

MEMO ON SUGAR AS IT AFFECTS PUERTO RICO

1. The marketing of sugar in Mainland U.S. is regulated under an Act of Congress known as The Sugar Law of 1948 which will be in force until 1956. Present distribution of the market is supplied under a quota system as follows:

U.S. Sugar Beet Area (15 States)	1,800,000 tons
Puerto Rico	1,080,000 "
Hawaii	1,050,000 "
Sugar Cane States	500,000 "
Philippines	900,000 "
Virgin Islands (U.S.)	12,000 "
	5,342,000 tons

Out of a total requirement estimated at 7,500,000 tons, this leaves a balance of 2,158,000 tons of which Cuba gets 96% allocated or 2,071,680 tons plus whatever deficit in the Philippine quota.

The Puerto Rican position is as follows:

- 1) That after the first (above) distribution is made, in subsequent readjustments to fill deficits in supply from the various areas, Puerto Rico be treated as what it is: part of the domestic area.
- 2) Under this arrangement, if there is a deficit in the domestic areas, such deficit in any such areas should be distributed among other domestic areas including Puerto Rico, that are in a position to supply above their original quotas.
- 3) This does not mean that Puerto Rico or any domestic area is being stimulated to increase acreage devoted to production; rather it is an incentive for better production methods that will increase yield per acre now under cultivation. Nobody will be harmed, since national consumption is increasing and the law of supply and demand will automatically take care of the matter.
- 4) Thus, when the new Sugar Law is enacted in 1956 it should provide that increases in domestic consumption above the apportioned quotas will be proportionately shared by domestic producing areas including, of course, Puerto Rico - instead of giving it all to foreign producers.
- 5) Puerto Rico buys practically all of its imports in the domestic market under conditions and terms prevailing in the domestic market. In fiscal year 1951-52 Puerto Rico purchased \$ worth of American goods. Therefore, Puerto Rico should sell in U. S. under similar conditions. Every dollar worth of sugar Puerto Rico sells in U. S. is a dollar that will be spent or reinvested in the U. S. Living within the American tariff, Puerto Rico should not be limited in its accessibility to the

home sugar market beyond the acknowledged requirements of national interests of the U. S. under the Sugar Law. Neither should Puerto Rico be restricted in the refining of all its sugar quota for export to the U. S. mainland. At present it can only refine  $1/8$  of its production since its quota of refined sugar for the domestic market is only 300,000 tons.

- 6) Under the existing system, Puerto Rico accepts restrictions in production in order to keep within the Sugar Law. Despite sound planning, however, it had a surplus of 280,000 tons in 1952 and will have a surplus of 100,000 tons in 1953. The quota system should be adjusted to permit Puerto Rico a normal increase every year that can be taken care of by a reasonable carryover of stocks at the end of each crop year.