles and the Tropics. It follows that capital, unprotected from competition from lower latitudes and unhandicapped against emigration, must constantly gravitate toward lower latitudes; and since our country is a country of an average high latitude and wholly outside of the Tropics, to lower our tariffs is to force our capital to gravitate toward the Tropics, while to increase our tariffs is to fix it more securely at home.

This gravitation of our capital toward the Tropics because of insufficient tariff protection is illustrated by the result of the Cuban treaty and the gathering of American capital in Cuba to influence its annexation and final absolute free trade between this country and that. It is said that the exploitation of Cuban iron-ore deposits for marketing in this country is already taking on large proportions; and it seems to be but a mere question of time when Cuban sugar will destroy sugar production in the United States. Outside of our own field, this gravitation of capital is illustrated by the movement of British capital to India and northern Australia, as well as to parts of Africa; and the general piling up of temperate-zone capital in such countries as Mexico and Brazil.

The facts upon which, for many years past, the arguments for protection have been based need only to be stated in an orderly way to develop an economic law which goes very far toward proving that, for this country, anything but a policy which gradually increases protection until foreign trade is entirely cut out must be a policy of national suicide for the benefit of importers. The writer has gathered these facts and has arranged them as follows:

(1) Capital desiring a given market for its output must finally locate in the area of lowest cost of production for that market.

(2) Cost of subsistence is cost of production and is represented by pay rolls, which are the measure of what is called "business."

(3) Outside of the Tropics, naked cost of subsistence varies directly with latitude, while within the Tropics it is uniform and lowest.

(4) If, in competing areas of production, differences between pay rolls or latitudes be not offset by handicaps, the following will be true:

(a) If such areas are in the same average latitude, capital will gravitate toward the lowest pay rolls. The higher pay rolls will contract, while the

lower will expand, until pay rolls and their incident business have become equalized throughout the competing areas.

(b) If such competing areas lie in appreciably different latitudes not in the Tropics, capital will gravitate toward the lowest latitudes; and pay rolls and their dependent business will be destroyed everywhere, except in that area of lowest average latitude large enough to furnish products equal to the weakest consuming power of the combined areas.

(c) If tropical areas are included in the competition, capital will gravitate thither and monopolize production to the utmost combined producing capacity of such areas. Pay rolls, business, and the higher civilization will be extinguished everywhere in such competing areas, except in the tropical parts, and in whatever area of lowest average latitude outside may be necessary to make good any shortage of the tropical parts in yielding products equal to the weakest consuming power of the combined areas.

The division (c) above, shows only too clearly what will become of our sugar industry in the continental United States if we enter upon competition in our own market with Cuba or the Philippines. We are bound to be cut off in our sugar production by the utmost combined producing power of Hawaii and Porto Rico, with which islands we never should have had free trade. To enlarge tropical competition under such circumstances is as surely to destroy commensurately our own employment in sugar production as suns continue to rise and set.

But sugar production here will not be the only thing wiped out by increased tropical competition. The Tropics have all we have and much we have not. They can produce everything that we can and things we can not. This applies not only to agricultural and orchard products but to manufactures as well. Let down our tariff dike ever so little and to that extent we have wiped out our own industries all along the line.

A sufficient protective tariff is the only handicap which can prevent our capital from gravitating outward, both toward the lower pay rolls of Europe and Japan and the lower latitudes of Mexico, Cuba, South America, the Philippines, India, southern China, northern Australia, and Africa.

The more the foregoing "law" is studied, the more just appear its conclusions and the more vividly it appears that he who comes to your committee asking for more protection is seeking something in whose benefits the whole nation must share; while he who pleads in any degree whatever for lower tariffs—it matters not upon what kind of goods—is pleading for himself alone and the opportunity to profit from the impoverishment of the nation. He alone is asking "class legislation" of the narrowest and most cruel kind.

Respectfully submitted.

ROSWELL A. BENEDICT.

SUPPLEMENTAL STATEMENT BY F. M. HATCH, REPRESENTING THE HAWAIIAN SUGAR PLANTERS' ASSOCIATION.

WASHINGTON, D. C., *December 5, 1908.*

COMMITTEE ON WAYS AND MEANS,
Washington, D. C.

GENTLEMEN: The sugar industry of Hawaii to-day shows an actual investment of over \$70,000,000.

The property representing this investment is assessed for taxation purposes in an aggregate sum of \$69,200,000.

There are 70 plantations, whose shares of stock are widely distributed in individual holdings. The corporate organization has been adopted as a method of cooperation, as well as to secure limited liability of investors. Without the latter the development of an industry involving as much risk as is involved in starting a sugar plantation could not have taken place in a community having so little accumulated capital as Hawaii. The result has been that almost the entire community in Hawaii is interested in, and to a large extent dependent upon, the sugar business—both directly as shareholders, sugar stocks being widely distributed among the people as above pointed out, and indirectly through connection with a hundred and one forms of business dependent upon sugar for existence.

Notwithstanding the very promising results expected, and to some extent obtained, by the new industries now being started in Hawaii, which have excited great local interest, sugar continues the mainstay of the islands. It is the sugar industry which pays the great bulk of the taxes and without which the Territory could not keep up its schools and other institutions, and would, in fact, become speedily insolvent. The vital importance of the upkeep of this industry in Hawaii to the entire population of the islands can not be too strongly emphasized.

Hawaii is handicapped by heavy cost of production in sugar and by a large marketing expense. Cultivation is intensive; replowing follows every second ratoon crop; irrigation and the fertilizers used add greatly to the cost of production.

The following table shows the capital invested, percentage of profit and dividends paid, with New York prices of raw sugar, for the last five years for which the figures are available. The results in 1907 would not materially change the averages. The returns for 1908 are not yet at hand, but the crop will be larger than in previous years, amounting to 520,000 short tons.

Year.	Capital invested.	Per cent profit.	Per cent dividend paid.	Average New York price 96 raws.
1902	\$63,940,650	1.31	2.75	0.03542
1903	64,878,931	7.02	2.40	.03720
1904	65,431,573	7.02	2.96	.03974
1905	66,663,645	12.52	8.71	.04278
1906	70,913,798	7.05	6.34	.03686
Average .....	.....	6.984	4.632	.03840

The five years covered in the above table represent a fair average of the sugar industry in Hawaii; they include the year 1905, when the price of raw reached the highest point in the past ten years. The average price in New York for 96 centrifugal sugars during the five years covered was 3.84 cents; this figure is above the normal price for sugars, and is higher than may reasonably be expected in the next five years under present tariff conditions.

Sugar is almost the only staple commodity that has not materially advanced in price to the consumer during the life of the Dingley tariff law. While meat, flour, lumber, shoes, steel products, and coal have advanced from 20 to 40 per cent, the average cost of sugar to the actual consumer has remained substantially the same for the past ten years.

The average price of granulated sugar during the first year of the Dingley tariff was 4.80 cents; the average price during ten years of the Dingley law has been 4.85.

Exaggerated statements are frequently seen in regard to yields and profits in the Hawaiian sugar industry. The average yields of 4.403 short tons per acre for an eighteen months' crop in Hawaii have been made possible by the most scientific and expensive system of agriculture; the milling processes have also been developed until they are the most efficient in the world.

Cuban yields per acre through a ten-year period would be approximately $2\frac{1}{2}$ tons per acre on new lands.

In Hawaii a crop requires eighteen months to mature; hence the average yield of an acre of land in ten years would be 29,354 short tons, or an average of 2,935 tons annually. In addition to this, time must be lost for frequent replowing and replanting in Hawaii.

Consideration may reasonably be asked for sugar plantations operating under average conditions. The records for the last five-year period show annual profits per hundred pounds of sugar as follows: 12 cents, 54 cents, 62.8 cents, 98.9 cents, and 58.8 cents; an average of 57.3 cents.

This demonstrates how relatively small and uncertain the margin of profit is; the wide fluctuations in the world's price of sugar makes the uncertainty even more pronounced.

This average profit on Hawaiian sugar production during the last five-year period of about 57.3 cents per hundred pounds was approximately the same as that of the beet-sugar producers of the United States. If the duty had been one-half cent per pound less, the earnings would have been about 7.3 cents per hundred pounds.

A reduction of one-half cent per pound on the sugar tariff within the last five-year period would have made a decrease of 6.06 per cent on the total earnings of Hawaiian sugar plantations. This would more than have wiped out all the dividends paid during those years, and would have left the entire industry without any return on the capital invested after allowing for depreciation.

No agricultural or industrial enterprise can reasonably be expected to do business on a smaller margin than 7 per cent average earnings where there are conditions of hazard such as inevitably exist in the sugar industry.

Any material reduction in the sugar schedules would cause an immediate and crushing loss on existing properties and a complete demoralization of the commerce and industrial life of Hawaii. Hawaii is practically a one-crop country. No remunerative crop exists to replace sugar if this should have to be abandoned. The capital invested in sugar would become almost a total loss, the most expensive parts of sugar plants not being available for other purposes.

The loss would not be confined to the sugar business, much more than the fate of a single industry is involved, so far as Hawaii is concerned.

A disorganization of the sugar industry would be a public disaster, the effect of which upon the Territory as a whole would be immeasurable.

F. M. HATCH.

OTIS H. CUTLER, NEW YORK CITY, THINKS REMOVAL OF DUTY FROM SUGAR WOULD NOT BENEFIT CONSUMERS.

32 CORTLANDT STREET,
New York, December 31, 1908.

(Home address, Suffern, Rockland County, N. Y.)

HON. SERENO E. PAYNE,
Chairman Ways and Means Committee,
House of Representatives, Washington, D. C.

DEAR SIR: I am a stockholder in a sugar factory and lands in Porto Rico, along with many other of my American friends who have invested money in that island since its annexation to this country, and I beg to call your attention to the following facts:

We are unable to produce sugar in competition with Cuban planters, who have the advantage of cheaper and more fertile lands.

The sugar industry of Porto Rico, also that of Louisiana and the entire beet-sugar industry of the United States, would be ruined by the removal of the duty on raw sugar, and no one would be benefited except the refiner.

Those who are advocating a lower schedule of sugar duties are doing so through the influence of the refiners and the owners of Cuban estates. (Many of the large interests among the refiners have in the last few years invested heavily in Cuban lands and factories producing raw sugar.)

I do not believe that any reduction of the present duty will benefit in the slightest degree the American consumer, any more than has the 20 per cent rebate given to Cuban sugar, which rebate has been entirely absorbed by the refiners, the price of refined sugar to the consumer never having been lowered; in fact it has been higher than before; therefore I beg to ask your consideration, not only for our domestic sugar industries, but also for those who have invested their money in Porto Rico, because it was American soil and had the present protection given the sugar industry.

Yours, very truly,
OTIS H. CUTLER,
American Brake Shoe and Foundry Co.

PIERRE J. SMITH, OF NEW YORK CITY, CALLS ATTENTION TO THE QUOTED PRICE OF SUGAR FOR EXPORT.

138 FRONT STREET,
New York, December 31, 1908.

HON. SERENO E. PAYNE,
Chairman Ways and Means Committee,
House of Representatives, Washington, D. C.

SIR: Referring to the recent testimony of Mr. C. A. Spreckels, recommending free raw and refined sugar, I would now call your attention to the clippings at the foot, which were taken from to-day's Journal of Commerce and Commercial Bulletin, by which you will see that even under the present conditions our refiners are selling for export at nearly 2 cents under their New York price.

German granulated is to-day quoted 12s. 1½d. f. o. b. Hamburg, equal to 4.72 cents duty paid, delivered New York, against our spot price of 4.50 cents net.

Respectfully, yours,

PIERRE J. SMITH.
SMITH & SCHIPPER.

EXHIBIT A.

ENGLAND BUYS OUR SUGAR—AMERICAN AND HOWELL SELL 5,000 BARRELS REFINED AT 2.70-CENT BASIS.

The sugar trade was interested yesterday in the revival of the export demand for refined, sales of fully 5,000 barrels being made by the American and Howell for shipment to South Africa and the United Kingdom, the price reported being 2.70 cents.

The low price, as compared with the domestic quotation of 4.50 cents net, is explained by the drawback of 99 per cent of the duty allowed by the Government on such shipments, the design being to stimulate export trade.

Refiners, it was pointed out, naturally welcome foreign business at a time when, because of stagnation in the domestic trade, there is an accumulation of refined which they wish to work off, even though little or no profit is involved.

EXHIBIT B.

It is generally reported on the street that the American Sugar Refining Company has sold sugar for export to England on the basis of 2.60 cents, or nearly 2 cents per pound under their f. o. b. New York quotation, showing what could be done in this market if the tariff on sugar was removed.—Smith & Schipper.

SUGAR COST.

COST OF PRODUCTION OF MARKETABLE GRANULATED SUGAR IN UNITED STATES FROM CUBAN SUGAR CANE AND DOMESTIC BEET ROOT, BY EDW. F. DYER, CLEVELAND, OHIO.

CLEVELAND, OHIO, *December 5, 1908.*

COMMITTEE ON WAYS AND MEANS,
Washington, D. C.

GENTLEMEN: The consumption of sugar in the United States in 1907, according to Willett & Gray's Statistical Journal, was 2,993,979 tons. Under the present tariff rate, 43 per cent of this sugar is free of duty; 45 per cent comes in under a concession of 20 per cent from duty; but 12 per cent pays full duty. This is shown by the following table:

TABLE I.—*Showing consumption of sugar in 1907, per Willett & Gray, in tons of 2,000 pounds.*

Domestic:		
Beet.....	375, 410	
Cane.....	264, 968	
Maple.....	10, 000	
Molasses.....	6, 249	
		656, 627
Hawaiian.....		418, 102
Porto Rican.....		212, 853
		1, 287, 582
Total duty free, 43 per cent.....		
Cuban sugar, 20 per cent concession.....	1, 340, 400	
Philippines 25 per cent concession.....	10, 700	
		1, 351, 100
Total tariff-concession sugar, 45 per cent.....		
Sugar on which full duty is paid, 12 per cent.....		355, 297
		2, 993, 979
Total consumption for 1907.....		

The cost of production of either cane or beet sugar is an amount variable with the location and conditions under which it is produced. In making a comparison it is necessary to place them at a parity as near as possible. To do this, I take results obtained from the best factories of both countries under conditions that are favorable to both industries.

It is quite true that the cost of production of cane sugar in Cuba in the old sections with their antiquated methods is higher than will be shown in my statements.

The same is also true regarding the production of beet sugar under modern methods in the less favored localities in the United States.

Preceding the detailed statement of cost of manufacturing of cane and beet sugar, I submit the following which will show that the figures given in Table III are within the limits of practice:

TABLE II.—Showing the average of Cuban and Hawaiian estates.

	Average 16 Cuban.	Average 7 Hawaiian.	Per Table IV.
Per cent sugar in cane	13.94	14.79	14.00
Purity	84.16	88.88	84.00
Per cent sugar made	10.86	12.88	12.39
Pounds per ton of cane.....	217.20	257.60	247.80
Gallons molasses	5.22		2.80
	Highest yields—		
	16 Cuban works.	7 Ha- waiian works.	
Highest per cent sugar in cane	16.28	15.73	
Highest purity of cane.....	91.25	90.35	
Highest per cent sugar made	12.45	14.01	
Highest pounds sugar per ton cane.....	249.00	280.20	

The difference in results in the foregoing table in favor of the Hawaiian sugar houses is owing to better methods of the latter, which may be equaled by the best Cuban factories.

TABLE III.—Showing statement of cost of production for sugar from Cuban sugar cane and domestic sugar beets.

	Sugar cane.	Sugar beets.
	<i>Per ton.</i>	<i>Per ton.</i>
Cost of growing.....	\$1.6964	\$3.000
Freight .....	.2567	.350
Agricultural experiments.....	.0479	.172
Net cost delivered.....	\$2.001	\$4.522
Operating expenses:		
Labor .....	.2330	.5541
Fuel .....	.0444	.42
Lime .....	.0025	.21
Chemicals .....	.0061	.0313
Lubricants and waste.....	.0067	.0100
Filter cloth .....	.0111	.050
Laboratory supplies .....	.0028	.0083
Packages, bags .....	.1167	.3400
Cutter knives and files.....		.0074
Miscellaneous .....	.0056	.0150
	0.4289	1.6461

TABLE III.—*Showing statement of cost of production for sugar from Cuban sugar cane and domestic sugar beets—Continued.*

	Sugar cane.	Sugar beets.
General expense:	<i>Per ton.</i>	<i>Per ton.</i>
Administration	\$0.0555	\$0.160
Maintenance .....	.2778	.50
Interest .....	.3333	.6250
Taxes .....	.0167	.1333
Insurance .....	.0013	.0250
	\$0.6846	\$1.4433
Total cost	3.1145	7.6114

The above statement shows the cost of production and the manufacturing cost of Cuban sugar cane and sugar beets in the United States. It may be noted that it costs double the amount to produce a ton of beets than a ton of sugar cane. This is particularly due to the fact that the yield of sugar cane is greater per acre, averaging 30 tons, for a period of ten years, and requires planting only once during that time, while the sugar beet yields in the best localities 12 tons per acre and requires planting every year.

The operation of a beet plant is much more complex than that of manufacturing raw cane sugar. In the item of fuel, the well-constructed cane plant is supplied at comparatively no cost by using the cane after the sugar has been extracted, which furnishes all the fuel required.

The manufacture of beet sugar requires 12 to 14 per cent on the weight of the beets in coal for fuel.

In the item of labor, supplies, taxes, and like items the cost is much greater, more than double, in beet sugar plants, as may be seen by referring to the above table.

The cost of production of sugar from either plant varies according to the sugar contained in the plant and its degree of purity. I submit a table showing the yield of both in raw and refined cane sugar and granulated beet sugar from their respective plants of the same analysis:

TABLE IV.—*Cost of production in terms of raw and refined sugar from materials of varying quality.*

Analysis.		Per ton sugar cane.				Per ton sugar beet.	
		96 per cent raw sugar.		Refined f. o. b. New York.		Granulated white sugar.	
Per cent sugar.	Purity.	Pounds.	Cost per pound.	Cost per pound.	With duty.	Pounds.	Cost per pound.
			<i>Cents.</i>	<i>Cents.</i>	<i>Cents.</i>		<i>Cents.</i>
14	84	247	1.261	1.861	3.209	208.5	3.65
15	84	266	1.171	1.766	3.114	224.8	3.386
16	84	286	1.089	1.679	3.027	241.1	3.157
17	84	305	1.021	1.606	2.954	257.4	2.957

No account of molasses is taken in either case.

The cost of refined sugar is found by reducing the raw sugar to terms of refined sugar and adding cost of—

	Cents.
Freight from Cuba.....per 100 pounds	10.0
Marine insurance, basis of 2½ cents c. and f.....	1.0
Mending, weighing, and tare.....	1.5
Lighterage, if any.....	3.0
Brokerage.....	.5
Commission, at 2½ cents.....	6.0
<hr/>	
Per pound.....	.22
Duty 1.685 cents, less 0.337 (20 per cent differential).....	1.348
Cost of refining (not including loss).....	.30
<hr/>	
Total.....	1.868
The average net price, 96 per cent raws f. o. b. Cuba, past ten years....	2.247
The average net price, 96 per cent raws f. o. b. Cuba, past three years...	2.15

By referring to Table IV it may be seen that the average sugar cane 14 per cent, 84 purity, will yield 247 pounds sugar per ton, which is shown to be substantially the same as shown as Cuban and Hawaiian results in Table II. That the same sugar may be laid down, refined, and duty paid, f. o. b. New York for 3.382 cents per pound.

It is also shown by the same table that the average sugar from sugar beets of 15 per cent, 84 purity, which is the average of beets grown in the United States, will yield 224.8 pounds of granulated sugar, at a cost of 3.386 cents, as substantiated by Table V. The evidence is that the cost of Cuban sugar with present duty laid down and refined in New York without profit to the producer is nearly the same as the cost of producing dry granulated beet sugar without profit to its producer.

Table IV shows that in the production of sugar from either cane or beet, under existing duty, from plants containing less than 16 per cent sugar, the advantage is in favor of production of sugar from sugar cane, but from plants containing above 17 per cent sugar the cost of production favors the sugar beet. This advantage, however, is lost to the manufacturer of beet sugar for the reason that it must include the profits to the farmer. The producer of sugar cane has another advantage in the fact that it requires much less labor to produce sugar cane than it does to grow sugar beets, and it is easily within the resources of a cane factory to grow and harvest its own sugar cane. But with a beet factory the requirements in the way of intensive cultivation, labor, implements, and cost is so great as to make it too unwieldy and impractical for the beet-sugar factory to grow its own crop.

The following table shows the cost of production of sugar from ten modern and well-located factories in the United States, and is offered in corroboration of Table IV:

TABLE V.—Cost of making beet sugar in seven representative factories.

Analysis.		Cost.	
Per cent sugar.	Purity.	Per ton beets.	Per pound granulated.
14.68	82.8	8.30	3.461
14.40	83.6	8.223	3.583
15.05	84.5	8.155	3.630
15.10	82.1	9.095	3.650
15.49	82.3	8.493	3.532
15.54	83.9	9.032	3.574
14.73	81.4	8.356	4.695
15.055	82.9	8.522	3.732

From a study of Tables II, III, IV, and V, it may be seen that the quality of either cane or beet makes an enormous difference in the cost of production of sugar. The beet grower by modern methods and intensive cultivation has reached nearly the maximum of what may be expected from that plant, while the cane-grower, on the other hand, has not improved his methods for generations, it being quite easy for him to increase both the yield in tons and sugar percentage by improving his methods in both field and factory.

The development of the Cuban sugar industry is a question of finance and improvement of methods and not one of a preferential tariff.

I lay particular stress on the cost of production and refining of Cuban cane sugar as compared with that of production of domestic beet sugar, for the reason that Cuba is our principal source of supply and the greatest competitor of the American market. It is the country that the producer of sugar in the United States has most to fear.

The cane sugar industry may be readily extended in a comparatively short time to produce more than the entire consumption of the United States. Only 20 per cent of the tillable land of the island is now under cultivation. The cane industry will continue to expand rapidly under the present tariff. Cuba is in a position to compete in the markets of the world, while the domestic grower of cane and beet sugar requires protection in the home market.

The price of sugar is made in Magdeburg, Germany. The market price of 96° sugar on November 25, 1908, was in Magdeburg 2.7 cents per pound. In New York, not including duty, 2.592 cents per pound, which shows that Europe is as favorable a market to-day for Cuban sugar as is New York, except for the 20 per cent concession from the Dingley tariff. It is a question as to the benefit of the 20 per cent concession to the Cuban grower. The price of Cuban sugar in New York should be 2.929 cents a pound for 96° sugar instead of the prevailing price of 2.592 cents a pound, if the benefit of such concession inures to the Cuban planter.

EDW. F. DYER,
THE DYER COMPANY,
Builders of Sugar Works.

SUGAR BEETS.

JOHN K. KELSEY, ADDISON, MICH., INTIMATES THAT THERE IS
LITTLE PROFIT IN RAISING SUGAR BEETS.

ADDISON, MICH., *November 21, 1908.*

CHAIRMAN OF WAYS AND MEANS COMMITTEE,
Washington, D. C.

HONORABLE SIR: * * * I was one of the first to raise beets in this neighborhood, and each year I have been trying to make up for what I lost the year before.

This year I raised in round numbers 13½ acres, on which I made a profit of nothing minus \$2. The crop brought me \$504, and it cost me \$506, and still am only about 30 miles from the Blissfield, Mich., factory, where they were marketed.

Respectfully, yours,

JOHN K. KELSEY.

CUBAN SUGAR AND TOBACCO.

HON. S. W. McCALL, M. C., SUBMITS LETTER OF GEN. JAMES H. WILSON RELATIVE TO CUBAN PRODUCTS.

WILMINGTON, DEL., *November 30, 1908.*

HON. SAMUEL W. McCALL,
*Committee on Ways and Means,
House of Representatives, Washington, D. C.*

DEAR SIR: Perhaps you have not forgotten that I commanded the two middle departments of Cuba, including Matanzas and Santa Clara, during the first occupation. My official reports on the conditions prevailing in those departments are on file in the proper offices at Washington. I have since kept in close touch with the island and the political and economic conditions affecting its prosperity.

A short time ago I wrote a letter to the New York Sun, which was published in that journal August 6, 1908, and this letter was commented upon quite favorably by Boston, New York, Philadelphia, Delaware, and southern newspapers. In that letter I favored a further reduction of the duty on Cuban sugar and tobacco as the best means of promoting white immigration into Cuba and of advancing the economic prosperity, success, and tranquility of the Cuban people and the Cuban Government.

In view of the fact that under the Monroe doctrine, which has been declared to be "the public law of the Western Hemisphere," we must, without compensation or reward of any kind, defend Cuba, as well as other American States, from foreign colonization and oppression, and under the Platt amendment to the Cuban constitution we must insure her a peaceable and stable republican government, the question naturally arises, Why should we not have our share of the profit growing out of the prosperity which we must thus insure to that island? We have incurred the enormous expense of two interventions in its behalf, and, having established a second independent Cuban Government, are about to withdraw our forces from the island and leave it to the government of its own people. But in doing this we have made no changes in the economic conditions prevailing in the island since the ratification of the Bliss Treaty, which makes a 20 per cent reduction in the duty on articles of Cuban production. In the case of sugar this amounts to about 0.34 cents per pound and leaves the duty at about 1.35 cents per pound, or approximately at 100 per cent on the cost of production on the most-favored plantations.

I am unable to make even an approximate statement of the duty on tobacco and cigars, but I am persuaded from the figures established by law and the actual practice that the duty is somewhere between 300 and 500 per cent on the cost of production.

In view of the relations existing between our country and Cuba and of the conditions prevailing in the island, I am sure the figures in the case of both sugar and tobacco are far in excess of any just requirements on the part of our Government. They are distinctly in restraint of trade and take both from Cuban capital and Cuban labor an excessive part of what they should earn.

I need not point out that, under the competition of European beet sugar, the price of cane sugar all over the world has been reduced to

figures that make it almost impossible for the most-favored countries to continue the production of cane sugar, and in such countries as Jamaica have driven the producers practically from the field. Primarily it was this reduction which brought about the revolutions in Cuba. So long as raw cane sugar brought 5 cents a pound and upward in the country of production, those countries could pay the heavy exactions of the countries of which they were colonies; but when the selling price passed below that figure, revolution and independence became necessary. I do not dwell upon the history of this economic contest, but from the time cane sugar was shut out of continental Europe by the dominion of the seas secured to Great Britain by the victory of Trafalgar down to 1895 the downward trend of prices for sugar was marked by the ruin of cane-sugar planters throughout the world.

Obviously the difficulty with Cuba, which is by far the best sugar-growing country in the world, is that with the competition of other countries on the one hand and the high American tariff on the other, there is not enough profit left in the business to properly reward capital and pay the laborers such wages as will leave them a surplus out of which to pay for the proper support and education of their children. Poverty, as you know, surely leads both to idleness and ignorance, for where a man does not enjoy a fair share of the return due to his own industry he naturally leaves his children to grow up without education or religious instruction, and, when worse comes to worst, he inevitably takes to the road or to revolution, rather than continue at work which can end only in poverty and disappointment.

If these are correct generalizations, what Cuba needs more than anything else is free trade with us in its natural and manufactured products, or, if it can not get this, such a differential allowance in the tariff as will serve as a bounty upon her own productions in competition with those of other countries.

From the first study of the question I have held that Cuba should be brought into our economic system by the establishment of a commercial union, under which free trade should exist between her and the United States in natural and manufactured products subject to an agreed tariff as between them and other foreign nations.

Under the Constitution of the United States, one of the principal effects of which is to establish a commercial union between the States and Territories constituting the Federal Union, free trade is the greatest blessing. Without this blessing the thirteen original States would long since have fallen to pieces and the new Territories would have remained largely unsettled.

But in addition to free trade between the States the Government established under the Constitution provides for the common defense, the establishment of courts of justice, and for a uniform system of post-offices and post-roads. The other incidental advantages and provisions need not be here recounted. Under the commercial union which I suggest, Cuba would have free trade with us, and in that respect would be just as well off as if she were annexed. She has her own judiciary, her own police, her own system of railways, and already enjoys the advantages of a postal union with us. Under the Monroe Doctrine we defend her just as completely as if she were already in the Union, while under the Platt amendment we give her

just what we would be compelled to give any other State under similar conditions, an interposition of the federal armed power to maintain a peaceable and stable republican government. So that for a complete enjoyment of all the benefits arising from our system of government nothing more is necessary than to establish perpetual free interchange of natural and manufactured products between the two countries under the protection of a common tariff as against other countries.

With such an arrangement as this we could well afford to guarantee the perpetual independence of the Cuban Republic, and to lay it down as an established condition precedent that she should never be annexed to the Union unless two-thirds of her own people as well as a majority of ours should consent to annexation.

Without some such arrangement as this or without some differential tariff arrangement which would operate as a bounty to Cuban products, poverty, ill-requited labor, economic confusion, dissatisfaction, and turmoil must continue in the island, and these must in turn necessitate intervention after intervention, followed at last by annexation.

The real remedy therefore—the real solution of the Cuban problem—is to establish such economic relations as will make the Cuban people prosperous and contented. So long as unlimited competition exists between her industries and those of other countries, especially between her sugar and tobacco and the beet sugar and tobacco of other countries, and as it must, grows more intense, so long will the Cuban question remain unsolved.

With a free-trade arrangement of the kind I suggest between Cuba and the United States, wages would at once rise, new plantations and new industries would be established, the island would be filled up rapidly with white immigrants from Spain and the United States, and business of all sorts would naturally tend to become more profitable than office holding and political agitation.

The importance of these changes will appear all the greater when it is considered that although two thirds of the Cuban people are white the other third is colored and holds the balance of political power. With the white population rapidly increasing, the relative importance of the colored population would correspondingly diminish. Government would become more stable, education would be disseminated more widely, and both peace and prosperity would become established conditions. The scale of living would rise, manufactures and commerce would expand, and as most of the latter would be with the United States, it is more than likely that for every ten dollars of profit realized by Cuban labor and capital nine would be expended for our natural and manufactured products and our profits would be correspondingly increased, just as they are by the business developments and expansion of our respective States and Territories.

It seems to me that it needs but little argument to prove the absolute truth of these conclusions, and I know of no man who can better supply it than yourself.

I recognize that this proposition is a radical one, but would it not be a start in the right direction and, as opportunity offers, would it not be wise to enter into a similar arrangement with Mexico and

Canada? But before passing to the consideration of our economic relations with Mexico and Canada I wish to say something more in regard to the duty on sugar.

With the late President Harrison, I hold that no people are good enough for annexation to the United States that are not good enough to receive all the privileges of American citizenship. In the case of the Philippines, which are not worth one-fiftieth as much as Cuba to us, I think every fair-minded American citizen would say they should receive the absolute right of free trade with the whole United States, just as every other State and Territory enjoys that privilege.

But on the principle that every economic question which comes before Congress is settled by a compromise, I suppose some duty will still be exacted from Philippine as well as Cuban productions, and I suggest, therefore, that in fixing the sugar schedule the tariff on all foreign-grown raw sugar, whether of beets or cane, should be reduced to a half a cent a pound, based upon the Dutch standard, with a corresponding differential in favor of both Philippine and Cuban sugar and a corresponding duty on the refined article. This would still leave a half a cent a pound protection plus the cost of transportation to American producers, whether of cane or beets, and this ought to be considered enough.

So far I have looked upon this question mainly from the Cuban and Philippine point of view, but great as are their claims and great as are the merits of the contentions in their behalf, the claims of the American people are still, to my mind, much more important.

Why should our 85,000,000 American citizens pay any duty whatever upon this prime article of consumption? While sugar was originally considered as a luxury, it is now justly regarded as one of the most necessary and valuable articles of food enjoyed by human beings. Why should it not be absolutely free to every American? Why should not every laboring man and woman, and every child and idle person, as well as every rich man, not have his cup of tea or coffee free of all tax and tariff? Considered from this point of view it may be well claimed that all raw sugar should come in free, and the only good argument against it is that our Treasury needs the revenue. But surely it is within the capabilities of Congress to find some other and less oppressive way of raising the amount that would disappear with free sugar.

Of course if a commercial union should be established with Cuba under a common tariff as against other countries, the Cuban treasury would be deprived of the duties collected on American products, and this in turn would make it necessary to provide for the Cuban deficit by an increase of internal taxation, but that, too, could readily be provided for and should in no great degree add to the burdens of the Cuban people.

As a Member of Congress from the richest of the New England States, you can not be indifferent to our trade relations with Canada, but I need not dwell upon them for they are well known to you. Many years ago, when I was manager of a New England railroad, I made strong objections to the phraseology of the interstate commerce law, under which Canadian railroads were permitted to compete with our interior rail lines in the carrying trade along the Canadian border. I contended that to permit the Canadian lines to participate freely in our carrying trade without absolute power to regulate them was just

as much of an injustice to the American railroads as it would have been to permit foreign shipping to engage in our coasting trade. I went so far as to favor the exclusion of the Canadian roads from any benefit in interstate commerce with the hope that this exclusion would increase the probability of Canadian annexation. But I have since changed my mind, for the reason that the participation of the Canadian roads in our commerce seems to have wrought no perceptible injury to our carrying trade. Meanwhile the federation of the Canadian provinces and the development of Canadian trade with the mother country appears to have drawn the Dominion closer to the mother country and to have correspondingly diminished the tendency to either a political or commercial union with the American Republic. While Prof. Goldwin Smith alleges that coalition through an interchange of population and of trade is quietly going on and may ultimately solve the problem, might it not be wise for us to use every honorable effort to bring about a commercial union with Canada under the same or similar conditions as those proposed for Cuba and Mexico? Would it not be exceedingly good business for us, inasmuch as such a union would greatly increase our commerce and strengthen our friendly relations with the Canadian people? They might reject our proposition at first, because they have become greatly attached to the idea of participating in an imperial British Government, although as yet no practicable basis has been found for such participation. But even if they did reject our proposition, would it not be farsighted for us, after arranging for the largest possible free list into Canada, to say we will let the rest of your natural and manufactured products into the United States absolutely free of duty? Would not such a measure as this tend powerfully to help on the coalition and ultimately bring about absolute free trade between the American and Canadian people?

The case of Mexico is somewhat different from that of either Cuba or Canada, and yet it might be easier of solution than either of the others. It offers a promising field for diplomatic and commercial exploitation.

The question of our commercial relations with the neighboring countries and islands is one of the first importance, and I am sure that no more promising epoch has been presented for many years for starting the preliminary work and laying down the true principles upon which an agreement should be reached. I am equally sure that you will give all the resources of your mind and influence to the consideration of the questions herein so briefly and so inadequately touched upon.

I might enlarge upon the economic as well as upon the political advantages of an American commercial union and its gradual extension to the states of Central and South America. I might point out the feasibility of such a union under the exceptional conditions which prevail between the American States and the neighboring countries in spite of the favored-nations clause of our treaties. I might consider more fully the commercial aspects of the Monroe Doctrine in contrast with its political aspects. I might point out the growing jealousy of the European governments against our progress in commerce and manufactures as well as against our increasing diplomatic and political influence in international affairs. And, finally,

I might consider whether we could properly finance the business projects and enterprises which would naturally come to us from the other members of a commercial union such as I have indicated, but any adequate statement of these questions would extend my letter to an unreasonable length. Besides, the discussion of details is more or less premature at this stage of the investigation. You will, however, recognize the far-reaching character of the underlying idea of this letter and will doubtless look at it from every point of view before making up your mind as to its feasibility.

Whatever may be your own conclusions, may I not express the hope, as one of the unnumbered mass of consumers who can not come before the committee of which you are a member, that Congress will not only make a material reduction of the sugar and tobacco schedules, but lay the foundation for much closer commercial relations than have yet existed between us and our near-by neighbors?

You are of course at liberty to make any use of this letter that you think proper.

Yours, very respectfully,

JAMES H. WILSON.

MOLASSES.

[Paragraph 209.]

STATEMENT OF H. C. CHRISTIANSEN, OF NEW YORK CITY, IN FAVOR OF A REDUCTION IN THE DUTY ON MOLASSES.

MONDAY, *November 16, 1908.*

Mr. CHRISTIANSEN. My name is H. C. Christiansen. I am representing H. L. Hobart & Co., of New York. I shall detain you but a moment.

Mr. Chairman, I do not come here representing any sugar interests. We are importers of foreign molasses and also dealers in domestic molasses. In olden days imported molasses was sold on a basis of 50° polarization, and most molasses tested from 50° to 56°. In those days molasses was shipped to the United States, was boiled here, and the sugar boilers made sugar from it, leaving a residue of blackstrap. The schedule of import duties was fixed, in the past, somewhat to conform to the sugar duties; and even the present tariff bill for molasses schedule is figured somewhat on the sugar basis. With the improved methods of making sugar, the sugar producers take out every possible pound of sugar they can get, so that the boiling industry in this country does not get 50° test boiling molasses. The bulk of the molasses as made by the present large factories in all the West Indian islands contains a very low percentage of sugar, and they can get practically no more sugar out of it.

Molasses imported is also used for table and grocery purposes, but the bulk of molasses imported at the present time is of such an inferior quality that it can not be used for the table. The old sugar schedules assumed that the bulk of molasses was to be used for sugar boiling and table purposes; but on account of the changed conditions most of the molasses that comes here now is of such low test and value that it can not be used for anything but manufacturing pur-

poses; and it is really considered to-day as being a raw material, being used extensively for horse and cattle feeding, in the manufacture of castings, not only for iron, but for electrical purposes; also in the manufacture of vinegar and yeast; and but a very small percentage of the molasses imported here is of high enough test for actual table consumption.

The United States does not produce sufficient molasses to supply all of these demands, so that last year about 25,000,000 gallons of molasses were imported, most of which molasses was of low quality; and, according to the Department of Agriculture's Yearbook, the average value of all the molasses per gallon was equal to $3\frac{3}{4}$ cents. The present schedule calls for a duty of 6 cents per gallon for molasses testing over 56° ; 3 cents per gallon for molasses testing between 40° and 56° ; and for molasses testing under 40° , 20 per cent of the f. o. b. value. As the molasses testing under 40° is used for manufacturing purposes, and extensively by the farmers in the preparation of molasses feeds, as well as in its natural state, by mixing with chopped hay and other grain, it should be considered as a raw material and should come in free of duty; but if a duty is considered necessary, it should be a specific duty and not ad valorem. The average rate of duty on molasses imported last year (that is, all used for manufacturing purposes, testing under 40°) was a trifle less than one-half cent per gallon; so that if a specific duty is established, a rate not to exceed one-half cent per gallon should be sufficient.

Molasses testing over 40° —say up to 50° —would give a sufficient protection to the producers of molasses in this country at a maximum rate of $1\frac{1}{2}$ cents a gallon, and molasses 50° to 56° at 2 cents per gallon, and molasses over 56° at 3 cents per gallon. As the entire crop of domestic cane and beet molasses is all consumed, and we have to import molasses sufficient to supply the demand for manufacturing purposes, it does not interfere with the domestic producers. New uses are being found for molasses from time to time, and in the past two years the bulk of low-test molasses has been used for cattle-feeding purposes, in addition to which experiments have been made in the making of roads; and various other industries might be established if the duty on molasses was reduced to a basis of rates not to exceed those stated above.

Mr. UNDERWOOD. You are in favor of a reduction of the duty on molasses, then?

Mr. CHRISTIANSEN. I am in favor, if not a reduction, of making a specific duty on the low-grade molasses testing under 40. At present it is in the schedule at 20 per cent of the f. o. b. value. The f. o. b. value is very hard to keep uniform.

Mr. UNDERWOOD. How would that affect the revenue?

Mr. CHRISTIANSEN. The revenue would be exactly the same—half a cent a gallon. The present rate of duty that is paid on the low-grade molasses testing under 40 figures about forty-eight one-hundredths of a cent per gallon, figuring the in-bond price or f. o. b. price at about 3 cents a gallon.

Mr. UNDERWOOD. Where is most of the molasses that comes into this country imported from?

Mr. CHRISTIANSEN. From Cuba and Porto Rico.

MAPLE SUGAR.

[Paragraph 210.]

HON. WILLIAM P. DILLINGHAM, SENATOR, FILES LETTER OF
C. B. WELCH, OF RUTLAND, VT., ASKING FOR RETENTION OF
PRESENT DUTY ON MAPLE SUGAR.

RUTLAND, VT., *November 28, 1908.*

HON. WILLIAM P. DILLINGHAM,
Montpelier, Vt.

DEAR SENATOR: Your kind favor of the 27th is received.

We wrote to Congressman Foster and Plumley and to Senator Page the same time we did to you, in substance the same.

Your suggestion to have a meeting immediately of those interested who have a special knowledge of the conditions of the maple-sugar industry is a proper one.

I noticed that the Ways and Means Committee were in session at Washington and wondered whether anyone was looking after the maple sugar and sirup interests.

The facts are as stated in my last letter. If the duty is reduced, Vermont will lose all the benefit which had been hoped would come to the industry by the enactment and enforcement of the pure-food laws—

First. Because a lower duty will discourage the maker from making more, because the competition from Canada will lower the price. In face of the fact that there was a large crop made the last two seasons and the price was much lower, there is still more maple sugar in Vermont to-day than there ever was at this time of the year.

Second. There are not one-quarter of the maple trees tapped in Vermont that would be if the market for the genuine article was better and the competition from the imported article was eliminated, and also, provided the pure-food laws were more rigidly enforced.

Third. The Canadian production can be increased many times more than can possibly be made in the United States. If the duty is lowered, it will increase the importation considerable and stimulate the production of this article in Canada. If we stimulate the production in Canada, it will necessarily discourage the production in the United States.

Fourth. The importation of maple sugar into the United States is quite a large item. (See U. S. Reports.) The fact that it is imported in large quantities is evidence the duty is too low. Most every lot imported is in carloads; very little, indeed, in less than carload lots. We know of one maple-sirup maker in the West who imported 40 carloads during the season of 1905, all of which was made into adulterated maple sirup. This Canadian maple sugar is sold to the large dealers in all of the large business centers in the United States.

We hope you will be able to get this address to the Ways and Means Committee in time to be of actual benefit.

Below we give you the amount of maple sugar produced annually in Canada, taken from the Canadian census report of 1901 of the Dominion of Canada:

Maple sugar, total, Dominion of Canada.

	Pounds.
1881.....	20, 556, 049
1891.....	25, 088, 274
1901.....	17, 804, 049

Total pounds, by Provinces.

Year.	Quebec.	Ontario.	New Brunswick.	Nova Scotia.	Prince Edward Island.
	<i>Pounds.</i>	<i>Pounds.</i>	<i>Pounds.</i>	<i>Pounds.</i>	<i>Pounds.</i>
1881.....	15, 687, 835	4, 169, 706	453, 124	217, 481	25, 998
1891.....	18, 875, 231	5, 665, 798	340, 781	194, 232	7, 694
1901.....	13, 564, 891	3, 912, 640	207, 450	112, 496	1, 098

There are 58,313 maple-sugar orchards in operation in all of Canada; 40,432 are located in the Province of Quebec and 17,179 in Ontario, the balance scattering.

Total pounds, by States.

[United States Census Report.]

	Sugar.	Sirup.		Sugar.	Sirup.
	<i>Pounds.</i>	<i>Gallons.</i>		<i>Pounds.</i>	<i>Gallons.</i>
Vermont:			New York:		
1890.....	14, 123, 927	218, 000	1890.....	10, 185, 673	457, 658
1900.....	4, 479, 870	160, 918	1900.....	3, 623, 540	413, 159
Ohio:			New Hampshire:		
1890.....	1, 575, 562	727, 142	1890.....	2, 124, 515	81, 997
1900.....	613, 990	923, 519	1900.....	441, 870	41, 588
Pennsylvania:			Michigan:		
1890.....	1, 651, 163	154, 650	1890.....	1, 641, 402	197, 775
1900.....	1, 429, 540	160, 297	1900.....	302, 715	82, 097
Massachusetts:			Maine:		
1890.....	515, 674	31, 632	1890.....	84, 537	71, 818
1900.....	192, 990	27, 174	1900.....	5, 500	41, 588
West Virginia:					
1890.....	177, 724	19, 032			
1900.....	140, 550	14, 874			

Balance scattering.

Grand total for the United States.

	Maple sugar.	Maple sirup.
	<i>Pounds.</i>	<i>Gallons.</i>
1890.....	32, 952, 923	2, 258, 376
1900.....	11, 228, 770	2, 056, 611

Yours, truly,

C. B. WELCH,
For Maple Tree Sugar Company of Vermont.

GLUCOSE.

[Paragraph 210.]

HON. G. KÜSTERMANN, M. C., FILES CIRCULAR LETTER ISSUED BY CHARLES MORNINGSTAR & CO., NEW YORK CITY.

GENTLEMEN: In our endeavor to introduce R & W potato sirup or glucose to the confectioners of this country, we are thwarted by the

“profit (?) sharing contract” of the Corn Products Refining Company.

There are many confectioners who acknowledge the superiority of our product and who contend that R & W glucose will do work which neither cane sugar nor corn glucose can do, but who, because of this so-called “profit-sharing contract,” are deprived the use of R & W glucose.

There are others, again, who feel that they have a perfect right to buy and use R & W glucose, as this product is in every way unique and a desideratum in their industry.

Notwithstanding all this, many of the confectioners are afraid of this contract, being under the impression that in buying R & W glucose they are forfeiting their rebate rights.

The Corn Products Refining Company, which has become a virtual monopoly, controlling over 75 per cent of the combined corn starch and corn glucose of this country, and dictating to those not directly under their ownership, has put under vassalage the consumers of this supposedly free country.

Should the greatest innovation in starch chemistry be put before the confectioners and other consumers, such innovation would fail of introduction and use because of the dictatorial position assumed by the Starch trust.

There is nothing more un-American than the relation of the Starch trust to the consumers of this country.

We feel that it is our just right as American citizens to compete with each and every individual or corporation. We are denied this privilege of competing, and if ever there was a measure in restraint of trade it is this selfsame so-called “profit-sharing contract” of the Corn Products Refining Company.

We believe that on careful analysis the consumer will discover that he alone has been paying unto himself the promised rebate.

This rebate, or rather said “bait,” is collectible only after a term of almost two years, and in all that space of time the consumer has denied himself the privileges of consulting outside offers and opportunities. In the name of justice we beg you to repudiate this unwholesome and un-American contract and come into the markets as free men, beholden to no one. The more independent the consumer will become, the more dependent will the Starch trust become. Rebate or no rebate, the trust will be glad to find a market for its products and will feel much more inclined to meet competition in a fair spirit than draw down upon itself the ignominy of public disapproval.

We are glad to be able to tell you that there are many confectioners who have thrown off the yoke of contract and have disdained to bind themselves, in order that they might avail themselves of independent purchase in open market, and we feel that in the end they will fare much better than those who have sold their birthright for a far-removed mess of pottage.

Respectfully,

CHAS. MORNINGSTAR & Co.,
32 Park Place, New York.

CONFECTIONERY.

[Paragraph 212.]

**MEMORIAL OF ITALIAN CHAMBER OF COMMERCE OF NEW YORK
FOR REDUCTION OF DUTY ON CERTAIN CONFECTIONERY.**WASHINGTON, D. C., *December 1, 1908.*COMMITTEE ON WAYS AND MEANS,
Washington, D. C.

GENTLEMEN: This chamber recommends the reduction of the present duty of 50 per cent to 35 per cent ad valorem (par. 212) on confectionery valued at more than 15 cents per pound which is not manufactured in the United States, and therefore does not compete with any domestic production. Such is, for instance, "torrone," an Italian specialty of nougat, made of sugar, almonds, white of eggs, and honey, all materials which are cheaper in this country than in the country where this article is produced. Such specialties, owing to climate or the secret formula of manufacture, are not produced in this country, or can not be produced with the characters required by the consumers of such articles, and to impose a burden of 50 per cent ad valorem on their importation is to put them, by the consequent increase of cost, beyond the reach of classes which would otherwise be consumers, and thus deprives the revenue of an income that would, with a lower rate, be available through increased demand.

Respectfully submitted.

E. MARIANI, *Vice-President,*
For the Italian Chamber of Commerce in New York.

THE GEORGE CLOSE COMPANY, CAMBRIDGE, MASS., MANUFACTURING CONFECTIONERS, ASKS TO HAVE THE PRESENT DUTY ON CONFECTIONERY RETAINED.CAMBRIDGE, MASS., *December 8, 1908.*HON. SAMUEL W. McCALL,
Washington, D. C.

DEAR FRIEND: I take the liberty to drop you a few lines, and I hope that you will forgive me beforehand, for I know how bothered and bored you must be with the perplexities of tariff revision. So I am going to make my letter just as short as I can and boil my story down. The facts are most of the leading confectioners throughout the entire country do not wish to have any change made, if possible, with sugar; but if by chance there should be a change in the tariff on sugar, we hope and pray that you will see to it that it is only in proportion with the tariff that now exists.

If confectionery, commonly known as "candy," should be absolutely free, it would mean a tremendous injury to the business in the United States. Here let me say that a careful canvass has been made by the proper official of the National Confectioners' Association. The members of the aforesaid association consist of all the leading confectioners of the country. The result of this canvass is they are almost

a unit on this question. So you see I am speaking for the confectioners of the country.

I suppose it is safe to say that we pay our help about three times as much as they pay in Germany, France, or England.

You know the story as well and much better than I do. We should be happy on this question if it is let alone. A word to the wise is sufficient.

Wishing you and yours a happy Christmas, I remain,

Very truly, yours,

GEORGE CLOSE.

**THE NATIONAL CONFECTIONERS' ASSOCIATION, ST. LOUIS, MO.,
WISHES PRESENT DUTIES UNDISTURBED.**

ST. LOUIS, DECEMBER 12, 1908.

HON. SERENO E. PAYNE,

*Chairman Ways and Means Committee,
House of Representatives, Washington, D. C.*

DEAR SIR: I submit this brief in the name of the National Confectioners' Association of the United States.

The membership of said association comprises 335 manufacturing confectioners located throughout the various States of the United States and 187 allied industries.

That your honorable committee might know the views and wishes not of individual manufacturers, but of an industry, I solicited of each member of the National Confectioners' Association his views on the subject of the tariff on confectionery and the tariff on the materials of which same is made.

The great majority are in favor of making no change in the existing tariff conditions governing confectionery, the present regulation being as set forth in Schedule E, paragraph 212, in act of July 24, 1897, as follows:

212. Sugar candy and all confectionery not specially provided for in this act, valued at fifteen cents per pound or less, and on sugars after being refined, when tintured, colored, or in any way adulterated, four cents per pound and fifteen per centum ad valorem; valued at more than fifteen cents per pound, fifty per centum ad valorem. The weight and the value of the immediate coverings, other than the outer packing case or other covering, shall be included in the dutiable weight and the value of the merchandise.

The provision, however, is made that if your honorable committee decides to recommend reductions of consequence in the tariff on materials of which confectionery is made, that corresponding reductions in the tariff on confectionery will be acceptable to the majority of the manufacturers of confectionery in the United States.

The principal ingredients of which confectionery is made are, in respect to their importance, as follows—the numbers opposite each name indicating the paragraph number in the present existing tariff on imports into the United States:

209, sugar; 281–282, chocolate and cocoa butter; 210, glucose or corn sirup; 269–272, nuts; 262–268, fruits; 263, fruits (preserved, etc.); 285, starch; 29, licorice; 23, gelatin; 41, peppermint oil; 210, maple sugar and sirup; 3, essential oils.

Having carefully reviewed the hearings before your honorable committee on the subject of the tariff on the above-stated articles and items, I feel we can add little of value to the information submitted by the manufacturers of same.

So far as the present duty on confectionery is concerned, it offers no advantage to the manufacturers of the United States by which their profits may be made abnormal.

The average net profit of the average large manufacturing confectioner is from $2\frac{1}{2}$ to 5 per cent.

As the government records of imports show, confectionery, to some extent, is now being imported into the United States.

The cost of labor in this country is considerably more than the cost of labor in producing confectionery in foreign countries.

The cheapest wages paid in the United States vary from \$3.50 per week to \$6 per week, against \$1.50 per week to \$2.50 per week in England.

The average wages paid in the United States vary from \$10 per week to \$15 per week, against \$5 per week to \$10 per week in England.

So far as the mechanical equipment of confectionery factories is concerned, the United States is on a parity with foreign countries.

In establishing a tariff on confectionery, there should also be taken into consideration the possibilities of competition with Canada, which country, so far as its cost of production is concerned, is able to compete on a lower cost basis with the United States, allowing the same basis of costs for raw materials.

Respectfully submitted.

NATIONAL CONFECTIONERS' ASSOCIATION OF THE UNITED STATES,
V. L. PRICE, *Chairman Executive Committee.*

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TARIFF HEARINGS

BEFORE THE COMMITTEE ON
WAYS AND MEANS OF THE
HOUSE OF REPRESENTATIVES

SIXTIETH CONGRESS

1908-1909

SCHEDULE F
Tobacco, and Manufactures of



WASHINGTON
GOVERNMENT PRINTING OFFICE

1909

COMMITTEE ON WAYS AND MEANS.

HOUSE OF REPRESENTATIVES.

SERENO E. PAYNE, *Chairman*.

JOHN DALZELL.
SAMUEL W. MCCALL.
EBENEZER J. HILL.
HENRY S. BOUTELL.
JAMES C. NEEDHAM.
WILLIAM A. CALDERHEAD.
JOSEPH W. FORDNEY.
JOSEPH H. GAINES.
ROBERT W. BONYNGE.

NICHOLAS LONGWORTH.
EDGAR D. CRUMPACKER.
CHAMP CLARK.
WILLIAM BOURKE COCKRAN.
OSCAR W. UNDERWOOD.
D. L. D. GRANGER.
JAMES M. GRIGGS.
EDGAR W. POU.
CHOICE B. RANDELL.

WILLIAM K. PAYNE, *Clerk*.

P R E F A C E .

Tariff hearings were begun on November 10, 1908, pursuant to the following notice:

The Committee on Ways and Means will hold hearings on tariff revision, at Washington, D. C., commencing on the following dates:

Tuesday, November 10, 1908, on Schedule A—Chemicals, oils, and paints.

Thursday, November 12, 1908, on Schedule H—Spirits, wines, and other beverages.

Friday, November 13, 1908, on Schedule F—Tobacco, and manufactures of.

Monday, November 16, 1908, on Schedule E—Sugar, molasses, and manufactures of.

Wednesday, November 18, 1908, on Schedule G—Agricultural products and provisions.

Friday, November 20, 1908, on Schedule D—Wood, and manufactures of.

Saturday, November 21, 1908, on Schedule M—Pulp, papers, and books.

Monday, November 23, 1908, on Schedule B—Earths, earthenware, and glassware.

Wednesday, November 25, 1908, on Schedule C—Metals, and manufactures of.

Saturday, November 28, 1908, on Schedule N—Sundries.

Monday, November 30, 1908, on Schedule J—Flax, hemp, and jute, and manufactures of.

Tuesday, December 1, 1908, on Schedule I—Cotton manufactures, and on Schedule L—Silks and silk goods.

Wednesday, December 2, 1908, on Schedule K—Wool, and manufactures of.

Friday, December 4, 1908, on Sections 3-34, and miscellaneous matters.

Hearings on articles now on free list will be held on the above dates in connection with the above subjects to which they most nearly relate.

The hearings will be held in the rooms of the committee, third floor, House of Representatives Office Building.

Sessions will begin at 9.30 a. m. and 2 p. m., unless otherwise ordered.

Persons desiring to be heard should apply to the clerk of the committee previous to the day set for the hearing, to be assigned a place on the programme for that day. A person making such application should state:

1. His name.
2. His permanent address.
3. His temporary address in Washington.
4. Whom he represents.
5. Concerning what paragraphs he desires to be heard.
6. Briefly, what position he expects to advocate.
7. How much time he wishes to occupy.

He should also inclose a copy of his brief and of any documents he desires filed with the committee.

All briefs and other papers filed with the committee should have indorsed on them the name and address of the person submitting them, and the numbers of the paragraphs of the present law (act of July 24, 1897) to which they relate.

WILLIAM K. PAYNE,
Clerk, Committee on Ways and Means.

The committee subsequently extended the time for hearings to December 24, 1908.

On the opening day of the second session of the Sixtieth Congress (December 5, 1908), the following resolution was passed by the House of Representatives:

Resolved, That the Committee on Ways and Means, in their investigation and inquiry for the purpose of preparing a bill to revise the present tariff laws, shall have power to subpoena and examine witnesses under oath, and to send for records, papers, and all other evidence that may be necessary to make the investigation and inquiry full and complete, and that the Speaker shall have authority to sign and the Clerk to attest subpoenas during the recess of Congress.

Pursuant to this resolution, all witnesses appearing before the committee, beginning with the session on December 10, 1908, were sworn before giving their testimony.

The stenographic minutes of each day's proceedings, together with the briefs and memorials filed, were printed and distributed the following morning, and upward of 2,500 copies of this first print were sent out each day. Copies were sent to each witness, with a request that he correct his statement as printed, and return the revised copy to the clerk. Such corrections have been used in preparing this revised edition of the hearings.

In this edition the chronological order of the statements has been disregarded, and the oral statements and papers filed on each subject have been grouped together, following, as far as practicable, the arrangement of subjects in the present tariff law. The date of each oral statement is placed at the beginning of it.

A large number of letters have been filed with the committee which merely stated the attitude of the writer, or else substantially repeated an argument which had already been printed in the hearings. Such letters have not been included in this work, but instead, a statement is made that such letters have been received. They are all on the committee's files, and accessible to the members of the committee. By this means, the size of the volumes, already bulky, has been somewhat reduced, the printing has been expedited, and, it is believed, many undesirable repetitions have been avoided.

WILLIAM K. PAYNE.

JANUARY, 1909.

REMARKS BY THE CHAIRMAN.

Tuesday, November 10, 1908, the chairman of the committee, Hon. S. E. Payne, opened the public hearings with the following remarks:

Gentlemen, the hearings will commence at half past 9 in the morning and continue until 1 o'clock, when a recess will be taken until 2 o'clock. The hearings will then be resumed in the afternoon at 2 o'clock, and if it becomes necessary to take a recess at 6 o'clock the committee can do so and continue the hearings at 8 o'clock.

The opening hearing this morning, as you are aware, is upon the chemical schedule of the tariff, and it is the desire of the committee to hear the parties interested and others who may desire to speak on the subject embraced in the schedule, and also concerning the chemicals on the free list, and so with each paragraph of the bill as we proceed, so that the discussion may continue intelligently, involving every item connected with the subject.

The committee has no apologies to make for the bad acoustics of the hall, as we have nothing to do with that feature. We hope the people in attendance will be able to hear, and I would caution those in attendance that they speak in a sufficiently loud tone of voice that the committee can hear.

December 22, 1908, at the close of the formal hearings, the chairman said:

Gentlemen, in accordance with the resolution of the committee passed two weeks ago this closes the hearings and there will be no further hearings by the committee unless they desire information on some subject and invite gentlemen to be present to give them that information—that is, there will be no hearings for volunteers as distinguished from those who may be sent for by the committee. Of course, any persons desiring to present briefs and file them can do so, and they will be printed with the hearings. The only difficulty in regard to that is that if they are not brought in promptly they will be printed in a subsequent volume. I think we have material now for five or six volumes, and belated briefs and papers will be printed in a subsequent volume with the index.

Before we adjourn I want to thank the members of the committee for their uniform courtesy, and especially their indefatigable inquiries tending to bring out the facts in reference to the tariff and in order to aid in perfecting the bill. I think the minority members of the committee especially are entitled to thanks for their perseverance and patience in getting at the facts.

Mr. COCKRAN. As the senior member of the minority, Mr. Chairman, I want to say that nothing could be fairer than the manner in which this investigation has been conducted, and no inquiry could be fuller in its scope or more fruitful in its results.

The CHAIRMAN. The chairman is very much gratified at the gentleman's statement. The committee will now stand adjourned.

SCHEDULE F.

TOBACCO, AND MANUFACTURES OF.

SCHEDULE F—TOBACCO AND MANUFACTURES OF.

TOBACCO.

STATEMENT OF JOSEPH F. CULLMAN, JR., PRESIDENT OF THE NATIONAL CIGAR LEAF TOBACCO ASSOCIATION, NEW YORK, N. Y., RELATIVE TO TOBACCO.

FRIDAY, *November 13, 1908.*

The CHAIRMAN. You represent the National Cigar Leaf Tobacco Association?

Mr. CULLMAN. Yes, sir.

The CHAIRMAN. Where do you reside?

Mr. CULLMAN. In New York City.

The CHAIRMAN. You may proceed.

Mr. CULLMAN. Mr. Chairman and gentlemen of the Ways and Means Committee, I appear before your committee in behalf of the National Cigar Leaf Tobacco Association, which comprises in its membership growers of cigar leaf, packers and dealers, importers and manufacturers. Naturally, there is a diversity of opinion regarding tariff matters among such varied interests, and it will be my endeavor merely to offer you a statement of the condition of the tobacco industry at present and to urge no specific legislation, leaving the decision as to whether changes in the law are desirable entirely in your hands, feeling confident that thereby a fair conclusion will be arrived at.

The present duty on filler tobacco is such as to preclude the use of foreign leaf in the greater portion of our production and ample to protect the products of our filler-growing States. However, it is not so high as to exclude the use of foreign tobacco in a high-grade output, thus enabling American cigar manufacturers to compete in the production of fine clear Havana cigars and permit the partial use of foreign tobacco in seed and Havana cigars.

Owing to the peculiar nature of Cuban tobacco, which, by the way, is the chief filler tobacco imported, and the difficulty and variance of opinion as to what is wrapper and filler, there has been some abuse in the imports thereof. We find that in the Florida district, a clear Havana manufacturing district, in the fiscal year 1907 but 28,895 pounds of wrappers were declared to cover 322,000,000 cigars. The importation of Havana wrappers to cover approximately the 450,000,000 made in the United States in the last year was only 42,653 pounds. The appended tables (Exhibits B and C) will show the small percentage of wrapper to filler imports, and even conceding that Havana tobacco will wrap as economically as Sumatra, namely, with 2 pounds to the thousand, 900,000 pounds of Cuban wrappers

would have been necessary to wrap the annual clear Havana production of the United States in the last few years. While we are fully aware that it is a rather difficult matter to determine just what percentage of wrapper there is in a bale of tobacco, we believe some legislative relief in this direction should be given. A uniform rate of duty on Cuban tobacco would eliminate many controversies and the rather discreditable discrepancies now existing in the importations of Havana. We recognize the legislative and diplomatic difficulties in the way of the adoption of a uniform rate, but we are content to leave it to the wisdom of this committee to devise a solution of the problem, if it be practicable to provide one.

The annual production of cigars in this country is about 7,500,000,000. Of these about 2,700,000,000 are wrapped with Sumatra, assuming an average consumption of 30,000 bales. Clear Havana and pseudo-Havana cigars are produced to the extent of 600,000,000. Cigars wrapped with Georgia or Florida Sumatra are produced to the extent of 840,000,000, basing the figures on a production of shade-grown leaf of 12,000 bales. Connecticut broad-leaf cigars are made to the extent of 400,000,000, basing the estimate on a production of broad-leaf of 20,000 cases. Cigars wrapped with the finest grade of Connecticut Havana seed are produced to the extent of 500,000,000, estimating that the prime wrappers of that crop approximate 10 per cent. We doubt very much whether the ten-year average will show more than a production of 7,000 cases per annum of fine Connecticut Havana seed wrappers. The remainder of our cigar production, about 2,400,000,000, for the most part cheaper products, are wrapped with Connecticut, Pennsylvania, New York State, or Ohio tobacco, selling at a price from 18 to 30 cents.

It is perhaps interesting to compare the cost per thousand cigars of the various wrappers. Sumatra at 80 cents (the cheaper grade generally used), with \$1.85 duty and figuring 2 pounds per thousand, would cost \$5.30 per thousand. Sumatra of the finer grade would cost \$6 per thousand, figuring the cost of tobacco at \$1.15. Florida tobacco, average grade, at \$1.50 per pound, would cost \$3 per thousand. The finest grades, which would sell at \$2 per pound, would make the cost \$4 per thousand. Havana seed, fine wrappers, such as will bring 70 cents, will wrap with 4 pounds per thousand, bringing the cost of same to \$2.80. The remainder of the Havana seed crop and the Pennsylvania, New York State, and Ohio tobaccos used for wrappers will average \$1.50 to \$2 per thousand cigars.

The price of Connecticut Havana seed wrappers has varied in no degree in relation to the price of Sumatra or the duty thereon, the inherent good or poor qualities of the crop, in connection with the business conditions at the time of sale, have been the sole factor in determining the price. Connecticut Havana seed is in no way a competitor with Sumatra. It is used by a different class of manufacturers than those using Sumatra. Regarding the raising of shade-grown tobacco in Connecticut, there has been no appreciable increase in the last ten years. I append to this statement a table showing the acreage, production, and farm value of the Connecticut and Florida crop of the past twelve years. (Exhibit A.)

The production of Florida and Georgia tobacco has increased enormously in the last few years. This has been brought about by

the tremendous possibilities for profits which have stimulated production abnormally. The wrapper portion of Florida tobacco is grown mostly under shade, and I venture to say that 75 per cent of that crop is raised not by farmers but by large corporations or firms, as the cost of raising same precludes the farmer of moderate means from its production. The Florida and Georgia Sumatra wrapper has not been affected by the price or duty on Sumatra, but by the inherent good or poor qualities of the crop as shown by the appended figures. The difference of the cost per thousand cigars of Sumatra and Florida wrappers is such that they are not competitors, but each has its place and will have in our cigar industry.

The tendency of the cigar business has been toward centralization. The output per factory has increased out of all proportion to the increase in production, as shown by Exhibit D.

Let me quote you the figures: In 1896 the number of cigar factories was 31,401, and they produced 4,048,463,306 cigars, with a factory output of 129,000. In 1906 the number of cigar factories was 25,813, producing 8,137,299,565 cigars, the production per factory being 315,200 cigars, which shows that the increase in factory output has proceeded out of proportion to the increase in the number of cigars.

Mr. UNDERWOOD. The production of cigars or tobacco?

Mr. CULLMAN. The increase in cigars has been from 4,000,000,000 to 8,000,000,000, an increase of 100 per cent, and in the production from the cigar factories, the individual output, there has been an increase of 150 per cent.

Mr. UNDERWOOD. There has been a centralization of business, you mean?

Mr. CULLMAN. Yes, sir.

We believe that this centralization has been partly caused by the present rate of duty, that the small manufacturer requiring so much more money for duty has been handicapped in his development. Should this centralization continue it may be apprehended that the cigar manufacturing industry will become so concentrated that the workmen will have little choice of employment and the farmer will have but few buyers for his product. It may interest you to learn that fully 40 per cent of the cigar leaf crop of 1907 was purchased for use by a single manufacturing corporation. It will probably be conceded that it is to the best interest of the farmer, dealer, manufacturer, and consumer that the industry be as diversified as possible, the small manufacturer be given a chance to increase his business, and that the farmer of the future may have a wide outlet for his tobacco.

The National Cigar Leaf Tobacco Association asks nothing. It merely wishes to place before your committee the facts in the case and to leave it to your good judgment as to what methods are proper and right to check the tendencies I have referred to that have grown up in the business since the enactment of the Dingley law. It is our earnest wish that the action taken by Congress shall be for the welfare of the entire cigar leaf industry and not for the sole benefit of any particular branch.

EXHIBIT A.

Production of leaf tobacco in Connecticut and Florida, 1896-1907.

CONNECTICUT.

Year.	Acreage.	Production, pounds.	Farm values.
1896.....	6,579	10,197,450	\$1,325,668
1899.....	10,119	16,930,770	3,074,022
1900.....	10,948	18,435,765	2,833,041
1901.....	11,782	18,682,319	2,756,221
1902.....	12,725	21,785,200	3,485,632
1903.....	13,234	21,174,400	3,282,032
1904.....	12,705	21,407,925	4,838,191
1905.....	13,340	23,011,500	3,911,955
1906.....	14,140	24,532,000	4,415,022
1907.....	14,400	21,744,000	2,501,000

FLORIDA.

1899.....	2,056	1,125,600	\$254,211
1900.....	2,220	1,211,066	309,814
1901.....	2,610	1,420,705	382,859
1902.....	3,079	1,601,080	480,324
1903.....	3,726	2,608,200	834,624
1904.....	4,434	3,613,710	1,138,319
1905.....	5,321	3,192,600	574,668
1906.....	5,400	4,725,000	1,653,750
1907.....	7,500	6,937,500	3,122,066

NOTE.—With the exception of the figures for 1896, which are derived from the census, the statistics in the above table are taken from the reports of the Department of Agriculture. No statistical reports on tobacco were made in the years 1897 and 1898.

EXHIBIT B.

Imports of leaf tobacco, 1897-1908.

Year.	Total imports.		From Cuba.		From the Netherlands.	
	Wrappers.	Fillers.	Wrappers.	Fillers.	Wrappers.	Fillers.
1897.....	<i>Pounds.</i> 6,067,268	<i>Pounds.</i> 7,747,959	<i>Pounds.</i> 3,129	<i>Pounds.</i> 4,406,944	<i>Pounds.</i> 5,270,924	<i>Pounds.</i> 175,050
1898.....	3,968,561	6,488,547	44,577	4,357,219	3,688,846	5,793
1899.....	4,147,018	9,888,781	99,355	7,730,500	3,796,919	19,972
1900.....	5,561,068	14,058,559	131,494	11,272,334	5,048,194	52,976
1901.....	6,574,586	20,276,667	88,021	18,554,775	6,251,594	12,246
1902.....	5,720,879	23,698,958	52,323	18,840,459	5,517,841	9,948
1903.....	6,314,359	27,702,597	98,402	21,984,308	5,943,159	13,811
1904.....	7,387,390	23,775,246	59,061	20,443,553	6,964,130	146
1905.....	7,109,595	26,178,783	43,166	21,430,283	6,764,861	10,247
1906.....	6,732,774	30,622,703	109,714	24,095,345	6,516,933	14,075
1907.....	7,576,325	31,963,906	38,274	20,335,769	7,066,778	36,306
1908.....	5,943,714	26,112,321	42,658	17,929,086	5,817,733	-----

EXHIBIT C.

Imports of leaf tobacco at Key West and Tampa, 1898-1908.

Fiscal year.	Key West.		Tampa.	
	Wrappers.	Fillers.	Wrappers.	Fillers.
	<i>Pounds.</i>	<i>Pounds.</i>	<i>Pounds.</i>	<i>Pounds.</i>
1898.....	30,526	527,263	7,514	699,748
1899.....	11,198	396,934	10,257	914,009
1900.....	29,633	704,659	11,976	1,489,750
1901.....	24,085	773,106	10,443	2,212,367
1902.....	23,986	827,906	7,032	3,549,201
1903.....	17,585	896,278	7,190	3,359,897
1904.....	22,962	1,041,343	6,350	3,484,681
1905.....	14,485	1,251,616	9,388	4,703,711
1906.....	20,072	1,385,812	11,031	4,542,225
1907.....	14,631	1,361,813	14,264	4,930,603
1908.....	12,995	1,364,556	8,683	4,526,123

EXHIBIT D.

Production of cigars, 1896-1907.

Calendar year.	Factories.	Production.	Production per factory.
1896.....	31,401	4,048,463,306	129,000
1897.....	31,435	4,431,050,509	141,000
1898.....	30,856	4,915,663,350	159,300
1899.....	28,523	4,909,566,840	172,100
1900.....	27,366	5,565,669,701	203,300
1901.....	24,567	6,904,639,012	251,400
1902.....	26,423	6,907,830,553	261,400
1903.....	26,456	7,398,424,150	279,600
1904.....	26,703	7,376,669,742	276,200
1905.....	26,631	7,551,510,893	283,500
1906.....	25,813	8,137,299,565	315,200
1907.....	23,882	7,302,029,811	305,790

EXHIBIT E.

Production of cigars in Florida district, 1898-1908.

Fiscal year.	Production.	Fiscal year.	Production.
1898.....	139,391,599	1904.....	242,377,000
1899.....	141,330,166	1905.....	299,147,600
1900.....	160,568,055	1906.....	332,173,666
1901.....	186,639,722	1907.....	377,209,000
1902.....	179,982,666	1908.....	332,805,970
1903.....	224,730,000		

STATEMENT OF J. L. McFARLIN, QUINCY, FLA., WHO PROTESTS AGAINST ANY REDUCTION IN TOBACCO DUTIES.

FRIDAY, *November 13, 1908.*

Mr. McFARLIN. I am president of the Florida and Georgia Leaf Tobacco Association, and a member of the firm of Kraus-McFarlin Company, of Chicago, growers and packers of Florida tobacco.

I appeared before the Ways and Means Committee at the time that the Philippine tariff was discussed. At that time you were fully

informed as to the manner in which we grow tobacco—that is, under the shade, which is made by suspending cloths 9 feet above the ground, or by weaving slats between wire and the tobacco is grown artificially. There are at the present time at least 5,000 acres of this shade tobacco grown in Florida and Georgia. It represents capital of at least \$7,000,000 invested in barns for curing and shade apparatus erected alone. Taking the cost of the lands, teams, and farm implements necessary for the production of this tobacco, with packing houses to finish the article for the market, there is invested in Florida and Georgia over \$20,000,000, and this gives employment to twenty or thirty thousand people directly in the tobacco business.

The cost of producing this tobacco is about 50 cents a pound from the field. When packed and ready for the market there is about one-third of this tobacco that comes in competition and is recognized as a substitute for Sumatra tobacco, and when you use the word “substitute” in connection with any commodity it means that it must be cheaper.

The margin of profit that we obtain from this tobacco is so small that any change in the tariff at the present time would almost mean confiscation. No one has pulled out a dollar from all the money that has been invested in Florida. My company has at the present time an investment of \$700,000. We have taken all the money that we could get out of it and put it back into improvements.

This great industry started in 1906 and has had the encouragement and assistance of the Government through the Agricultural Department. With the present condition of the country any change in the tariff would be disastrous to Florida and Georgia and not alone to those States, but to Texas and to Alabama. The Agricultural Department has encouraged the industry, showing to the people the advantage of such an investment, and without the present tariff there would be a great loss to all who are interested in this industry. I do not go into any statement of figures; you gentlemen can easily obtain them.

The gentleman has stated that the difference between wrapping a thousand cigars with Sumatra and Florida tobacco is about \$3 a pound. In fact, we are now submitting to the manufacturers our tobacco, and if they can save a dollar a pound by wrapping a thousand cigars by using Florida instead of Sumatra tobacco they will accept it. In a great many cases we find that they can not do that.

I view the matter from a selfish standpoint and also from the general standpoint, and for the life of me I do not see how a reduction of the tariff will benefit anyone in the United States. On the other hand, it will almost ruin the industry in Florida, Georgia, and Connecticut, and will be of no advantage to anyone. Besides, the Government will lose the revenue from the tobacco that is imported from Sumatra.

I appeared before your committee, as I before stated, and by referring to the report you will find a statement of the manner of the construction of the shade and the cost, which is \$1,000 an acre, and all the necessary figures. Therefore I do not think it is necessary for me to consume your time.

The CHAIRMAN. As I understand, you say that it costs about \$1 a pound to raise the tobacco?

Mr. McFARLIN. No. The cost of production in the field is 50 cents a pound, the absolute cost.

The CHAIRMAN. What proportion of that crop is suitable for wrappers?

Mr. McFARLIN. About one-third, which comes in competition with the Sumatra tobacco.

The CHAIRMAN. That is a grade about equal to the Sumatra tobacco?

Mr. McFARLIN. It wraps the same number per pound, but in selling it the reason the mistake is made is that when a manufacturer gets a bale of Florida tobacco he takes out that portion of it which resembles Sumatra tobacco and uses it, and he throws the balance aside and it is sold at a very low price.

The CHAIRMAN. Do you remember the importing price of Sumatra tobacco?

Mr. McFARLIN. It ranges from 40 cents to \$1.10.

The CHAIRMAN. The last report is 99 cents.

Mr. McFARLIN. That is an average. You can buy it as low as 40 cents, up to \$1.10 and \$1.20.

The CHAIRMAN. The other two-thirds are used for fillers?

Mr. McFARLIN. For instance, if you desire those figures, the cost of the tobacco from the field is 50 cents and then there is a loss in shrinkage when it gets into the packing house of 35 per cent. There is also a loss in what we call strippers, for which we receive from 5 to 7 cents, 10 or 15 per cent, and when we get through we have about 60 per cent of the weight that is put on the market, a grade of second wrappers.

The CHAIRMAN. Have you ever figured up the different prices you get for the different grades of tobacco on an acre or any quantity of land and made an average of what it sold for during the last year?

Mr. McFARLIN. Yes, sir; but I have not the figures. I will do this, if you desire; I will submit to you in writing the cost of every acre and what we get for the tobacco and compare it with the Sumatra tobacco.

The CHAIRMAN. And the quantity per acre?

Mr. McFARLIN. Yes, sir.

The CHAIRMAN. And at the same time can you give us the different items of the cost of cultivating an acre of tobacco?

Mr. McFARLIN. Yes, sir.

The CHAIRMAN. I think that would be very useful.

Mr. McFARLIN. I will submit to the committee between now and the 4th of December the figures you desire.

The CHAIRMAN. There has been a considerable increase in the growing of tobacco in Florida under the Dingley bill?

Mr. McFARLIN. Yes, sir. There has also been a considerable loss.

The CHAIRMAN. I do not suppose the tobacco industry has been so good for the past year?

Mr. McFARLIN. No, sir. I know you are pretty well informed on this subject.

The CHAIRMAN. The consumption has not been so great for the past year?

Mr. McFARLIN. No, sir.

The CHAIRMAN. The internal-revenue receipts have fallen off?

Mr. McFARLIN. Yes, sir. Florida had a black eye on account of a bad crop.

The CHAIRMAN. Are you trying to raise any tobacco in Florida that will take the place of the Habana wrapper?

Mr. McFARLIN. We can not do that. We could compete with them if we had a high duty.

The CHAIRMAN. Your tobacco is all raised under cheese cloth?

Mr. McFARLIN. Yes, sir. I have a picture here if you would like to look at it [exhibiting picture].

Mr. UNDERWOOD. What counties in Florida raise tobacco?

Mr. McFARLIN. Gadsden, Jefferson, Leon, and Jackson counties.

Mr. UNDERWOOD. What is the value of the unimproved lands in Florida on which this tobacco can be raised. I do not mean improved lands, but the unimproved lands.

Mr. McFARLIN. You can buy land in Gadsden County at from \$15 to \$20 an acre.

Mr. UNDERWOOD. What is the cost of preparing those lands? I do not mean with fertilizer or with the shade, but otherwise preparing them for cultivation.

Mr. McFARLIN. You mean just clearing the land?

Mr. UNDERWOOD. Yes, sir.

Mr. McFARLIN. About \$50 an acre.

Mr. UNDERWOOD. Is it heavily timbered?

Mr. McFARLIN. You can take the ordinary uplands and at a cost of about \$50 an acre you can clear it and put shade over it. Every stump and root has to be removed. It is like a garden.

Mr. UNDERWOOD. That would make the land cost you about \$65 an acre?

Mr. McFARLIN. Yes, sir. I have paid \$100 an acre for some land.

Mr. UNDERWOOD. What does it cost to put the shade on an acre?

Mr. McFARLIN. The shade and barns and houses for your help, as near as I can figure it, would cost between \$1,000 and \$1,200 an acre.

Mr. UNDERWOOD. Is it not possible to raise this tobacco where you do not have to furnish the barns?

Mr. McFARLIN. You have to have the barns, because they cure the tobacco in the barns.

Mr. UNDERWOOD. Is this tobacco raised entirely by men solely in the tobacco business?

Mr. McFARLIN. No, sir. Sixty per cent of the tobacco raised in Florida is raised by individual farmers who have from 5 to 10 acres.

Mr. UNDERWOOD. They already have barns for other purposes?

Mr. McFARLIN. These barns have to be specially built.

Mr. UNDERWOOD. They raise the same tobacco in my district, and the farmers there use the ordinary barns.

Mr. McFARLIN. Where are you from?

Mr. UNDERWOOD. Alabama.

Mr. McFARLIN. I raised some tobacco in Alabama at Marion, some 25 or 30 acres of fillers.

Mr. UNDERWOOD. They are raising shade tobacco there?

Mr. McFARLIN. Yes, sir. I have seen the samples.

Mr. UNDERWOOD. It costs really about \$250 an acre to build the shade?

Mr. McFARLIN. Yes, sir. To cure the tobacco you have to build a barn. Of course, a barn will take care of about 3 acres.

Mr. UNDERWOOD. A barn costing \$1,000 will house 3 acres?

Mr. McFARLIN. Yes, sir.

Mr. UNDERWOOD. How long will that barn last?

Mr. McFARLIN. Ten or twelve years.

Mr. UNDERWOOD. How long will the shade last? On the average, will the shade last five years?

Mr. McFARLIN. No, sir.

Mr. UNDERWOOD. By keeping it up, I mean?

Mr. McFARLIN. Yes, sir.

Mr. UNDERWOOD. You can replace one-fifth of it each year and keep the shade in condition?

Mr. McFARLIN. Yes, sir. In three years you will probably have to spend \$250 again, because the wind damages it and you have to rebuild it.

Mr. UNDERWOOD. Two hundred and fifty dollars means an investment for three years?

Mr. McFARLIN. Yes, sir.

Mr. UNDERWOOD. How much fertilizer will you have to put on that land each year?

Mr. McFARLIN. I used this year \$125 worth of fertilizer an acre.

Mr. UNDERWOOD. With those expenses, averaging the cost of the barn and improvements at \$1,000 or \$1,200, equal to about \$100 a year, and the shade improvements divided by 3 for three years' time, and your fertilizer, what will be the actual cost to raise the tobacco?

Mr. McFARLIN. The actual cost, without any wear or tear, foots up about 43 cents.

Mr. UNDERWOOD. You sell the tobacco for a dollar a pound in ordinary times? I understand you had a bad crop in Florida this year.

Mr. McFARLIN. You have an idea that this tobacco is all sold. If you raise 1,000 pounds and it brings \$1 or \$1.50 a pound, you only get 60 per cent of the field weight back. Last year I got 22 per cent of light tobacco that brought that price. The balance ran from 7 cents to 40 or 50 cents.

Mr. UNDERWOOD. You raise about 1,000 pounds to the acre?

Mr. McFARLIN. Yes, sir.

Mr. UNDERWOOD. Are there not some firms that buy the "run of the crop" for about a dollar a pound?

Mr. McFARLIN. No, sir. The leaf dealers paid as high as 80 cents a pound, but every man who paid that 80 cents is from \$50,000 to \$75,000 in the hole.

Mr. UNDERWOOD. In the days before the panic came, what did you get?

Mr. McFARLIN. It is pretty hard for me to give you an idea.

Mr. UNDERWOOD. What was the highest price?

Mr. McFARLIN. Two dollars and \$2.25.

Mr. UNDERWOOD. What was the average for the "run of the crop?"

Mr. McFARLIN. As I said, about one-third of the crop brings that price, and the balance is a drug on the market and always has been.

Mr. UNDERWOOD. Then, in previous years, for a third of your crop you got about \$2.

Mr. McFARLIN. Yes, sir.

Mr. UNDERWOOD. And what was the average for the other two-thirds?

Mr. McFARLIN. All the way from 7 to 60 cents.

Mr. UNDERWOOD. Can you give us an average?

Mr. McFARLIN. No, sir. I suppose the crop brought possibly on an average 75 or 80 cents.

Mr. UNDERWOOD. In the days before the panic came on you got something like \$1,000 an acre for your crop?

Mr. McFARLIN. No, sir.

Mr. UNDERWOOD. Two dollars a pound for a third of the crop would be \$600?

Mr. McFARLIN. Yes, sir.

Mr. UNDERWOOD. You take the other third and you have how much left at 60 cents a pound?

Mr. McFARLIN. The other two-thirds.

Mr. UNDERWOOD. That would bring it up to \$1,000?

Mr. McFARLIN. But that runs from 7 to 60 cents.

Mr. UNDERWOOD. The real difficulty with the tobacco-growing industry in the United States is that due to no other cause except the decrease in your market due to the panic. Your conditions in Florida are as good now as they were in 1906?

Mr. McFARLIN. Yes, sir. But, as I stated to you, \$7,000,000 or \$8,000,000 have been invested in barns and shade and there is not one of those people who have ever drawn out a cent of money. As fast as they have got the money they have put it back in improvements.

Mr. UNDERWOOD. Is there not a great deal of overcapitalization?

Mr. McFARLIN. No, sir; not at all. They are only individual corporations, and there is no watered stock or anything of that kind.

Mr. BOUTELL. What is the name of the Chicago firm with which you are connected?

Mr. McFARLIN. The Kraus-McFarlin Company.

Mr. BOUTELL. You yourself are a citizen of Florida?

Mr. McFARLIN. Yes, sir; and I am president of the Georgia and Florida Tobacco Association.

Mr. BOUTELL. You said that you spoke not only from a selfish standpoint, but from a general standpoint against any reduction in the tariff. I take it that the maintenance of the present duty would meet with the general approval of the people of Florida?

Mr. McFARLIN. Yes, sir.

Mr. McCALL. How does the leaf grown by you for wrapper compare with the Sumatra wrapper?

Mr. McFARLIN. It is not as good. We can not make our colors as uniform.

Mr. McCALL. At the same price, which would be preferable?

Mr. McFARLIN. We never would sell a pound. There would not be a pound of Florida tobacco sold.

M. W. MUNROE, QUINCY, FLA., APPEARS IN ADVOCACY OF RETENTION OF PRESENT DUTIES ON TOBACCO.

FRIDAY, *November 13, 1908.*

The CHAIRMAN. Please state your full name, business, and residence.

Mr. MUNROE. My residence is Quincy, Fla. I am a farmer and run a bank as a side line.

The CHAIRMAN. You may proceed, Mr. Munroe.

Mr. MUNROE. Mr. Chairman and gentlemen of the Ways and Means Committee, I simply represent the real estate owners and the producers of tobacco in our section, entirely disassociated from the interests of the packers and distributors of the product, except in so far as they may be dependent upon the efforts of the latter in selling and introducing to the trade their product.

At present the producer with his affairs is in a rather bad condition on account of the bad trade conditions and the poor crop of the year 1907, the crop for the present year having been sold at less than the cost of production. The small farmers produce 60 per cent of the entire crop, and in their efforts to meet the trade requirements all of their available means, together with all the profits of preceding years, have been used in improvements, betterments, and repairs. With the tobacco prospects unsettled by agitation on the tariff it means to them a great loss in the shrinkage of value both of their real estate and their improvements. The continued agitation and the consequent reduction of the tariff which may follow will mean the entire destruction of the value of the improvements. This means that they have put a great deal of money in improvements that are absolutely valueless to them except in the production of tobacco.

Mr. CLARK. They grow the tobacco under canvas?

Mr. MUNROE. Under slats and canvas together.

Mr. CLARK. What is the reason that you can not grow it out in the sun like other people?

Mr. MUNROE. You gentlemen may know that that particular section from 1836 to 1860 produced the wrapper crop of this whole country, and it was used in the export trade to Germany. In those years all that country was covered with hard-wood acreage. It lies in ravines and the watershed had its hard-wood acreage, and the farmers cut that timber down and cultivated the land in tobacco the first year. The next year they planted cotton, oats, and other crops. In the course of time they skimmed the cream all off, and when we began to try to raise tobacco in the sun it would not produce the type of tobacco that the land previously had produced. Mr. Schroeder conceived the idea of trying artificial shade. He had noticed in Cuba that the wrappers he got came from the tobacco that was planted among the orange trees. He tried a quarter of an acre the first year, and it produced a type of tobacco exactly like the virgin land.

Mr. CLARK. You raise all the wrapper tobacco under shade?

Mr. MUNROE. Yes, sir.

Mr. CLARK. Did not that scheme originate in Connecticut?

Mr. MUNROE. Mr. Schroeder originated the entire scheme and everybody else has been an imitator of Mr. Schroeder's plan. Mr. Schroeder attempted to get a patent.

Mr. CLARK. Why did they not raise a second crop on the land that was skimmed off?

Mr. MUNROE. It would not produce the type.

Mr. CLARK. You could not raise two crops?

Mr. MUNROE. No, sir. As you gentlemen can appreciate, you can take a piece of land and manure and fertilize it exactly the same, give it the same care and attention, and you will not get the same result. The tobacco on the outside will grow at its best only about 6 feet high, the very best, an average of about 5 feet, and it makes a heavy, thick tobacco. The tobacco under the shade will grow 9 feet high—it will grow 10 feet high if the land is well tilled—and flower out at the top, and it makes a type entirely different.

This industry has caused within the past ten or twelve years an advance in the value of real estate from \$3 per acre to \$50 per acre. Should we again be forced to raise cotton in our section, this land not being well adapted to its production, the decline of real estate to its original value would be inevitable. If in former years this industry needed the duty for its maintenance, then it is even more necessary for its well-being now, on account of the increased cost of material for repairs and new improvements.

This industry was started in about 1897, and the first order that Mr. Schroeder's manager placed for laths—he ordered them from the Wilson Lumber Company, of Florida—he got the very best grade of black cypress at 85 cents a thousand. They last indefinitely. Last year inferior laths cost in some instances as high as \$4.50 a thousand. In former years the average cost of the lumber was \$8 a thousand, and last year it cost \$18 a thousand. Shingles in those days, the very best cypress shingles, cost \$1.75 a thousand, and now they cost \$3.75 a thousand. In those days we could get an abundance of labor at from \$12 to \$15 a month, and the cost for labor last year was about \$1.50 a day. The cost of cotton-seed meal has increased from \$18 per ton to \$26 and \$32 per ton.

Mr. UNDERWOOD. How much tobacco did you raise in 1906?

Mr. MUNROE. The total crop of tobacco would amount to about 4,000,000 pounds.

Mr. UNDERWOOD. I mean you, individually. You are a raiser of tobacco?

Mr. MUNROE. I am a real estate owner.

Mr. UNDERWOOD. Then you are not in the tobacco business?

Mr. MUNROE. Yes; I am very largely interested in the tobacco business.

Mr. UNDERWOOD. How much tobacco did you raise in 1906?

Mr. MUNROE. About 8,000 pounds.

Mr. UNDERWOOD. What did you sell it for?

Mr. MUNROE. In 1906 we sold the tobacco for 45 cents a pound.

Mr. UNDERWOOD. Was that shade tobacco?

Mr. MUNROE. Yes, sir.

Mr. UNDERWOOD. That was the "run of the crop?"

Mr. MUNROE. That was the "run of the crop." In 1907 we sold the tobacco for 80 cents a pound, which was an abnormal price.

Mr. UNDERWOOD. What was the occasion of the cheap price in 1906?

Mr. MUNROE. The Florida tobacco has had great difficulty in making a name among the trade. I am reliably informed that there are

a large number of men who use it who will swear until they get black in the face that they would not allow one single pound of Florida tobacco to go into their packing house. I will give you an illustration of what I mean by that. I will tell you of the guise under which the Florida tobacco masquerades. It has never got its dues or its deserts. It is used by manufacturers and it is known to the trade as Sumatra tobacco. In 1902 we were producing the sun tobacco. I had some business in Ocala, which is a large cigar manufacturing center, and I spoke to Mr. Joseph Morales and asked him if he ever used any Florida tobacco and he said, "No; I use only clear, clean, Habana tobacco." I told him that I would send down a bundle of the Florida tobacco for him to try and the next time I came along he was to let me know the result. I went down to Ocala several months afterwards and I asked him how he liked the tobacco. "Why," he said, "I will tell you. If I dared to use that tobacco in my factory I could get rich, but I do not dare use it. My competitors would get on to it and I would be damned throughout the trade for using an adulterant." That was a great many years ago and I was younger and greener and I took his statement as a fact. As time passed he moved over to Tampa, where he opened a cigar factory, and in the course of time he died. I had some friends in Quincy, the Owl Commercial Company, who deal largely in Florida filler, and they went down to Tampa and learned from Mr. Morales's widow that he had a large amount of high-priced imported tobacco, but when they went into the factory they found only a small percentage of imported tobacco and the balance of it was all Florida filler, bought from A. Cohen, of the city of New York, and they bought the tobacco and the check came through our bank and we paid it.

Mr. UNDERWOOD. Was the tobacco that you referred to in 1906 that brought 45 cents a pound shade grown?

Mr. MUNROE. Yes, sir; shade grown. I have stated that the price last year was abnormal. It has always been an old cry to get rid of the middleman and his profit, but they are like some other troubles, always with us, and last year they paid a price that the article would not stand. All we can ever hope to get, year in and year out, taking into consideration the repairs that must be made, I would say, is 50 cents for the producer. That would be a good price.

Mr. UNDERWOOD. Are there not any firms in this country that pay \$1 a pound for the tobacco?

Mr. MUNROE. Not that I know of. There was one single crop sold by a gentleman in our county to a buyer who played him as a favorite, and who gave him 90 cents. The average price of the crop last year would be somewhere about 70 cents a pound.

Mr. UNDERWOOD. The average price?

Mr. MUNROE. Yes, sir.

Mr. UNDERWOOD. At 70 cents a pound is there any profit in it?

Mr. MUNROE. There was a profit to the producer at 70 cents a pound, but you know humanity is the same everywhere, and when we get a lot it takes a lot to live on, and that has come very near ruining us in our country. At 70 cents a pound they got extravagant habits. They thought they had a gold mine and all they had to do was to shovel it out.

Mr. CLARK. Do you think it is fair to tax the people of the United States to let those people live like nabobs?

Mr. MUNROE. I will tell you—

Mr. CLARK (interrupting). Just answer that question, please.

Mr. MUNROE. I can answer it, and I can answer it consistently. In the first place, I am one of the people and I take an interest in the Federal Government. We need money in the Treasury, according to newspaper reports.

Mr. CLARK. If we did not spend so much we would not need so much.

Mr. MUNROE. It is spent and it is going to be spent, and no protest of yours or mine can stop it.

Mr. CLARK. We will see about that. There might be such a protest that they would let up on extravagance.

Is it fair to tax the people of the United States to allow these tobacco men to live like nabobs because they have formed extravagant habits of living?

Mr. MUNROE. You ought to see us at home. I do not think you would call us "nabobs."

Mr. CLARK. You have stated that the reason that they could not make a profit at 70 cents a pound was because they had formed extravagant habits of living.

Mr. MUNROE. You take this feature: Every one of these people—

Mr. CLARK (interrupting). I wish you would answer my question.

Mr. MUNROE. I want to answer it and I want to give you a plain answer. If you want to know morally, I do not think anybody has a right to live at the expense of another man. You can not, however, speak of extravagance except by comparison. People who live at a certain gait, it may be a very, very slow gait, and if they get up to another gait, which might be a very slow gait to what you or I might live, still it would be a very fast gait for them.

Mr. CLARK. Do you think that the people ought to be taxed to allow your people to travel a fast gait?

Mr. MUNROE. They have lost that gait now.

Mr. CLARK. They lost it under the Dingley bill?

Mr. MUNROE. That was before.

Mr. CLARK. The gait they are going now. You are complaining about the conditions now?

Mr. MUNROE. What has ruined them is that they have not gotten the 70 cents.

As to the duty on tobacco, as I understand conditions from my standpoint, the Government needs the money, and the duty on tobacco is a revenue producer, and from my information it does not curtail the importation of tobacco at all, but it comes in as the trade and growth of the country increase. It has come in in an increased ratio every year except last year, which was abnormal. So incidentally we get protection and directly the Government gets the last dollar it can out of it.

Mr. CLARK. You can not raise tobacco down there without all this artificial process?

Mr. MUNROE. We have to have the shade.

Mr. CLARK. Other parts of the country can.

Mr. MUNROE. They can not raise that kind of tobacco.

Mr. CLARK. I know they can not. They can raise a better grade of tobacco.

Mr. MUNROE. Not of the wrapper tobacco.

Mr. CLARK. Has the taste and texture changed in the last fifteen or twenty years?

Mr. MUNROE. I will tell you how I understand the manufacturers base the value of a cigar leaf. They base it on the minimum number of pounds it will take to wrap a thousand cigars. In other words, the tobacco that will only take $1\frac{3}{4}$ pounds to wrap a thousand cigars is considered more valuable than a tobacco that will take 5 pounds, and the merits of this tobacco we raise is largely in its fine texture, its fine appearance, its fine style, and the small number of pounds it takes to wrap a thousand cigars.

Mr. CLARK. Twenty-five or thirty years ago in my section they raised an immense quantity of tobacco and then they quit it, and I supposed that it was because the tobacco out there grew so heavy and thick and the rough land that the people were cultivating the tobacco on. You raise this thin wrapper tobacco?

Mr. MUNROE. I will advert to the time when this tobacco industry came to us. We could have continued for a number of years after the war to have raised this style of tobacco—we shipped practically all the tobacco before the war to Germany—but after the war, the four years of blockade had just simply closed every market we had, and when it was over Pennsylvania and Connecticut had simply replaced the tobacco that we had been shipping, and then the Sumatra tobacco came on the market just at that time. So we raised a limited amount of sun tobacco. In 1887, I think it was, Mr. Charles Vogt, of Carl Vogt & Sons, a man who had used our tobacco on the table when he was a cigarmaker, came down to see if he could find anything like it, and he bought some sun-grown tobacco. Then Straiton & Storm, in their effort to find something to take the place of Sumatra tobacco, tried the sun tobacco, and they could get a small percentage of wrappers out of it, but the wrappers were heavy and it took possibly 4 or 5 pounds to wrap a thousand cigars. We had a most disastrous experience until Mr. Schroeder solved the problem with the shade.

Mr. CLARK. Is the wrapper you raise down there really any better than the heavy tobacco?

Mr. MUNROE. That is what the trade requires.

Mr. CLARK. I understand that, but does it make a better cigar?

Mr. MUNROE. The trade differentiates between the dark and light style. For my own personal use I always prefer the dark wrapper, because usually it is better sweated and it is less gummy than the light wrapper, but you can get the same grade of tobacco either light or dark; you can take your choice of wrappers. When I was a great deal younger than I am now I used to slip around the corner and light a cigar and when I got through smoking my mouth would be painted on account of the dark wrapper. Dark wrappers were the fad at that time, and manufacturers met the demand by artificial coloring. As a result of similar experience a good many persons have concluded that the only way to get a good clean smoke was to get a light wrapper.

Mr. CLARK. The tobacco that you raise under the shade you do not treat as before?

Mr. MUNROE. Well, we top it; the button has to come out of it. But after the button comes out we would like to keep the suckers off

the top, but they have to work so very rapidly and use every means they can to harvest the crop that it comes out with the suckers.

Mr. CLARK. Are you people down there advocating a raise of the rate, or do you want to keep the rate as it is?

Mr. MUNROE. I speak only for myself, but I may say that we have started industrially, and all our money that we have planted in the business we have planted on the basis of the tariff as it exists; and all we ask is that the question be not agitated, that we be left to know where we stand.

Mr. CLARK. You can not keep the question from being agitated.

Mr. MUNROE. We do not mind mere talking, you know. [Laughter.] What I meant by agitation is coming up and doing something. That is what I mean.

Mr. CLARK. You think agitation means to cut the tariff down and then put it up?

Mr. MUNROE. Oh, no.

Mr. CLARK. What do you really want? Do you want the tariff raised or would you let it stand? I want to know what the men whom you represent want.

Mr. MUNROE. We want it to stay exactly like it is.

Mr. CLARK. And yet you are in a hole now, as it stands?

Mr. MUNROE. Oh, no. Everything in business, you know, runs by averages. You know hope was the only thing left in Pandora's box. [Laughter.]

Mr. CLARK. Yes; I know about that.

Mr. MUNROE. That beats in our hearts still, and that keeps us alive. If you were to disturb the tariff, I might not even have my side line left.

Mr. CLARK. If you have got into a hole under this bill, you are not sure you are going to get out of it?

Mr. MUNROE. Oh, yes; if you leave us like we are.

Mr. CLARK. You have not any great fear that you are going to get hurt by this committee?

Mr. MUNROE. No. But if you leave it this way, you know; if you give us what we ask for—that is, simply to be let alone, simply to let it be as it is—you will never have us here with a grievance against you or against your committee.

Mr. CLARK. You are absolutely satisfied?

Mr. MUNROE. The small growers are satisfied.

Mr. UNDERWOOD. Whom do you sell your tobacco to?

Mr. MUNROE. To the buyers. [Laughter.]

Mr. UNDERWOOD. I know; but who are the buyers? [Laughter.]

Mr. MUNROE. We forget, you know, that other people do not know what a buyer is as well as we do. The principal buyers are A. Cohen & Co., the Owl Commercial Company, J. Lichtenstein & Co., the Florida Tobacco Company, the Florida and Georgia Tobacco Company, Klein Brothers, the Hinch & O'Neil Tobacco Company, the Kraus-McFarlan Company, and Taussig & Co., and now and then we have other buyers who come down and buy a limited quantity.

Mr. UNDERWOOD. Are they manufacturers or jobbers?

Mr. MUNROE. They are jobbers. All of these people, with one or two exceptions, are the corporations that Mr. Cullman referred to as raising all but 25 per cent of the tobacco.

Mr. UNDERWOOD. They raise tobacco and sell it?

Mr. MUNROE. They raise tobacco, and in addition to that they come in and buy it from the farmers, and those farmers' packs go in and are assorted.

Mr. UNDERWOOD. Whom do these other men that you refer to now, these men that you sell to, sell that back to?

Mr. MUNROE. Well, that is a secret, you know, that they have never divulged to anybody, because if they did they would never in the world be able to sell again. [Laughter.]

Mr. UNDERWOOD. Is the consumer of this tobacco the American Tobacco Trust, or is it an independent concern?

Mr. MUNROE. It is largely independent people. To give you an idea of it, I may mention that I had a friend in the tobacco trade—Mr. D. A. Shaw, of the Florida Tobacco Company—who used to work for the old firm of Shroeder & Bond, and he had certain sizes of tobacco in the past season, and he went to the customer and told this party, and he said, "I have certain sizes of tobacco, 12 and 14 and 15 inch wrappers, and I want to sell you some." And he said, "I do not use one single ounce of Florida tobacco." And he said, "I know; but you have a lot of little fellows on the outside that do use it." He says, "I know you do get the tobacco and buy it, for I used to work for Shroeder & Bond. I have billed it to you and shipped it to you by the bale."

Mr. UNDERWOOD. I am not interested in that at all. Will you kindly answer my question? I want to find out, if I can, where this tobacco goes to be manufactured.

Mr. MUNROE. My information is rather limited; but the United Cigar Company, which used to be the old firm of Kerbs, Wertheimer & Schiffer, I understand, use none at all, except simply on the cigars they have made in teaching the learners. I understand the American Cigar Company does use a certain amount, but the balance of it and the large bulk of it goes to the manufacturers of the United States. Even in the city of Tampa, where they do not manufacture a single pound of anything but imported tobacco, our tobacco is used. It goes to New York and Chicago, and some of it comes back by devious channels and back ways.

Mr. UNDERWOOD. The price of this tobacco is not regulated in any way by reason of the trust being the only consumer?

Mr. MUNROE. Absolutely none.

Mr. MCFARLIN. May I make, Mr. Chairman, a correction to Mr. Underwood of a statement I made in figures?

The CHAIRMAN. Certainly; proceed.

Mr. MCFARLIN. You said we received \$1,000 an acre. You lost sight of the fact of a 35 per cent loss in weight.

W. M. CORRY, OF QUINCY, FLA., ASKS THAT PRESENT DUTIES ON TOBACCO BE RETAINED WITHOUT CHANGE.

FRIDAY, *November 13, 1908.*

Mr. CORRY. I have been a resident of Florida for twenty-one years. I was sent there by Mr. Duval, of the Florida Central and Peninsular Railroad, to develop the possibilities of the tobacco industry in Florida, and in 1887, after a very careful and thorough canvass of

the State, we found 362 acres of tobacco actually being cultivated in Florida. The farmers did not have the means to put up barns and erect buildings and go into the business extensively, and yet the possibilities of Florida tobacco appealed to us. So the industry was practically started in 1887, and was gradually developed until we had the McKinley tariff of \$2 per pound. Afterwards it was lowered to \$1.50 under the Wilson bill, and the business languished at that time.

Then the shade-tobacco industry was begun in 1896, and the Dingley tariff came back to \$1.85, and that was a great encouragement to the people to develop the business, to erect shades, and to go into it on a very large scale. The individual farmers in Florida, not having money to improve and develop their lands, could only start at first with perhaps half an acre, and then an acre, and then 2 acres; but gradually the shading of the land has developed until we have to-day over 5,000 acres of land under shade.

Now, the Department of Agriculture has aided us very materially in the development of that business. They have sent plant experts down there and people to analyze the soil. They have investigated plant diseases and insect pests, etc., and the Agricultural Department recognized the fact that if this country, the United States, could produce a type of tobacco, a type of leaf, that would compete with or compare with the imported Sumatra tobacco, an enormous amount of money could be kept in this country that otherwise went to Holland, to the city of Amsterdam. Through the aid of the Agricultural Department we have developed a type of tobacco which we think is fully equal to the imported Sumatra tobacco. The duty of \$1.85 per pound stimulated the production and has encouraged the farmers to improve their lands, to build barns and put up sheds, and to go into the business very extensively.

Now, to-day we ask that the duty be permitted to remain as it is; that agitation be prevented, and under the present rate of duty we believe the business can expand still further.

Now, in answer to a question you asked, Mr. Clark, a few moments ago, twenty-five years ago Jo Daviess County, Ill., produced wrapper tobacco. Jo Daviess County was right over the line from Wisconsin, and, frankly speaking, that wrapper twenty-five years ago was just as good as any wrapper tobacco produced anywhere else in the United States. At that time Sumatra tobacco was almost unheard of. Yet to-day the tobacco grown in Jo Daviess County, Ill., is as good as it was before, but the fashion has changed, and it is not popular now as a wrapper.

Mr. CLARK. That is what I tried to get at. Out in Missouri they used to raise tobacco, and the land was so rich that it produced a heavy, thick leaf. That taste, or fashion, or whatever you choose to call it, has swept those wrappers off and substituted this thin tobacco that you speak of.

Mr. CORRY. That is it exactly. Twenty years ago a man could wear a frock coat or a cutaway coat at certain functions and be in fashion, whereas now the style is different.

Mr. CLARK. The tobacco that you raise under shade is a tobacco that is a rival to or an imitation of the Sumatra tobacco, which is imported?

Mr. CORRY. Yes, sir. It is made especially to fill that trade.

Mr. CLARK. Is it anything like the Cuban tobacco?

Mr. CORRY. Somewhat. We can grow Cuban tobacco from the seed.

Mr. CLARK. Do you raise any Cuban wrappers down there?

Mr. CORRY. No; the Cuban tobacco is grown in the open field.

Mr. CLARK. Do they grow it out in the open sun, or do they shade theirs?

Mr. CORRY. They shade theirs. Since Florida has started in to the shading business the shading business has spread to Cuba and to Porto Rico.

Mr. CLARK. Do you believe they will ever get so in Florida that they can stand on their own legs in this tobacco business, or do you think that in order to perpetuate the tobacco-raising business in Florida they will have to keep up this tariff forever and for eternity?

Mr. CORRY. Yes; to keep it established.

Mr. CLARK. Do you think there ever will be a time when they can go it alone?

Mr. CORRY. If people would show their good taste and good sense to appreciate tobacco, we could get in.

Mr. CLARK. Then the only way you can do it is to keep on whipping the devil around the stump and send the product to New York and then to Chicago, and round about. That is what Mr. Munroe said, substantially.

Mr. CORRY. I can not follow all that. The idea is this, sir: We are raising leaf from the imported Sumatra seed, a type of tobacco that approximates and looks exactly like it, and is a close imitation of the imported Sumatra tobacco. The point is, our tobacco is used over the whole United States; but if a cigar manufacturer would advertise to-day publicly that he was using Florida tobacco, his customer would feel that he ought to buy his cigar a little bit cheaper, perhaps, because it does not pay the import duty.

Mr. CLARK. There is not one smoker out of a thousand who would know the difference between a genuine Sumatra wrapper and a Florida wrapper if it was given to him, is there?

Mr. CORRY. No, sir; but we think the Florida wrapper is the better.

Mr. CLARK. Where is the market for Florida wrappers?

Mr. CORRY. It is all over the United States.

Mr. CLARK. There must be some head center.

Mr. CORRY. The principal cigar-making centers are in New York and in Pennsylvania. There are also some large cigar-making centers in Ohio.

Mr. CLARK. I know; but is there not some central place that is recognized as a center of the wholesale of the tobacco?

Mr. CORRY. No, sir.

Mr. CLARK. Suppose you would openly advertise a ton of Florida tobacco, and advertise that you were going to sell 5 or 10 or 100 tons of wrappers, and at the same time advertise the same amount of Sumatra wrappers, or say 5 tons of Sumatra wrappers. In bidding on the wrappers how much more do you suppose these manufacturers would give for the Sumatra wrapper than they would give for the Florida wrapper, without any concealment about it?

Mr. CORRY. I do not know whether I can answer that question, for the simple reason that the buyer would know that the Sumatra had paid \$1.85 a pound duty, and that would attach a fictitious value to

the tobacco, perhaps, when it is imported. If both kinds were offered for sale publicly, which would not be likely, I think anybody would be likely to pay more for the imported.

Mr. CLARK. How much more would they pay?

Mr. CORRY. I do not know, sir. We claim that Florida tobacco is just as economical in its use and is just as desirable, and makes just as good a cigar as the imported Sumatra.

Mr. CLARK. I have no doubt about that. But what I was trying to arrive at was how much does this fad about smoking Sumatra wrappers cost you fellows?

Mr. CORRY. It costs the whole United States a great deal, for the reason that thirty years ago there was practically no Sumatra wrapper imported.

Mr. CLARK. If you can not go out and sell a ton of your wrapper for as much as the Sumatra wrapper, then the difference between what the Sumatra wrapper and your wrapper brings is the amount that it costs you a ton. This fad for smoking Sumatra wrappers is just like this wine drinking that we were talking about yesterday.

Mr. CORRY. In this respect they have the cheap cooly labor over in Sumatra.

Mr. CLARK. I know about that. I was talking about how much you lose in the transaction on account of this peculiar taste or fancy for Sumatra wrappers.

Mr. CORRY. Yes, sir. That is something that the whole tobacco industry of the United States suffers from. If the general trade would just as lief have only Missouri tobacco in cigars, then the Sumatra tobacco would not be heard of.

Mr. CLARK. The Missouri tobacco, for the purpose of making plug, is better than your tobacco?

Mr. CORRY. Certainly.

Mr. CLARK. They undertook up there, with those rich lands, to raise this White Burley tobacco, and I would just as lief chew mullein leaf as to attempt to chew that. [Laughter.] But they can not even make that as thin as you men down there can make that leaf, so they had to go out of the leaf or wrapper business.

Mr. CORRY. The craze, gentlemen, to-day is for a light leaf for wrapping cigars.

Mr. CLARK. With spots on it?

Mr. CORRY. Yes; to a certain extent.

Mr. CLARK. That is the reason why the Connecticut men went around and sprayed some kind of acid on their growing leaf tobacco. [Laughter.]

Mr. CORRY. The craze for spotted tobacco is not as great now as it was, but there is a craze still for light leaf. In the type of tobacco that we have just harvested we have in the extremely fine grades not over 30 per cent of the crop.

Mr. CLARK. I want to ask you a question, if you know. How much of net profit do they make on an acre of this imitation Sumatra leaf in Florida? What would you say they made, net, off of an acre of it?

Mr. CORRY. It would be hard to say. Over 60 per cent of our tobacco there is owned by individual farmers, who also have their corn crop and their provision crops and other home crops. They do not differentiate just exactly how much labor went into this piece of

tobacco and how much went on corn and other crops. The companies and individual concerns were incorporated to grow tobacco there, to encourage and develop the business. With hired labor it costs between 40 and 45 cents a pound to produce this tobacco and put it in the warehouse, not counting the assorting and classifying and the shrinkage.

Mr. CLARK. Is that all it costs to produce it?

Mr. CORRY. To gather it from the field. I am speaking simply of the cost of production, the labor and the fertilizer.

Mr. CLARK. That is the whole business until you get it in the warehouse?

Mr. CORRY. No; that does not take into account the depreciation and the decay of the shades, which rot down in five years. I am simply considering it as the small farmer figures it—his labor and fertilizer and his care.

Mr. CLARK. Do they make any such profits out of tobacco in Florida as they make off of lettuce?

Mr. CORRY. I do not think so. I have heard celery and lettuce men claim \$1,000 an acre.

Mr. CLARK. We have heard of men saying that at Gainesville they make enormous profit off of lettuce. If they make as much as that the whole State ought to go to raising lettuce.

Mr. CORRY. The money that has been made out of tobacco has gone back to swell the acreage. We have over 5,000 acres there to-day, with fine barns and good shade structures and good dwelling houses for the employees. A great deal of this land is irrigated, and pumping stations are established, and all the way through we have had the aid and advice and cooperation of the Agricultural Department; and to some of you gentlemen here, who are responsible for the Dingley tariff, we certainly owe a great debt of gratitude, and we believe if the present rates are maintained and no change takes place we can develop a very large business down there. We can hold a great deal of the money in this country that now goes to Holland.

The CHAIRMAN. Tobacco is a pretty good subject to get revenue from, is it not?

Mr. CORRY. I take it it is one of the best there is, except whisky.

The CHAIRMAN. There is more reason to collect revenue from tobacco than anything else except articles under the wine and liquor schedule.

Mr. CORRY. It is the most easily paid tax that there is.

The CHAIRMAN. If a man had an opportunity to buy a cigar wrapped with a Florida wrapper for 10, 15, or even 25 cents, or two cigars wrapped with a Missouri wrapper for 5 cents [laughter], and in the first case chose the 25 or 15, there must be some decided fad in that, is there not?

Mr. CORRY. Yes, sir.

The CHAIRMAN. And the only way for Missouri to do is to improve the flavor of her tobacco?

Mr. CORRY. No, sir. The only way—

The CHAIRMAN. Then they will have to be content to take a lower price?

Mr. CORRY. Yes.

The CHAIRMAN. Is there anything in the duty on foreign tobacco that at all interferes with the growing of Missouri and Florida tobacco?

Mr. CORY. Absolutely none.

Mr. CLARK. The reason the Missouri tobacco and the Illinois tobacco can not be used as successfully for wrappers as the Florida tobacco is because the soil of Missouri and of Illinois is so rich that it produces a thick and heavy tobacco. You have to have poor land, you know, like this in Connecticut and like that down there in Florida, in order to raise this thin leaf. [Laughter.]

The CHAIRMAN. We raise pretty good tobacco in New York. Perhaps there is poor land there. [Laughter.]

Mr. CLARK. It is very poor land.

The CHAIRMAN. We raise very good tobacco in New York State.

Mr. CORY. I have two or three leaves of the tobacco here, if you gentlemen would like to look at the kind of tobacco.

Mr. UNDERWOOD. What is the market price of tobacco in this country that competes with the Florida wrapper?

Mr. CORY. I can not answer that, because in Florida I do not come in contact with the Sumatra selling price, but I would say that the price of Sumatra tobacco in bond would average from \$1 to \$1.50. Some of these gentlemen can correct me who are importers of tobacco. One behind me here says about 95 cents in bond would be the average price.

Mr. UNDERWOOD. And to that you add \$1.85 and the jobber's commission?

Mr. CORY. Yes, sir; unless the manufacturer buys it direct.

Mr. UNDERWOOD. What is the labor cost in Florida to raise a pound of tobacco?

Mr. CORY. I can give you that exactly, because this year possibly a third of the tobacco was raised on the plantations by negro labor, who, instead of receiving a daily wage, were paid 18 cents per pound for the labor—a sort of a task. The owner furnished the land, the equipment, the shade, the barns, the fertilizer, the mules, and everything; but instead of employing labor by the day, he gives a negro family 18 cents per pound for the labor in producing an acre of tobacco, or whatever he produces.

Mr. UNDERWOOD. Does that include the labor of putting the tobacco into the barn?

Mr. CORY. It means the setting out of the plant and taking it out, but the owner has to make the plant. All that is extra.

Mr. UNDERWOOD. Does it include the labor of hanging the tobacco up in the barn, up to taking it to the warehouse?

Mr. CORY. Yes, sir.

Mr. UNDERWOOD. Do you know anything about the price of labor in countries where Sumatra wrappers grow?

Mr. CORY. Only from government records and statistics. We know that the labor there is not over one-third what we pay in Florida. We pay from \$22 to \$24 a month for ordinary darky labor, and men, women, and children can get almost their own price. In harvest time they get \$1.50 a day. The harvest of the wheat crop in the West is not nearly so much of a problem as the harvest of tobacco down in our country. It has to be done in a rush.

Mr. UNDERWOOD. It would be about 85 cents a day.

Mr. CORRY. I say about \$1 a day, and this year we paid as high as \$1.25 a day. In our section the lumber industries and phosphates have created a double demand for labor.

Mr. UNDERWOOD. That is not the condition in this last year? You are speaking of a time before the panic?

Mr. CORRY. In the past year, in common with every line of business, our tobacco has suffered.

Mr. UNDERWOOD. The labor advance has fallen off, too. I mean it has been much easier to get labor in the last year.

Mr. CORRY. It would be easier.

Mr. UNDERWOOD. Have you any figures yourself as to the cost of labor in the countries where Sumatra tobacco is grown?

Mr. CORRY. No; except that we all keep posted on the showings made in the consular reports and the labor rates in foreign countries.

Mr. UNDERWOOD. Can you file a statement for the record of the labor cost in Florida?

Mr. CORRY. Yes, sir; I shall be glad to.

Mr. POU. I would like to ask what the development of this growing industry in Florida in the last five or six years has been.

Mr. CORRY. It has more than doubled. We started in 1887, twenty-one years ago, with a scattering 352 acres throughout the entire State. Now we have to-day over 5,000 acres actually under shade, under this irrigated and shaded system, and several thousand acres in addition to that where tobacco is grown in the open. But the open tobacco, not shaded, is only used for filler purposes. It is a much cheaper grade. The idea of shading land is to produce ostensibly a wrapper crop. That is the only reason for shading. But in producing that wrapper crop we have fully one-third of the tobacco that falls off; it is broken or torn, or consists of ground leaves, not good for wrappers; and the other two-thirds of it remain, and nearly 50 per cent of it will be dark in color—just as good tobacco, but because it is dark in color the trade does not want it; but that brings it down to only about a third of our shade tobacco, that is, fashionable light tobacco that can compete with Sumatra. We raised about 15,000 bales of that crop of tobacco, or nearly half of the amount that is imported; but if the duty is lowered materially we can not compete with the imported article.

Mr. GAINES. Is there any great area used for growing tobacco in Florida that could go into the raising of other things?

Mr. CORRY. Yes; there is an area there, just as there is in Connecticut and Pennsylvania and other States. There are certain sections in our cigar-leaf section that are better adapted for the production of cigar tobacco than are other sections.

Mr. POU. How far is it to the town by the railroad?

Mr. CORRY. Our town is 8 miles from the Georgia line. Running up into Georgia there is a section representing the spine of the Georgia section, corresponding to the Vuelta Abajo district of Cuba.

Mr. UNDERWOOD. We have the same thing in Alabama as in Florida and Texas.

Mr. CORRY. Yes; only your development is not large enough yet to show your people what it amounts to in the way of cost.

Mr. BOUTELL. Are any of these farmers who grow this tobacco also raisers of cotton?

Mr. CORRY. Yes, sir; but tobacco has almost entirely replaced cotton where its production has been entered upon.

Mr. POU. It is a practical impossibility, almost, to raise both crops?

Mr. CORRY. Yes; but so long as a man can raise tobacco he would naturally abandon cotton. You could not pick cotton and take in the tobacco in our section because the moment you want to pick the cotton you would want to pick your tobacco.

Mr. BOUTELL. Are there many cotton farmers down there?

Mr. CORRY. Yes, sir. They raise what is known as the sea-island cotton.

Mr. BOUTELL. Do you know whether your farmers there are members of the Farmers' Union, an organization in Texas and Mississippi formed to organize a chain of steel warehouses and control the price?

Mr. CORRY. I doubt if any of our farmers are in the Farmers' Union.

Mr. BOUTELL. You are familiar with the Farmers' Union, are you?

Mr. CORRY. Yes, sir; but it does not exist in our section.

Mr. BOUTELL. That, as I understand, is the object of it—the building of a chain of steel warehouses, and the concentration of the cotton crop, and actually dictating the price to the cotton spinner.

Mr. CORRY. Yes, sir.

Mr. BOUTELL. Is there any such association of these tobacco growers?

Mr. CORRY. Absolutely none. Our tobacco growers and buyers are absolutely independent to an extent. I am sorry to say it, that we fight each other constantly for labor, and one man will not hesitate a second to pay more than another to get a man away from him. We have competition of the keenest character in that line in our State, but there is no organization of any character except on occasion like this, when we want to be protected. [Laughter.]

Mr. BOUTELL. To go one step farther, is there any organization of the leaf-tobacco buyers organized for the purpose of controlling the price and dictating the price to farmers or raisers?

Mr. CORRY. Absolutely none, sir; none.

Mr. BOUTELL. So that under our present tariff there is absolutely free and open competition with the raisers, and absolutely free and open competition with the buyers?

Mr. CORRY. Yes, sir; and I will go a step further. In the cigar-leaf production, owing to the extreme care that one farmer would take, the manner in which he handles his tobacco, it is frequently possible for one man to get 25 or 30 cents more than another for his crop, and only half a mile away a man would only be able to get 25 or 30 cents less, owing to the difference in the quality of the leaf. Outside of any agreement, the buyer will pay a higher price for the better goods.

STATEMENT OF HON. STEPHEN M. SPARKMAN, A REPRESENTATIVE IN CONGRESS FROM FLORIDA, IN FAVOR OF RETAINING PRESENT DUTIES ON TOBACCO.

FRIDAY, *November 13, 1908.*

Mr. SPARKMAN. Mr. Chairman and gentlemen of the committee, being neither a grower nor a manufacturer of tobacco, I shall have very little to say on the subject now before the committee. My pur-

pose in coming here is to say that, representing a district in which more clear Habana cigars are made than in any other district of the country—indeed, one city, that of Tampa, in which more clear Habana cigars are made than any other city or place in the world—I am here for the purpose of saying that the manufacturers of my district do not desire any change whatever made in the tobacco schedule. They are perfectly satisfied with it as it is, and, speaking for myself, I can not see that there is any advantage that could accrue either to the cigar industry of the country or to the Government by a change.

We seem now to have reached a point where we obtain a very good revenue from cigars and tobacco. I understand something like \$23,000,000 comes into the Treasury from those two sources alone, and the business of the country, or at least the tobacco business and the cigar business of the country, has become adjusted to the law as it stands, and to change it would, in my opinion, work no benefit whatever to the cigar manufacturers or to the producers of tobacco, and would bring no additional revenue, as I can see, to the Government.

Mr. UNDERWOOD. You said you get \$22,000,000 of revenue?

Mr. SPARKMAN. I said \$23,000,000.

Mr. UNDERWOOD. You mean on imports?

Mr. SPARKMAN. Yes; imports. I am not referring now to the internal-revenue collections at all. I understand the amount of customs revenue to be about twenty-three millions per annum.

I am not going to detain the committee much longer, but while I am on my feet I would like to correct an impression sought to be made by the first speaker this morning, about the centralization of the cigar industry in the country in the hands of a few people. I have not noticed any such centralization as that myself, either in Tampa or in Key West. In Tampa we have hundreds of cigar factories, some of them owned and controlled by very small operators, people with only a few hundred, or a few thousand dollars; and when you come to consider the fact that an individual of small means can buy a bale or two of tobacco, and set up a factory, you will understand it would be very difficult indeed to corner that particular industry. And I think the fact that we have got so many hundreds of them in Tampa—I do not recall just the number—shows there is no tendency to centralization there, whatever may be the trend in other parts of the country.

I have stated, Mr. Chairman, that we do not desire any change. The cigar manufacturers in the district which I have the honor to represent here do not desire any change from the present schedule. I can personally state that I do not think any advantage can accrue to the Government by such action, and when I have said that I think I have said about all I desire to say.

I would like to add, however, that in my section of Florida there are some tobacco farms springing up. One of the speakers here this morning said there are only three or four counties in the State where tobacco is grown—all in middle Florida. It is true that it is not grown as extensively in southern Florida as it is in the middle section, but tobacco is produced in the southern end of Florida, and probably will be grown to a greater extent hereafter and in the near future. The county of Pasco, with Dade City as the county seat; the county of Hernando, Brooksville being the county seat, and the

county of Polk, Bartow being the county seat—in those counties a fine grade of tobacco can be and is being produced.

I thank you, gentlemen, for this opportunity of presenting to you in a few words the views and wishes of Florida.

The CHAIRMAN. Mr. Sparkman, what would be the effect of a reduction of the tariff on tobacco of about 10 per cent a year until the ad valorem duty got down to about 30 per cent? What would be the effect of that?

Mr. SPARKMAN. Why, Mr. Chairman, I could not say myself; I am not sufficiently informed to state; but I am under the impression that it would work a great injury to the cigar industry, particularly to the clear Habana cigar industry. I think it would.

The CHAIRMAN. In regard to the growing of tobacco you are not so well informed?

Mr. SPARKMAN. I am not so well posted on that as on the other.

The CHAIRMAN. You are of the opinion that the rate on tobacco should remain as it is?

Mr. SPARKMAN. Yes, sir. I can not see any advantage to the Government by a change of duty or a uniform duty. I can see how the Habana cigar industry might after a time and considerable loss adjust itself to that condition, but it would work injuriously indeed to the interest of the growers of Sumatra tobacco in this country. A uniform duty of anything like that proposed would wipe them off the face of the earth. These are some of the reasons why the manufacturers and growers in my district do not want any change.

The CHAIRMAN. Would you advise a reduction of even 10 per cent?

Mr. SPARKMAN. No, sir; I would not.

STATEMENT OF THADDEUS GRAVES, OF HATFIELD, MASS., REPRESENTING THE NEW ENGLAND TOBACCO GROWERS' ASSOCIATION, ASKING RETENTION OF PRESENT DUTIES.

FRIDAY, *November 13, 1908.*

Mr. GRAVES. Mr. Chairman and gentlemen, the New England Tobacco Growers' Association is not a new concern. For twenty-five or thirty years they have been organized, and they represent the organized body of farmers up and down the Connecticut River in the States of Vermont, New Hampshire, Massachusetts, and Connecticut. We have passed through several tariffs, several schedules, from the McKinley bill down. We first got a little better rate than we have now, but now we have a rate that, upon the whole, my constituents instruct me to say they are not desirous of changing. They present the anomalous picture of a lot of farmers who do not want anything. [Laughter.] They desire to have the tariff remain as it is. They are not reaping an unusual amount of profit, but what might be called simply a living profit, some 4 or 5 cents a pound on their tobacco. They raise their tobacco in the old way, in the open, and, without any statistics or other matter, they desire me simply to say that they are favorable to having the schedule remain as it now is.

The CHAIRMAN. Mr. Graves, what is the average price of tobacco on the farm in the last four years?

Mr. GRAVES. About 15 cents a pound in the bundle.

The CHAIRMAN. What does it cost to raise it now?

Mr. GRAVES. About 12 cents.

The CHAIRMAN. That is the same figure that was given about twenty-five years ago.

Mr. GRAVES. I guess it is not a very great deal changed. Twenty-five years ago we were without this foreign invasion that has called for the tariff. But for Sumatra tobacco, we have never been injured.

The CHAIRMAN. What is the crop per acre?

Mr. GRAVES. Fifteen hundred pounds.

Mr. UNDERWOOD. Where does your competition come from?

Mr. GRAVES. It comes from Sumatra.

Mr. UNDERWOOD. I understood you to say you did not raise a wrapper tobacco.

Mr. GRAVES. Yes, sir; we do raise a wrapper tobacco, but Sumatra wrapper is what has occasioned the call for the schedule here in the tariff.

Mr. UNDERWOOD. What is the price of labor in Connecticut on tobacco?

Mr. GRAVES. It is by the day, about \$2; by the month, from \$32 to \$40.

Mr. UNDERWOOD. How much a pound in tobacco is labor?

Mr. GRAVES. It is about \$60 an acre.

Mr. UNDERWOOD. The labor cost is about \$60?

Mr. GRAVES. About \$60 an acre. That yields 1,500 pounds.

Mr. UNDERWOOD. Do you know what the labor costs are abroad?

Mr. GRAVES. It is reported to be about 8 cents.

Mr. UNDERWOOD. Eight cents a pound?

Mr. GRAVES. Oh, no. The Sumatra labor is reported to be coolie labor, employed at about 8 cents a day.

Mr. GRIGGS. Can you not give us the pound rate?

Mr. GRAVES. They have about 1,000 pounds to the acre.

Mr. UNDERWOOD. You can not judge of the efficiency of that labor by the day, because the Connecticut labor in America is so much more efficient than the coolie labor that you have to reduce it to a pound rate for comparison. Can you compile and file some figures on that?

Mr. GRAVES. It is quite possible that I can, as I will be brought in contact with Sumatra men who know as much about it as anybody. They know more about buying than about raising it, however.

Mr. UNDERWOOD. Do you know what the cost is of bringing the Sumatra tobacco to this country?

Mr. GRAVES. No, sir; I am not acquainted with that feature of it.

The CHAIRMAN. You are familiar with what they charge for the tobacco when landed in New York?

Mr. GRAVES. Yes; I am familiar with that.

Mr. GRIGGS. Don't you know what it costs to grow the Sumatra tobacco leaf?

Mr. GRAVES. No, sir; I do not know that.

Mr. GRIGGS. It is very strange. I wish I knew, because they grow it in my district. I understand that you grow it in the Connecticut Valley?

Mr. GRAVES. What—Sumatra?

Mr. GRIGGS. Yes.

Mr. GRAVES. No, sir. We grow leaf, but not the Sumatra leaf.

Mr. GRIGGS. You grow wrapper in competition with the Sumatra leaf?

Mr. GRAVES. Yes; we grow wrapper leaf in competition with the Sumatra leaf.

Mr. GRIGGS. And you do not know what it costs to grow it?

Mr. GRAVES. Oh, yes.

Mr. GRIGGS. That is what we are after.

Mr. McCALL. He testified as to what it cost him to grow it, but he said he did not know what it cost to grow it in Sumatra.

Mr. GRAVES. It costs us 12 cents a pound to grow the entire crop, of which about 10 per cent is wrapper.

Mr. GRIGGS. That is tobacco you grow in the shade?

Mr. GRAVES. No, sir. That is tobacco that grows in the open.

Mr. BOUTELL. You represent the association of all New England, not of any particular State?

Mr. GRAVES. Not of any particular section. It is the New England Tobacco Growers' Association. It includes all New England. The tobacco is grown on the Connecticut River, which runs through four States.

Mr. BOUTELL. Your contention, then, that the tariff should remain as it is would meet with the general approval of the people of New England?

Mr. GRAVES. I think it would, undoubtedly.

Mr. BOUTELL. You think it would have the support and approval of the press and leading journals of the Connecticut Valley?

Mr. GRAVES. Undoubtedly.

Mr. CRUMPACKER. You represent the tobacco growers?

Mr. GRAVES. Yes.

Mr. CRUMPACKER. Do you know what the attitude of the manufacturers is on the present tariff?

Mr. GRAVES. Hardly; I have no connection with them whatever.

Mr. CRUMPACKER. Do you know anything about the feeling of the cigar makers and the present situation?

Mr. GRAVES. No, sir.

Mr. CRUMPACKER. You simply mean to say that the growers are satisfied with the present schedule?

Mr. GRAVES. Yes, sir. And if the manufacturers are not satisfied, they will be likely to be here and say so.

Mr. McCALL. The soil on which you raise tobacco in Connecticut is very good soil, is it not?

Mr. GRAVES. The best in the world.

Mr. McCALL. Then what Mr. Clark said about the soil could not have reference to Connecticut? [Laughter.]

Mr. GRAVES. Our land for tobacco-raising purposes is worth \$500 an acre.

Mr. GRIGGS. Do you know what the difference in the cost is between raising tobacco under shade and raising it in the open?

Mr. GRAVES. I have never raised shade tobacco and am not very familiar with it, but it costs five or six hundred dollars an acre to erect the shade, to begin with, and the shade only lasts for a year. It must be covered again the next year, and it is a very costly enterprise. Of course I have no figures on that subject.

Mr. GRIGGS. You have nothing on that line?

Mr. GRAVES. No, sir. I have never had anything to do with that.

STATEMENT OF OWEN E. CASE, OF BARKHAMSTED, CONN., REPRESENTING THE NEW ENGLAND TOBACCO GROWERS' ASSOCIATION RELATIVE TO LEAF TOBACCO.

FRIDAY, *November 13, 1908.*

The CHAIRMAN. You also represent the New England Tobacco Growers' Association?

Mr. CASE. Yes, sir.

Mr. Chairman and gentlemen of the committee, I appear here a delegate from the New England Tobacco Growers' Association to present to you their position at the present time relative to the tariff rate on imported leaf tobacco. The rate established in the last review was determined after long and careful deliberation by the committee, and the tobacco growers of New England have endeavored to meet the situation as it has existed since the last review of the tariff.

Under these conditions the industry has been only fairly remunerative, and while we are not pleading for an increased rate, we protest against any reduction at the present time, which we claim would be exceedingly injurious and perhaps fatal to that industry as it exists to-day. Therefore, Mr. Chairman, we hope that after careful consideration by your committee you will deem it expedient to maintain the present tariff rate which guarantees a profitable source of revenue and at the same time gives tobacco growers some degree of protection.

Thanking you for this opportunity of presenting the views of my constituency I will take no more of your time, as there are others from New England that desire to be heard at this time.

STATEMENT MADE BY JOSEPH C. MITCHELSON, OF TARIFFVILLE, CONN., REPRESENTING THE CONNECTICUT LEAF TOBACCO DEALERS' ASSOCIATION.

FRIDAY, *November 13, 1908.*

Mr. MITCHELSON. Gentlemen, I came here to thank you, as a citizen, for the good work the Agricultural Department has done for us. They have discovered a gold mine all over our country in the tobacco business. I am president of the Connecticut Leaf Tobacco Dealers' Association. I am president of the Connecticut Tobacco Association. I am a member of the National Leaf Tobacco Association. My life has been always in the tobacco business. As a tobacco man I am the one who discovered the idea of raising tobacco under shade, it being done by a man in Florida. I went to Mr. Schroeder, who is the largest dealer of tobacco in America, and told him what I had seen. He fell in love with the idea; he goes to northern Florida and enters the shade tobacco business. The idea was right, but he spent a million dollars before he came out successfully upon it. I watched him, and I felt that I would like to start the idea in New England. I was then living in Kansas City, Mo. I went to Secretary Wilson and told him that I wanted to start the idea in New England, and he said: "I will be pleased to have you do so." I asked him if he would send an expert up to superintend it, and he did. We did well the first year, and we continued to raise beautiful tobacco; but it did not seem to be acceptable to the trade. We were victims of circumstances; one

thing and another came up, but to-day we are producing the finest tobacco in the world, and none in the world can touch us. We can do it in Texas, too, as well as in Connecticut.

We have tried Sumatra tobacco, but it did not seem to be successful in our soil. We raised beautiful tobacco, but the people did not seem to want it. We sent to Cuba and got the finest seed from the finest section, brought it to Connecticut, and planted it with the advanced Cuban ideas and the ideas from Sumatra, as well as our own ideas, and we are now selling tobacco to the largest manufacturer in Germany from this land, and tobacco that is used on the finest cigars. All we have got we owe to you, and we will thank you all if you will let us alone on the tariff question.

Mr. UNDERWOOD. What do you say it costs you to produce a pound of wrapper tobacco in Connecticut? That is what you are talking about, is it not?

Mr. MITCHELSON. Shade tobacco. Well, I should judge 60 to 70 cents a pound throughout for our crop. I will explain a little further and you may understand it a little better. On this land where our farm is a few years ago there was one man, one woman, one horse, a cow, and they could hardly get along. To-day we are employing on that same land an average of over 200 people a year on the same farm. During the month of August we paid out over \$2,000 a week for wages. Some of our girls earn over \$15 a week, girls 18 years of age.

Mr. UNDERWOOD. I understood Mr. Graves to state that the tobacco cost 12 cents a pound to raise and sold at 15 cents a pound.

Mr. MITCHELSON. That is outside tobacco; that is the old mode, the old way; but this is shade tobacco, raised under cloth.

Mr. UNDERWOOD. Do you say that it costs about 60 cents per pound to raise shade tobacco in Connecticut?

Mr. MITCHELSON. Yes, sir.

Mr. UNDERWOOD. What do you sell it for?

Mr. MITCHELSON. That is a hard question to answer, although I will do the best I can. We sort our grade tobacco into 100 grades and sizes for the different manufacturers in the different sections, who want different kinds. We have some grades worth four times as much in Germany as to our own manufacturers in this country, although the grades sold to manufacturers in some sections of the country who want to imitate the Sumatra wrapper or the Cuban wrapper are different.

Mr. UNDERWOOD. How many pounds to the acre do you average for this shade tobacco?

Mr. MITCHELSON. About twelve hundred pounds.

Mr. UNDERWOOD. For what do you sell an acre of tobacco, on an average?

Mr. MITCHELSON. \$1.12 a pound, in 1907, on the average.

Mr. UNDERWOOD. And twelve hundred pounds to the acre?

Mr. MITCHELSON. Yes, sir.

Mr. UNDERWOOD. What did they average in 1906?

Mr. MITCHELSON. We are now just getting on our feet. We have been broke. We spent over \$200,000, and were \$90,000 in debt. We have paid off our debts, and last year was the first year that our association has declared a dividend. This year we feel big. We

have a beautiful crop; we never had such a favorable season; our prospects are very good, and the people who have had the tobacco wanting from two to four times as much of it.

Mr. UNDERWOOD. Did you get better prices in 1906 than you did in 1907?

Mr. MITCHELSON. We didn't raise but little; we were almost broke at that time.

Mr. UNDERWOOD. What accounts for the difference in price between the shade tobacco—the wrapper tobacco in Connecticut and the wrapper tobacco in Florida and Georgia?

Mr. MITCHELSON. I think the price is about the same.

Mr. UNDERWOOD. I understood the gentleman to testify that the price in Georgia and Florida was about 80 cents to the acre?

Mr. MITCHELSON. That is what it costs to produce it—I mean, that is what they pay the farmers for it—but that has to be sorted and packed.

Mr. GRIGGS. You do not mean that it costs 80 cents a pound to grow it?

Mr. MITCHELSON. Oh, no; for the general crop through—binders, wrappers, and fillers. That is the price paid to the farmers, I understand; 80 cents per pound is about what they pay the farmer in Florida and Georgia.

Mr. UNDERWOOD. The Connecticut crop, the general crop, sells for about \$1.12 to the acre?

Mr. MITCHELSON. After sorting and packing and delivery to the manufacturers in bales. It costs about 20 cents to put the tobacco up in bales—20 cents a pound to sort it, pack it, and bale it.

Mr. UNDERWOOD. Is that added to the \$1.12?

Mr. MITCHELSON. Oh, no; that is the \$1.12 net; that is what the tobacco averages; selling price.

Mr. UNDERWOOD. What do you say the price of labor is?

Mr. MITCHELSON. Our labor runs from \$1.50 to \$2.25 per day for farm labor. Our girls that we have during the harvest season make about \$15 a week. We figure \$1 a day for a good, smart, active girl. The work being on piecework, we can see how much she can do, and a girl that can not earn \$1 a day we do not want; she simply takes up room. We have girls who commence early in the morning and work until late in the evening who often earn \$15 a week.

Mr. UNDERWOOD. What is the price of the Sumatra tobacco that comes in competition with your tobacco?

Mr. MITCHELSON. Duty paid, from \$3 to \$4.

Mr. UNDERWOOD. Three to four dollars after the duty is paid?

Mr. MITCHELSON. Yes; according to the grades. There is a grade brought in for as low as 40 cents in bond, and Sumatra tobacco comes in here as high as \$3 in bond.

Mr. UNDERWOOD. I am talking about the same grade of tobacco as yours.

Mr. MITCHELSON. We can raise a finer wrapper than the Sumatra wrapper. We can knock them silly.

Mr. UNDERWOOD. And you say that sells for \$3, and that your own sells for only \$1.12?

Mr. MITCHELSON. You do not understand me. It is \$1.12 through; that is, for the crop in general after it has been gotten ready for the

manufacturer. Some grades sell as low as 50 cents, and some as high as \$2.

Mr. UNDERWOOD. The latter is your best grade?

Mr. MITCHELSON. We had one manufacturer last year who took \$20,000 worth at \$2. This year he wants \$40,000 worth at \$2 a pound.

Mr. UNDERWOOD. I am trying to make a comparison of what you are getting and what the foreign competitors are getting.

Mr. MITCHELSON. About the same price, duty added.

Mr. UNDERWOOD. Your high-grade tobacco sells for \$2, and the highest grade of Sumatra tobacco sells for \$3?

Mr. MITCHELSON. Yes; up to as high as \$4.

Mr. UNDERWOOD. Three or four dollars.

Mr. MITCHELSON. Depending upon whether a man is a dealer or a manufacturer. This tobacco at \$2 is sold to the dealer, and he resells to the manufacturer.

Mr. UNDERWOOD. And you do the same thing?

Mr. MITCHELSON. Oh, no; we sell direct to the dealer.

Mr. UNDERWOOD. Then you sell direct to the dealer, and he sells to the manufacturer?

Mr. MITCHELSON. Yes, sir.

Mr. UNDERWOOD. What does the manufacturer pay for the tobacco?

Mr. MITCHELSON. I do not know; but from 50 cents up, depending upon the grades.

Mr. UNDERWOOD. The highest price, I mean.

Mr. MITCHELSON. \$2.50.

Mr. UNDERWOOD. What does the manufacturer pay for the highest priced Sumatra tobacco?

Mr. MITCHELSON. Perhaps \$4.50 or \$5.

Mr. UNDERWOOD. Where does the tariff protect when there is only \$1.85 in the tariff, and the manufacturer pays from \$2 to \$2.50 more for the imported goods than for yours?

Mr. MITCHELSON. Where does that protect us? Because we never would have built that plant if it had not been for the tariff, and we would have to close our plant to-morrow—

Mr. UNDERWOOD. The American consumer—the manufacturer—pays a greater price now, a very much greater price than the tariff added to your goods, for the Sumatra tobacco instead of for your tobacco, does he not? If he pays \$4 or \$5 for the Sumatra and only pays \$2 and \$2.50 for yours, he pays more than with the duty added, considerably.

Mr. MITCHELSON. But you are going on grades. You take the low grade of Sumatra tobacco at 40 cents a pound. There is a good Sumatra that comes as low as that, and you add \$1.85 to it and it does not bring it up to \$3 or \$4; but the Sumatra tobacco is popular, whereas our industry is a new thing.

Mr. UNDERWOOD. Then let me ask you this: When you come down to tobacco it is like perfumes or soap—a matter of fancy—and really your tobacco fills one field and the Sumatra tobacco fills another field, as well as the Habana wrapper fills another field, so that practically there is no competition between you?

Mr. MITCHELSON. And we can fill the whole field.

Mr. UNDERWOOD. As to the consumer who wants that particular brand.

Mr. MITCHELSON. Oh, they can not tell it. They can not tell whether it is Sumatra leaf or Cuban leaf. It can not be told by the finest judge. That seems queer, but it is a fact.

Mr. UNDERWOOD. I understand that, but a man who wants a Habana wrapper does not buy your tobacco.

Mr. MITCHELSON. Yes, he will; he is the man who is buying it and paying the extra price for it.

Mr. UNDERWOOD. Then he pays it because he does not know it.

Mr. MITCHELSON. The manufacturer pays it because he is getting a better wrapper than the Cuban wrapper, and because it has a better burning quality; it is as good a taster, only it has not the flavor.

Mr. UNDERWOOD. But the ultimate consumer does not know it, so it is a fraud on the ultimate consumer.

Mr. MITCHELSON. When he does know it, and the tobacco becomes popular, he will ask for it.

Mr. UNDERWOOD. That is, when he is educated up to it.

Mr. MITCHELSON. That is what we are going to do, as the Government has educated us up to it.

Mr. GRIGGS. That is, you are going to charge a tuition?

Mr. MITCHELSON. Oh, no; but we want to make a living out of it, increase our output, hire more labor, import more people in here, and put more to work. We want the little he is spending, instead of it going to Cuba. We want to hold that here.

Mr. GRIGGS. You are not in favor of admitting tobacco free from the Philippines?

Mr. MITCHELSON. No, sir; not by any means. They would cut our throats quicker than lightning. We would have to stop raising tobacco in New England, and our plantations would have to close down.

Mr. GRIGGS. Then they can not raise better tobacco in the Philippines?

Mr. MITCHELSON. No, sir; they can not.

Mr. GRIGGS. Not as good?

Mr. MITCHELSON. I do not think so. The gold is in our ground, and all we have to do is to bring it up. We have just started in to find it.

Mr. GRIGGS. Then you think there is better tobacco in New England than in the Philippines?

Mr. MITCHELSON. We are just getting started; we are just born, just a little child, and we want to grow.

Mr. GRIGGS. I have been here four days now, and I have seen more infants and children than I ever dreamed of.

Mr. POT. Has there been an increase in wages in this industry within the last few years?

Mr. MITCHELSON. I had been living in Missouri for the last twenty-eight years, and came back to New England about two years ago. Our tobacco industry has not improved on the old way, and our lands are not worth as much as they were years ago, even more than forty years ago.

Mr. GRIGGS. Why did you not go down to Georgia and try this, instead of going to New England?

Mr. MITCHELSON. I was born and raised in New England. I bent my finger on the hoe handle in New England.

Mr. LONGWORTH. How many acres are under this shade process?

Mr. MITCHELSON. We have on our plantation about 160 acres this year.

Mr. LONGWORTH. When you say "we," whom do you mean?

Mr. MITCHELSON. The corporation that I am president of.

Mr. LONGWORTH. You are only referring to that particular corporation?

Mr. MITCHELSON. I am also president of the Connecticut Tobacco Dealers' Association.

Mr. LONGWORTH. How many acres are there in Connecticut under shade?

Mr. MITCHELSON. I do not know; I am only speaking for our own plantation.

Mr. HILL. What is the investment of your association?

Mr. MITCHELSON. About \$200,000, in money paid in.

Mr. HILL. By your particular company. What was the character of the land when you took it?

Mr. MITCHELSON. When I was a little boy there was mighty little on this land. It was considered the poorest land that we had in New England, while to-day it is the finest plantation in the world.

Mr. HILL. Pine barren, wasn't it?

Mr. MITCHELSON. Yes, sir.

Mr. HILL. You spoke about the girls employed on the plantation. Will you not please explain in regard to that, that there may be no misunderstanding? Please explain the character of work they do, and the circumstances under which they are doing it, and that it is inside work rather than outdoor work.

Mr. MITCHELSON. Our manager here, Mr. Floyd, is much more gifted, and can explain it better than I.

**STATEMENT OF MARCUS L. FLOYD, OF TARIFFVILLE, CONN.,
CHAIRMAN OF THE LEAF TOBACCO BOARD OF TRADE, CON-
NECTICUT VALLEY.**

FRIDAY, *November 13, 1908.*

Mr. FLOYD. Mr. Chairman and gentlemen, it gives me great pleasure to come before you, because I do not believe it is necessary to preach to you the doctrine of protection. I think all of you, perhaps with the exception of a few, are of that faith. It affords me pleasure to come before you representing an industry that means so much to the United States as the tobacco industry. It affords me pleasure to come before you representing an interest that, if protected as you have protected it, gives us an opportunity to make good.

I have, gentlemen, very little respect for the "dog in the manger" proposition. When we ask you to protect us by a duty, it is then our duty to try to make good. I do not believe in protecting a commodity, or placing an impediment in the way of getting such a commodity into our country and allowing our people to have what they want, unless we can give some assurance that we will by the aid of the protection be able to produce an article that will acceptably take its place.

A gentleman asked a few moments ago—the gentleman from Missouri, and I will try to show him—if we believed in taxing the whole people in the interest of the few. My answer to that is this: Ours

is a great country. What makes it great is, first, essentially its agricultural resources. If there is anything that needs protection, I say it is the farmer who tills the soil. In tilling the soil there is no chance at bribery. We can not bribe the soil, nor can we get a corner on sunshine or rain. You must earn what you get. I submit to you gentlemen that to protect an industry that (although carried on in only a few of the States) gives employment to tens of thousands of our people, besides saving to this country millions of dollars that would otherwise go to foreign countries, is not an unfair proposition.

Now, then, gentlemen, to place us directly in competition with foreign countries, where labor is cheap, I say is unfair. This country is growing year by year in its greatness because of its agricultural resources. The time will come, is fast coming, when your protection system (and I want to say right here, gentlemen, I believe those that openly are opposed to protection in their hearts favor it; I believe that) will firmly establish such of the industries of this country as will enable us to not only feed and clothe many countries of the world, but will also enable us to supply a large per cent of their luxuries.

The CHAIRMAN. There does not seem to be any dissent at all. [Laughter.]

Mr. FLOYD. Well, gentlemen, I hope you will bear with me a little while. I do not want to take up much of your time.

About ten years ago I had the honor of representing the Department of Agriculture along certain lines of investigation. During our experimental work we found that it was necessary to get an appropriation from Congress to carry it on.

Mr. GRIGGS. That is always necessary.

Mr. FLOYD. Yes, sir; absolutely. A country that does things, a country that is great, is a country that spends money. Show me a little town that is afraid of taxation, and I will show you a town with such bad streets that you will be afraid to drive over them.

Now, to get back to the proposition I was discussing, I went down to New York and called on Mr. Joseph Cullman, who was at that time president of the New York Tobacco Board of Trade, and laid a proposition before him, and at the same time I put a sample of tobacco in his hands that we had produced by a new method. I said, "If that tobacco will meet the requirements of this country, then I want you to pass a resolution in your association here recommending that the Secretary of Agriculture have funds supplied to him to carry on this investigation further." After a thorough examination of this tobacco, and taking it through the tobacco men of Water street, New York, he consented to do it. The resolution was passed. I then went to Philadelphia and called on Mr. John R. Young, who was then president of the National Leaf Tobacco Board of Trade. I made the same statement to him, offered him evidence of the progress made in our experimental work, and he also agreed. The resolution was passed by the National Leaf Tobacco Board of Trade, and those two gentlemen came in person before the Agricultural Committee and asked that committee to make such appropriation as was necessary for the Secretary of Agriculture to carry out those experiments. The rest you know.

The appropriation was made at their earnest solicitation. The Secretary went to work with this appropriation, carrying on experi-

ments, not only experiments as to the shade proposition, but the hybridizing of plants, the saving and selecting of better type of seed, seed that would come true to the type, and all that. They spent thousands of dollars. That was due to your worthy Secretary, whom we can not praise too much. We have gone ahead, and for every thousand dollars that this Government has spent, we have put \$100,000 on top of it, following the lead of the Secretary of Agriculture.

Wisely, you gentlemen, ten years ago, gave us \$1.85 protection. To-day there seems to be some desire that that should be taken away. After helping us to establish, by an appropriation of the people's money, an industry which is valuable to the trade, you tell me that this Congress will take our feet from under us. I do not believe it.

Mr. GRIGGS. Has not your association been afraid that you would develop too much tobacco land in this country?

Mr. FLOYD. Not at all, sir.

Mr. GRIGGS. Have you been in favor of the soil surveys all the way through?

Mr. FLOYD. Most assuredly, and I think it will reflect favorably upon the Department of Agriculture for years to come if you can by soil surveys locate lands suitable for growing tobacco and other farm products.

Mr. GRIGGS. It seems that it was impossible for us to give them money for the soil surveys, because they would not have it.

Mr. FLOYD. Well, it is very difficult to get all people to agree, and if it was not we would not be here; it would not be necessary for us to come here. My association asked me to come here and ask you gentlemen to stand pat. That may be slang, but that is exactly what we want you to do.

Mr. GRIGGS. My district grows a good deal of tobacco.

Mr. FLOYD. I know; I know about Georgia. I have lived down there, and I know that you can tell a Florida cracker when you see him. We have been neighbors a long time. The tobacco that you raise is just across the line from Florida, and I feel sure that you will protect us.

Mr. GRIGGS. I think your people opposed the soil surveys in my part of the country?

Mr. FLOYD. In Connecticut? I am from Connecticut now. I am hybridized. I am half Yankee and half Southerner, and I promised them when I went up there that I would make the best Yankee I knew how.

It has been suggested here, too—not positively, but intimated—that a slight reduction in the tariff would redound to the good of the consumer and small manufacturer. Now, gentlemen, if there is a big-hearted set of people on the top side of the earth it is tobacco importers and dealers, and if you take off 25 or 30 per cent of the present rate of duty I can imagine that the importer would go to his little customer and say to him, "Here is 20 or 30 cents the Government has saved for you." Of course, I could not imagine such big-heartedness in any other branch of trade. You have been told that the cigar industry is fast becoming centralized, and the present rate of duty on foreign tobacco has been suggested as a probable cause. I want to say that I do not believe the duty on tobacco has had anything to do with bringing about this condition, and I assert that it is due entirely to the fact that the large corporations have by their almost unlimited

means employed every up-to-date labor-saving machine which enables them to manufacture the cheaper grades of cigars far cheaper than their smaller competitors. These large concerns have also gone into the tobacco sections of this country and forced the price of raw material up. This, gentlemen, is why the small manufacturers have had to give up. I think you know the general policy of the so-called tobacco trust. They will enter a field, run up prices until they put the small fellow out, then there will be a sudden settling down of prices. Can you remedy that? If you can, you will certainly render the country a great service. Recall if you will the hundreds of small factories that only a few years ago were operated throughout the States of North Carolina, Virginia, Tennessee, Kentucky, and Missouri—manufacturers of plug tobacco and snuff—where are they to-day? Did the tariff kill them? No; it is merely the survival of the fittest, or, if you please, the survival of the mighty. What we ask of you is very simple, and I believe it is the easiest thing to leave us alone. We have started an industry that means so much to this country. The question has been asked here, What is the comparative value of the Sumatra as against the value of the Florida, and what is the comparative value of the Sumatra as against the shade-grown tobacco of Connecticut? That does not enter into the question, gentlemen. Do you know that people become accustomed to using something, and I imagine that each of you have a particular brand of cigar that you smoke, and it is hard to win you away from that cigar. Thirty years ago the Sumatra was introduced in this country, and you can not imagine what a hard time they had, but they had plenty of money back of it. They shipped their tobacco to different manufacturers in this country, and it was simply an excursion, for it would come back. But by continually pounding and working they introduced the foreign product into our market. Now, years went on and they gained ground. Think of it. Thirty years. Bear that in mind, for that tobacco has become such an important factor in this country that over 30,000 bales were brought here last year, taking many millions of dollars out to foreign countries.

Now, we have had protection about ten years, and you come and ask the question, How much longer? How long; oh, how long? You have given Sumatra thirty years. Give us thirty years. I do not say that we will need it, and I do not believe that we will need it, but let us alone now. You ask what we have gotten out of it, and I answer, the privilege of sweating blood; that is what we have done. We have invested hundreds of thousands of dollars in Connecticut, and I say to you that if you will give us a chance we will make good.

Mr. GRIGGS. Are the New England people with you on this question?

Mr. FLOYD. Most assuredly they are.

Mr. GRIGGS. The press?

Mr. FLOYD. Most assuredly.

Mr. GRIGGS. The Springfield Republican?

Mr. FLOYD. I do not happen to know as to that. I am on the Connecticut side of it, but I am laying myself liable to abuse if they are against it, yet I do not care, and I hope you do not. But there has been an intimation here that possibly a slight reduction would be a benefit to the consumer and small manufacturers. Now, gentlemen, if there is any class on the top side of God's earth that I sympathize

with it is the under dog in the fight, and that is the little fellow. Away back, many years ago, the Master said, "The poor you have with you always." We are going to have the thriftless and the shiftless with us, no doubt, always, and it is not for those people that I plead. I plead for the man who is trying to make good, the man who is trying to have this country produce its own requirements, the man who does things. When you stop to think what this industry means to this country, the vast amount of labor that is employed, I want to tell you in connection with that that when we first went to Connecticut I could employ labor at \$1 to \$1.25 on our farm, but to-day our pay roll will show \$1.50, \$1.75, \$2, and \$2.50 per day. It is skilled labor. We are not in the old rut, but are trying to do things up to date; and it costs money, I can tell you. We are encouraging the farm laborer, who lives the humdrum life, to higher things, and in the South we are doing that very thing for the negro race, where they are so disposed. I do not want to make a speech in behalf of the negro, but I say that we are advancing and improving him, giving him better wages and better employment, and all of this is a benefit to this great country.

Mr. HILL. Since the tariff bill has been enacted, I see, from the report of the Commissioner of Internal Revenue, that the increased production in cigars of domestic production has been from 4,000,000,000 to 8,000,000,000, and last year there were 6,500,000 pounds of wrapper tobacco imported under the duty of \$1.85. Where, in your judgment, if there was a reduction such as you speak of, of 35 cents, would the benefit of that reduction go; that is, who would get the benefit of it?

Mr. FLOYD. I gave that answer, I think, a few moments ago. Owing to the bigness of heart of the leaf dealer, and to that alone—I do not believe in their claims of such big heartedness—it might go to the manufacturer, but I do not believe it.

Mr. HILL. Upon that loss of revenue of about \$2,300,000 to the United States Government, would the consumer, anywhere, on any grade of cigars in the United States, get a reduced price?

Mr. FLOYD. I do not believe it.

Mr. HILL. That would be about 70 cents a thousand difference?

Mr. FLOYD. Yes; one-seventh of a cent apiece on the cigars—no, sir; I do not believe it.

Mr. UNDERWOOD. Do you think the importations would increase?

Mr. FLOYD. Not necessarily.

Mr. UNDERWOOD. If the importations were not increased by reason of the lower duty, there would not be any more production than now.

Mr. FLOYD. It would simply rob the Government, without any benefit excepting perhaps to the importer and the man who is able to go over there and buy in quantity.

Mr. UNDERWOOD. But the consumer could buy the imported cigar cheaper if the duty were reduced?

Mr. FLOYD. I do not think so—70 cents a thousand on the cigars—I do not think so.

Mr. UNDERWOOD. If the duty were reduced, and there was no increase in the importations, it would not hurt the home producer, would it?

Mr. FLOYD. Yes; in this way: You agitate a law that exists, and agitation, the slightest agitation, I think any business man will agree,

has its effect; any change has its effect. That does hurt, and I am opposed to agitation right now. I do not believe that the consumer, the small man, will be benefited one iota; but I believe the trade conditions will be unsettled for this reason: If there is a 35 or 25, or any percentage of reduction that you may make, then at once the dealer goes to the manufacturer and says, "There has been a drop in the duty, and you must sell cheaper; 70 cents a thousand. It gives me a little leeway." And you must remember that, so far as the trade is concerned, there are very few who can tell the difference in tobacco. I make the assertion that you can take some of the best tobacco men in the United States, and bring them a handful of tobacco and ask them to pass upon the value, and they will not come within 25 cents a pound of agreeing. I mean high-grade tobacco.

Mr. UNDERWOOD. I would like to throw out this suggestion to you. Some of us at this end of the committee believe in a tariff for revenue; believe that tobacco and alcohol are good subjects to raise revenue on.

Mr. FLOYD. You are right.

Mr. UNDERWOOD. And the effect of a tariff for revenue will be that we will get some exports later on. But you gentlemen appear here asking for a tariff for protection; and I would like to suggest to you that so far as we have gone there does not seem to have been given us any great amount of information with reference to the cost of production abroad as compared with the cost of production at home, and the transportation charges on these items. They have simply expressed opinions. I would like to ask, along that line, if you have data of that kind, and if you have will you not kindly file it with the committee?

Mr. FLOYD. We can do that; but at the same time it seems to me to be irrelevant. Of course, this committee is entitled to what it asks for, and if it asks for it, it will get it.

Mr. GRIGGS. Do you say that a reduction of tariff of 30 per cent on tobacco would not decrease the cost of cigars if you increased the importation 30 per cent?

Mr. FLOYD. I do not think so.

Mr. GRIGGS. That is, to decrease the tax would be a hardship?

Mr. FLOYD. I say, to leave it as it is.

Mr. GRIGGS. You do not think that a decrease would bother anybody.

Mr. FLOYD. But it would take time to adjust it. Any agitation unsettles business, up or down, any change does that; but, of course, if you are going to make any change, go up, for we would rather unsettle that way.

Mr. GRIGGS. That is what I am driving at.

Mr. FLOYD. Now, you say, "For revenue only." That means to pay your debts. If this country ever needed money, it needs it now. You say, "Put it on whisky and tobacco," and I say, "Amen, but give us a chance." But there is one thing that I want you to remember. The greatest thing in this country is its agricultural resources. On that you must agree with me. If we can develop those resources, we are doing well. You will remember long years ago that our mothers wore hoop skirts, but you could not sell hoop skirts now, for they would not know what to do with them. Thirty years ago you could not sell a bale of Sumatra tobacco, and I want to tell you

that five years ago I had a very hard time to sell a bale of Connecticut. But if you will give us time we will spread our goods just the same as the others have been spread.

Mr. GRIGGS. Now, you have built up this trade?

Mr. FLOYD. Yes; on the Connecticut leaf.

Mr. GRIGGS. The same as in Florida and south Georgia?

Mr. FLOYD. Similar to that. It is different, because it is grown in New England. The growing in Florida gives it a somewhat different taste and appearance. It has individuality. It afforded me a great deal of pleasure yesterday to be able to say to the Secretary of Agriculture that after our several years of hard struggle we had made good; had reaped a small profit from the business established along the lines advised by this department.

Mr. HILL. Will you not please explain to the committee the work of the girls on the farm, and the wages they get, as well as the character of work? I want to say, too, that a moment or two ago I think you made a mistake when you referred to the increase of cost, when you say that a decrease of 35 cents a pound on wrappers would only cause a reduction of 70 cents a thousand.

Mr. FLOYD. In order that you may have some comprehension of this work, will say that we do not harvest our tobacco in the old way; that is, by cutting of the stalk; but we pick the leaves as they ripen, beginning at the bottom of the plant, picking upward as the leaves ripen. These leaves are transported to our curing sheds, where girls are employed putting the leaves on strings. This is done by means of a long needle that pierces the midrib of the leaf. Forty leaves are put on each string, and each end of the string is made fast to a lathe. For this work we employ 125 to 150 girls. This is piecework, and at the scale of prices we pay, girls from 14 to 20 years old earn from \$9 to \$12 per week. Thus you can understand that the method of harvesting is a very expensive one, and yet we find it absolutely necessary, in order to get this very high type of tobacco that the trade demands, and you will also understand that this method gives employment to hundreds of girls that formerly had to work in factories and shops where they receive from \$4 to \$6 per week. In order to supply these girls with tobacco, we have to employ from 100 to 125 men to pick the leaves in the fields and transport them to the curing sheds. To these men we pay \$1.50 to \$2 per day, according to the skill with which they discern the ripe from the green leaf.

Mr. Mitchelson, our president, said to you that seven years ago we bought a tract of land there upon which there was probably 10 acres of available cultivated land. We have had under cultivation 160 acres, and we give employment to 200 to 250 people. We give them good, wholesome, living wages, and they are fairly happy. And I want to tell you that a reduction in this tariff would so unsettle things that we would lose our foothold. I do not believe that you want to do that. The Department of Agriculture has started it; you made the appropriation that made the Secretary of Agriculture able to do that thing. All we ask you to do is to let us stay where we are; leave us alone. You need the money for revenue, so leave us alone where we are.

Mr. GRIGGS. Are you afraid of Philippine competition?

Mr. FLOYD. Most assuredly I am, and I will give you the reason for it—the close proximity of the Philippine Islands to the island of Borneo and the island of Sumatra; both of those islands are accessible. Dutch syndicates, of Holland, own and control the tobacco industry of Sumatra and Borneo. I have seen types of tobacco from the various islands of the Philippine group, and I want to tell you that there is a close similarity.

The tobacco produced in the Philippine Islands is produced by the most crude and out-of-date methods, while the tobacco grown on the islands of Sumatra and Borneo is grown, handled, and baled with the most up-to-date methods. Taking those facts into consideration, taking the tobaccos together, you will see the similarity. There is no reason why there should not be. The latitude and the land is similar. Now, then, if there is free trade with the Philippine Islands, what is more natural than that the Dutch syndicates, who have their organization in Sumatra and Boreno, their superintendents, their managers, all skilled in the handling of coolie labor, and the labor skilled in the handling of the tobacco—what would hinder them from going at once to the Philippine Islands, with such a great incentive? What would hinder them buying the most desirable of the Philippine Islands for the raising of tobacco, and taking their coolies there, their managers, all acclimated, and producing tobacco that they would bring in here? I will not make a suggestion of smuggling against the Dutch, any more than I would make such a suggestion against our American brothers, but there is an incentive. Growing the tobacco in Sumatra, and with those thousand or fifteen hundred islands of the Philippines adjacent, it would take more than our standing army to protect the islands and keep them from bringing the Sumatra tobacco over, packing it up, and sending it here as Philippine tobacco.

Mr. GRIGGS. Have you mentioned this matter to the President-elect?

Mr. FLOYD. I have not the pleasure of knowing him.

The CHAIRMAN. Suppose the amount of tobacco coming from the Philippine Islands was limited to a certain number of tons a year, would that not do away with the most serious objection that you have?

Mr. FLOYD. Mr. Chairman, if there is a limitation put there at all it seems to me that it would be very unsatisfactory to the other side and very unsatisfactory to this side.

The CHAIRMAN. I am trying to find out your opinion as to this side, not the other side.

Mr. GRIGGS. You would be limited by the crop.

Mr. FLOYD. The crop only. That would be circumscribing my activities, so to speak.

Mr. GRIGGS. Let me suggest that you put the limit a little lower than the crop.

The CHAIRMAN. It has been suggested both by the raisers here and in the Philippine Islands. So far as I am concerned, my position is known, and has been for several years. I wanted to see how far you, as a Connecticut grower, objected to that. I would understand that your objection is from sympathy for the Philippine race.

Mr. FLOYD. Not at all. My sympathy first is with the American people. If you want me to express myself, I should take pleasure in

doing it. I was greatly surprised when Mr. Taft came back to this country and indicated that he had formed such a love for the Filipino, "the little brown man," that he wished to bring them into direct competition with our people. We do not want any free trade with the Philippines. We don't want to come in competition with coolie labor. We don't want to pay a laborer \$2 per day to produce an article that has free access to our country that is produced by 13-cents-a-day labor. No, sir; I do not believe in doing things by halves; I like many of my neighbors, but I love my family; I like many of our neighbors across the water, but I love my own country and its people, and in this I do not differ from a majority of my American brothers. A limited free trade? Why sacrifice one American industry for those little brown men? Do you suppose, gentlemen, it would benefit them one iota? I tell you no. It would benefit the Dutch syndicates of Sumatra and Borneo, as before stated; the little brown man would be merely a means to an end, and that end would be the making richer these syndicates of Dutchmen and such of our large manufacturers as would go to this island and establish factories and destroy legitimate industries in this country. No, gentlemen, this Government should give them their freedom, cut loose from this, the Jumbo of all white elephants. In behalf of the tobacco growers of this country I here record our most earnest protest against any free trade with these islands whatever.

Mr. LONGWORTH. You spoke of ten to fifteen hundred islands in the Philippines. How many islands of those fifteen hundred has tobacco been raised upon?

Mr. FLOYD. I am not very sure. I have such data, and I can furnish it to the committee.

Mr. LONGWORTH. How many would you think?

Mr. FLOYD. I think perhaps three or four hundred of them. I am not sure, but I have that data.

Mr. LONGWORTH. The fact remains that only one island in the Philippines has ever raised tobacco profitably?

Mr. FLOYD. So it can be said of the United States. There are very few States making money out of it; but the possibilities are there, the old crude methods are there, and we can not compete with the foreigner. If you open up free trade with the Philippines and throw the American in competition with them, or with the Dutchman, or with any other man of that kind, then, I say, throw the door open and let it all come in. But here is the harm that can come from it: The moment that you open up free trade with the Philippines the American Tobacco Company and those large concerns will go there and build factories, employ 13-cents-a-day labor, and send the manufactured products here. That is the danger. We are not afraid of "the little brown man" and never will be, but we are afraid of the conditions that exist there. We are afraid of the man who goes there and utilizes the little brown man. I am a protectionist and I am an American, and I believe we all feel that way. Our country first, last, and all the time.

Mr. HILL. How many acres of shed tobacco are there in Connecticut?

Mr. FLOYD. I do not think over 200.

Mr. HILL. How many have you?

Mr. FLOYD. One hundred and sixty.

Mr. HILL. Do you substantially grow the bulk of shade-grown tobacco?

Mr. FLOYD. I am not pleading for that 160 acres, but I am pleading for the possibilities of Connecticut, Florida, and Georgia, of every section that grows wrapper tobacco. It may be called selfish, and I plead guilty, but I come here to plead not only for the Connecticut tobacco corporation, but for the possibilities that lie all over the country.

Now, I want to tell you something that is inside. We have succeeded in placing our tobacco abroad, inch by inch, with this protection. Inch by inch we are getting trade with the foreign countries. Give us protection and not only will we supply them, but in the end we will give them a much better cigar, and I want to say to you that I can give you a better cigar covered with our tobacco than any Sumatra wrapper cigar you can buy.

The CHAIRMAN. We will have to take your word for that.

Mr. FLOYD. No, sir; we will send them to you if you will accept them.

Now, in closing, I want to ask you in behalf of the people in Connecticut, on behalf of the agriculturists of Connecticut, to leave the tariff on tobacco where it is.

Mr. GRIGGS. Why not include the people of south Georgia and Florida?

Mr. FLOYD. I certainly do include them, with all my heart, sir. I thank you, gentlemen.

STATEMENT OF FRANCIS E. HAMILTON, NEW YORK CITY, REPRESENTING NEW YORK IMPORTERS OF TOBACCO.

WEDNESDAY, *December 16, 1908.*

Mr. Hamilton, having been first duly sworn, testified as follows:

Mr. HAMILTON. Mr. Chairman and gentlemen of the committee, I want to ask the committee to do what these gentlemen have asked you to do, what I believe will produce a greater revenue, by taking Schedule F and changing it all about, making a flat rate of 50 cents a pound on all tobacco that comes into the country, and \$2.25 a pound and 25 per cent ad valorem on all cigars.

The CHAIRMAN. You are opening up a big question now in your limited time.

Mr. HAMILTON. I am not going to talk about it. I am too hoarse.

The CHAIRMAN. Mr. Hill wants to know whom you represent.

Mr. HAMILTON. I represent all the importers in New York City and elsewhere who are interested in Cuban cigars.

Mr. HILL. And you appear as counsel for them?

Mr. HAMILTON. I do; yes, sir.

Mr. CLARK. Why do you want this thing done that you are asking be done?

Mr. HAMILTON. For two reasons: First, to give the Government some more money, because you are going to cut down the tariff and you will have to have more money.

Mr. CLARK. You know enough about the tariff to know that there is such a thing as cutting down the rate and getting more revenue?

Mr. HAMILTON. That is what I am suggesting.

Mr. CLARK. You are asking that the tariff be put up to get more revenue?

Mr. HAMILTON. No, sir.

Mr. CLARK. You said you wanted a flat rate of 50 cents a pound.

Mr. HAMILTON. Yes, sir.

Mr. CLARK. And on cigars you wanted \$2.25 a pound and 25 per cent ad valorem.

Mr. HAMILTON. Yes, sir; you are charging \$4.50 now.

Mr. CLARK. Four and a half for what?

Mr. HAMILTON. Cigars.

Mr. CLARK. But we are not charging \$4.50 for tobacco.

Mr. HAMILTON. I am taking the whole thing.

Mr. CLARK. Sumatra leaf and everything else?

Mr. HAMILTON. Yes, sir.

Mr. CLARK. What do you think these Sumatra men in Connecticut will do to you?

Mr. HAMILTON. You asked me why this is suggested.

The CHAIRMAN. I think Mr. Hamilton ought to have his own time.

Mr. CLARK. I will withdraw the question and he may take his own way about it.

Mr. FORDNEY. You have only had one minute so far.

Mr. HAMILTON. Thank you, sir; I will charge the time to the committee. Mr. Clark asked me what the reasons are. They are two in number; first, as I was about to say, to produce a greater revenue for the Government, which I believe the committee can be satisfied will be the result, and, secondly, to produce a better and cheaper article for the consumer, as Mr. Underwood suggested this morning was, and should be, the real reason of any tariff that is not a revenue producer. Now, in this case I stand on both legs. This shall be a revenue producer, and it shall improve the quality that comes to the consumer. I desire simply to file my brief and to submit to this committee later on a mass of figures which I hope the committee will read.

Mr. CLARK. Are you through?

Mr. HAMILTON. Yes.

Mr. CLARK. Then I will have to take up the rest of the ten minutes with you. What I want to get at is your proposition with regard to Virginia, North Carolina, and South Carolina, and precisely what would happen to you when brother Hill and his Connecticut contingent and the Florida people get after you about this Sumatra wrapper business. They get \$1.85 a pound now.

Mr. HAMILTON. The two reasons for a tariff are not to take care of either Mr. Hill and his Connecticut people or somebody down in Florida, but other people as well. The two reasons for a tariff are to produce a revenue and protect the consumer and benefit the consumer. Now, if we can satisfy the committee and Congress that the suggestion I have made covers those two grounds, it makes no difference what Mr. Hill or his Connecticut people think, or anybody else.

The CHAIRMAN. Do you not take into consideration that the producer ought to be protected as well as the consumer?

Mr. HAMILTON. Yes, sir.

The CHAIRMAN. You said to protect the consumer and produce a revenue. They were the two reasons.

Mr. HAMILTON. I will add also the producer to a reasonable extent, but not to the extent that you have heard some gentlemen suggest here.

Mr. FORDNEY. Do you think this duty is a producer of revenue?

Mr. HAMILTON. I think it is a revenue duty largely.

Mr. CLARK. I represent the largest tobacco-producing State in the Union and we produce a character of tobacco out there that none of these higher rates apply to. They would not get any benefit from this out there. How are you going to furnish a better article by this process? Most of the filler for plug is made of a kind of tobacco in Missouri on that rich land that is too heavy and too thick a tobacco to be used in cigars and too strong to be used in cigarettes.

Mr. HAMILTON. When it comes to the plug-tobacco question, I assume to say that there is not any imported that they make into plug tobacco.

Mr. CLARK. But how are you going to get a better article by this process of yours, putting this up to 50 per cent?

Mr. HAMILTON. If you are a smoker you can find out how you can get a better article by going into any good cigar store here and purchasing a cigar that is a genuine imported Habana-made cigar and paying 30 or 40 or 50 cents for it, and then, if the duty is reduced, going into another store and paying half as much for the cigar. That is just how you would get a better tobacco. It is a perfectly simple proposition.

The CHAIRMAN. Is it not an acquired taste?

Mr. HAMILTON. Entirely so.

Mr. CLARK. Out in Missouri they like that black tobacco and enjoy it as much as you would an imported Habana cigar purchased in New York City.

Mr. HAMILTON. Exactly; why not let us both have our tastes?

Mr. CLARK. The whole matter of smoking tobacco is a cultivated taste. There is not a man who ever used it that it did not turn him inside out at first.

Mr. HAMILTON. Yes, sir; but it is of great benefit to the Government when it is cultivated.

Mr. CLARK. I think the people would be a good deal better off without it, although I have a chew in my mouth right now, and I think the people of the United States would be better off if they did not use it; but the question is how to get the revenue out of the thing, and at the same time furnish a good article.

Mr. HAMILTON. Those are the two things that I desire to present later in a brief for the committee.

Mr. HILL. Do you know what the duty is on tobacco in Cuba?

Mr. HAMILTON. It is very high.

Mr. HILL. Do you know what it is?

Mr. HAMILTON. I do not know at present.

Mr. HILL. Do you not know that it is \$5 a pound?

Mr. HAMILTON. I know it is very high.

Mr. HILL. Three times as much as we charge.

Mr. HAMILTON. That does not make any difference with this proposition, does it? If there are any other questions that the committee desires to ask me I will be glad to answer them, if I can.

Mr. CLARK. What do the importers want this for; what makes them want it?

Mr. HAMILTON. Because we can sell more goods at a lower rate, of course.

Mr. HILL. Will you please name somebody that you represent?

Mr. HAMILTON. G. S. Nicholas & Co., of New York, and a dozen others.

Mr. HILL. Name one or two more.

Mr. HAMILTON. Park & Tilford—I will have to send you down the names. I came off in a hurry.

Mr. HILL. You appear as counsel for those parties, do you?

Mr. HAMILTON. Yes, sir.

Mr. HILL. Are they all importers?

Mr. HAMILTON. Yes, sir; as counsel for or their representative.

Mr. HILL. Do you include any tobacco association of any character?

Mr. HAMILTON. No, sir; not any association.

Mr. HILL. Purely jobbers—jobbing importers?

Mr. HAMILTON. Yes, sir. I made an effort to present this matter to the committee during the period of time that the committee was holding public hearings, and the representation will be largely increased by others who will unite with this movement.

Mr. HILL. You are only a jobbing importer, are you?

Mr. HAMILTON. Yes, sir; I represent them.

Mr. PARK. When you file that brief that you say you will file, I wish you would insert the figures to show that we will get some revenue out of your proposition.

Mr. HAMILTON. I will do so.

BRIEF SUBMITTED BY FRANCIS E. HAMILTON, REPRESENTING NEW YORK IMPORTERS OF TOBACCO.

WASHINGTON, D. C.,
December 16, 1908.

COMMITTEE ON WAYS AND MEANS,
Washington, D. C.

GENTLEMEN: In behalf of the importing cigar and leaf tobacco trade, or an important part of it, the dealers in fine cigars, I am authorized to present for your consideration the following petition:

That you will recommend to Congress in the revision of the tariff act such changes in Schedule F and paragraphs 213 to 217, inclusive, as shall result as follows:

Repeal paragraph 213, and to impose a flat rate of duty upon all wrapper tobacco, whether packed separately or together, and the same rate upon all leaf tobacco the product of two or more countries or dependencies when mixed or packed together, whether stemmed or unstemmed, excepting only therefrom filler tobacco not specially provided for in the act of 1897, which shall remain as at present, to wit, 35 cents per pound if unstemmed, and 50 cents per pound if stemmed.

To repeal paragraph 214 in its entirety.

To reenact paragraphs 215 and 216 in their entirety.

To repeal paragraph 217, and to impose a duty upon cigars, cigarettes, cheroots of all kinds, of \$2.25 per pound and 25 cents ad valorem, and to apply the same rate upon paper cigars and cigarettes, including wrappers.

This request is made in the interest of the general public and the consumers and users of tobacco in its various forms.

Aside from the small importations from the Philippines, the total imports of tobacco and the manufactures thereof in the year 1907 yielded a revenue of \$25,795,612.04.

If the suggested change in rates upon tobacco and manufactures thereof were made, and importations remained the same, the revenue would be \$23,103,281.88.

The result to the consumer, however, would be that he would be supplied with a much higher grade of tobacco in all its varied forms at a cost reduced to him from 25 per cent to 35 per cent.

This would mean a saving to the great public, basing the estimate upon the consumption of tobacco in its various forms in this country, of more than \$25,000,000 of money.

Surely no tariff change has been contemplated that affects so large a number and results in so large a saving to the people.

But the reduction of duty upon wrapper tobacco and upon fine cigars and cigarettes would at once largely increase the importation of these forms of tobacco.

It may be estimated without danger of successful contradiction that the increase in importation would easily be 100 per cent in these forms of tobacco.

If such proved to be the case the added revenue, even under the low rate prayed for, would be about \$5,146,980.80 or, in other words, instead of diminishing the revenue by about two and a half millions, the income of the Government would be increased by the suggested change more than two millions.

The net result of this revision therefore would be a most material improvement in the quality of the tobacco supplied to the millions who use it in this country, such tobacco would be supplied at a saving to the consumer of more than \$25,000,000 of money, and the revenue of the Government would at the same time be increased by more than two millions.

The duty upon tobacco is a tariff for revenue not for protection, as the importation of tobacco does not and can not affect the home production and consumption, the grades and flavors of the two tobaccos being so entirely different. The present condition of the tobacco trade in the United States requires no protection.

As a tariff for revenue, and as well for the benefit of the consumer, the above change is earnestly urged upon your attention.

FRANCIS E. HAMILTON,
New York City, N. Y.

WRAPPER TOBACCO.

[Paragraph 213.]

HON. W. A. CALDERHEAD, M. C., SUBMITS LETTER OF CHARLES F. PUSCH, OF MARYSVILLE, KANS., RELATIVE TO WRAPPER TOBACCO AND DUTIES.

MARYSVILLE, KANS, *November 23, 1908.*

Hon. W. A. CALDERHEAD,
Washington, D. C.

DEAR SIR: I beg to acknowledge receipt of your pamphlet, No. 4, on tariff hearings before the Committee on Ways and Means, for which please accept my thanks.

I have carefully gone over the proceedings as I find them in this printed matter, and the only real, truthful, and businesslike statement, based on positive statistics, in the entire question before the committee on tariff on leaf tobacco is that of Joseph F. Cullman, president of the National Cigar Leaf Association. This gentleman at least backs up his truthful statement with undeniable facts and figures, which will stand the strictest investigations, and no man finished up an argument with more force and truth than when Mr. Cullman stated that the concentration of our cigar industries has been caused principally by the present high rate of duty; that the middle and small class of manufacturers have been handicapped, owing to the large amount of capital required as cash outlay for the government import duty.

We never before had the concentration of trusts in the tobacco business, that one or two men could corner up the market, as we have experienced, were it not for the \$1.85 duty, and this, with the shrinkage, which we never receive, amounts to over \$2 per pound.

I admire Mr. Cullman's stand when he stated that the National Cigar Leaf Tobacco Association asked nothing. He leaves the matter to the good judgment of your committee—what methods should be applied to check the tendency of the American Cigar Company's methods ever since the enactment of the Dingley law.

I am astonished at the way and manner in which some of the parties went before the committee and made their statements regarding Connecticut tobacco, shade-grown tobacco, Georgia and Florida tobacco.

Knowing Mr. Mitchelson personally, and as he is known generally by the trade for truth and veracity, I am not at all surprised that he made the statement that he did not care to go into any details of the tobacco question before the committee.

I am a little surprised that the real owners of the Georgia and Florida tobacco farms, such as the multimillionaire A. Cohn & Co., of New York; Florida Tobacco Company; Florida and Georgia Tobacco Company; and Taussig & Co., that these men personally don't come before the committee, if they thought they had a strong case and their tobacco requires a protective duty of over \$2 per pound. These people have made the public declaration to the trade that their tobacco was just as good as Sumatra, and that they were entitled to the same price, wanting \$3.50 for some of their grades, and they went so far in their independent manner of transacting business that

Mr. Cohn stated to some of the purchasers that they could only have 5 bales at a time, and no more; but when a sample bale was worked the tobacco was so bitter in taste that I returned them to the firm and told them that I would have to work Sumatra in order to retain my trade.

I have only a short time ago tried a sample bale of the so-called "Connecticut shade-grown tobacco," and paid for this tobacco (buying it through a jobber) 90 cents per pound. The tobacco is lying here, and is very unsatisfactory in color and so brittle that if the cigars lie out overnight you can not carry them in your pocket; the wrapper all cracks. Now, if all these different statements that these men have made before the committee would be true, there is just this much to be said: If the Government would charge 75 cents to \$1 per pound to import Sumatra wrappers, and these gentlemen in Connecticut, Georgia, and Florida will raise good tobacco, I shall certainly never pay from 75 cents to \$1 per pound and buy imported tobacco, but buy such tobacco as will save me the import tax; but putting still more tax as you have it now, \$2, or even make it \$5, would not give us manufacturers the desired wrappers to manufacture the high-grade 5-cent cigar, which is the popular cigar of the United States, and for which not alone America has to go to Holland for wrappers, but Italy, Austria, Spain, Germany, and England must secure their wrappers from there, as the Holland purchases is the only country in which sufficient humidity and proper soil is, to raise the needed wrapper.

The statements made by some of these people regarding the quality of wrappers produced in the United States are so absurd and misleading that if the Government was to compel every manufacturer to enter in the revenue book a record of all the domestic wrapper tobacco used, as a mere matter of statistics, it would astonish the Government how few domestic wrappers are actually raised in the United States, notwithstanding that you are protecting the producers of the so-called "domestic wrappers."

I had two sample cases of wrappers, the cream of the 1907 Connecticut broadleaf crop, sent out here, the same as I do every year, in hopes of securing good tobacco without paying the high import duty, and I had a good opportunity to show the results of the working of these sample cases of this tobacco to Senator Long. I paid for the highest grade of Connecticut tobacco 50 cents under the present high rate of protection, and I am sorry to state that the tobacco is so poor and thick in leaf that I can not realize 25 per cent of wrappers out of these sample cases. Messrs. Haas & Co., the largest packers in Hartford, have sold this tobacco to me. You will note that I give you statistics and facts in every case, so that you may investigate.

I call your attention to the fact that the United States is the largest producer of filler and binder tobaccos for cigar purposes in the world. All of that portion of the State of Wisconsin which is raising tobacco, the tobacco is used for filler and binder purposes exclusively. All of the tobacco raised in the State of Pennsylvania is used for fillers principally. All of the tobacco raised in Ohio is used for filler purposes, and only York State, Connecticut, a portion of Massachusetts, and the tobacco that is raised in Georgia and Florida is used partly for binders and wrappers. You can judge by the size

of the territory, and take the statistics of acreage; this will show conclusively to you that notwithstanding for ten years they have had a protection of \$2 per pound, they have not yet produced wrappers so that we can get along without Sumatra, nor will they ever succeed in doing so.

I would call your attention to the fact that the same case of shade-grown tobacco which came from Mr. Mitchelson's farm, which I have here, is such poor tobacco that the jobber who offered it for sale explained to me that the tobacco runs so dark in color and uneven that, in order to bring this tobacco into the hands of the smaller manufacturers, he has taken it out of the cases and repacked it in bales, to make it look similar to Sumatra.

Now, it appears to me that the Republicans have just finished the political campaign, and have gone before the public with the pledge and promise that they would revise the tariff, and if 75 cents to \$1 per pound does not protect the American farmer in raising good tobacco, they will never raise it any better if you put \$5 on it.

If the Committee on Ways and Means needs more money to run the Government, it appears to me that if cigars are supposed to be a good taxable article, why not reduce the import duty and give the smaller manufacturer an opportunity to get hold of good tobacco, without such a large outlay of capital, and assess \$1 more revenue per thousand cigars? This would give the Government their revenue and give the smaller manufacturers an opportunity to develop their business, and stop the concentration of buying up in the trusts on all this tobacco, such as they have done several years ago, and after the Pennsylvania tobacco, a few years ago, was all purchased by a few parties, they dished this tobacco out to us manufacturers, even in small lots, at an advance of 8 cents per pound.

I presume you are aware that it requires not less than 2 pounds of Sumatra to cover a thousand cigars, which makes nearly \$4 import duty, and we are using at the rate of 4 to 5 pounds of Havana filler to a high-grade nickel cigar, and at the rate of 4 pounds would be \$1.12 on this, and \$3 revenue would be \$8.12; and if we sell the cigars at \$35, or as we are selling 3,000 cigars for \$100, we are paying the Government \$24.36 worth of duty. This will demonstrate to you why the small manufacturer, who has not much capital and would like to develop his business, can not meet the American Cigar Company nor the United Cigar Company, when they have millions of capital to put up against the small factory.

I have not a thing to suggest to you in the matter except that I shall closely observe the proceedings of the committee in trying to retain the pledge of the Republican party to the public. I feel exactly like Mr. Cullman as he presented the case before the committee.

I am in favor of protecting every laboring man in this country, whether he is a farmer or mechanic, fully and a little more than the difference paid the laborer of America and Europe. Mr. Blaine gave me this doctrine personally, and I adhere to it; otherwise I would like to have all the raw material here as fast as we can get it; and if the Government needs revenue, they will certainly find some way to put it on some article that everybody uses, and everybody will then be paying his share of the expense for running this country.

Pardon me for sending you this lengthy letter, but I found so many misleading statements from some of these people who are sending before the committee, the poor farmers, and they are sitting in the background waiting for the good results that some of them bring.

Yours, very respectfully,

CHAS. F. PUSCH.

HON. JOEL COOK, M. C., SUBMITS LETTER OF OTTO EISENLOHR & BROS., PHILADELPHIA, RELATIVE TO WRAPPER TOBACCO.

PHILADELPHIA, *December 14, 1908.*

HON. JOEL COOK, M. C.,

House of Representatives, Washington, D. C.

DEAR SIR: We would hereby state that we are cigar manufacturers, with an annual production of about 120,000,000 cigars, and we employ about 3,000 men and women as cigar makers, strippers, and packers, and we are advised that certain changes in the tariff on imported wrapper tobacco are about to be considered by the Ways and Means Committee of Congress.

The absolute use of Sumatra wrappers is necessary in our business, and as the present duty of \$1.85 per pound represents an increase of 35 cents per pound over the previous rate of \$1.50, and as this advance had to be borne entirely by the manufacturers, thereby reducing the profits below a fair and reasonable basis, we would appreciate your cooperation in the endeavor of most of the leading manufacturers of the country to have the duty on imported wrappers reduced 20 per cent.

Thanking you in advance for such consideration as you may see fit to give the above, we are,

Yours, very truly,

OTTO EISENLOHR & BROS.

STATEMENT SUBMITTED BY H. S. FRYE, OF WINDSOR, CONN., RELATIVE TO SUMATRA LEAF TOBACCO.

WINDSOR, CONN., *November 11, 1908.*

HON. E. J. HILL, M. C.,

Ways and Means Committee, House of Representatives.

MY DEAR MR. HILL: In view of the proposed revision of the tariff I beg to submit the following facts relative to leaf tobacco (wrapper) for consideration by the committee:

The tariff of 1890 (McKinley) made the duty on wrapper leaf (Sumatra) \$2 a pound, after ten years of depression in prices the average of which in the Connecticut Valley had been less than cost of production. The immediate effect was to put the industry on a paying basis, lasting, however, only two years, as the election following (1892) at once so demoralized trade that average prices were hardly over cost of production. This was followed by the Wilson tariff, which, though it did not reduce the rate to the extent expected, did reduce it to \$1.50 a pound. Even that rate proved no adequate protection against the ever-increasing imports of Sumatra,

so that there was hardly any recovery in prices until the enactment of the present, or Dingley, law. Owing to the unjustifiable opposition of the manufacturers and cigar makers' unions, we (the farmers) were not able to get the full McKinley rate of \$2, passed by them, restored, and after the most strenuous contention I ever knew of in the Finance Committee we had to accept a rate of \$1.85 per pound. The 15-cent reduction proved no benefit to the consumer, but simply resulted in a loss of revenue of 15 cents per pound on every pound of Sumatra since then imported, in the aggregate a vast amount. I have no data at hand of recent imports of Sumatra tobacco, but beg to call your attention to Consular Report No. 3269, date September 2, 1908. Consul Henry M. Morgan, Amsterdam, Holland, reports the exports of tobacco to United States (all Sumatra) from that consular district as follows:

Nineteen hundred and three, \$4,483,226; 1904, \$5,076,660; 1905, \$5,158,468; 1906, \$7,726,663; 1907, \$8,059,771. Imports for 1907, \$8,059,771; imports for 1903, \$4,483,226; increase, \$3,576,545, or nearly 100 per cent, showing that under the present rate of duty there has not only been a steady increase, but the amount in value has nearly doubled in the last five years.

A reference to tables of imports since 1890 will show that as a revenue producer under that and following tariffs no other imports have shown such astonishing results, and at so little cost to the consumer. Since the established custom here is to retail cigars at 5 cents or multiples thereof, each, it will be seen that even a much larger increase of duty on that one constituent of the cigar could have no effect at all on the retail price, and a very small one on box prices, hardly appreciable even with the latter. Moreover, owing to the great increase in the two major factors of cost, to wit, labor and fertilizers, a rate of \$2 to-day would not be equivalent to the former or McKinley tariff as a protective measure; and I wish especially to call attention to the fact that no large agricultural industry in the United States to-day is in as precarious and unsatisfactory a condition as is the growing of leaf tobacco for wrapper purposes, without which the industry can not exist in many districts. Prices are steadily falling even now, and unless an exceptionally good crop like 1906 or 1908 can be secured (which is not possible in every season) no profit, but heavy loss, results. The good years will not make up for the poor ones. As an instance, that portion of 1907 that was sold by the farmers did not bring over one-half the cost, and the balance, still on hand, seems to be unsalable, certainly at any profit, or even at cost. True, in Georgia and Florida, and to a small extent in Connecticut, large corporations seem now to be producing an imitation of Sumatra called "shade grown" with some measure of success, but that system requires a large investment of capital—so large it is not available to the small farmer. Under good management, apparently, capital can exploit the "shade-grown" article with fair returns on the investment. But capital can take care of itself; if "shade growing" does not pay it can be readily invested in something else that does.

I hold no brief for capital or corporations. As heretofore, I plead for the farmer, the man of small means, his whole lifetime investment tied up in his little farm; his life, his hopes, his prosperity, his family, his all dependent on the proceeds of his few acres of

tobacco sink into oblivion, as his little property (then unreliable), and knowing no other business, there is nothing, not even hope, left him. For twenty-five years that one product, from that one island, has hung like a nightmare over his hopes and his ambitions. He asks for no special privileges, for no protection even, against other than the Sumatra wrapper leaf. But this one product has set a standard in yield and looks, against which he is powerless to compete, nor has any duty ever yet imposed on it reached the limit as a revenue producer. I doubt if we ever have one that will. Through that one competitor the leaf product of State after State has been driven out of the market as a wrapper, until practically only the Connecticut Valley remains (outside of shade grown) as any large factor in wrapper-leaf production. I indulge in no demagogue talk about coolie labor competition. I leave that to amateurs; but in behalf of those farmers and those interests for whose cause I have devoted so many of the best years of my life, and as a proposition for increased rather than diminished revenues from that particular source, I respectfully urge the restoration, at least, in the forthcoming tariff of the old time-honored 1890, or McKinley rate, of \$2 per pound, which, as events proved, was not even up to its maximum possibility as a revenue producer by 50 cents a pound.

All of which is respectfully submitted to your honorable committee.

H. S. FRYE.

WILLIAM TAUSSIG, CHICAGO, ILL., RECOMMENDS A RATE OF FIFTY CENTS PER POUND ON ALL CUBAN TOBACCO.

CHICAGO, *November 14, 1908.*

HON. SERENO E. PAYNE,

Chairman Committee on Ways and Means,

House of Representatives, Washington, D. C.

DEAR SIR: Being one of the pioneers in the raising of cigar-wrapper leaf tobacco in the States of Florida and Texas, I feel it incumbent upon me to lay my views in regard to the custom tariff which ought to be put on such tobacco before the committee.

I am unable at the present to attend personally the meetings of the committee. Therefore I take this means to communicate with you.

The raising of wrapper tobacco as a substitute for that which has been raised in Sumatra and Borneo is comparatively of recent origin in this country, but it has been found that we can, and have, in every respect produced as fine tobacco, answering every purpose thereof, in this country, especially in Florida and Texas, as that which is raised anywhere in the world. But it is impossible for us to do so and pay wages based on American standard of living unless a comparatively large duty is placed on the foreign tobacco.

It is needless for me to enlarge upon the differences between cheap native labor in Sumatra, Borneo, etc., and that native to this country.

No one seriously advocates that we should lower our community to the basis of the Asiatic countries.

Experience has proven that the tariff on Sumatra tobacco, \$1.85, is none too large. Manufacturers of cigars have not found this to be

at all excessive. It is my opinion that the tariff on wrappers should be raised rather than lowered.

In this connection I desire to call the attention of the committee to the injustice of the duties which are placed upon wrapper tobacco, especially that raised on the island of Cuba, a deduction of 20 per cent being made. Wrapper tobacco ought to bear \$1.48 per pound duty, which in itself is too low as compared with the value. But in the importation of Habana tobacco it has been found that in a good many cases the importer is fortunate enough to have wrappers pass the adjusters of the custom-house and have it assessed at the rate of 28 cents; in some cases a little higher. To avoid this injustice it seems to me that a good plan would be to make one uniform rate upon the tobacco raised in the island of Cuba, and for that purpose I advocate that a uniform rate of 50 cents be made. This would be justice to all.

I do not go into further details in regard to this question as the committee is undoubtedly in full possession of all facts bearing thereon.

Hoping that the committee will agree with me, I beg to subscribe myself,

Yours, respectfully,

WM. TAUSSIG.

F. H. BELTZ, SCHWENKSVILLE, PA., ASKS FOR A REDUCTION OF DUTY ON SUMATRA WRAPPER TOBACCO.

SCHWENKSVILLE, PA., *November 24, 1908.*

HON. S. E. PAYNE, M. C.,

House Committee on Ways and Means, Washington, D. C.

DEAR SIR: As it is generally understood that there will be a revision on tariff, I will ask you to kindly look into the duty on wrapper tobacco, which is \$1.85 per pound, and I will here say that it has become a great burden on the manufacturer of cigars, and this is not only a great burden on the manufacturer, but it is also a burden on the people employed by the manufacturer who work these wrappers, for reason that on account of the great care that must be taken by those who work these wrappers so that the manufacturer will be able to have a large number of cigars wrapped out of 1 pound of these wrappers; this becomes a direct burden to the employers.

I also believe that a general increase of wages will follow if a reduction be made in our wrapper duty. Believe that our Sumatra wrappers are used on 90 per cent of all cigars sold at the retail price of 5 cents, which seems to be the popular price cigar. The wrapper alone on 1,000 cigars will make an average cost of \$3.70 for duty.

We would suggest that the duty be reduced to \$1.25, which would help a great deal in taking the burden from the manufacturers, and it would help the employee and also help to give better product.

Therefore I will ask you to look fully into this matter, and I believe that you will find our cause just. While I am only a small employer of 40 to 50 hands, yet I know that it is the desire of those employed to have a reduction in this tariff.

Yours, very truly,

F. H. BELTZ.

E. M. SCHWARZ & CO., NEW YORK CITY, THINK A LOWER DUTY SHOULD BE PLACED ON WRAPPER TOBACCO.

NEW YORK, *November 20, 1908.*

CHAIRMAN COMMITTEE ON WAYS AND MEANS,
Washington, D. C.

DEAR SIR: In the preliminary hearings which are taking place before your committee with reference to tariff revision, we beg that you consider a reduction on imported wrapper leaf tobacco from \$1.85 to \$1.25 per pound.

As one of the larger manufacturers of cigars in the United States (we operate factories in New York, Long Island, Philadelphia, and Wilmington), we are of the mind that a duty of \$1.25 per pound on imported wrapper leaf tobacco would amply protect the home-grown wrapper leaf tobacco, and at the same time afford a revenue in harmony with every view that has been presented before your committee.

With great respect, we remain,

E. M. SCHWARZ & Co.

KRAUS & CO., BALTIMORE, MD., WISH A LOWER DUTY ON WRAPPER TOBACCO AND A UNIFORM DUTY ON CUBAN TOBACCO.

BALTIMORE, *November 20, 1908.*

HON. SERENO E. PAYNE,
Chairman Ways and Means Committee,
Washington, D. C.

DEAR SIR: In reference to the proposed tariff-revision hearings I would respectfully urge that the duty on Sumatra wrappers be reduced to \$1.25 per pound instead of \$1.85, as now imposed. At this price the domestic grower is fully protected, and by reducing the tariff the revenue to the Government will no doubt be increased by reason of larger imports. The domestic-grown wrappers do not figure very extensively in the manufacture of cigars, being unavailable in many respects, compared to foreign-grown tobaccos, and supply totally inadequate even under the most prohibitive tariff rates. The domestic leaf is used almost wholly for filler and binder purposes, and such uses would be greatly augmented by increased manufacture consequent to a lower rate on wrapper leaf.

On Cuban tobacco I would strongly urge a uniform duty of 30 to 35 cents per pound, which would obviate the uncertainty of duty on all Habana tobacco shipments to this country and greatly stimulate the manufacture of cigars made from Cuban leaf. The percentage clause on Habana wrappers opens the way to large variations as to the proper duty to be levied, which would disappear if all uniform duty. The revenue derived from this class of importations would no doubt show a very great increase over the amount now received by the Government. The greater good to the greater number is the aim of all legislation, and whilst affording full protection to the American grower the rates hereby advocated would be of considerable benefit to the manufacturer and also to the labor employed in this occupation. The Republican party is pledged to a revision of the tariff and has received the united support of the tobacco trade, which no doubt

helped to secure the election of a Republican President. We hope, therefore, that suitable relief to the cigar trade will be secured in formulating the revised tariff.

Yours, very respectfully,

KRAUS & Co.,
Per HENRY KRAUS.

BARNES, SMITH & CO., BINGHAMTON, N. Y., THINK THAT CIGAR MAKERS NEED A REDUCTION OF THIRTY-FIVE CENTS PER POUND ON IMPORTED WRAPPER TOBACCO.

BINGHAMTON, N. Y., *November 24, 1908.*

HON. SERENO E. PAYNE,

Washington, D. C.

DEAR SIR: We would state that our reason for asking for a reduction of 35 cents per pound in the duty on Sumatra wrappers is, that the price of domestic tobacco continues to increase to such an extent that unless we can secure a reduction in the cost to us of the imported wrapper we shall either have to use an inferior grade of filler tobacco or do business at a loss.

It seems to us that the manufacturer of cigars will not derive any direct benefit from this reduction in duty, but, on the other hand, the farmer in Ohio and in Wisconsin, from whence we derive the major portion of our domestic tobacco, will reap a benefit equivalent to the amount of reduction in duty, which, by the way, at 35 cents per pound, will hardly amount to more than 61 cents on 1,000 cigars.

We trust you will investigate this matter, feeling, as we do, that the justice of our position will be sustained and that you will be only too glad to cooperate with us.

Thanking you in advance for what you may see fit to do in this matter, we remain,

Yours, very truly,

BARNES, SMITH & Co.

THE S. R. MOSS CIGAR CO., LANCASTER, PA., RECOMMENDS A DUTY OF ONE DOLLAR PER POUND ON WRAPPER TOBACCO.

LANCASTER, PA., *November 20, 1908.*

HON. SERENO PAYNE,

Chairman Ways and Means Committee,

Washington, D. C.

DEAR SIR: As manufacturers of cigars who use large quantities of Sumatra tobacco, we ask you to kindly use all efforts to secure a reduction in the tariff on Sumatra. Sumatra tobacco is in a class of its own; does not compete with any domestic leaf, and does not require the enormous protective duty of \$1.85 per pound which now exists. The smokers who prefer Sumatra-wrapped cigars will under no circumstances smoke any cigar with a different wrapper, and as there is no leaf of domestic growth which takes the place of Sumatra, there can be no injury done to any grower or packer of domestic leaf tobacco. Recognizing that it is the policy of the Government to have some tariff on imported tobaccos, we suggest that \$1 per pound would be adequate for the purpose.

In regard to Cuban tobacco, we believe a distinction should be made between filler and wrapper tobacco, and that the wrapper tobacco should pay more import duty than filler tobacco. If the tariff on filler and wrapper of Cuban tobacco is almost the same, then all manufacturers of cigars who use Habana as filler and Sumatra or domestic wrapper will be driven out of business, since the clear Habana manufacturers, who use Habana for wrappers, would have a decided advantage and there would be no demand for cigars made with Cuban filler and Sumatra wrapper.

We earnestly hope that you will interest yourself in our behalf and secure a decided reduction in the duty on Sumatra tobacco, and protect our interests on the Cuban tobacco.

Very truly, yours,

S. R. MOSS CIGAR Co.,
H. J. RYDER, *Secretary*.

**LOUIS HIRSCH, NEW YORK CITY, THINKS ONE DOLLAR A POUND
ON WRAPPER TOBACCO IS SUFFICIENT PROTECTION.**

NEW YORK, *November 13, 1908.*

HON. CHAIRMAN OF THE WAYS AND MEANS COMMITTEE,
Washington, D. C.

ESTEEMED SIR: The present duty of \$1.85 a pound on leaf tobacco is primarily intended for protection on wrapper tobacco grown in Connecticut, Georgia, and Florida, against Sumatra tobacco. These are the only three States in which a wrapper tobacco for cigar purposes is grown.

Connecticut wrappers grown "in the open" are marketed for from 35 cents to 50 cents a pound; "shade grown" Connecticut, Georgia, and Florida are sold at from 75 cents to \$1.25 a pound. Wrappers raised under shade in Georgia and Florida are the only tobaccos that are similar to Sumatra tobacco, and are used to imitate Sumatra tobacco in order to reduce the cost of cigars. Connecticut wrappers are used mostly to imitate Habana wrappers. At the prices mentioned above the domestic wrappers are profitably sold to manufacturers, leaving a profit to the farmer, to the packer, and to the jobber. Therefore a protective duty of \$1 a pound on Sumatra tobacco would be amply sufficient to protect the farmer and packer, besides giving the smaller and independent manufacturers a better show to exist. At the present rate there is a duty of about \$310 on each bale of Sumatra tobacco, which is a great hardship to the smaller manufacturers. Being a specific duty, only the finest tobacco can be imported, which consequently means an outlay of about \$600 on a single bale of Sumatra tobacco. Therefore a reduction of the duty to \$1 a pound would be of great benefit to the smaller manufacturers without being detrimental to any other interests, except as to curtailing the excessive profits that have been made on Florida tobacco, which tobacco, costing no more than 30 cents a pound to raise, has been sold for as high as \$3 a pound.

As to filler tobaccos, all domestic fillers can be sold to the manufacturers at 15 cents a pound, leaving a profit to the farmer, to the packer, and to the jobber; therefore a protection of 20 cents a pound on Habana fillers would be amply sufficient, this to apply to strictly

filler bales; and bales that are "wrappery" or contain any percentage of wrappers at all should be taxed the same as Sumatra tobacco—not as at present, when most of the Habana wrappers come in under filler duty to the detriment of Connecticut broadleaf tobacco. Under the present schedule on leaf tobacco, it requires an immense amount of cash to do business, enabling combinations like the trust to become bigger, while gradually driving the smaller manufacturers out of business.

Very respectfully, yours,

LOUIS HIRSCH.

HON. HARRY M. COUDREY, M. C., SUBMITS LETTER OF THE GEORGE FEHL BLUE RIBBON CIGAR COMPANY, ST. LOUIS, MO., RELATIVE TO WRAPPER TOBACCO.

ST. LOUIS, Mo., *November 24, 1908.*

HON. HARRY M. COUDREY, M. C.,

943 Century Building, St. Louis, Mo.

DEAR SIR: As it is understood the Republican party has decided to revise the tariff, we hereby take the liberty in addressing you relative to same, which we believe is essential for manufacturing cigars.

A reduction on the Sumatra wrapper from \$1.85 to \$1.25 a pound. The reason for the reduction is as follows: The Sumatra wrapper is reliable at all times, which protects the manufacturer, jobber, and the consumer.

No doubt the farmers from Connecticut, Georgia, and Florida will protest the measure, but after expressing our opinion we trust you will see your way clear to support the measure.

In the State of Connecticut is grown a wrapper called the "Connecticut Habana seed wrapper." The price of the wrapper has varied in no degree in relation to the price of Sumatra or duty thereon. Inherent good or poor qualities of the crop in connection with the business conditions at the time of sale have been the sole factor in determining the price.

Connecticut Habana seed is in no way a competitor with Sumatra. It is used by a different class of manufacturers than those using Sumatra. The production of Georgia and Florida tobacco has increased enormously in the last few years. This has been brought about by the tremendous possibilities for profits, which have stimulated production abnormally.

This tobacco has not been raised by the farmer, but by larger corporations or firms, as the cost of raising same precludes the farmer of moderate means from engaging in its production.

The Florida and Georgia wrapper is an inferior wrapper which does not burn properly and can be used only on a cheap grade of cigars. The Georgia and Florida wrapper has not been affected by the price or duty on Sumatra, but the inherent good or poor qualities of the crop in connection with the business conditions at the time of sale have been the sole factor in determining the price.

The difference of the cost per thousand cigars of Sumatra and Florida wrappers is such that they are not competitors, but each has its place and will have in our cigar industry.

The cigar business has increased so the output per factory has increased out of all proportions to the increase in production. It may interest you to learn that 40 per cent of the cigar-leaf crop of 1907 was purchased for use by a single manufacturing corporation.

Thanking you in advance for any consideration you may show me in the matter, we ask to remain,

Respectfully,

GEO. FEHL BLUE RIBBON CIGAR CO.,
GEO. FEHL, *Secretary-Treasurer.*

**DETROIT CIGAR MANUFACTURERS ADVOCATE A REDUCTION OF
TWENTY PER CENT DUTY ON WRAPPER TOBACCO.**

DETROIT, MICH., *November 24, 1908.*

COMMITTEE ON WAYS AND MEANS,
Washington, D. C.

GENTLEMEN: At a special meeting of the Detroit Cigar Manufacturers' Club, held in this city November 24, 1908, the following preamble and resolution was adopted, and the president, John P. Hammeter, instructed to forward a copy for your consideration:

Whereas the Detroit Cigar Manufacturers' Club, comprising 14 of the leading manufacturers of the city of Detroit, having an annual output of practically 250,000,000 cigars and employing 8,000 cigar makers, stemmers, and packers, is advised that certain changes in the tariff on imported wrapper tobacco is now being considered by the Ways and Means Committee of Congress; and

Whereas the use of imported wrapper, especially Sumatra, is extensive and absolutely necessary in our business, and the present duty of \$1.85 per pound represents an increase of 35 cents per pound made a few years ago, the entire advance of which is necessarily borne by the manufacturers, while the price of American-grown tobaccos have advanced, reducing the profits of the industry below a fair and reasonable basis: Therefore be it

Resolved, That we favor and respectfully petition the Committee on Ways and Means to recommend for adoption by Congress a reduction of 20 per cent in the duty on imported wrappers of all grades.

DETROIT CIGAR MANUFACTURERS' CLUB,
JOHN P. HEMMETER, *President.*

**THE OWL COMMERCIAL CO., QUINCY, FLA., THINKS PRESENT
DUTY ON WRAPPER TOBACCO SHOULD BE RETAINED.**

QUINCY, FLA., *December 7, 1908.*

HON. SERENO E. PAYNE,
*Chairman Committee on Ways and Means,
House of Representatives, Washington, D. C.*

DEAR SIR: I have read a number of letters addressed to your committee by cigar manufacturers, requesting that the present rate of duty on imported wrappers be reduced. Among other reasons advanced by these parties for a reduction is the fact that imported Sumatra tobacco is a necessity, there is no American tobacco to take its place, and setting forth that a lowering of the duty would increase the use of the foreign tobacco, and owing to the larger importations the government revenue would not be reduced, etc.

As a matter of fact, the imported Sumatra tobacco has only been worked in the United States for the past twenty-five years. Prior to that time the fine wrappers grown in Connecticut, Wisconsin, Pennsylvania, and New York were used to wrap our domestic cigars, and they gave excellent satisfaction. The introduction of the imported Sumatra supplanted these home-grown types of wrappers, and the fine tobacco grown in the States I have mentioned was largely used for fillers and binders, and it seemed almost a hopeless task for the American tobacco grower to evolve a type that would compete with the imported Sumatra.

About ten years ago the idea of shading tobacco was taken up in Florida with marked success. The production of this shaded type has steadily increased until to-day there are over 5,000 acres of fine tobacco land covered with artificial shade in the State of Florida alone. Large areas have been covered in Connecticut and Georgia, and the industry is now getting a foothold in Texas and Alabama, and aided by the experts from the Agricultural Department, the industry has steadily increased. There are upward of 15,000 bales of fine shaded wrappers produced in the United States to-day, while the annual consumption of the imported Sumatra represents about 30,000 bales.

Our American tobacco is grown from seed imported from the island of Sumatra, and this tobacco is worked and sold by the manufacturers as imported tobacco. The industry has not yet reached a point where the tobacco can compete in the market on its actual merits. We claim that a reduction of the duty at this time would work a great injury to the American tobacco grower.

In the island of Sumatra the tobacco is grown almost wholly by Chinese coolies or contract labor, and statistics show that this class of labor is paid less than one-third of the wages that are paid to the negroes in the South, while the white farm labor in the northern States must be paid a still higher rate. It is impossible to compete with this Asiatic labor, and if there was no tariff, or a materially reduced rate was established, then the American tobacco farmer would be crowded out and the business would have to be abandoned. We can not employ this cheap foreign labor in our American tobacco fields owing to the operations of the exclusion act, and hence it is only possible to continue growing the fine shaded types of wrappers under a protective tariff. Under the McKinley bill the rate of duty on foreign wrappers was \$2 per pound, and under the present law (the Dingley bill) the rate is \$1.85 per pound, and it would be better for the whole country if the McKinley rate was restored.

Some of your petitioners have asked for a reduction of 35 cents per pound, which at the highest could only amount to 70 cents per thousand cigars, even making a liberal allowance and estimating that 2 pounds were used per thousand. This reduction, we claim, would in nowise benefit the smoker. It would amount to only seven one-hundredths of a cent on each cigar, and thus if a cigar were retailed for 1 cent at the present time it would not be cheapened to the smoker, as our currency does not admit of a fractional decrease of this character.

Millions of dollars have been expended in the United States in equipping lands with shade structures and developing the tobacco industry to its present high state of efficiency, and the American

farmer receives in a small measure the benefit of the protective tariff which has built up the manufacturing industry of the United States to a point that has commanded the admiration and wonder of the world.

Reduced to its final analysis, the consumer (in this case the smoker) pays the duty, and we claim that there is no tax as easily collected as that on tobacco and its various products. Petitions are now being circulated among the leaf-tobacco growers of the United States praying that the present duty be maintained, and we sincerely trust that your committee may be impressed with the justness of our cause.

We also think it would be a very great injustice to admit tobacco or cigars from the Philippine Islands free of duty. It would injure the American industry almost irreparably, and we trust that no steps of this kind will be encouraged by your committee.

Yours, respectfully,

WM. M. CORRY,
General Manager.

**HON. A. F. DAWSON, M. C., FILES COMMUNICATION OF THE FERD
HAAK COMPANY, DAVENPORT, IOWA, RELATIVE TO DUTY ON
SUMATRA WRAPPER TOBACCO.**

DAVENPORT, IOWA, *December 3, 1908.*

Hon. A. F. DAWSON,
Washington, D. C.

DEAR SIR: We would ask you to kindly bring before the Ways and Means Committee a resolution that we favor and respectfully petition the Committee on Ways and Means, to recommend for adoption by Congress, a reduction in the tobacco schedule of 20 per cent in the duty on imported wrappers of all grades.

The use of imported wrapper, especially Sumatra, is extensive and absolutely necessary in our business, and the present duty of \$1.85 per pound represents an increase of 35 cents per pound made a few years ago, the entire advantage of which is necessarily borne by the manufacturers, while the price of American-grown tobaccos have advanced, reducing the profits of the industry below a fair and reasonable basis.

We sincerely hope you will use your best efforts to have such a resolution adopted, and thank you in advance for any consideration you may show it.

Very respectfully, yours,

FERD HAAK Co.,
Per R. H., *Secretary and Treasurer.*

THE SUPERVISING EXPERT OF THE JEFFERSON COUNTY (FLA.)
SUMATRA TOBACCO COMPANY FILES STATEMENT.

MONTICELLO, FLA., *December 30, 1908.*

COMMITTEE ON WAYS AND MEANS,
Washington, D. C.

GENTLEMEN: It has been with the greatest interest that I have followed the discussions and letters published in the United States Tobacco Journal with reference to the duty on imported wrapper tobacco.

When I read the arguments set forth by Mr. Pusch, of Marysville, Kans., in a letter to Congressman Calderhead, I thought it might perhaps be of benefit to your honorable body to let you hear from me on this subject.

First, I beg to state, as an introduction, that I have lived about seventeen years on the island of Sumatra, and had been employed for more than fifteen years of that time by the Deli Batavia Maatschappij (Company), first as assistant, then as head assistant, and finally as manager, and with this experience do not hesitate to say that I understand the tobacco business, as per Sumatra methods, from start to finish.

I came to America in May, 1907, at which time I first learned the name of Florida as a tobacco-growing center, being through a letter to me from one of the largest Sumatra tobacco importers in New York, who was a countryman of mine. In that letter that gentleman made the following statement:

Your communication of the 22d instant came duly to hand, and in reply we beg to state that the only place where the growing of Sumatra tobacco has been successful on American soil is in Florida; all the experiments in other States you mentioned have not proven to be of any importance, and never will be, in our opinion, etc.

On the strength of this letter I came to Florida, and can now freely state that that gentleman spoke the truth.

The tobacco industry in Florida, especially from the standpoint of the shade-grown crop, particularly for the wrapper trade, is of the utmost importance, with the brightest prospects, in my opinion, and especially bears upon the prosperity of northern Florida, which will stand or fall with this industry.

My experience tells me that in Florida can be produced an article quite equal, if not superior, to Sumatra tobacco, when the ground is carefully cultivated and the proper kinds of fertilizers used, with the additional proper handling in the barns and packing houses, following out the careful methods of Sumatra. Samples of tobacco grown and handled under this method have been sent by me to Amsterdam, the greatest tobacco market of Europe, and there pronounced as "high grade and in every respect equal to Deli tobacco," thereby qualifying Jefferson County and this northern district of Florida as a tobacco-growing section.

The tobacco business in Florida is still in its infancy so far as shade-grown crop is concerned, and that the highest grades can be produced here is evidenced by the winning of the gold medal in competition with the world by the Owl Commercial Company at the Paris Exposition in 1900; but, notwithstanding this fact, in my visits to the plantations and packing houses in Quincy and other tobacco-

producing districts, I found that the farmers and packers made many mistakes—big mistakes—in the handling of the crop, and the results are shown in such complaints as made by Mr. Pusch. On most of the plantations the tobacco in the barns is handled incorrectly, and before it will ever become a finished product, the equal of genuine (?) Sumatra, the handling of the crop in the packing houses will have to undergo an entire revolution.

What I mean as genuine Sumatra (all tobacco grown on the island is genuine Sumatra) is that tobacco grown and packed in the districts of Deli, Langkat, and a part of Serdang, where the best grades of Sumatra tobacco are produced. The tobacco grown in the coast districts is certainly very inferior, more so than Florida tobacco as usually put upon the market.

In America I always hear people speak of "genuine Sumatra," but in Sumatra people make a great distinction between tobacco grown in Deli and Langkat (a part of Sumatra) and the tobacco grown on the coast and in other parts of the island, such as Padang, Bedagei, etc. The tobacco grown in Deli and Langkat is as different from the tobacco grown on the coast as day is from night.

In the island of Sumatra the tobacco crop is grown by Chinamen, and the buildings needed for the business, such as barns, coolie houses, etc., are mostly erected by Javans, Malayans, and Bataks, labor paid in wages running from 25 cents to 50 cents per day (Mexican money values), which in United States money is about 10 to 20 cents per day, while in Florida wages are from 75 cents to \$2 per day; also the materials, timber, etc., in Sumatra for the buildings is at least one-third cheaper and much easier to make ready for use.

Further, the soil of Sumatra is much richer in plant food and requires but \$20 to \$30 (Mexican money) expended for fertilizer per acre, while in Florida to secure the best results the requirements are from \$75 to \$100 per acre (United States money).

The cost of producing tobacco in Sumatra—that is, the growing, curing, and packing, including transportation to the market at Amsterdam—is but 60 cents to 75 cents per pound (Mexican), or in United States money about 24 cents to 30 cents per pound; in Florida the cost is from 75 cents to \$1 per pound.

All I have written with regard to tobacco growing in Sumatra is equally true in the Philippines. On account of the above reasons it is unprofitable for the wrapper-tobacco growers of the United States to come in direct competition with the Sumatra-grown tobacco. Moreover, a "prophet is generally without honor in his own country." People at large would rather pay a higher price for a foreign product for a possible or imaginary higher grade or value. It is the same with every trade in every country.

In my opinion, \$1.85 per pound import duty on Sumatra tobacco is not a high duty. Moreover, as the tax is paid by the consumer, and as it takes but 2 pounds of wrapper leaf for 1,000 cigars, the additional cost to the consumer is but thirty-five one-hundredths of a cent per cigar, a very low tax indeed; while, on the other hand, the lowering of the duty, altogether to the advantage of the foreign product, will so reduce the price of home-grown tobacco that the profits will be almost if not quite wiped out, and the now prosperous tobacco-growing sections of the United States will be compelled to abandon

the business. As I stated before, the shade growing of tobacco must stand or fall on the duty on imported wrappers.

Millions of dollars are now invested in the business of growing wrapper tobacco in northern Florida; millions more are needed and will be invested to develop this industry to the point and position it merits in the world's market. The larger portion of the present investment in the growing of shade tobacco is in the hands of farmers, and from the small beginning of several years ago has gradually developed under the protective duty. The lowering or removal of this duty would stop all further efforts to build up this very important industry, which has brought portions of our country from unprofitable conditions (with the absence of all social and intellectual advantages) into their present thrifty state, with great promise, under further protection, of still greater advancement.

Lowering the duty or removing it entirely on importations of tobacco from the Philippines would indeed be disastrous to the tobacco interests of this country, inasmuch as the opportunity would then be afforded for the illegal entrance of other tobaccos than that of the Philippines proper, and as already stated by another party before your honorable body, "it would require more than the present standing army of the United States to prevent the landing of tobacco into the Philippines" from adjacent islands and other tobacco-producing sections, after which it would quickly find its way to the intended market, the United States, under the guise of Philippine tobacco.

The Philippine Archipelago, with its thousands of islands, affords a most excellent opening to the near-by islands of Sumatra, Java, Borneo, and the Straits Settlements (all tobacco-producing sections) for the smuggling of their tobacco into more profitable markets, not that the larger syndicates of Sumatra (nine in number) would make any such attempts, already having a market for their products in Europe, but the greatest danger would arise from the wealthy Chinese of these islands, who are buyers of all grades of tobacco from the coolies and other poor laborers and from those who raise the crop in the sections producing the poorer grades of wrapper stock, and who will take any risk in their wish to secure the greatest profit possible for their goods; they would find ways and means of getting their stocks into our markets without paying any duty, and, with the connivance of unscrupulous leaf dealers, would here be sold as "genuine Sumatra" at a price lower than the cost of producing the shade-grown tobacco of this country, still giving these contrabandeurs immense profits, regardless of the possible small losses through confiscation, which condition would be the utter ruination of the tobacco interests (wrapper producing) of the United States.

Even the large syndicates of Sumatra are not above following out this same plan, for they are not always to be trusted where the profits and their reaching for the almighty dollar are concerned, as I can prove from a suit which is now pending against the great Deli-Batavia Maatschappij in Amsterdam.

From the standpoint of one knowing the exact conditions of both Sumatra and the adjacent islands, as well as those in Florida, as I do, I could write many more arguments to show the great disadvantages which would arise to the tobacco-growing interests of this country from a lower duty on imported wrapper tobacco. The present duty of \$1.85 per pound is not unreasonable.

Fearing I have already consumed too much of your valuable time, and thanking you for your consideration of my communication, with the earnest hope that the present duty may be maintained, I am,

Most respectfully,

T. T. NOLTHEINUS,
*Supervising Expert and Packing House Manager,
 Jefferson County Sumatra Tobacco Co.*

TURKISH TOBACCO.

H. L. ALDRICH, NEW YORK CITY, RECOMMENDS A MATERIAL INCREASE OF DUTY ON THIS TOBACCO.

WHITEHALL BUILDING, 17 BATTERY PLACE,
New York, January 9, 1909.

Hon. S. W. McCall, M. C.,
Washington, D. C.

DEAR MR. McCALL: I take the liberty of calling your attention to one subject which ought to receive the careful attention of the Ways and Means Committee as an excellent source of revenue.

The smoking of Turkish tobacco is a good deal of a fad.

This tobacco can be raised only in Turkey, and it is of a peculiar flavor, caused from the fact that the soil where it is raised contains an unusual percentage of saltpeter and other salts. So-called "Turkish tobacco" which has been raised in Italy and other countries entirely lacks the flavor of the genuine tobacco.

Our Government charges much lower duties on this tobacco than most other countries. I refer especially to England, Germany (which recently increased its duty on tobacco materially), Denmark (which has also recently made a big increase in duties), Canada, and other countries where there is no government monopoly.

In spite of the so-called "cut rates" at which Turkish and Egyptian cigarettes are sold, there is still a profit of 100 per cent or more to the manufacturers.

Probably 90 per cent of the Turkish tobacco imported is used by the American Tobacco Company, or, as it is called, "the Tobacco trust."

Turkish tobacco can never be raised in this country, and as it comes into strong competition with American-raised tobacco, it seems to me that the duty ought to be increased to at least 75 cents a pound.

Such a duty will materially help the independent tobacco interests of the country, as it will materially increase the price of Turkish cigarettes and thus lead to the smoking of more cigarettes made of American tobacco, and give independent manufacturers an opportunity to extend their business.

Even if the increased duty of 75 per cent does not materially add to the income of the Government because of the high price, the Government will still benefit very largely by the increase, because of smokers changing from Turkish to American tobacco and thus adding to the internal-revenue receipts.

You will see, therefore, that the Government has everything to gain and nothing to lose by this increase in duties.

Sincerely, yours,

H. L. ALDRICH,
President and Treasurer International Marine Engineering.

HAWAIIAN TOBACCO.

JARED SMITH, MANAGER, KONA (HAWAII) TOBACCO COMPANY,
NEEDS PRESENT PROTECTION FOR HIS PRODUCT.

WASHINGTON, D. C., *December 10, 1908.*

There are three de facto tobacco growers in Hawaii (November, 1908), the Kona Tobacco Company, operating in Kona and Hamakua, on the island of Hawaii, one farmer in south Kona, and one farmer in Hamakua. The crop already harvested is 3,500 pounds, and 4,000 pounds additional will be cured by December 31.

One new corporation has been formed which expects to begin operations about February, 1909, with a capitalization of \$100,000. Two other corporations are in the promotion stage, one on Hawaii and one on Maui.

The Kona Tobacco Company is capitalized at \$25,000. Officers: J. G. Smith, H. P. Wood, A. Coyne, C. L. Beal, and R. W. Perkins. The Kona Tobacco Company and the two farmers who are growing for us under contract produce only Cuban leaf. Two of the corporations forming on Hawaii plan to grow only Sumatra leaf, and I believe the Maui company intends growing Sumatra only.

The Kona Tobacco Company will harvest 60 acres of Cuban leaf in 1909.

Hawaii's competitors in the tobacco industry are Cuba, Sumatra, and possibly the Philippines, tropical countries only.

The tobacco plant is believed to be a native of Cuba and other West Indian islands. Cuban tobacco is considered the best cigar leaf grown anywhere.

Cuban tobacco is both filler and wrapper and is distinguished by its high flavor and aroma, fine texture, and usually good burn.

There are two main types of Cuban leaf: Vueltas, including all leaf grown on the western end of the island, and Remedios, from the Santa Clara district. Remedios are cheap, heavy filler tobaccos of high flavor, dark in colors, and usually poor burn. Vueltas comprise three-fifths of the crop and comprise the best Cuban cigar leaf, both filler and wrapper.

The estimated crop of Cuba for 1908 is 550,000 bales (of 90 pounds each). It is the first good crop, as far as quality goes, in four years.

The Cuban area planted in tobacco is 70,000 acres.

The duty on Cuban filler is 28 cents gold per pound; on wrapper, \$1.48 per pound; and on stemmed wrapper, \$2 per pound, Cuban duties being 20 per cent less than those on goods from other foreign countries. The duty on unstemmed wrapper is practically less than \$1.48 because filler may contain 15 per cent of wrapper leaf and still be admitted on payment of filler duties. Filler containing more than 15 per cent wrapper leaf pays the higher duty.

England is the largest buyer of Cuban tobaccos. Germany is second in quantity (buying mostly Remedios and other cheaper grades), and the United States is second in values and third in quantity.

Hawaiian-grown tobacco from Cuban seed is of the Vuelta type, of fine texture, unexcelled burn, good body, mild aroma and flavor, and running largely to light colors, making it an excellent wrapper leaf.

There are 30,000 acres of virgin tobacco land in Hawaii, capable of sustaining a large and profitable industry. The best tobacco lands in Cuba have been cropped continuously in this crop for one hundred years or more, so that there has been marked deterioration in yield and quality. The 1908 crop is the first crop of good, sound, workable leaf since 1904.

The yield of Cuban leaf in Hamakua in 1908 has been over 1,000 pounds per acre, while the average Cuban yield does not exceed 600 pounds.

The superior burning qualities of the Hawaiian-grown Cuban leaf will sell it in any market, and four years out of five Cuban leaf will not burn.

The maintenance of the present duties on tobacco are necessary if a tobacco industry is to be built up in Hawaii. Brazil grows just as good tobacco as Cuba, and has twenty times the area of tobacco lands in Cuba, Porto Rico, and Hawaii combined. A reduction of the duty on tobacco would bring ruin to the whole tobacco industry of the United States, and Brazil alone would do to the whole of the American tobacco industry what she has done on a smaller financial scale to the coffee industry of Hawaii, Porto Rico, and the Philippines.

The 1907 tobacco crop from the principal mainland districts was as follows:

South Carolina, 22,000,000 pounds, at.....	\$0.105
North Carolina, 62,000,000 pounds, at.....	.105
Old Belt, Virginia and North Carolina, 12,500,000 pounds, at.....	.096
Virginia dark, 43,000,000 pounds, at.....	.090
Kentucky and Tennessee dark, 130,000,000 pounds, at.....	.0825
Kentucky stemming, 55,000,000 pounds, at.....	.08
Kentucky, Ohio, and West Virginia (burley), 220,000,000 pounds, at....	.14
Wisconsin, binder, 40,000,000 pounds, at.....	.11

Florida, Connecticut, and Pennsylvania are not included in this estimate. The industry is an enormous one, the total production of the United States exceeding 880,000,000 pounds. The production of domestic cigar leaf exceeds 300,000,000 pounds annually. This gigantic industry would be wiped out if the duty should be removed from foreign tobaccos.

SUMATRA TOBACCO.

The Sumatra tobacco coming to the American market is a wrapper leaf only. The United States imports about 40,000 bales (of 170 pounds) annually.

The total yield of the Deli district of Sumatra in 1900 was 223,000 bales, amounting to 36,915,000 pounds, valued at 37 cents per pound.

The duty paid is \$1.85 per pound on wrapper and \$2.50 per pound on stemmed wrapper.

England is the chief buyer of Sumatra wrapper leaf, then, in order, Germany, Austria, the United States, and France. The duty on Sumatra tobacco imported into the United States averages \$12,500,000 per annum.

The average yield of Sumatra tobacco is about 750 pounds per acre. There are about 50,000 acres planted in Sumatra.

The qualities of wrapper leaf are that the tobacco should be extremely thin, silky, elastic, of good body, and burn, but without flavor

and aroma. For the American market the colors must be "claro" and the sizes extraordinarily large.

The European market, which absorbs 83 per cent of the Sumatra crop, takes dark colors, and lengths mostly under 16 inches. The American market takes all light colors, and lengths over 16 inches. The demand for "claro" is so strong in the United States that Sumatra planters are adopting hothouse methods to produce enormous leaves.

The average of the first grade of Sumatra wrappers is so high as to size and delicate silkiness and thinness that 1 pound of leaf will cover 65 to 70 square feet.

The cultivation of Sumatra wrapper leaf under cloth has for its object the simulation of tropical out-of-doors climatic conditions, all to produce large, thin, silky leaves in light colors, such as the American market demands.

The labor conditions in Sumatra are interesting.

The Mexican dollar, valued at approximately \$0.50 gold, is the wage unit. The laborers are Chinese coolies and Klings from Madras, India. The coolies are employed under three-year contracts, the contracts quasi-free, but no laborer can leave Sumatra unless he is provided with a passport indorsed by his last employer.

The wages during the first year of the contract are \$45 Mexican per annum. The laborers, if green hands, plant no tobacco the first year, but are employed in clearing land, building ditches, roads, and preparing the fields for cultivation.

The second and third years the coolies are paid at the rate of \$60 to \$80 Mexican for the nine months of the tobacco campaign, and \$45 Mexican for the remaining three months of the year. The wages of the laborers are therefore on a valuation of \$0.50 gold per Mexican dollar for a working year of 335 days.^a

First year of contract.

Wages=\$0.067 gold, per day, second and third years of contract.

Wages=\$0.15 $\frac{3}{4}$ to \$0.186 gold per day.

The working day is ten hours, from 6 to 11 a. m., and from 1 to 6 p. m.

On this scale of wages and in spite of the high duties this tobacco must pay to gain entrance to the American market, the best of the Deli tobacco corporations pay annual dividends of from 40 per cent to 150 per cent on a capitalization often heavily watered.

Hawaii, on a basis of 75 to 80 cents gold per working day as a base for the employment of field labor, can not directly compete with countries like Sumatra, where labor is paid on a silver basis at an equivalent daily wage of from 7 to 18 cents gold per day.

Furthermore, in Hawaii the working days per annum are fewer in number, averaging not over 300 to 303, a full thirty days' shorter year than in our tropical competitor, Sumatra.

A material decrease in the protective duties on tobacco would not decrease the price paid by the American consumer for cigars and cigarettes. It would bring ruin to an industry representing half a billion dollars of invested capital and would enable the Deli tobacco companies to pay dividends of 1,000 per cent where they now pay

^a There are no Sundays in Sumatra. The only rest days are the 1st and 16th of each month, and the only holiday Chinese New Year.

100 per cent, without materially increasing the quantity or quality of their product.

The Republican party stands for the protection of American industries. Not the least of the benefits of protection in semitropical Hawaii and in the tropical possessions of the United States is that the tariff on sugar, tobacco, rice, vanilla, sisal, coffee, and pineapples enables us to maintain an American standard of living in the Tropics. Take away the tariff and Hawaii would have to either go out of business altogether or get back down to a basis of 7 cents a day for the support of a mere animal existence.

The protective duties on sugar, tobacco, and other tropical products enable Hawaii to build roads, support a school system the equal of that in any mainland district of equal population, maintain an American judicial system, erect public buildings, and carry on a business of \$50,000,000 per annum among our citizens and with mainland consumers and manufacturers.

Direct competition of American laborers with their higher ideals and higher standard of living is not possible with oriental coolies, whose sole ambition is to earn barely enough to live. Sugar and tobacco would still be grown in Hawaii and on the mainland were the protective tariffs to be removed or decreased, but the American, civilized standard of living would disappear.

The Dutch tobacco planters live in Amsterdam, Brussels, and Paris, and spend their profits in Europe. They are not interested in building up a civilized government in Sumatra, and forty years of successful tobacco cultivation in Deli has given to that populous province neither roads, bridges, schools, nor public buildings. Whatever quasi-public or philanthropic or quasi-governmental improvements have been made in Deli have been undertaken by private corporations for their own financial profit—a few hospitals, because the health of their laborers requires it; whore houses and saloons instead of public schools, for purely business reasons; roads and bridges, because it is necessary to transport supplies and export the produce. The cost of government is reduced to the barest limit required for administration, the collection of taxes, the maintenance of a judiciary, and a police to protect life and property interests.

The place to build up an American civilization is in the United States. That our civilization is better than that of India or China or Sumatra is not a subject for argument. Our civilization, but-tressed by protection and a gold standard, will not stand direct competition with countries where there is a low standard of living, a free market, and where wages are paid on a silver or other fluctuating basis.

The planters who are growing sugar, pineapples, coffee, sisal, and tobacco in Hawaii live in Hawaii. It is our boast that our civilization is as high in standard as that of New England, and because we are what we are, and have done what we have done, we demand as a matter of right that protection, which has made progress and development possible, be not withdrawn from the support of our industries.

KONA TOBACCO Co. (Limited),
JARED G. SMITH, *Manager*.

PHILIPPINE TOBACCO.

HON. BOIES PENROSE, SENATOR, FILES REMONSTRANCE OF LANCASTER COUNTY (PA.) FARMERS RELATIVE TO FREE IMPORTATION OF PHILIPPINE TOBACCO.

ARCADE BUILDING,
Philadelphia, Pa., December 31, 1908.

HON. SERENO E. PAYNE,
Washington, D. C.

DEAR SIR: I would esteem it a favor if you would have the inclosed protest from the tobacco growers of Lancaster County inserted in the hearings before the Ways and Means Committee on the tariff schedules.

* * * * *

Yours, truly,

BOIES PENROSE.

—

LANCASTER, PA., December 23, 1908.

Whereas it is stated that President-elect Taft is using his influence with the Ways and Means Committee of Congress to have Philippine tobacco placed on the free list, and that there is danger that this request may be granted, we, the undersigned, Lancaster County farmers and citizens interested, unite in forwarding a vigorous protest against this injustice and injury to our Pennsylvania industry.

In support of this objection and protest we present the following reasons:

1. Tobacco raising has become one of the valued industries of this county, and with adequate protection against foreign cheap-labor product is a means of support for thousands of families.

2. The Census Bureau places Lancaster County as first in agricultural wealth in the United States. This is true because tobacco and manufactured cigars have added largely to the aggregate wealth produced; but these are produced by the labor and skill of our people. The free importation of Philippine tobacco can have no other effect than making our people poor and the Filipinos rich. Why, we ask, should an American Executive go gunning for any one class of our people to enrich foreigners of such recent acquaintance?

3. The Good Book, in which President-elect Taft is said to have faith, states that "He who neglects to provide for his own household is worse than an infidel."

In protecting leaf tobacco we are providing for our own household, the American tobacco farmer. The Filipinos are not of our household; they are waifs found by the wayside. We do not intend to adopt them as our children or make them heirs to our property. They pay their taxes to their government; we pay our internal revenue to our Government by the hundred thousand, and have a right to protection, and no President or leader should take up arms against this industry.

4. We call upon Mr. Taft to put down his gun and sit down and not be guilty of treachery or betrayal of a large body of the American people. This county alone gave him 15,000 majority. Why? Because we have a dense population, supported by honest industry, high-class farming, where more brains are mixed with the soil than in any other county on earth, and we vote as we do because of our faith in the American system of protection.

We therefore respectfully but urgently ask our Congressman, Hon. H. Burd Cassel, our Senators from Pennsylvania, Hon. Boies Penrose, and Hon. P. C. Knox, and the honorable congressional committee now framing a tariff bill to see to it that this new tariff legislation shall not be so framed as to strike down our Pennsylvania industry of tobacco farming, the support of thousands of our people, to please the erratic sentiment or desire for experiment of any of the advocates of free tobacco.

No State in the Union is more directly interested in the question of admitting the low-grade tobacco of the Philippine Islands, and the manufactured products thereof, into the United States, free of duty, or even at merely nominal rates, as is now proposed, than Pennsylvania, and no individual community more than Lancaster County.

The following are some of the reasons why the tobacco growers of Lancaster County protest against the course proposed:

Tobacco has been one of the regular farm crops of this county for more than a hundred years, but has reached its present enormous proportions during the past fifty years.

There are about 10,000 farms in the county, and tobacco is a regular farm crop on more than half of them.

The average acreage is about 16,000 acres, more in some years and less in others, owing to price and other varying circumstances.

The average yield in the county is about 1,500 pounds per acre; for the entire State it is from 1,300 to 1,400 pounds. The yield will run from 60,000 to 70,000 cases of 350 pounds each, annually, in average years.

The value of a crop in an average year is about \$2,000,000, but has in some years reached \$3,000,000. Sometimes it has been as low as \$1,500,000, but not often. This year it is about \$2,250,000.

Since 1860 the amount of money realized by the farmers of this county for their tobacco has been at least \$90,000,000, nearly all of which has remained here, and which has, for a period of thirty years, made Lancaster County the richest agricultural county in the whole United States. The value of our farm products, excluding those fed on the farms, was, according to the census of 1900, \$9,210,815.

The returns of the assessor of the county for 1908 show \$92,663,183 worth of property liable for taxation purposes.

The value of the real estate in the county is \$96,265,314. These results have been largely produced through the tobacco crop.

Tobacco is the poor man's crop in our county. A farmer who puts out a large acreage of tobacco does so largely through croppers; that is, two, three, or more acres are given in charge of a man who has no land of his own, but who plants the crop, attends to it during the growing season, and when sold divides the proceeds with the owner of the land. By this liberal and equitable course, hundreds of poor but hard-working men have been enabled to acquire homes and lands of their own and made themselves independent.

But it is not only for our tobacco in the leaf that we protest against duty-free Philippine tobacco. It has long been an axiom that the ideal location for manufacturing establishments is where the raw product is at the factory door. This fact is signally demonstrated in Lancaster County. Lancaster City is the seat of the headquarters of the ninth internal revenue district of Pennsylvania, and this district during the past fiscal year manufactured, as is shown by the report just made public a few days ago, 837,091,088 cigars, a greater product than any other district in the United States and nearly 12 per cent of the nation's product. In Lancaster County alone there are over 400 cigar manufactories employing from 2 to 600 hands each, aggregating many thousands. In some of the smaller villages cigar making is almost the only manufacturing industry of the people.

There are in the county about 150 tobacco warehouses where, during the winter months, the crop is packed. Here employment is given to from 2,500 to 3,000 men at good wages at a season when no other labor offers, enabling them to live in comfort.

At the very low valuation of \$2,000 each, these packing warehouses represent a special investment of \$300,000. Still other facts of the same kind may be specified. Every tobacco farmer has a tobacco barn, some have two or three. There are at least 5,000 of these in the county. The cost of building such a barn runs from \$800 to \$2,000 each, aggregating in the whole, at an average of \$1,000, a further investment of \$5,000,000 made exclusively for the prosecution of the tobacco industry along the most progressive lines.

The State of Pennsylvania has done much to foster and encourage the tobacco industry. In 1892 the legislature made its first appropriation for the maintenance of two experimental tobacco-growing stations, and this has been kept up until the present time. This experiment was largely due to the invasion of Sumatran tobacco which began about that time by the importation of a few hundred bales, but which last year reached more than 37,000 bales, and whose wrappery qualities exceeded our own in the ratio of three to one. Our experimental stations have, however, demonstrated that under cover we can grow a cigar wrapper equal to any in the world. Through the now general use of Sumatran wrappers our own were displaced and the most profitable portion of our tobacco cut off.

And right here is where we, the tobacco growers of Lancaster County, apprehend still further harm from the free tobacco coming from the Philippines. That group numbers about 1,000 islands of all sizes. It will be impossible to prevent the smuggling of tobacco from the island of Sumatra into the Philippines, where it can be repacked and so disguised as to defy detection and then be brought into this country duty free; whereas, as now imported, the duty is \$1.85 per pound, which, large as it is, is by no means prohibitory. We can not lay too much stress on this phase of the question.

Coming to the tobacco actually grown in the Philippines, it is the result of the cheapest labor on those islands. The quality may not be very good, but experience has demonstrated that a certain class of smokers quickly adapt their taste to any grade of cigars if they can be had cheap. How then could the importation of the raw leaf and cheap cigars from the Philippines be prevented from working great injury to our home business if allowed to compete on equal terms with our own? Labor on the tobacco farms commands \$1.50 per day, and for some years was not even to be had at that figure. How can our home growers, on land worth \$150 per acre and more, with labor at the sum indicated, compete with the tobacco grown on the cheap lands by the cheap labor of the Philippines? In 1907 the average price of our crop did not average more than 8 cents per pound, and was unprofitable. Cheap competition may send it lower still and effect its ruin. Is an industry diligently pursued by successive generations, and most profitably, and which has added so much to the wealth of the great State of Pennsylvania, to be jeopardized by the remission of duties on the tobacco grown by a people 15,000 miles away and not even citizens of our country? We hope that Congress will not permit such an act of injustice to come upon and destroy one of the great agricultural crops of our people.

One word more as to the Government's own interest in the protection of our home tobacco and cigar interests and we are done.

The amount of internal revenue collected in this the ninth district for cigars alone was more than \$2,500,000 during the past year, and for the eight years since 1900 more than \$20,000,000. Even as a revenue producer, if for no other reason, this tobacco question is deserving of the most serious consideration at the present hour, when the discrepancy between the government receipts and expenditures is assuming such alarming proportions.

JOHN BEAMESDERFER, *Leaf Dealer*,
C. H. EBY, *Farmer*, and 46 others.

B. EZRA HERR, PRESIDENT LANCASTER COUNTY (PA.) TOBACCO GROWERS' ASSOCIATION, PROTESTS AGAINST REDUCTION OF DUTY ON PHILIPPINE TOBACCO.

WASHINGTON, D. C., *December 31, 1908.*

COMMITTEE ON WAYS AND MEANS,
Washington, D. C.

GENTLEMEN: I, as president of the Lancaster Tobacco Growers' Association, once again make my appearance in behalf of our society and fellow-farmers, to enter our protest against the reduction of duty on Philippine tobacco. By the result of the Spanish war, three great tobacco countries came into our possession, Cuba, Porto Rico, and the Philippine Islands. We made many concessions for them in many ways by the lowering of duties in their favor. We tobacco men suffered severely, not only with the lowering of duties on their products, but by the lowering of duties on Sumatra. Then we were raisers of wrapper goods, but the lowering of duty on Sumatra drove us completely out of that field. We then changed our modes and are now producing fillers—in fact the only field left open to us. By the lowering of duties on Cuba and Porto Rico we were again assailed in our standpoint, for from raising fillers we have no retreat. There is nothing left for us lower in the tobacco field. Now comes this attack of the lowering of duty on Philippine tobacco. This reduction affects the great States of Pennsylvania and Ohio more than any other States in the Union, for their chief crop is the raising of fillers. So is the crop of the Philippines; give them a lower duty and our industry is ruined, and we are no small producers.

Between the years 1860 and 1907, a period of forty-six years, our tobacco crop in Lancaster County has varied from 35,000 to 75,000 cases per annum, grown on from 14,000 to 18,000 acres, and has brought into our country \$80,000,000 in cash—a larger sum of money than was ever realized from tobacco in the same area of any country in the world except Sumatra. Also the ninth internal-revenue district, of which we are the chief, has in the last seven years paid to the Government in revenue \$17,377,343. We also manufactured in the year 1906 801,399,420 cigars. This district is the banner cigar-manufacturing district in the United States. Is this industry not worth protecting? Verily, it is, and that is why I am sent here by

my fellow-farmers to enter our solemn protest against the lowering of this duty. I know the Republican party in its platform, whereon His Honor Judge Taft was elected to the Presidency, has promised a reduction and a modification of the tariff, but we naturally supposed they were those things which in our infancy we could not manufacture in competition with foreign manufacturers which were long established, but now since we have become established we can manufacture under a reduced duty. We never for a moment supposed that it had reference to an industry like this, where every advantage is on their side. We can not compete with the cheap labor and the long season of these islands. We have also made a promise that trusts, especially the tobacco trust, shall be held in check; suits by the Government are now pending for that purpose. Reducing this tax will give them the field in the Philippine Islands, and they have the whip hand over Pennsylvania and Ohio. They can snap their fingers at us and say they can get fillers elsewhere. You see the condition of affairs in Kentucky. Tobacco can scarcely be raised there now at a profit. You lower this duty and thousands and thousands of my fellow-farmers will be in the same condition. I am sure my constituents had no idea when they gave to Judge Taft 16,000 majority that the reduction of duty would be in those things which compete with what we produce from the soil. It was the manufactured article that was to be made cheaper.

As I said on a former occasion, we have always been protectionists, and are so now, but never before this tobacco industry was assailed had we anything to protect. Yet we stood shoulder to shoulder with the iron maker and the woolgrower to protect their products, knowing it would finally be a blessing to all. Yet how can this prove a blessing to anyone by ruining our industry, which is well established, to try and foster an industry which has just got a foothold. We have contributed much for their welfare, and will do more, but do not ask us to sacrifice that which we live by. The protective principles that overrun everything pertaining to free trade at the last election is paramount all over the tobacco-growing States, and tens of thousands of growers scattered over this great Union have not given up hope, but turn their eyes to this Congress and ask them for justice first, last, and all the time, and asking this we are asking protection for millions of dollars expended in buildings which are suitable for no other industry but this. There is not a farm in our whole county that has not from \$3,000 to \$10,000 expended in shedding, which, as I said before, would be useless. We have not the flimsy shedding of the Tropics, but permanent buildings erected especially for this purpose.

Again, gentlemen, let me say, you grant this reduction of duty, what will prevent Sumatra from smuggling tobacco into the Philippine Islands and passing it here duty free as Philippine tobacco? The present army of the United States is not large enough to guard these islands to prevent it. Think of the expense connected with this policing—and what have we in return, the ruination of an established industry—to try and foster one which may possibly be successful, or at least will cost fully as much as it is worth. Much more could be said in behalf of this industry, but you, gentlemen, certainly see the justice of our claim. If we thought, as some think, that this reduction would not affect our industry, we would not be

up in arms to prevent it. So, gentlemen, we leave this with you, trusting you may see your way clear to give the tiller of the soil the protection he asks for and which the manufacturer always gets.

B. EZRA HERR,
President Lancaster County Growers' Association.

TOBACCO TAX.

HON. EDWIN DENBY, M. C., SUBMITS LETTER OF W. J. CUMMINGS,
BAY CITY, MICH., RELATIVE TO TOBACCO SCHEDULE.

BAY CITY, MICH., *December 10, 1908.*

HON. EDWIN DENBY, M. C.,
Washington, D. C.

DEAR SIR: Probably the most unfair tax in the revenue bill is that on tobacco. It is placed on an arbitrary basis of, I think, 6 cents per pound. The man who buys 15-cent tobacco pays 40 per cent, while the man who can afford \$1 goods pays only 6 per cent. This is hardly fair; the one should pay less and the higher-priced article more. In the revision the figures could be made so as to return a larger amount to the Government. Personally, I am not interested, as I never use tobacco.

* * * * *

Yours, truly,

W. J. CUMMINGS.

LATAKIA AND TURKISH TOBACCO.

BERRIMAN BROTHERS, CHICAGO, ILL., WRITE RELATIVE TO
DOUBLE INTERNAL-REVENUE TAX ON SMOKING TOBACCO.

CHICAGO, *November 14, 1908.*

WAYS AND MEANS COMMITTEE,
House of Representatives, Washington, D. C.

GENTLEMEN: We read in the daily papers that the tobacco manufacturers are satisfied with the present tariff. We believe this is generally so, but respectfully call your attention to the fact that foreign manufacturers of smoking tobacco can import and clear from bond, ready to sell, a pound of smoking tobacco at 6 cents less duty and internal revenue than a manufacturer has to pay on materials to mix and blend in this country ready for sale.

We import cured Virginia, Latakia, Turkish, and Perique tobaccos, cut, from England, and mix, cure, and blend in this country. We are required to pay 55 cents per pound duty, and, before being released from bond, to break bulk and put in pound packages and place on each package a 6-cent internal-revenue stamp. In removing it, we take it to a regular bonded tobacco factory, where the tobacco is taken

from the pound packages referred to above, mixed and blended and put up in other packages ready for sale in 2, 4, 8, and 16 ounce packages, on which we are obliged to pay another 6 cents per pound internal-revenue tax, whereas the English factory pays 55 cents per pound and 6 cents internal revenue.

In one decision made by the department at Washington they say that it is not intended that the American manufacturers shall pay two revenue taxes. Nevertheless that is what we have to do by the ruling of the collector of the port.

The statute reads that scraps, cuttings, and clippings shall pay 50 cents duty. We claim that the cut tobacco, such as we import, each different kind in separate packages, is clipped tobacco and not a manufactured article. Scraps is tobacco that is broken from the leaf; cuttings is tobacco that is cut from the leaf when making a cigar. The collector as yet has been unable to classify a clipping. We believe that it is tobacco clipped from the leaf or cut tobacco.

While any one of these tobaccos can be put in a pipe and smoked, they do not produce a salable smoking tobacco until mixed and blended together; it requires from three to five of these tobaccos mixed into one to produce a salable article. Our collector holds that each of these various kinds of cut tobacco constitutes in itself a manufactured tobacco.

The so-called tobacco trust has bought up the largest English manufacturers of smoking tobaccos, which has opened the way for the American smoking-tobacco industry to import the raw materials, cut and do the blending here, but under the decision of the collector this is impossible. We believe we should be allowed to import cut tobaccos in packages of 10 pounds or over (as to import in 1-pound packages or break bulk and repack here to conform to the requirements causes the tobacco to dry out and does harm) at 50 cents per pound duty, and where it is to be removed from customs to a bonded tobacco warehouse that we should not be required to affix an internal-revenue stamp until ready for sale or before it leaves the factory, as provided by the rules regulating tobacco factories. The collector of this port believes the statute must be changed to permit this. We are of the opinion that to classify this tobacco as clippings and let it in at 55 cents per pound duty in any quantities above 10 pounds would do it. There is only one purpose for which such tobacco is used—that is, smoking tobacco. We are willing to pay smoking-tobacco duty and 6 cents internal revenue, but should not be required to pay double internal-revenue tax.

Hoping that your committee will assist this growing industry by placing us on an equal basis, as regards duty and internal revenue, with the foreign manufacturers, we remain,

Yours, respectfully,

BERRIMAN BROS.

**BERRIMAN BROS., IMPORTERS OF LEAF TOBACCO, CHICAGO, ILL.,
FILE SUPPLEMENTAL LETTER.**CHICAGO, *December 4, 1908.*HON. HENRY S. BOUTELL, M. C.,
Washington, D. C.

DEAR SIR: Referring to my recent correspondence with reference to double internal-revenue tax on smoking tobacco, will say that since that time have been making a further study of the smoking-tobacco business.

As the so-called "trust" has bought up the principal smoking-tobacco factories in England and stopped the greater portion of the importations from that country of these brands, it opens up a great possibility for the manufacture of high-class smoking tobaccos in the United States. The great difficulty is the duty on Latakia and Turkish tobaccos. These tobaccos are grown in the following countries: The Latakia in Syria and the Turkish in Turkey proper, and to import them into this country there is a duty of 35 cents per pound. As these two tobaccos can not be used for any other purpose than smoking tobaccos, therefore not coming in competition with any of the tobaccos grown in this country, the duty on these two tobaccos should be removed. They not only can not grow these tobaccos in this country, but can not grow anything that will even imitate them. The leaf is only 4 or 5 inches long, but of a peculiar flavor and used only in combinations of smoking tobaccos. As 75 per cent of the tobaccos used in any English or high-grade mixture are grown in this country, we would, with the duty removed on the two that grow in foreign countries, be in a position to not only supply the United States and Canada, but the world, with smoking tobaccos. This duty of 35 cents per pound stands in the way. This 35-cent duty is the same duty as is paid on Habana filler tobacco, which is used for cigars, and Latakia and Turkish can be used in cigarettes, but only combined with other tobaccos, and are an absolute necessity in smoking tobaccos, so that really the duty on these two tobaccos is preventing the establishment of large manufacturing of tobaccos in the United States. There can not be any complaint as to the removal of this duty on the part of the leaf-tobacco curers of the United States.

I hope that this duty may be removed and the regulations of the department as to double revenue tax be eliminated.

Yours, respectfully,

E. C. BERRIMAN.

TURKISH TOBACCO. /

[Paragraph 213.]

STATEMENT OF A. B. CARRINGTON, OF DANVILLE, VA., RELATIVE
TO IMPORTATIONS OF TURKISH TOBACCO.WEDNESDAY, *December 16, 1908.*

(The witness was duly sworn by the chairman.)

Mr. CARRINGTON. Mr. Chairman and gentlemen of the committee, at a recent meeting of the Tobacco Association of Danville the following preamble and resolutions were unanimously adopted:

Whereas the importation of Turkish tobacco into this country has increased enormously in the last ten years and is being manufactured and sold in cigarettes in direct competition with the tobacco raised in Virginia and North and South Carolina; and

Whereas the importation tax on Turkish tobaccos is so low that it does not appreciably affect the price at which they are sold in direct competition with Virginia and North and South Carolina tobacco; and

Whereas the Turkish Government does not allow American tobacco to be imported into the Empire of Turkey, absolutely excluding same from her markets: Be it therefore

Resolved, That a committee be appointed by the association to present these facts before the Ways and Means Committee of the House of Representatives, now in session at Washington, requesting them to increase the tax on Turkish tobacco imported into this country to the same duty now charged by this Government on the importation of Sumatra wrapper leaf.

Now, if you will allow me, I will state why we want this.

The CHAIRMAN. That is just what we want to hear.

Mr. CARRINGTON. Bright tobacco is produced in the States of Virginia and North and South Carolina. The crops in these three States amount to from 225,000,000 to 280,000,000 pounds annually. The average price for the three States is about 10½ cents to 11 cents, making the value of the crops from \$24,000,000 to \$30,000,000 annually.

The larger part of this tobacco is suitable for the manufacture of cigarettes and pipe-smoking tobacco.

Of late years the consumption of this tobacco in cigarettes has fallen off steadily, owing to the introduction and use of Turkish tobacco for the manufacture of cigarettes and smoking-tobacco mixtures. This has naturally curtailed the consumption of Virginia, North Carolina, and South Carolina bright tobacco.

Some years ago a very large per cent of this bright tobacco was used by manufacturers of cigarettes and cut tobacco in the United States, but as this trade has fallen off, dealers in tobacco have been forced to look for markets for bright tobacco in other countries, and now England uses a large proportion of the tobacco suitable for cigarettes in these three States, and at prices not very favorable to the growers of the tobacco.

The total consumption in England of American tobacco is about 100,000,000 pounds, and this is in the face of an import tax of 76 cents per pound.

The importation of Turkish tobacco in this country has steadily increased in the last ten years, and every pound of it used takes the place of 2 pounds of Virginia, North and South Carolina tobacco. The import tax of 35 cents per pound makes very little difference

in the cost of the cigarettes manufactured from Turkish tobacco as compared with cigarettes manufactured from Virginia tobacco, as the Turkish cigarette is, as a rule, made of slightly smaller size than the Virginia cigarette, taking less tobacco to make.

The sale of the manufactured article from Turkish tobacco is pushed in every market to the detriment of the American-grown tobaccos. This is a subject of great importance to the people who raise tobacco, and as the importation of Turkish tobacco is increased their sales of tobacco suitable for Turkish cigarettes have fallen off.

The CHAIRMAN. Under what name is this tobacco imported?

Mr. CARRINGTON. As Turkish tobacco.

Mr. HILL. There is no "Turkish tobacco" imported.

Mr. CARRINGTON. It comes to this country unstemmed. It is imported as raw leaf tobacco. It has come to this: That were it not for the amount of bright tobacco taken by the English and other foreign markets, the farmers raising these styles of tobacco would be bankrupt.

The CHAIRMAN. What duty does it pay?

Mr. CARRINGTON. Thirty-five cents a pound. Turkey does not allow our tobaccos to be imported there, and all tobacco going there would be declared contraband.

The prices of Turkish tobacco range from 1½ to 6 cents in some districts to 12 to 16 cents a pound in other districts.

I see by reference to the books published by the Government on the subject that in 1904 about 1,430,000 pounds of Turkish tobacco were imported into this country. In 1907 there were 8,224,000 pounds of that tobacco imported. That is from European and Asiatic Turkey alone, to say nothing of what comes from Egypt.

The CHAIRMAN. According to the report of the Government, which I have here, tobacco, unstemmed, there was imported altogether in 1903, 20,000,000 pounds; in 1904, 10,000,000 pounds, and in 1907, 9,000,000 pounds. The entire importation of unstemmed filler tobacco—I suppose this is classed as unstemmed?

Mr. CARRINGTON. This is classed as unstemmed; yes, sir.

The CHAIRMAN. Where did you get your figures?

Mr. CARRINGTON. From Forms 1 and 2, imports of merchandise into the United States. According to that, the imports for 1907 were about 7,000,000 pounds—between 7,000,000 and 8,000,000 pounds. For 1898, for the same period, the imports were less than 400,000 pounds. You can see how the importation of that tobacco has increased since 1898.

The CHAIRMAN. How much does this tobacco sell for?

Mr. CARRINGTON. Which tobacco?

The CHAIRMAN. Your tobacco.

Mr. CARRINGTON. It will average from 10½ to 11 cents a pound for the three States—North Carolina, South Carolina, and Virginia.

The CHAIRMAN. That much a pound?

Mr. CARRINGTON. Yes; the raw tobacco, as the farmer sells it.

The CHAIRMAN. And how much does this Turkish tobacco sell for?

Mr. CARRINGTON. It is imported here from 1½ to 6 cents in some sections and 12 to 16 cents a pound in other sections.

The CHAIRMAN. It costs that much to deliver it here?

Mr. CARRINGTON. No, that is in Turkey, on board the steamer.

The CHAIRMAN. How much do they sell it for here?

Mr. CARRINGTON. I do not know what the market for it is here. It depends on the quality of the stock imported.

The CHAIRMAN. Is this tobacco you raise down in Virginia and North and South Carolina as good as the Turkish tobacco for the purposes for which it was intended?

Mr. CARRINGTON. It is, sir. It is the finest bright tobacco grown in the world, but it has not the peculiar flavor that some of this Turkish tobacco has. Smoking is largely a fad—a matter of taste—as the tobacco people have found out.

Mr. LONGWORTH. Do you claim that this imported Turkish tobacco is in direct competition with your tobacco?

Mr. CARRINGTON. Yes, it is.

Mr. LONGWORTH. There is a difference; they are different kinds of tobacco?

Mr. CARRINGTON. No; they are both bright. You have seen hundreds of brands of Turkish cigarettes—the Dieties, and the Murads, and Helmas. All those particular brands are raised in Turkey.

Mr. LONGWORTH. But the flavor is different?

Mr. CARRINGTON. Yes; the flavor is different.

Mr. LONGWORTH. Absolutely different?

Mr. CARRINGTON. No, not absolutely; you can hardly tell the difference between the American and the Turkish.

Mr. LONGWORTH. You mean in appearance?

Mr. CARRINGTON. Yes; in appearance.

Mr. LONGWORTH. But you can tell the difference in taste?

Mr. CARRINGTON. There is a difference in the taste.

Mr. CRUMPACKER. The Turkish tobaccos sell at retail for two or three times as much as the domestic tobaccos, do they not?

Mr. CARRINGTON. Some of the brands sell high, but there are numerous brands of Turkish cigarettes which do not sell any higher than the American; numerous brands that sell ten cigarettes for 5 cents, and others ten cigarettes for 10 cents. That is what we are complaining about.

Mr. CRUMPACKER. I had it in mind that the price of Turkish tobaccos took them out of competition with the domestic tobaccos.

Mr. CARRINGTON. Oh, no; that is not the fact.

Mr. CRUMPACKER. I am glad to be informed about that. I did not know personally.

Mr. CARRINGTON. There are millions of cigarettes sold five for 10 cents and ten for 10 cents which are made of pure Turkish tobacco.

Mr. LONGWORTH. You say they are made of pure Turkish tobacco?

Mr. CARRINGTON. Yes; even the cheaper grades are, and they come in direct competition with us.

Mr. LONGWORTH. Is that pure imported tobacco?

Mr. CARRINGTON. Yes, sir.

Mr. LONGWORTH. Not mixed?

Mr. CARRINGTON. No; not mixed.

The CHAIRMAN. What is this domestic tobacco, with which the Turkish tobacco comes in competition, worth a pound?

Mr. CARRINGTON. The average crop for the last three and a half years have brought about 10½ to 11 cents a pound—the whole crop.

The CHAIRMAN. What is the price of the Turkish tobacco laid down in New York?

Mr. CARRINGTON. That depends on the grade. I quoted the price here, from 1½ to 6 cents a pound in some districts and 12 to 16 cents in other districts.

The CHAIRMAN. Then, what you need protection from is the taste of the American for the Turkish cigarette.

Mr. CARRINGTON. That is what we need protection from.

The CHAIRMAN. If I knew how we could make the largest collection in the way of revenue on cigarettes I think I would vote for it.

Mr. CARRINGTON. I think I can show you. The present duty is 35 cents a pound. We ask for an equal duty to the duty put upon Sumatra leaf, which is \$1.85 a pound. That protects the grower of the Sumatra leaf, the man in Florida is protected, and the growers of tobacco in those States that produce the cigar tobacco are protected, but we, in North Carolina and South Carolina and Virginia have no protection—

The CHAIRMAN. You say you have no protection. You have 35 cents a pound?

Mr. CARRINGTON. Thirty-five cents a pound does not protect us.

The CHAIRMAN. You say your product is worth about 10½ cents a pound. Then you have 350 per cent protection?

Mr. CARRINGTON. But the Turkish cigarettes are coming in and getting our markets.

The CHAIRMAN. You want over a thousand per cent protection?

Mr. CARRINGTON. No; we don't.

The CHAIRMAN. I do not think I would be inclined to vote for anything in the way of a protective duty on cigarettes, but I would be willing to increase the duty if it would give us more revenue. If there is anything on the face of the earth that is a good article to produce revenue, I should say it would be cigarettes.

Mr. CARRINGTON. You can get more revenue at \$1.85.

The CHAIRMAN. I do not see how it would do you any good, then.

Mr. CARRINGTON. It would stop the sale of the Turkish cigarettes here.

The CHAIRMAN. If it stops the sale how would we get more revenue?

Mr. CARRINGTON. The finer grades would come in, and people who want them would buy them and smoke them; but then the lower grades could not be imported, these cigarettes that sell 10 for 5 cents, or 10 for 10 cents.

Mr. CRUMPACKER. Do not our retailers sell about five times as much of Turkish tobacco as is imported every year?

Mr. CARRINGTON. I think they do sell more, because they use the Turkish tobacco simply as a mixture. They mix it with the domestic tobacco.

Mr. LONGWORTH. That was the question I asked, and the witness said that the cigarettes referred to were pure Turkish cigarettes.

Mr. CARRINGTON. The brands I spoke of are not mixed, but there are some mixed brands.

Mr. LONGWORTH. I alluded to those brands that are sold as Turkish cigarettes, cheap cigarettes. Do you say they are pure Turkish cigarettes?

Mr. CARRINGTON. Yes; they are straight Turkish cigarettes.

Mr. LONGWORTH. And some tobaccos are made into cigarettes and sold as Turkish cigarettes, and they haven't any Turkish tobacco in them at all?

Mr. CARRINGTON. I don't think so.

Mr. LONGWORTH. You think they are mixed?

Mr. CARRINGTON. There is a mixture, and then there is the straight Turkish cigarette.

Mr. CLARK. How much do you have to pay for the Turkish tobacco, raised in Turkey?

Mr. CARRINGTON. I don't know. I never bought any Turkish tobacco or traded in it. There is a 35-cent tax on that.

Mr. CLARK. Is this tobacco you raise in Virginia and the Carolinas—this bright tobacco, as you call it—good for anything else except cigarettes and wrappers for cigars? Is there any other use it can be put to advantageously?

Mr. CARRINGTON. Yes; it is good for chewing tobacco; for pipe smoking.

Mr. CLARK. Is it extra good for wrappers and plug tobacco?

Mr. CARRINGTON. Yes; but the wrapper for plug tobacco is not used for cigarette tobacco.

The CHAIRMAN. Do you ask us to raise the duty on all tobaccos that are not for wrappers?

Mr. CARRINGTON. No; I ask you to raise the duty on all tobaccos coming from the Empire of Turkey.

The CHAIRMAN. We can not do that; we have to give a fair deal to all.

Mr. CLARK. A gentleman from Florida has hinted that they can raise just as good Sumatra wrappers down there as they can in Sumatra, but the American manufacturer of cigars will not use the Florida article, if he knew it was a Florida article; that is, he will not undertake to sell it guaranteeing it to be a Sumatra wrapper, and he explained the modus operandi by which he induced the American cigar manufacturer to use a Florida wrapper by sending it to New York and having the New York man sell it back to those men in the country as genuine Sumatra leaf. You do not use your tobacco that way?

Mr. CARRINGTON. No, sir; our tobacco has a different growth of leaf. It could not be used that way.

STATEMENT OF E. G. MOSELEY, OF DANVILLE, VA., WHO WISHES HIGHER DUTY PLACED ON TURKISH TOBACCO.

WEDNESDAY, *December 16, 1908.*

Mr. MOSELEY. Mr. Chairman and gentlemen of the committee, we come here to-day representing the farming industry of our section of the State of Virginia. We feel that this Turkish tobacco that is being imported into our country is in a large measure supplanting the bright tobaccos that are raised in Virginia, North Carolina, or in the Carolinas. We feel that the Turkish Government will not allow us to send our product into their domain at any price whatsoever, confiscating it if it should go there, and that if we should get a square deal we should at least get some kind of an opening to their country with almost a prohibitive tax from their coming back.

The CHAIRMAN. How does Turkey keep your tobacco out, by duty?

Mr. MOSELEY. No, sir; it is a monopoly.

The CHAIRMAN. Does it prohibit importation?

Mr. MOSELEY. Yes, sir; it is prohibitive. It is confiscated if it goes there by the Government.

Mr. CLARK. The government of what?

Mr. MOSELEY. The Government of Turkey; they will confiscate it if it goes there.

Mr. CLARK. You say it is a government monopoly?

Mr. MOSELEY. That is it. It is a government monopoly. The duty you place upon it is only 35 cents a pound, whereas we send our bright tobaccos to England and pay 76 cents a pound for the privilege of going into that country, and we gladly pay it, because it gives us an outlet in our products. We have to compete with the labor of Turkey, where, I am told, that the average price of the common laborer does not exceed 20 cents a day. We can not get in our section of the country any such labor that can produce this tobacco.

The CHAIRMAN. Your tobacco is produced and sold for 11 cents a pound?

Mr. MOSELEY. It is now.

The CHAIRMAN. A portion of that is labor?

Mr. MOSELEY. Yes, sir.

The CHAIRMAN. Are you able to sell it at that rate?

Mr. MOSELEY. It can not be produced for much less.

The CHAIRMAN. What does it cost you for labor to produce your tobacco?

Mr. MOSELEY. Ten cents.

The CHAIRMAN. Now the duty is 35 cents. Do you not see that the duty and labor is taken care of three times and a half?

Mr. MOSELEY. We believe that we should not have their importation of this tobacco into our country as it is at present. The price of this special cigarette tobacco has been reduced in the ten or fifteen years past at least 20 per cent, and we attribute it largely to the inroad that is being made by this Turkish tobacco coming into our country. They bring here something like 8,000,000 of pounds now. That takes the place of 8,000,000 of pounds of one grade of tobacco, we may say cigarette tobacco. Now add that competition here in America for those additional 8,000,000 pounds of tobacco, which is being imported here, then the price would be very much higher to the producer than it is now. We can not compete with their labor.

The CHAIRMAN. What do you want us to do, exclude it?

Mr. MOSELEY. No, sir; we want the same protection that is accorded, and properly accorded, to the New England manufacturers of Sumatra wrappers.

The CHAIRMAN. New England or Florida, it does not make any difference. The cases are not similar at all in regard to wrapper leaf.

Mr. MOSELEY. One is \$1.85 a pound, which is a protection to them, and the other is 35 cents a pound.

The CHAIRMAN. And one costs 10 cents a pound to produce it, and the other 50 or 60 cents a pound. A pound of the foreign tobacco for 50 or 60 cents would go three or four times as far as a pound of the domestic tobacco. I am with you to this extent: If I can find out the point at which we can get the most revenue for it, then I am for it.

Mr. MOSELEY. I think I can show you very clearly. If you increase the duty on this so as to make the amount of tobacco brought into this country one-half, and double the taxation, and then give to Vir-

ginia and North Carolina an opportunity of producing more cigarettes, and thereby bringing into our Treasury more revenue than you are already getting from that product, you will get more revenue thereby.

The CHAIRMAN. Do you think that if we double the duty it will produce any more tobacco here?

Mr. CLARK. Cigarette tobacco?

Mr. MOSELEY. Yes, sir; cigarette tobacco.

Mr. CLARK. I was trying to help with the explanation of how they would get more revenue by the revenue collected from cigarettes.

Mr. MOSELEY. That is right; yes, sir; they would get more revenue from that.

Mr. CLARK. They would get more internal revenue from the domestic cigarettes—enough increase revenue to compensate for the use of this Turkish tobacco.

Mr. MOSELEY. That is right. I will take that as my statement.

Mr. CLARK. Mr. Chairman, I was just trying to explain what he said.

Mr. DALZELL. Internal revenue is not imposed on domestic tobacco alone.

The CHAIRMAN. Do you think that doubling the duty will increase the import one-half?

Mr. MOSELEY. Yes, sir; without hesitation. We think that you would get the same revenue and more.

The CHAIRMAN. I think that the committee might discriminate. It is true that the Turkish Government prohibits exportation of tobacco from here. We might put in a clause that the country prohibiting the exportation to the United States should have a duty on its tobacco of so much a pound. What I want to get at now is the revenue fund.

Mr. SANDERS. Mr. Chairman, I will say in that connection that we will file here evidence that the Turk does exclude our tobacco.

The CHAIRMAN. You will have to take the risk of that.

Mr. MOSELEY. I want to say that I am an exporter of tobacco myself and deal in domestic tobacco as well.

I received only Monday of this week from one of my correspondents—and this was by no means the only one I have received from New York—a letter from a party to whom I had been selling a large quantity of cigarette tobacco. They wrote me in response to my inquiry as to whether they were on the market for Virginia tobacco for cigarette purposes. They wrote me saying: “We will not buy any more Virginia and North Carolina tobaccos for cigarettes; we have decided to use exclusively the Turkish tobacco for cigarette purposes.” Now, I have lost by that one of the largest patrons I had for that class of tobacco, and I want to say that this is not a rare case either. I could give you a dozen men who have written along that line. Now, you see the inroad that this tobacco has made and is making over here, and it is confined to a small territory of country, and certainly if they will not allow us to come into their domain and sell our product at any price, and if we should venture to do so it would amount to confiscation, certain it is that we ought to have protection to keep them from coming in here and supplanting us in our industry.

Mr. UNDERWOOD. Is this inroad of Turkish tobacco into this country due to the fact that it costs less for the Turks to produce the Turkish cigarettes and deliver it here, or is it because the Americans or is

it because the American people want to smoke the Turkish cigarette in preference to the American cigarette?

Mr. MOSELEY. I believe that it costs very much less, and I have shown by the scale of wages that they have.

Mr. UNDERWOOD. Have you put in any figures here that go to show the cost of cigarettes? The American cigarette is a machine-made cigarette, is it not?

Mr. MOSELEY. Yes, sir.

Mr. UNDERWOOD. And the Turkish cigarette is a hand-made cigarette?

Mr. MOSELEY. It is either; they can make it either by hand or by machine.

Mr. UNDERWOOD. But I am speaking of the Turkish cigarette that is imported to this country.

Mr. MOSELEY. It is the leaf; it is not the cigarette that we claim here, but the leaf in the raw material that is brought here that produces the cigarette.

Mr. UNDERWOOD. You are complaining about the Turkish tobacco and not the cigarettes?

Mr. MOSELEY. That is right.

Mr. UNDERWOOD. Have you the figures to show that it costs less to lay this tobacco down here than you can produce it?

The CHAIRMAN. I will say that the entire cost of raising their tobacco is 10 cents a pound, and the duty is 35 cents a pound. You did not hear that, Mr. Underwood—you were not in the room.

Mr. MOSELEY. Exclusive of the duty there is no comparison at all.

Mr. UNDERWOOD. The present duty, therefore, far exceeds the cost?

Mr. MOSELEY. Yes, sir.

Mr. CLARK. Taking the statement of you two gentlemen, I can not understand this. Mr. Moseley said that 1 pound of Turkish tobacco was equal to 2 pounds of Virginia and Carolina tobacco.

Mr. MOSELEY. Yes, sir.

Mr. CLARK. The cost of yours is 10 cents a pound—that is, the cost of production. The tariff is 35 cents. Now 35 cents is three and a half times ten. How will the Turk get in here with his tobacco when yours has got a protection of three and a half times the cost price, and when there is a difference of 1 pound to 2? How does he get in here at all?

Mr. MOSELEY. It must be the very low cost of the original cost in the production of the tobacco in his country.

Mr. UNDERWOOD. Is this not really the case; is not the reason that the Turkish tobacco comes in here and competes with yours, not because we have that duty, but because the American consumer wants it?

Mr. MOSELEY. Well, it is an acquired taste; we find that it is according to taste, and it is demonstrated by figures. Their importation now to our country is 8,000,000 pounds, whereas a few years ago it was only about two and a quarter million.

The CHAIRMAN. The fact is, they will not buy that tobacco and pay the same for it at a duty of 35 cents, which is three times the cost of yours, unless the taste, natural or acquired, demanded that kind of a cigarette.

Mr. MOSELEY. I fully agree with that; yes, sir; it is an acquired taste.

Mr. UNDERWOOD. Then there is just one problem left of your case, and that is the question of whether we would raise more revenue on this tobacco. That is all your case stands on.

Mr. MOSELEY. My presentation is this: We ought to have something, as they will not allow us to go into their country—and they are large consumers of tobacco—and will not allow us, under any circumstances, to sell tobacco in their country; and we ought to have some protection in order to keep them from absorbing our trade.

Mr. CRUMPACKER. Do you sell in France?

Mr. MOSELEY. No, sir; because France does not raise any tobacco.

Mr. CRUMPACKER. What do you get for your tobacco in London?

Mr. MOSELEY. It varies according to quality. We get, I should say, from 6 pence or 10 cents to 10 pence or 20 cents.

Mr. CRUMPACKER. A pound?

Mr. MOSELEY. Yes, sir. In addition to that the buyer himself pays it before he gets it out of the bonded warehouse, or 70 cents a pound before it is delivered.

Mr. CLARK. Suppose the whole cigarette business was wiped off the face of the earth, how much could you sell this tobacco for for any purpose?

Mr. MOSELEY. I do not think it could be sold for anything; we could not sell it for cigars, as it is only adapted for cigarette purposes.

Mr. CRUMPACKER. It is used by pipe smokers, is it not?

Mr. MOSELEY. Yes, sir; it can be used for that.

Mr. CRUMPACKER. Turkish mixture is quite popular amongst pipe smokers, is it not?

Mr. MOSELEY. Yes, sir; both.

CIGARS.

[Paragraph 217.]

HON. EDWIN DENBY, M. C., FILES LETTER OF JOHN C. SULLIVAN, DETROIT, MICH., URGING INCREASE IN DUTY ON CIGARS.

DETROIT, MICH., *November 27, 1908.*

HON. EDWIN DENBY, M. C.,

House of Representatives, Washington, D. C.

MY DEAR SIR: Inclosed you will please find in condensed form the result of protection for the last forty-six years. Representative Morrill, of Maine, brought in the first real protection bill before the American Congress. It was brought in as a war measure, but it proved the most beneficial measure for the American people that ever was enacted. McKinley, of blessed memory, improved on that, tin and all, not a sheet of tin being then produced in America. The Democratic party said that we could not make it. To-day I understand—and from those who ought to know—that there are 50,000 people working in tin works.

The Coates thread is another object lesson of protection. I might go on and number 50 different industries that have been created by protection. There is not any necessity of me pointing those things

out to you, but I wish to recall the days preceding the war of the rebellion. A laboring man worked for 50 and 75 cents a day; to-day a laboring man gets \$1.50 to \$2.50; the wages of the skilled mechanic have increased in like proportion. In those good old Democratic days your small merchant was comfortably housed if he had a nice rag carpet on his floor; to-day a laborer is not satisfied, nor should he be, unless his house is nicely furnished, with a carpet of superior quality. In those days the pictures on the wall of a laboring man or a mechanic were cheap paper affairs; to-day steel engravings of the latest and most approved style only satisfy them. I contend that there is nothing too good for the workingman, but good things are only secured by high wages, and high wages are only secured by protection against 40 cents a day in foreign factories, twelve and fifteen hours' labor in foreign factories, when we ourselves are working mainly on the eight-hour system. In the good Democratic day a laboring man's shanty was hardly ever painted; now he helps the painter every three or four years. The musical instruments, pianos, etc., were confined only to those who were deemed rich in those days; the mechanic and the laboring man had to be satisfied with a jew's-harp and a mouth harp; to-day, under the system of protection, any washer or scrub woman, if she is provident, can have a piano, pianola, or house organ, and they are entitled to it. When I was a boy German cigars came free into this country, millions of them every month. To-day we have no German cigars. German cigars were sold under our nose all over the United States, as well as in Detroit, for less money than the cigar maker was willing to make them for; to-day we turn out more cigars in one or two cities, under the system of protection, than was made in the whole United States previous to 1860, and when any person tells you that the manufacturer of goods adds the tariff tax to his wares you can tell him in parliamentary language that he is a —— liar.

I sell goods for less than the tariff on the cheapest cigars that are imported into this country to-day.

This communication may help you, the Honorable Dalzell, of Pennsylvania, and your own colleague, the Honorable Fordney.

Every good or poor cigar imported into this country displaces a cigar made by the American workman.

It was President Roosevelt who said "that the rich man of this country had a countess, marchioness, or a princess for a daughter, and a fool for a son." If you are to touch the cigar question at all, raise the tariff on it and let the fool buy it.

Stand pat.

Yours, with kindest regards,

JOHN C. SULLIVAN.

EXHIBIT A.

WEALTH OF THE UNITED STATES.

In 1860 the United States held the fourth rank among the manufacturing nations. Great Britain, France, and Germany were ahead of us, in the order named. We passed Great Britain in 1880, and to-day the aggregate of our manufactures equals that of Great Britain, Germany, and France combined. The value of our products of man-

Manufactures has doubled since 1888. The value of our exports of manufactures has doubled since 1898. Of the value of the property represented, manufactures ranks third among the great activities of the United States, agriculture being first and the railroads being second, but in the number of persons employed agriculture is the only interest which leads manufactures. Manufactures are far ahead of agriculture in the value of the products. The money invested in manufactures represents an eighth of the value of all the real and personal property in the country. The United States manufactures 35 per cent of all the manufactured products of the world. The value of the farm property of the United States increased from \$7,908,000,000 in 1860 to \$20,524,000,000 in 1900, and it is about \$25,000,000,000 in 1908.

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