

T H E S I S

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TAXATION OF THE BEET SUGAR INDUSTRY  
IN COLORADO

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Submitted by

Roy F. Cresswell

In partial fulfillment of the requirements  
for the Degree of Master of Science

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I HEREBY RECOMMEND THAT THE THESIS PREPARED UNDER MY  
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## A C K N O W L E D G M E N T

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## INTRODUCTION

The Problem.-- The amount of taxes that should be paid in Colorado by corporations in general and the beet sugar companies in particular is becoming a question of no little importance. At the present time the companies are protesting that their tax bills are too high. The Great Western Sugar Company is suing Larimer County for a sum in excess of \$24,000, claiming that the assessment on the property was higher than its true value.

This thesis will point out the financial position of the companies operating in Colorado and compare the amounts they pay in taxes with the tax burdens of other property holders in the state.

The economic importance of beet sugar will be seen when it is realized that sugar beets amounted during the past ten years to 16.5 percent of the total value of the agricultural products of Colorado. In certain years sugar beets have constituted one-fifth or more of the total agricultural value of the state. From the Colorado Yearbook it appears that in Morgan and Weld counties sugar beets represent over 50 percent of the total value of all crops.<sup>1</sup>

The Problem Stated.-- Sugar companies have endeavored to conceal as nearly as possible their exact finan-

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<sup>1</sup> Yearbook of Colorado, 1932, p. 96-97. State Board of Immigration.

cial standing. The problem, therefore, has been to find information as to the status of the various corporations and taxes they pay, and to compare these findings with information pertaining to like payments and financial position of farmers producing sugar beets.

Methods and Procedure.- It was thought that a rather detailed history of the companies with a statement of their net incomes and earnings should first be given, in order to provide a sufficient understanding of the organizations and their financial positions. As the corporations themselves were reluctant to give such information, it was obtained from brokers of the New York Stock Exchange, where the sugar stocks are listed, and from the petition of one of the companies to the New York Stock Exchange, from statements to growers, from annual reports and other sources.

Questionnaires were mailed to the county treasurer and to the county assessor in each county in which a sugar factory of a company operating in Colorado was located, asking for the total taxes paid by the particular company and its total assessed valuation in the particular county for each of the last five years. A very good return was received, considering that the questionnaires were sent into seven states and thirty counties. A one hundred percent return was received from the questionnaires requesting the amount of taxes paid by the

Great Western Sugar Company. This was particularly fortunate because of the fact that the Great Western is the largest company producing beet sugar in the United States, and also because this company operates thirteen of its nineteen beet sugar factories in Colorado. A one hundred percent return on the questionnaires was received from both assessors and treasurers in Colorado.

Statistics on production and consumption of sugar in Colorado and in the United States were obtained from various sources. An interview with Mr. J. D. Pancake, Secretary of the Mountain States Beet Growers Association, Greeley, Colorado, provided valuable information. Perusal of Auditor's Reports, Reports of the Secretary of State, the Yearbook of Agriculture, the Colorado Yearbook, Tax Commission reports, and various county records also proved of assistance.

In order to provide a comparison of the assessed valuations in the various counties with the true value of the property as determined by cash sales in each of the past five years, records were made of all such sales from data obtained from the books in county clerk and county abstract offices in Crowley, Logan, Otero and Weld counties.

Attempts were made to get the actual cost to the companies of producing sugar, but this information is not available for years later than 1923. The United



States Tariff Commission has the information, but not even the request of United States Senator Edward P. Costigan could persuade them to release it.

The data collected were studied and summarized, and comparisons between corporations and land owners were made. The conclusions and recommendations of this thesis are the results of this procedure.

## HISTORICAL DEVELOPMENT OF THE SUGAR INDUSTRY

Sugar was unknown to the ancient Greeks and Romans. They used honey for sweetening. Sugar was called "sweet sticks of the East." About a century before Columbus discovered America, a Venetian discovered the process of refining sugar from the juice of cane stalks. It was not long after that that reference was made to the arrival of a 50-ton cargo of sugar in London, which was traded for wool. About 1550, it was introduced into the household of Queen Elizabeth as an article of diet. Shakespeare never tasted sugar, unless it came from an apothecary's shop, and probably Milton never did.<sup>1</sup>

Andrew Marggraf, a Prussian chemist, obtained sugar crystals from the sugar beet in 1747; although about a century and a half before, Olivier Serres, a French agronomist, concluded from some chemical experiments that the beet contained the same sugar as the cane stalk. Nothing came of Marggraf's discovery until 18<sup>7</sup>80, when his pupil, Carl Anshard, aided by Frederick of Prussia, constructed a beet sugar factory in Silesia, Germany.

England, in wars with Napoleon, from 1800 on to the battle of Waterloo, blockaded the French ports, so that sugar sold at some 30 cents per pound in France.

In 1811 he undertook to supply the shortage by de-

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<sup>1</sup> J. D. Pancake, Secretary National Beet Growers Association. Manual of Sugar Beet Data, Greeley, Colorado, 1933.

creeding that French farmers should plant, the following season, 79,000 acres to sugar beets; that there should be established six technical beet sugar schools at a national cost of \$200,000 for training the plant operators and also ordered that after 1813 the importation of sugar into France should cease.

As a result of the power and will of this one man, his minister reported in 1813 that "7,700,000 pounds of sugar will be prepared in 334 factories, all of which are in actual activity."

The political misfortune of Napoleon at Waterloo caused all of these sugar factories to fail except one. The industry revived again and in 1837, 542 factories produced 49,000 tons of beet sugar. At this date, a French emperor levied a manufacturer's tax and 166 of these failed, cutting production to 22,000 tons. Remedial legislation was re-enacted in 1848 under Napoleon III, and the production was increased to one and one-quarter million tons. It is said that neither France nor any other country has tried since the experiment of removing encouraging legislation.

The French, owing to the lower sugar content of the beet, the inefficiency of the factories and their operators, secured in the early day from 40 to 60 pounds of sugar to the ton. In 1811 the French beet had a sugar content from 5 to 6 percent. The American beet now aver-

ages from 14 to 19 percent. The extraction in 1931 of all American factories to the sliced ton was 295 pounds, or about 280 pounds to the delivered ton.

Sugar Beet Breeding.— The beet industry today owes its existence to the scientifically bred sugar beet. The following table shows the increase in yields, extraction and pounds of sugar secured by breeders per acre over a period of 63 years in Germany, the home of sugar-beet breeding, in which the sugar per acre has practically tripled.

Table 1.— Statistics of the German Sugar Industry. From Kleinwanzleben Company, Breeders. 1/

Periods of ten years	Yields per acre (tons)	Extraction (percent)	Sugar per acre (pounds)
1850-1860	10.52	7.8	1,636
1860-1870	10.87	8.1	1,760
1870-1880	11.45	8.6	1,962
1880-1890	13.46	11.3	3,036
1890-1900	13.20	13.3	3,520
1900-1910	12.98	15.6	4,048
1910	12.48	16.4	4,770
1911 <u>2/</u>	7.92	16.5	2,614
1912	13.38	16.3	4,272
1913	14.00	16.0	4,488

1/ Manual of Sugar Data, National Beet Growers Association, 1933, p. 5.

2/ Crop failure in Germany caused by severe drought.

When sugar-beet-breeding was started a century ago, the wild beet, according to records, tested less than 6 percent, and was small and rooty; but the breeders by continuous selection of the best types, have improved

the beet until now it often tests 20 percent, and may weigh 8 or 10 pounds; whereas, the primitive beet's weight was 2 or 3 pounds. The early breeders soon realized that, if progress was to be attained, they must determine important characteristics of the mother beets.

A very few, perhaps about 5 out of every 1,000 mother beets selected and tested, are retained as breeding stock. Each one of the five selected is photographed, tagged for the higher sugar content, shape, size, etc. It is planted, observed during the growing season, and any descendant indicating a tendency to atavism, disposition to revert to the primitive type, or failing to show progress, is rejected. The parental beet also, besides having desirable features itself, must show a prepotency or disposition to transmit them to its descendants. By repetition, repetition, repetition, decade after decade, the acquired desirable qualities such as sugar content and shape, become fixed traits.

Suppose, according to the table above, that in 1890, the breeders had ceased their efforts; thereafter, assuming no change in the beet's traits, an acre of beets would have produced only 3,520 pounds of sugar; whereas, through continuous breeding from 1890 to 1913, an acre in 1913 produced 4,488 pounds of sugar, or a gain of 968 pounds, which, at 5 cents per pound, would increase the value of the sugar from an acre \$48.40.

It is to be noted that since the beginning of the World War no records of some breeding stations are published. This may be ascribed to the inability of the German breeders, through the exigencies of war, to maintain their high standards.

"The establishment of the sugar-beet industry on a paying basis has been a comparatively recent development in American agriculture. Attempts to launch the industry were made as early as 1838, but all efforts met with failure until 1879, when a factory erected at Alvarado, California, proved to be a profitable undertaking. By 1890 several factories were operating, and from that time, stimulated by the policy of taxing imported sugar, and the production of beet sugar has increased, until at present it amounts to about one and one-half million tons per annum, as compared with one-fourth that amount manufactured from cane."<sup>1</sup>

History of the Industry in Colorado.- The sugar area in Colorado includes the valleys of the Platte, the Cache la Poudre, Big Thompson, and St. Vrain in Northern Colorado; the Fountain Valley and the Arkansas Valley in central and southern Colorado, the Colorado and lower Gunnison and Uncompahgre, and also the San Luis Park region. This area was well described by our earlier in-

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<sup>1</sup> United States Department of Agriculture. Henry C. Wallace, Secretary. Agriculture Yearbook, 1923. Government Printing Office. 1924. p. 156.

habitants as extending "hundreds of miles", though not all of these lands are producing beets for sugar even now.

The first Colorado beets were raised by Peter Magnes on his farm seven miles from the heart of Denver on the banks of the Platte as early as 1860. L. K. Parvin grew beets as early as 1865. An undying enthusiast, Magnes, in 1871, sent east for a mill and press with which to test the amount of sugar in the beets. In 1869 Professor Schmirer, Denver chemist who had tested and experimented extensively with the Colorado beet, issued the following prophesy:

"The climate and soil is well adapted for culture of the beet. Proper system of irrigation must be installed. Coal is abundant. There is nothing to hinder it to make Colorado the greatest sugar-producing state in the world."<sup>1</sup> That Colorado has reached the distinction of leading the states of the Union in beet sugar production is ample fulfillment.

Colorado Agricultural College bulletin No. 7 published in 1888, dealt with experiments with sugar beets on the college farm, and gave the yields per ton and pounds of sugar per ton on four varieties of beets. The conclusion given in the bulletin follows: "From the above it will be seen that there is quite a wide variation in

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<sup>1</sup> "Sugar Beet Production", Agriculture in Colorado, Alvin T. Steinel, 1926, p. 287. Colo. Agri. Col., Fort Collins, Colo.

the sugar content in the four varieties tried last season. Enough, however, has been developed to create a lively interest in the cultivation of the sugar beet in this state for purposes of sugar production. The serious drawback seems to be the cost of the diffusion (sugar manufacturing) plant, as quite a large amount of capital is required to prepare a suitable plant and furnish adequate machinery."

Bulletins 14 and 21 also discussed beets for sugar, and Bulletin 14 described the factory at Grand Island, Nebraska; the information being collected on a visit to the factory by Professor O'Brine and Dr. C. L. Ingersoll, President of the College and Director of the Experiment Station.

On February 23, 1872 the Colorado Beet Sugar Manufacturing Company had been organized with Professor J. F. L. Schmirer as its president. The purpose of the organization was to start a factory; and although \$30,000 was pledged, this amount was not considered adequate. It remained for the men of the Western Slope, not knowing of the attempts on the Eastern Slope, to start in January, 1899, the first Colorado beet sugar factory, at Grand Junction. The incorporators of this plant were John F. Campion, Charles N. Cox, Charles E. Mitchell, Charles Boettcher, J. R. McKinney and George W. Trimble. The capital stock was \$750,000. Grand Junction donated



1,500 acres of land to the project, which turned out 6,600 sacks of sugar in 1899 and 8,700 in 1900. The capacity of the plant was 350 tons of beets per day, and half a million dollars were paid to growers in 1900.

The first factory operated on the Eastern Slope was that at Loveland, built by practically the same group of Denver capitalists that financed the Grand Junction plant. Agitation was started by W. D. Hoover, who had contracted for 3,500 acres of beets from farmers at \$4.25 a ton, and in addition expected to plant 1,500 acres of company ground. The Loveland factory started operations in 1901 with a capacity of 1,000 tons of beets per day. In 1933 this factory won the Great Western Sugar Company pennant for efficiency.

Senator George D. Swink, of Rocky Ford, started the agitation which resulted in factories being established in the Arkansas Valley. The National Beet Sugar Company erected a plant at Sugar City in 1900. The total investment in lands, water rights, buildings, etc., was three million dollars. The company owned 12,000 acres of land and the factory had a capacity of 1,000 tons of beets per day. The American Beet Sugar Company also erected a plant with 1,000 ton capacity at Rocky Ford in 1900.

From this auspicious beginning sprang the nineteen plants which now operate in Colorado, thirteen of which were in operation by 1907. The only factory in Colorado

ever put up by the growers themselves was promoted by the Mountain States Beet Growers Association. The factory was erected at Fort Lupton in 1920, but failed after operating several seasons, and was sold by the receivers to the Great Western Sugar Company in 1925. Table 2 shows the number of acres of beets harvested in Colorado and the number of tons of sugar produced as compared with the totals for the United States.

Colorado's Position in the Sugar Beet Industry.-

Over the period 1911 to 1930 Colorado was the largest producer of sugar beets in the United States, accounting for 30 percent of the total production. Tables 3 and 4 give a thumb-nail sketch of the sugar beet industry in Colorado compared with that of other sugar growing areas in the United States.

The average value of sugar beets per acre of land, according to table 3, is higher in Colorado than in any other state. Table 4 shows that more pounds of sugar are extracted per ton of beets only in Idaho, and that Colorado leads in the average pounds of sugar extracted per acre of beets. Colorado has more beet sugar factories operating than any other state.

Table 2.- Acres Harvested and Tons of Beet Sugar Produced in Colorado and the United States, 1918-1932. <sup>1/</sup>

Year	Acres Sugar Beets Harvested			Tons <sup>2/</sup> of Beet Sugar Produced		
	United States	Colorado	Percent	United States	Colorado	Percent
1918	594,000	126,000	21.2	761,000	192,000	25.2
1919	692,000	183,000	26.4	726,000	194,000	26.7
1920	872,000	220,000	25.2	1,089,021	294,000	27.0
1921	815,000	200,000	24.5	1,020,489	295,000	28.9
1922	530,000	148,000	27.9	675,000	183,000	27.1
1923	657,000	164,000	25.0	880,589	240,000	27.3
1924	817,000	225,000	27.6	1,090,013	364,000	33.4
1925	653,000	130,000	19.9	912,844	211,000	23.1
1926	687,000	211,000	30.7	897,104	377,000	42.0
1927	732,000	218,830	29.9	1,093,183	373,000	34.1
1928	646,000	180,084	29.9	1,061,859	384,261	36.2
1929	694,000	210,379	30.3	1,018,702	348,000	34.2
1930	783,000	242,878	31.0	1,208,318	407,000	33.7
1931	714,000	226,454	31.7	1,156,000	360,000	32.1
1932	768,000	156,736	20.5	1,308,454	276,584	21.1

<sup>1/</sup> Yearbook of Agriculture, 1933, p. 486 for U. S. figures; Colorado Yearbook, 1932, p. 120 for Colorado data.

<sup>2/</sup> Short tons.

Table 3.- Colorado's Position in Sugar Beet Production of the United States, 1911-1930 inclusive. 1/

	Acres Harvested	Percent of U.S. Total	Average Yield Tons	Tons Beets Harvested	Percent of U.S. Total	Total Farm Value <u>4/</u>	Percent of U.S. Total	Average Value Per Acre <u>4/</u>
Colorado -----	3,522,000	26.7	11.76	41,485,000	30.9	\$ 307,598,000	30.3	\$87.34
Michigan -----	2,191,000	16.6	7.99	17,499,000	13.1	132,918,000	13.1	60.67
California-----	1,863,000	14.1	9.23	17,190,000	12.8	140,398,000	13.8	75.36
Utah -----	1,313,000	10.0	11.42	14,995,000	11.2	112,146,000	11.0	85.41
Nebraska -----	999,000	7.6	11.74	11,731,000	8.7	90,969,000	9.0	91.06
Idaho -----	661,000	5.0	9.79	6,474,000	4.8	48,337,000	4.8	73.13
Montana and <u>2/</u> Wyoming-----	555,000	4.2	11.19	6,209,000	4.6	46,705,000	4.6	84.15
Other States <u>3/</u> -----	2,076,000	15.8	8.91	18,498,000	13.9	135,839,000	13.4	65.43
United States ---	13,180,000	100.0	10.17	134,081,000	100.0	\$1,014,910,000	100.0	\$77.00

1/ Colorado Yearbook, 1932. p. 121.

2/ Montana and Wyoming first appeared in sugar beet statistics in 1922. Data from these states continue from that year.

3/ Includes Iowa, Minnesota, Kansas, Indiana, South Dakota, Ohio, Wisconsin and Washington.

4/ Value is exclusive of beet tops, which have a high value.

Note: Figures begin with 1911 because data as to price and value are not available for years prior to that time.

Table 4.- Colorado's Position in Production and Manufacture of Beet Sugar in the United States, 1911-1930 inclusive. <sup>1/</sup>

	Number Fac- tories <sup>4/</sup>	Av. Lbs. Sugar Per Acre	Tons Sugar Manufactured	Percent of U.S. Total	Lbs. Sugar Per Ton of Beets	Farm Receipts in Cents Per Lb. of Sugar
Colorado -----	17	3,073.4	5,421,000	30.7	261.3	2.64
Michigan -----	10	1,974.4	2,163,000	12.3	247.2	3.07
California -----	5	2,958.7	2,756,000	15.6	320.6	2.55
Utah -----	8	2,675.9	1,838,000	10.7	251.8	2.97
Nebraska -----	7	2,924.9	1,461,000	8.3	249.1	3.11
Idaho -----	7	2,835.1	937,000	5.3	289.5	2.58
Montana and Wyoming <sup>2/</sup>	9	3,023.4	839,000	4.8	270.3	2.76
Other States <sup>3/</sup> ----	<u>15</u>	<u>2,094.4</u>	<u>2,174,000</u>	<u>12.3</u>	<u>235.1</u>	<u>3.12</u>
United States -----	76	2,676.6	17,639,000	100.0	263.1	2.68

<sup>1/</sup> Colorado Yearbook, 1932. p. 121.

<sup>2/</sup> Montana and Wyoming first appeared in sugar beet statistics in 1922. Data from these states continue from that year.

<sup>3/</sup> Includes Iowa, Minnesota, Kansas, Indiana, South Dakota, Ohio, Wisconsin and Washington.

<sup>4/</sup> Numbers include factories operating in the season of 1930-1931; output of the Johnstown, Colo., molasses refinery not included.

Note: Figures begin with 1911 because data as to price and value are not available for years prior to that time.

DEVELOPMENT AND FINANCIAL ORGANIZATION OF SUGAR COMPANIES  
OPERATING IN COLORADO

Great Western Sugar Company.- The Great Western Sugar Company was incorporated under the laws of New Jersey as a consolidation of several beet sugar companies in Colorado. In the application to the Committee on Stock List, New York Stock Exchange, requesting the listing of Great Western Sugar Company stock on the Exchange, January 17, 1923, the following short history is given:

"Shortly after the incorporation of the company in the year 1905, the company qualified to do business in the State of Colorado, and thereupon purchased six beet sugar factories in Colorado from six separate corporations, viz., the Eaton Sugar Company, the Greeley Sugar Company, the Great Western Sugar Company of Colorado, the Longmont Sugar Company, the Fort Collins, Colorado Sugar Company and the Windsor Sugar Company. On December 31, 1905, the company acquired the beet sugar plant owned by the Sterling Sugar Company, located at Sterling, Colorado. In December, 1906, the company acquired two beet sugar factories located at Fort Morgan and Brush, Colorado, previously owned by the Morgan County Construction Company. The company acquired in 1906 a beet sugar factory at Billings, Montana, previously owned by the Billings Sugar Company. In each of the foregoing instances the purchase price was paid in stock of this company at

par. Likewise the company purchased, in 1910, the beet sugar factory at Scottsbluff, Nebraska, previously owned by the Scottsbluff Sugar Company. None of the companies above referred to are now in existence."

Through a subsidiary company organized for the purpose and since dissolved, the Great Western constructed a factory at Lovell, Wyoming. The Gering, Nebraska, factory was constructed in 1915; the Brighton, Colorado, and Bayard, Nebraska, factories in 1916; and the Mitchell, Nebraska, plant in 1919. As has been mentioned previously, the Mountain States Beet Growers plant at Fort Lupton was purchased in 1925. In 1926 the company built beet sugar factories at Ovid, Colorado and Minatare, Nebraska. The Johnstown, Colorado, plant, also completed in 1926, has been in operation since October 28 of that year. It is the largest plant of its kind in the world, and is the only refinery operating throughout the year as an independent unit producing granulated sugar from beet molasses and from no other source. The company's factory at Lyman, Nebraska, was built in 1927 and began operations with the 1927 beet crop. This plant provides slicing capacity to serve the increased beet area in the North Platte Valley resulting from extensions of the railroad trackage and irrigated canals. The company's factory at Wheatland, Wyoming, was completed in season for the 1930 manufacturing campaign. This territory is about midway

between the company's Nebraska and Colorado districts.

### Subsidiary Companies

The company owns the entire outstanding capital stocks, except the directors' shares, of the following subsidiary companies:

The Great Western Railway, comprising 87 miles of main line and 27 miles of sidings of standard gauge railroad, operating from Longmont to Eaton, Colorado. This road is adequately equipped with rolling stock, does a general freight and passenger business and connects with the Colorado and Southern, Chicago, Burlington and Quincy and Union Pacific railroads.

The Ingleside Limestone Company, which owns or operates quarries in Colorado, Wyoming, and Montana for production of limestone used by the beet sugar factories for purification of juices.

The Imperial Land Company, which owns and operates farm properties and other real estate in Nebraska, the area owned amounting to about 2,200 acres.

The Cache la Poudre Company, a subsidiary. The Cache la Poudre Company on November 15, 1933, was organized under the laws of the State of Delaware with an authorized capital of \$7,200,000, represented by 360,000 shares of the par value of \$20 each.<sup>1</sup>

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<sup>1</sup> Statement by Great Western Sugar Company to stockholders.



On November 15, 1933, the directors authorized a plan and contract of reorganization between the Great Western Sugar Company and the Cache la Poudre Company pursuant to which the Cache la Poudre Company acquired from the Great Western Sugar Company certain assets in the form of United States government securities aggregating \$9,000,000, representing a part of the earned surplus of the Great Western Sugar Company, in consideration for which the Cache la Poudre Company issued to the Great Western Sugar Company the entire authorized capital stock of the Cache la Poudre Company fully paid and non-assessable.

Upon the delivery by the Great Western Sugar Company to the Cache la Poudre Company of the assets above mentioned and the issuance of the stock of the Cache la Poudre Company in exchange therefor, the stock of the Cache la Poudre Company was distributed to the common stockholders of the Great Western Sugar Company in the ratio of one-fifth share of capital stock of the Cache la Poudre Company for each share of outstanding common stock of the Great Western Sugar Company. This distribution was made to the common stockholders of the Great Western Sugar Company without the surrender by them of stock of the Great Western Sugar Company.

The Cache la Poudre Company under the plan of reorganization has a capital of \$7,200,000 and a paid in

surplus of approximately \$1,800,000 less a small reserve to cover organization expenses and taxes, and the 360,000 shares of its stock distributed to the common stockholders of the Great Western Sugar Company will have a value equal to the capital and surplus of the Cache la Poudre Company.

The Cache la Poudre Company was organized for the purpose, among others stated in its Certificate of Incorporation, of acquiring and dealing in stocks and securities of corporations engaged in the manufacture or distribution of sugar or its by-products and the stocks and securities of other corporations generally, also for the purpose of engaging in various lines of manufacture and other business activities. The broad charter provisions of the Cache la Poudre Company make possible a most comprehensive use of its capital, and permit of more diversified operations than those of the Great Western Sugar Company.

The distribution to the common stockholders of the Great Western Sugar Company represented a distribution of a portion of the earned surplus of this company in an amount equivalent to the value of the assets so transferred by the Great Western Sugar Company to the Cache la Poudre Company.

The financial organization of the subsidiary companies of the Great Western Sugar Company is shown in

Table 5.- Statement of Subsidiary Companies of the Great Western Sugar Company. 1/

	The Great Western Railway Company	The Ingleside Limestone Company	The Imperial Land Company	The Cemetery Lake Reservoir Company	The Cache la Poudre Company <u>2/</u>
Capital stock:					
Authorized -----	\$2,500,000	\$25,000	\$200,000	\$4,700	\$7,200,000
Issued -----	2,112,000	25,000	200,000	4,700	7,200,000
Par value of shares ----	\$100	\$100	\$100	\$100	\$20
State of incorporation -	Colorado	Colorado	Nebraska	Colorado	Delaware
Date of incorporation --	1901	1907	1917	1903	1933
Duration of charter ----	50 years	20 years	20 years	20 years	----

1/ Committee on Stock List, New York Stock Exchange, New York City. Jan. 17, 1923.

2/ Statement to stockholders, Great Western Sugar Company.

table 5. In each one the Great Western Sugar Company owns the entire capital stock outstanding except directors' qualifying shares.

Slicing Capacity of Factories.- The average daily slicing capacity (tons of beets) of each factory of the Great Western Sugar Company in 1933 was approximately as follows:

Table 6.- Slicing Capacity of Great Western Sugar Company Plants, 1933. 1/

Location of factory	Tons of beets per 24 hours	Location of factory	Tons of beets per 24 hours
Scottsbluff -----	2400	Windsor -----	1400
Gering -----	1400	Sterling -----	1300
Bayard -----	1600	Brush -----	1400
Mitchell -----	1600	Fort Morgan ---	1400
Minatare -----	1500	Brighton -----	1600
Lyman -----	1500	Fort Lupton ---	1000
Loveland -----	2700	Ovid -----	1600
Greeley -----	1300	Billings -----	2700
Eaton -----	1400	Lovell -----	1000
Fort Collins -----	2700	Wheatland -----	1300
Longmont -----	2700		

1/ Statistical Sugar Trade Journal. Willett and Gray.  
March 23, 1933. p. 273

The Great Western Sugar Company is the largest producer of beet sugar in the United States. With the present total of twenty-two beet sugar factories in four states and including railroad properties and limestone deposits, the company has a combined daily slicing capacity of 42,000 tons of beets and is capable of producing over 10,800,000 bags of sugar in a single season. For the past five years the output has annually averaged

9,725,579 bags.

Sugar Sales.- The number of hundred pound bags of sugar sold between October 1 and September 30 of each season from 1922 to 1933 is shown in table 7, as well as the detailed sales and marketing expenses, and the gross and net receipts per bag.

The company had approximately 8,600 employees during the manufacturing period and approximately 1,500 employees at other times in 1924.

Financial Organization of Great Western Sugar Company.- The company was organized under the laws of the State of New Jersey on January 12, 1905. Under its Articles of Incorporation its duration is unlimited. Its business in accordance with its charter consists of the manufacture, refining and sale of beet sugar and by-products.

The total authorized capital stock of the company, as originally authorized by its Articles of Incorporation, was \$20,000,000, divided into 100,000 shares of preferred stock of the par value of \$100 each, and 100,000 shares of common stock of the par value of \$100 each. Thereafter by an amendment to the Articles of Incorporation filed May 17, 1906, duly authorized by the stockholders of the company on March 28, 1906, the authorized capital stock of the company was increased from \$20,000,000 to \$30,000,000, consisting of 150,000 shares of preferred

Table 7.- Statement of Receipts from Sugar Sales and Cost of Marketing Sugar, Great Western Sugar Company, 1922-1933. 1/

Sales, Receipts and Cost Items	Oct. 1, 1922 to Sept. 30, 1923	Oct. 1, 1923 to Sept. 30, 1924	Oct. 1, 1924 to Sept. 30, 1925	Oct. 1, 1925 to Sept. 30, 1926	Oct. 1, 1926 to Sept. 30, 1927	Oct. 1, 1927 to Sept. 30, 1928
Total sales (bags)-----	5,002,800	5,140,444	6,779,856	4,636,581	6,908,265	3,514,969
Gross receipts from sugar sold (per bag)----	\$8.129	\$8.095	\$6.419	\$5.780	\$6.248	\$5.965
Sales and Marketing:						
Freight charges -----	.568	.569	.561	.535	.550	.622
Trade cash discounts---	.161	.161	.128	.115	.125	.119
Insurance (sugar only)---	.004	.004	.007	.004	.006	.011
Taxes (sugar only) -----	.048	.043	.030	.057	.031	.035
Storage -----	.003	.016	.037	.018	.037	.048
Loading and handling-----	.038	.028	.025	.039	.025	.035
Salaries (Sales Dept.)---	.006	.004	.005	.006	.004	.003
Telegraph and telephone--	.002	.002	.001	.002	.001	.001
Advertising-----	.001	.016	.014	.015	.012	.001
Travel expense -----	.001	.001	.002	.001	.001	.000
Brokerage and commission-	.044	.042	.049	.049	.050	.049
Miscellaneous -----	.001	.001	.001	.003	.003	.002
Total -----	.877	.887	.860	.844	.845	.926
Net receipts for sugar sold (per bag)-----	\$7.252	\$7.208	\$5.559	\$4.936	\$5.403	\$5.039

1/ Annual settlement statement to beet growers by Great Western Sugar Company.

Table 7.- (Continued)

Sales, Receipts and Cost Items	Oct. 1, 1928 to Sept. 30, 1929	Oct. 1, 1929 to Sept. 30, 1930	Oct. 1, 1930 to Sept. 30, 1931	Oct. 1, 1931 to Sept. 30, 1932	Oct. 1, 1932 to Sept. 30, 1933
Total sales (bags) -----	8,257,480	7,489,001	8,927,434	8,775,665	5,651,552
Gross receipts from sugar sold (per bag)-----	\$5.344	\$5.073	\$4.784	\$4.243	\$4.402
Sales and marketing:					
Freight charges -----	.564	.570	.621	.605	.510
Trade cash discounts-----	.107	.101	.095	.084	.038
Insurance (sugar only)-----	.008	.009	.007	.004	.005
Taxes (sugar only)-----	.044	.041	.033	.031	.032
Storage-----	.037	.052	.063	.049	.028
Loading and handling-----	.047	.066	.066	.066	.024
Salaries (Sales Dept.)-----	.003	.003	.003	.005	.008
Telegraph and telephone---	.001	.001	.001	.001	.001
Advertising-----	.000	.000	.000	.001	.001
Travel expense-----	.000	.001	.001	.002	.004
Brokerage and commission--	.049	.050	.050	.051	.051
Miscellaneous-----	.001	.001	.001	.002	.004
Total -----	.861	.895	.941	.901	.756
Net receipts for sugar sold (per bag)-----	\$4.483	\$4.178	\$3.843	\$3.347	\$3.646

stock of the par value of \$100 each, and 150,000 shares of common stock of the par value of \$100 each, all of which was duly issued, full paid and non-assessable, and was outstanding. By amendment filed October 16, 1922, duly authorized on the 21st day of September, 1922, by action of the stockholders of the company, the Articles of Incorporation of the company were further amended so as to change the number of shares and the par value of each share of the common stock of the company from 150,000 shares of the par value of \$100 each to 600,000 shares of the par value of \$25 each, common stockholders being entitled to four shares of the common stock of the par of \$25 in exchange for one share of the common stock of the par value of \$100.

On July 8, 1927 stockholders authorized the change of 600,000 shares of \$25 par value common stock to 1,800,000 shares of no par value. The new stock was issued in exchange for old stock beginning July 28, 1927 in ratio of three shares of new for each one share of old common stock outstanding. This change did not affect the status of the preferred stock as regards voting rights, dividends, or the distribution of assets in event of liquidation.

The preferred stock of the company is cumulative and has preference with respect to dividends to the full amount of seven per cent per annum upon the preferred



stock before any dividends can be declared or paid upon the common stock of the company and is limited to dividends at that rate, payable quarterly, January 2, April 2, July 2 and October 2. In case of liquidation or distribution of the assets of the company the holders of preferred stock shall be paid the par amount of their preferred shares before any amount shall be payable to the holders of the common stock; and after the payment of the par amount of the common stock to the holders thereof, the remainder of the assets and funds shall be distributed ratably among all of the shareholders of the Corporation on the basis of the par value of all such preferred and common stock without preference. The preferred stock is not subject to redemption and is not convertible. The holders of the preferred stock are entitled to one vote for each share of such preferred stock, and the holders of the common stock to one-fourth of one vote for each share of such common stock.

The dates, amounts, kind and purpose of issue of the stock of the company are shown in table 8.

Table 6.- Original Cost of Great Western Sugar Company Property. 1/

Date	Purpose of Issue	Preferred Stock	Common Stock
March, 1905	For property in connection with the acquisition of factories and other assets of Eaton, Greeley, Windsor, Fort Collins - Colorado; Great Western and Longmont Sugar companies including corporators' shares.	\$ 7,421,000	\$ 6,921,000
December, 1905	For property (factory and other assets of Sterling Sugar Company).	973,000	973,000
January, 1906	For cash at par. Used for additional working capital.	1,000,000	-----
December, 1906	For property (Fort Morgan, Brush, Billings properties).	2,650,000	2,650,000
April, 1908	For property (Great Western Railway Company and Northern Construction Company).	1,086,000	-----
July, 1910	For cash at par. Used for additional working capital.	500,000	-----
December, 1916	Stock dividend capitalizing surplus to par amount indicated.	-----	4,428,400
December, 1916	For cash at par, plus a premium. Used for additional working capital.	-----	27,500
June-July, 1922	For cash at par. Used for additional working capital.	1,370,000	-----
		\$15,000,000	\$15,000,000

(The only one of the predecessor or subsidiary companies referred to in the above tabulation now existing is the Great Western Railway Company)

1/ Committee on Stock List, New York Stock Exchange, New York City. Jan. 17, 1923.

According to a sworn statement of the Sugar Company to the Secretary of the State of Colorado, made Feb. 27, 1931, the capital stock of the corporation was paid in as follows:

Table 9.- Payment of Capitalization of the Great Western Sugar Company. 1/

Stock	Amount in cash	Amount by purchase of property	Amount otherwise	Total
Common	\$ 28,520	\$ 8,973,000	\$5,998,480	\$15,000,000
Preferred	3,441,000	11,559,000	-----	15,000,000

1/ Annual Report of Great Western Sugar Company to Secretary of State of Colorado, Feb. 27, 1931.

The original capital invested in the Great Western Sugar Company, according to this statement, amounted to \$3,469,520 in cash and \$20,532,000 in property, or a total of \$24,001,520.

Dividends.- Common dividends began in January, 1910, at the rate of 5 percent annually, which were paid up to April, 1916. From July, 1916, to July 2, 1921, regular dividends at 7 percent annual rate were paid, and in addition a stock dividend of 42 percent in December, 1916, with extra cash dividends of 10 percent each quarter from May 10, 1917, to January 2, 1921 inclusive. A special Red Cross dividend of 1 percent was paid July 16, 1917. An extra 2.5 percent cash dividend was paid April 2, 1921. After July 2, 1921, no dividends were paid on common stock until January 2, 1923, when initial divi-

dends of \$1 was paid on the new \$25 par value stock. Dividends of \$1 per share, quarterly, were paid to January 2, 1924 inclusive, and \$2 quarterly from April 2, 1924 to July 2, 1927 inclusive. An initial dividend of 70 cents per share was paid on the new no par common stock October 2, 1927 and continued 70 cents per share quarterly to April 2, 1930 inclusive; 35 cents quarterly July 2 and October 2, 1930; none thereafter until declaration of 60 cents quarterly, payable October 2, 1933, making<sup>the</sup> annual rate \$2.40 a share.<sup>1</sup>

On the common stock, an initial dividend of 1.25 percent was paid in 1910, and 5 percent per annum was paid thereafter to April 3, 1916. In July, 1916, the dividend upon the common stock was increased to 7 percent per annum. In December, 1916, a stock dividend of 42 percent was paid upon the common stock in common stock, and dividends at the rate of 7 percent per annum were paid on the enlarged amount of stock to April 2, 1917. Dividends since April 2, 1917 have been as follows:

	<u>Percent</u>
Balance year 1917 -----	34.5
1918-1920 -----	47
1921 -----	17.75
1922 -----	none

An owner of one share of original stock of Great Western Sugar Company would now own twelve shares of no

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<sup>1</sup> Manual of Sugar Companies, 1933. Farr and Company, New York. p. 30.

par stock because of the stock dividends. The original 150,000 shares of stock have been split up until there are 1,800,000 shares at the present time. The company has no funded debt. So the stock which has sold on the New York Stock Exchange this year as high as \$41 per share has paid in capital behind it equal to \$8.33 per share.

The company has paid regular quarterly dividends upon the preferred stock at the rate of 7 percent per annum from date of incorporation to date.

Present Value of Original Common Stock.- The present market value of the twelve shares of common stock now outstanding as a result of splitting one original share in the company is now \$279. The dividends paid on each share of the original common so far total \$528.81, or an average of \$18.23 per share for each of the twenty-nine years.

Great Western a Financial Success.- "The Great Western Sugar Company produces about 30 percent of the total amount of beet sugar of the United States. An examination of the published balance sheets and income accounts of the larger companies shows that the Great Western alone has been signally successful in the industry." <sup>1</sup> Table 11 shows the number of 100 pound bags of sugar produced, the net income, the earnings on stock

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<sup>1</sup> Report for the Committee on Labor Conditions in the Growing of Sugar Beets. W. Lewis Abbott, 1934, p. 24.

Table 10.- Dividends paid Stockholders of Great Western Sugar Company and Percent of Original Capitalization, 1905-1934. 1/

Year	Preferred	Common	Percent Paid on Capital Stock per Year <u>2/</u>	
			Preferred	Common
1905	\$ 510,720.00	\$ -----	7.0	---
1906	623,052.50	-----	7.0	---
1907	843,080.00	-----	7.0	---
1908	881,090.00	-----	7.0	---
1909	919,100.00	-----	7.0	---
1910	927,850.00	527,200.00	7.0	3.5
1911	954,100.00	527,200.00	7.0	3.5
1912	954,100.00	527,200.00	7.0	3.5
1913	954,100.00	527,200.00	7.0	3.5
1914	954,100.00	527,200.00	7.0	3.5
1915	954,100.00	527,200.00	7.0	3.5
1916	954,100.00	632,640.00	7.0	4.2
1917	954,100.00	5,699,907.75	7.0	38.0
1918	954,100.00	7,049,953.00	7.0	47.0
1919	954,100.00	7,049,976.50	7.0	47.0
1920	954,100.00	7,050,000.00	7.0	47.0
1921	954,100.00	2,602,500.00	7.0	17.0
1922	978,075.00	-----	7.0	---
1923	1,050,000.00	2,400,000.00	7.0	16.0
1924	1,050,000.00	4,200,000.00	7.0	28.0
1925	1,050,000.00	4,800,000.00	7.0	32.0
1926	1,050,000.00	4,800,000.00	7.0	32.0
1927	1,050,000.00	5,860,000.00	7.0	39.0
1928	1,050,000.00	5,040,000.00	7.0	33.6
1929	1,050,000.00	5,040,000.00	7.0	33.6
1930	1,050,000.00	3,780,000.00	7.0	25.2
1931	1,050,000.00	-----	7.0	---
1932	1,050,000.00	-----	7.0	---
1933	1,050,000.00	11,158,894.18 <u>3/</u>	7.0	74.4
Total	\$27,728,067.50	\$79,327,071.43	134.85	528.85

1/ Committee on Stock List, New York Stock Exchange, for data 1905 to 1923; data for 1923 through 1933 compiled from annual reports.

Footnotes continued next page.

footnotes for table 10.

- 2/ The original capital stock of \$30,000,000 does not represent the actual cash investment but only stock issued in payment for properties according to Mr. Petrikin, president of the Great Western, in hearings before a sub-committee of the Committee on Lobby Investigations before the Judiciary United States Senate, 71st Congress, 2nd Session, Part 4. The cash investment amounted to \$3,469,520 and property \$20,532,000 or a total of \$24,001,520.
- 3/ Includes stock dividend of \$8,998,894.13 in Cache la Poudre stock.

Table 11.- Production of Sugar, Earnings and Dividends Paid by the Great Western Sugar Company, 1923 to 1934. <sup>1/</sup>

Year ending February 28	Production 100-pound Bags	Net Income	Earned on Stock		Dividends Paid	
			Preferred	Common	Preferred	Common <sup>3/</sup>
1923	5,003,496	\$ 6,879,113	\$45.86	\$ 9.71	\$ 7.00	\$ 1.00
1924	5,918,381	12,004,303	80.03	18.25	7.00	4.00
1925	8,556,885	10,577,273	70.52	15.88	7.00	8.00
1926	5,947,345	6,424,142	42.83	8.96	7.00	8.00
1927	9,333,235	3,365,713	22.44	3.86	7.00	8.00
1928	10,517,370	3,530,568	23.54	1.38	7.00	5.40
1929	10,080,363	7,785,700	51.90	3.74	7.00	2.80
1930	9,192,863	5,810,268	38.74	2.64	7.00	2.80
1931	10,805,856	489,418 <sup>2/</sup>	---	---	7.00	1.40
1932	10,305,154	1,016,623 <sup>2/</sup>	---	---	7.00	---
1933	8,243,659	2,562,477	17.08	0.84	7.00	.60
1934	10,698,681	6,414,063	---	2.98	7.00	2.40

<sup>1/</sup> Manual of Sugar Companies. Farr and Company, New York. 1933, p. 29; 1930, p. 36, and annual reports of Great Western Sugar Company.

<sup>2/</sup> Deficit.

<sup>3/</sup> Based on 1,800,000 shares outstanding in 1928 to 1933 inclusive; 600,000 shares previous to 1927.



and dividends paid by the Great Western in the twelve year period 1923-1934 inclusive.

Assets Have Increased.- In spite of the fact that Great Western Sugar Company has paid out in dividends four or five times the original investment in the company, the assets have increased from less than 15 million dollars in 1905 to 78 million dollars in 1933.

Table 12 shows the increase in assets by years taken from the condensed balance sheets of the company; including plants, railroads, real estate, cash, notes and accounts receivable, supplies, etc.

Table 12.- Assets of Great Western Sugar Company, 1922 to 1934. 1/

Year	Total Assets	Year	Total Assets
1922	\$62,230,263.21	1929	\$77,810,889.79
1923	60,962,048.96	1930	82,556,220.13
1924	76,063,434.57	1931	88,536,372.42
1925	80,475,078.97	1932	75,715,851.94
1926	75,689,564.32	1933	78,173,013.53
1927	84,898,923.32	1934	75,358,929.50
1928	94,314,283.00		

1/ Annual reports, Great Western Sugar Company.

The 5 percent depreciation allowance on factories and equipment which is annually marked off by the company has already been deducted. The original capitalization was 30 million dollars.

It has been the policy of the company to write off 5 percent annually for depreciation on its plants, with the exception of two years when the rate was reduced to

2.5 percent, and one year when no depreciation was taken.

In 1933 the method of calculating depreciation was changed. The charge for depreciation covering the twenty-two plants operated by the company was computed on a "unit of output" basis rather than as a percentage of plant valuations as in preceding years. This method, it is thought, will correctly reflect the actual depreciation involved in operating periods of varying duration. For 1933 the charge was somewhat less than would have been made under the former practice but is believed to be ample according to President Lippitt. Depreciation charges covering other properties were made on the same bases as heretofore.

Value of Corporation as Indicated by the Price of its Capital Stock.- On February 28, 1934, the end of the company's fiscal year, the closing price of the common stock listed on the New York Stock Exchange was \$28.25 per share, and that of the preferred stock was \$106.50 per share. The one million eight hundred thousand shares of common stock on that date were thus worth \$56,850,000; and the one hundred fifty thousand share of preferred stock were worth \$15,975,000, making a total of \$72,825,000 market value for the stock of the company.

Consolidated Balance Sheet of the Great Western Sugar Company.- The consolidated balance sheets of the Great Western Sugar Company for thirteen years from 1922

to 1934 inclusive is shown in table 13. By this comparison the manner in which the various asset and liability items fluctuate is seen. The depreciation reserve has been built up until it now totals over 17 million dollars, nearly 60 percent of the original capitalization. The net income is also shown for each year in the table in order to provide a further basis for comparison.

The company has built up a heavy depreciation reserve through annual depreciation charges of 5 percent per year. These <sup>are</sup> write-offs against earnings for the wear and tear on equipment and plants. Depreciation charges come directly out of earnings and the higher they are the lower are apparent profits.

If the depreciation charges are increased, then the income is reduced by that amount and the true income is not shown. For this reason the method or amount of charge-off for depreciation is important.

The theory of depreciation charges is that they accurately write off in yearly installments the value of a plant, equipment, etc., to the day of their relegation to the scrap heap.

The company has had a very liberal policy on maintenance of its equipment and plants. The plants are in better condition today than they were years ago.

Strong Surplus Maintained.-- Table 14 shows separately an analysis of the surplus account which is included

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in the previous table among the liabilities. This item, charged to liabilities, is built up from profits of operation and has varied from 19 to 39 million dollars since 1922. Nine million dollars were taken from surplus in 1933 and credited to the Cache la Poudre Corporation, but the account was decreased less than 6 million dollars between fiscal years ending in 1933 and 1934. A six million dollar profit was also shown for this fiscal year.

Income Statement.- The consolidated income statements of the Great Western Sugar Company and its subsidiaries for the period 1923 to 1934 is shown in table 15. We have previously noted that the reserve for depreciation of plants and railroad has been built up directly out of cash profits, and table 13 shows that the largest charge for this purpose was made in 1931, the first time since 1922 that the company had reported a net loss. Indeed, the depreciation charge in 1931 exceeds the total loss for 1931 and 1932.

Income of Great Western Sugar Company Calculated from Federal Income Tax Payments.- A rough check on the true net income of the Great Western Sugar Company can be obtained from the Federal Income tax payments of the company. See table 16.

The income of the Great Western Sugar Company based on federal corporation income tax figures was larger in every year except 1926 and 1933 than the income reported

Table 13.- Consolidated Balance Sheets of Great Western Sugar Company, 1922 to 1934. <sup>1/</sup> (Year ending February 28)

ASSETS	1922	1923	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933	1934
Plants, railroad, real estate, equipment	\$28,178,872.47	\$28,895,144.53	\$29,088,910.72	\$29,513,227.67	\$32,766,889.69	\$39,347,796.83	\$40,756,959.00	\$41,102,140.27	\$41,872,385.19	\$43,964,663.97	\$43,045,928.20	\$43,058,697.06	\$43,331,779.45
Cash on hand and in banks -----	5,751,334.67	6,140,809.19	12,283,698.31	6,279,867.48	11,348,504.00	3,831,620.52	5,796,220.00	5,275,758.12	4,158,605.05	4,513,885.06	4,464,564.34	15,240,660.11	4,444,919.47
Notes receivable -----	410,732.10					93,676.13	120,301.00	97,585.11	95,751.14	83,998.13	97,754.01	82,733.80	89,123.45
Accounts receivable -----	3,093,333.20	3,386,224.32	2,447,416.00	2,586,608.25	1,092,045.07	2,311,947.00	3,222,215.00	2,863,807.97	2,005,001.92	1,569,049.15	2,153,497.64	1,560,674.32	3,817,528.16
Refined sugar and by-products on hand---	19,197,538.74	14,276,338.51	19,654,166.52	26,592,796.37	17,901,755.15	34,077,286.94	38,958,519.00	23,989,125.69	28,692,518.63	34,877,575.35	21,766,480.21	15,003,041.88	19,687,932.70
Beet seed and supplies on hand -----	4,408,119.62	4,053,209.56	4,250,631.08	4,080,750.69	3,641,941.04	3,718,479.30	3,469,440.00	3,553,355.46	4,360,964.57	3,034,175.12	3,189,995.84	2,770,188.15	2,740,801.56
Loans to and from subsidiary companies--	244,806.17												
Advances and other suspense items -----	26,836.79												
Marketable stocks and bonds -----	335,080.00	754,680.00	791,527.28	756,628.02	338,949.84	340,105.56	5,750.00	4,000.00	4,000.00	4,000.00	4,000.00		
U. S. Treasury Notes and Certificates---		3,000,000.00	6,895,000.00	9,675,000.00	7,952,968.75								79,864.80
Prepaid expenses and other expense items	583,609.45	455,642.85	652,084.66	990,200.49	646,510.78	1,178,011.04	1,964,876.00	925,117.17	1,366,993.63	1,489,025.64	993,631.70	457,018.21	1,166,979.91
Total Assets -----	62,230,263.21	60,962,048.96	76,063,434.57	80,475,078.97	75,689,564.32	84,898,923.32	94,314,283.00	77,810,889.79	82,556,220.13	88,536,372.42	75,715,851.94	78,173,013.53	75,358,929.50
<u>LIABILITIES</u>													
Capital stock -----	\$28,630,000.00	\$30,000,000.00	\$30,000,000.00	\$30,000,000.00	\$30,000,000.00	\$30,000,000.00	\$30,000,000.00	\$30,000,000.00	\$30,000,000.00	\$30,000,000.00	\$30,000,000.00	\$30,000,000.00	\$30,000,000.00
Accounts, payroll and taxes payable ----	994,823.59	764,907.64	716,496.78	900,568.14	957,362.89	1,074,173.09	993,067.00	1,053,893.35	1,065,395.02	1,102,555.03	1,169,629.25	823,303.67	93,678.46
Unclaimed dividends -----										2,255.60	2,489.05	2,409.60	2,401.20
Reserve for deferred manufacturing cost--		3,000,000.00	7,393,320.11	6,095,238.00				400,000.00	100,000.00		500,000.00		123,149.92
Reserve for depreciation -----		2,051,518.03	3,014,782.43	3,880,874.32	4,951,362.05	6,557,450.59	8,011,187.00	9,519,764.81	11,182,227.58	12,897,388.85	14,676,184.17	15,947,479.38	17,601,396.98
Surplus -----	19,520,439.62	25,145,623.29	33,699,927.03	38,427,200.68	39,001,342.77	36,517,056.04	34,077,623.00	35,773,323.67	35,493,591.20	31,434,172.94	29,367,549.47	30,880,026.10	25,085,195.29
Accrued Federal income taxes -----			1,238,908.22	1,171,197.83	779,496.61	499,372.63	532,404.00	1,063,907.96	715,006.33			235,694.78	1,071,697.65
Notes payable -----	13,085,000.00					10,250,870.97	20,700,000.00		4,000,000.00	13,100,000.00			
Contingent beet payment reserve -----												284,100.00	538,300.00
Total Liabilities -----	62,230,263.21	60,962,048.96	76,063,434.57	80,475,078.97	75,689,564.32	84,898,923.32	94,314,283.00	77,810,889.79	82,556,220.13	88,536,372.42	75,715,851.94	78,173,013.53	75,358,929.50
Net Income -----	8,363,418.13 <sup>2/</sup>	6,879,113.79	12,004,303.74	10,577,273.65	6,424,142.09	3,365,713.27	3,530,567.00	7,785,699.88	5,810,267.53	489,418.26 <sup>2/</sup>	1,016,623.47 <sup>2/</sup>	2,562,476.63	6,414,063.37

<sup>1/</sup> Consolidated Balance Sheets, Great Western Sugar Company, 1922-1934.<sup>2/</sup> Net loss.

Table 14.-- Analysis of Surplus Account, Great Western Sugar Company, 1922-1934. 1/ (Year ending February 28)

	1922	1923	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933	1934
1. Surplus at end of previous fiscal year -----	\$29,737,957.75 <sup>4/</sup>	\$19,868,559.50	\$25,145,623.23	\$33,699,927.03	\$38,427,200.68	\$39,001,342.77	\$36,517,056.04	\$34,077,623.79	\$35,773,323.67	\$35,493,591.20	\$31,434,172.94	\$29,367,549.47	\$21,881,131.92 <sup>3/</sup>
2. Plus or minus net income or loss for fiscal year (Feb. 28) -----	<u>8,363,418.13</u>	<u>6,879,113.79</u>	<u>12,004,303.74</u>	<u>10,577,273.65</u>	<u>6,424,142.09</u>	<u>3,365,713.27</u>	<u>3,530,567.75</u>	<u>7,785,699.88</u>	<u>5,810,267.53</u>	<u>489,418.26<sup>2/</sup></u>	<u>1,016,623.47<sup>2/</sup></u>	<u>2,562,476.63</u>	<u>6,414,063.37</u>
	21,374,539.62	26,747,673.29	37,149,927.03	44,277,200.68	44,851,342.77	42,367,056.04	40,047,623.79	41,863,323.67	41,583,591.20	35,004,172.94	30,417,549.47	31,930,026.10	28,295,195.29
3. Less dividends paid during year--	1,854,100.00	1,602,050.00	3,450,000.00	5,850,000.00	5,850,000.00	5,850,000.00	5,970,000.00	6,090,000.00	6,090,000.00	3,570,000.00	1,050,000.00	1,050,000.00	3,210,000.00
Surplus end of fiscal year--	\$19,520,439.62	\$25,145,623.29	\$33,699,927.03	\$38,427,200.68	\$39,001,342.77	\$36,517,056.04	\$34,077,623.79	\$35,773,323.67	\$35,493,591.20	\$31,434,172.94	\$29,367,549.47	\$30,880,026.10	\$25,085,195.29

1/ Consolidated balance sheets, Great Western Sugar Company.

2/ Net loss.

3/ To this should be added \$8,998,894.18 surplus transferred to the Cache la Poudre Company, making a figure comparable to former years of \$30,880,026.10

4/ Includes \$5,000,000 special depreciation reserve restored to surplus.

Table 15.- Consolidated Income Statement, Great Western Sugar Company, 1923-1934. <sup>1/</sup> (Fiscal year ends February 26)

	1923	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933	1934
1. Profits from side operations -----	\$	\$	\$ 13,559.34	\$ 48,228.38	\$ 11,329.00	\$ 81,671.00	\$	\$	\$	\$	\$	\$
2. Profits from operation -----	8,056,091.72	13,760,579.24	11,600,559.67	7,735,878.42	5,211,353.07	5,816,466.00	10,548,000.47	8,031,427.24	1,311,704.64	822,288.77	3,952,778.28	9,110,895.05
3. Interest, income, deposits, loans -----	247,508.36	211,369.22	278,738.02	314,269.66	273,049.98	135,718.00	199,876.77	285,741.21	184,579.17	97,863.25	151,077.20	85,316.81
4. Income from investments -----	<u>146,273.11</u>	<u>450,733.38</u>	<u>527,895.56</u>	<u>454,057.65</u>	<u>191,170.84</u>	<u>58,131.00</u>		<u>912.00</u>			<u>15,942.08</u>	
Gross income -----	8,449,873.19	14,422,681.84	12,420,752.59	8,552,434.11	5,686,902.89	6,091,987.00	10,747,877.24	8,318,080.45	1,496,283.81	920,152.02	4,119,797.56	9,196,211.86
Less Deductions:												
5. Loss on side operations -----	48,125.33	1,161.95										
6. Adjustment of construction in suspense-	252,755.75											
7. Interest on money borrowed -----	93,113.15				149,227.27	337,156.00	190,500.80	77,629.99	164,767.75	119,537.81		4,718.95
8. Depreciation of plants and railroads---	1,176,765.17	1,202,519.79	1,224,511.38	1,288,343.05	1,672,859.72	1,691,682.00	1,706,776.54	1,714,810.15	1,788,627.60	806,766.61	1,321,351.38	1,717,761.84
9. Federal income taxes -----		<u>1,214,696.36</u>	<u>618,967.56</u>	<u>839,948.97</u>	<u>499,102.63</u>	<u>532,581.00</u>	<u>1,064,900.02</u>	<u>715,372.78</u>	<u>32,306.72</u>	<u>10,471.07</u>	<u>235,969.55</u>	<u>1,059,667.70</u>
Total deductions -----	1,570,759.40	2,418,378.10	1,843,478.94	2,128,292.02	2,321,189.62	2,561,420.00	2,962,177.36	2,507,812.92	1,985,702.07	1,936,775.49	1,557,320.93	2,782,148.49
Net Income -----	\$6,879,113.79	\$12,004,303.74	\$10,577,273.65	\$6,424,142.09	\$3,365,713.27	\$3,530,567.00	\$ 7,785,699.88	\$5,810,267.53	\$ 489,418.26 <sup>2/</sup>	\$1,016,623.47 <sup>2/</sup>	\$2,562,476.63	\$6,414,063.37

<sup>1/</sup> Consolidated Income Statements, Great Western Sugar Company, 1923-1934.<sup>2/</sup> Net loss.

in the company's annual statement. Income from tax exempt securities owned by the company would be in addition to the taxable income.

We have been unable to determine the reason for the income in 1926 and 1933 reported in the annual report being greater than that reported to the government. Published reports of the company are not detailed enough to give such information.

Table 16.- Income Indicated by Federal Income Tax Payments, Great Western Sugar Company, 1926 to 1934. 1/

Year	Federal Income Tax Paid	Corpor- ation Income Tax Rate (percent)	Income Indicated by Federal Income Tax Payments	Income Reported by Company to Stock- holders
1926	\$ 839,948.97	13.5	\$5,221,844.20	\$6,424,142.09 <sup>2/</sup>
1927	499,102.63	13.5	3,697,056.50	3,365,713.27
1928	532,581.00	12	4,438,175.00	3,530,567.00
1929	1,064,900.02	11	9,680,909.00	7,785,699.88
1930	715,372.78	12	5,691,439.80	5,810,267.53
1931	32,306.72	12	269,222.66	-489,418.26
1932	10,471.07	12	87,258.91	-1,016,623.47
1933	235,969.55	13.75	1,716,142.10	2,562,476.63 <sup>2/</sup>
1934	1,059,667.70	13.75	7,706,674.00	6,414,063.37

1/ Compiled from annual reports of Great Western Sugar Company to stockholders.

2/ Income reported in annual statement more than income reported to Federal government.



## HOLLY SUGAR CORPORATION

On April 4, 1916, the Holly Sugar Corporation was incorporated under the laws of New York to acquire the stock of the Holly Sugar Company which was incorporated in Colorado in 1905. Sixty-nine percent of the stock of the Santa Ana Sugar Company, of Santa Ana, California, was acquired in 1917. The company subsequently purchased in 1920, a substantial interest in the Alameda Sugar Company of California; in 1922, a substantial interest was purchased in the Grand Junction Sugar Company, of Grand Junction, Colorado; and, in 1923, the plant and property of the Anaheim Sugar Company of California was purchased. This factory was dismantled and the machinery moved to a new factory at Sidney, Montana which was erected by the Midland Sugar Company, and controlled by the Southern California Sugar Company, a subsidiary. In 1926 the two beet sugar factories of the Alameda Sugar Company at Alvarado and Tracy, California were purchased by the Holly Sugar Corporation; and, in 1928, they acquired the entire assets of the Wyoming Sugar Company.

In addition to its sugar properties, the company owns 50 percent of the capital stock of the Holly Oil Company, a subsidiary formed to develop oil lands formerly belonging to the Holly Sugar Corporation. It is a producing concern with valuable holdings in the Huntington Beach district, California. Various limestone quar-

ries, especially in Colorado, are owned or operated by the company to produce the limestone used in manufacturing the sugar.

Table 17 shows the total assets by years (ending on March 31) taken from the condensed balance sheets of the company, including cash, notes and accounts receivable, sugar, real estate, equipment and supplies.

Table 17.- Assets of the Holly Sugar Corporation, 1930 to 1933. 1/

Year	Total Assets
1930 -----	\$30,928,242.95
1931 -----	31,582,838.21
1932 -----	19,694,116.24
1933 -----	19,140,588.13

1/ Condensed balance sheets, Holly Sugar Corporation, 1930 to 1933. .

The Holly Sugar Corporation now owns and operates ten sugar factories located at Swink, Grand Junction, and Delta, Colorado; Sheridan, Torrington, and Worland, Wyoming; Santa Ana, Alvarado, and Tracy, California; and Sidney, Montana. The plants have a combined slicing capacity exceeding 12,800 tons of beets daily and are capable of producing over 3,400,000 bags of sugar in a single season. During the past five years the company's total production has annually averaged 2,939,809 bags.

The company refinanced in 1928, and the properties of the various subsidiaries were merged with the parent company. Through issuance of first mortgage 6 percent

bonds, due 1943, the company retired its own previous bonds, due 1937, and all outstanding bonds of its several subsidiaries. A twenty million dollar bond issue was authorized, of which \$5,300,000 is outstanding, the rest having been retired by the sinking fund. In 1930 it was necessary to issue more bonds; \$740,000 of the authorized \$850,000 issue being outstanding.

Table 18.- Slicing Capacity of the Holly Sugar Company Factories, 1933. 1/

Location of Factory	Tons of Beets per 24 hours
Swink -----	2,000
Grand Junction -----	1,000
Delta -----	1,000
Sheridan -----	1,200
Torrington -----	2,200
Worland -----	2,000
Tracy -----	2,000
Santa Ana -----	1,250

1/ Sugar Statistical Trade Journal, Willett and Gray. March 23, 1933, p. 273.

A total of 530,000 shares of 7 percent cumulative \$100 par stock was originally issued, by which 212,000 shares have been retired at \$115 by the sinking fund. There are also 100,000 shares of no par common stock outstanding. Until the preferred stock has been redeemed, no dividend in excess of \$10 per share can be paid in any calendar year on the common stock.

Table 19 shows production, earnings, and dividends paid by the Holly Sugar Corporation from 1923 to 1933 inclusive.

Table 19.- Production, Earnings and Dividends Paid by the Holly Sugar Company, 1923 to 1933. 1/

Year ending March 31	Production 100-lb. bags	Net Income	Earned on Stock <u>4/</u>		Dividends Paid	
			Preferred	Common	Preferred	Common
1923	618,356	\$ 50,710	\$ 1.53	\$ ----	\$ ----	\$ ----
1924	1,046,217	972,270	29.46	11.01	1.75	----
1925	1,417,585	841,021	25.46	9.06	14.00	----
1926	1,333,138	300,110 <u>2/</u>	-----	-----	14.00 <u>3/</u>	----
1927	1,509,825	408,773	12.39	2.64	7.00	----
1928	1,838,601	724,948	21.97	4.94	7.00	----
1929	2,437,950	227,738	7.16	0.05	10.50	----
1930	2,546,162	186,505	5.86	----	7.00	----
1931	3,095,633	1,345,558 <u>2/</u>	-----	----	3.50	----
1932	3,209,281	995,371 <u>2/</u>	-----	----	----	----
1933	3,410,018	18,744 <u>2/</u>	-----	----	----	----

1/ Manual of Sugar Companies. Farr and Company, New York. 1933, p. 34; 1931, p. 41.

2/ Net loss.

3/ Includes deferred dividends.

4/ Based on stock outstanding at end of year.

The consolidated balance sheets of the company for the last four years are shown in table 20. It is noticed that during the fiscal year 1931-1932 the real estate, machinery, and equipment item was decreased by seven and one-half million dollars, which is largely responsible for the drop in total assets. Unsecured notes payable have been greatly reduced during this period, though notes which are secured have been increased about \$1,200,000. The common stock and surplus liabilities have been cut approximately in half.

Table 20.- Consolidated Balance Sheets of Holly Sugar Corporation, 1930-1933. <sup>1/</sup>

ASSETS	1930	1931	1932	1933
Cash -----	\$ 510,444.34	\$ 669,206.02	\$ 277,453.77	\$ 638,195.06
Cash with Trustee -----	188,700.00		6,641.86	20,082.42
Accounts Receivable -----	639,949.33	655,633.35	668,615.65	992,303.49
Notes Receivable -----	487,125.76	530,843.23		
Sugar and By-Products -----	7,654,289.27	8,693,108.30	6,207,852.64	5,351,276.57
Supplies -----	1,019,183.33	749,639.43	539,779.04	463,927.52
Livestock and Feed -----	994,313.01	816,985.24	476,297.47	547,234.20
Agricultural Expenditures -----		136,172.97	97,409.73	173,481.67
Prepaid Expenses -----	232,770.89		219,605.09	266,235.59
Special Deposits -----		5,600.00	5,838.60	815.00
Preferred Stock Sinking Fund--	100.00			
Unamortized Bond Discount ----			304,746.88	477,213.07
Investments -----	860,818.32	763,152.90	274,815.32	255,058.24
Real Estate, Machinery, Equip- ment -----	17,651,513.19	17,917,406.41	10,415,060.19	9,917,208.14
Deferred Charges and Other Assets -----	689,835.51	645,090.36		3,755.16
Total	\$30,928,242.95	\$31,582,838.21	\$19,694,116.24	\$19,140,588.13

<sup>1/</sup>Manual of Sugar Companies, 1933. Farr and Company, New York.

Table 20.- (Continued)

LIABILITIES	1930	1931	1932	1933
Notes Payable, unsecured ----	\$ 3,623,000.00	\$ 3,055,000.00	\$ 338,342.74	\$ 50,965.00
Notes Payable, secured -----	4,124,000.00	5,832,000.00	5,579,621.33	5,368,100.00
Accounts Payable -----	144,103.47	261,408.79	441,463.72	283,886.03
Accrued Taxes -----	117,581.01	120,842.84	163,617.40	110,236.81
Additional Payment, reserve --				111,400.00
Long Term Notes -----		660,000.00	600,000.00	
Interest Payable -----	188,700.00			
First Mortgages 6s, 1943 ----	6,065,000.00	5,825,000.00	5,570,000.00	6,040,000.00
Advances from Affiliated Companies -----				115,557.58
Depreciation Reserve -----	6,994,283.16	7,487,422.05		
Insurance Reserve -----	165,486.34	185,768.82	205,422.39	230,086.38
Other Reserves -----	136,885.65	190,004.81		
Minority Interest -----	185,881.34	195,252.08	196,867.44	200,296.76
Preferred Stock -----	3,180,000.00	3,180,000.00	3,180,000.00	3,180,000.00
Common Stock and Surplus ----	<u>6,003,321.98</u>	<u>4,590,138.82</u>	<u>3,418,781.22</u>	<u>3,450,059.57</u>
Total	\$30,928,242.95	\$31,582,838.21	\$19,694,116.24	\$19,140,588.13
Net Income	\$186,505.00	\$1,345,558.00 <u>2/</u>	\$995,371.00 <u>2/</u>	\$18,744.00 <u>2/</u>
<u>2/</u> Net loss.				

## AMERICAN BEET SUGAR COMPANY

The American Beet Sugar Company, incorporated in New Jersey in 1899, is one of the oldest and one of the largest manufacturers of beet sugar in the United States.

In 1925 the company acquired all properties, assets and business (except corporate franchise) of the Minnesota Sugar Company and the Northern Sugar Corporation. This included the factory of Minnesota Sugar Company then in the course of construction at East Grand Forks, Minnesota. To facilitate completion of this plant a new subsidiary, the Minnesota Sugar Corporation, was organized and the cost of building the plant was financed chiefly from the sale of Minnesota Sugar Corporation's First Mortgage Serial 6 percent bonds. The factory is leased to American Beet Sugar Company to May 1, 1942, at a rental sufficient to meet all interest payments and maturing principal of the bond issue.

In September, 1928, the company purchased (through issuance of additional common stock) a beet sugar factory fully equipped at Belmond, Iowa; and in January, 1929, also acquired the beet sugar plant formerly owned by the Chippewa Sugar Company at Chippewa Falls, Wisconsin.

Since 1929 the company has acquired 99 percent of the outstanding common stock of the Amalgamated Sugar Company, partly by purchase and in greater part through the exchange of common stock on the basis of one share



of American Beet Sugar Company common stock for each eight shares of Amalgamated Sugar Company common stock. It was thought that this merger would result in further reduction of costs through eliminating the duplication of general office, factory, and field supervision, and would reduce the climatic hazard by a wider territorial distribution of operations.

As of March 31, 1933, the company's holdings were summarized as follows:

a. Owned eight sugar factories located at Oxnard, California; Rocky Ford and Las Animas, Colorado; Grand Island, Nebraska; Mason City and Belmond, Iowa; Chaska, Minnesota; and East Grand Forks, Minnesota. These eight plants have a combined slicing capacity of about 13,000 tons of beets per day and are capable of producing over 270,000,000 pounds of sugar per season.

Table 21.- Slicing Capacity of the American Beet Sugar Company Factories, 1933. 1/

Location of Factory	Tons of Beets per 24 hours
Chaska -----	1,300
East Grand Forks -----	1,763
Mason City -----	1,500
Belmond -----	1,150
Grand Island -----	740
Rocky Ford -----	2,375
Las Animas -----	800
Oxnard -----	3,000

1/ Sugar Statistical Trade Journal, Willett and Gray.  
March 23, 1933, p. 273.

b. Owned 31,951 acres of farm lands (20,345 acres in Colorado and 11,606 acres in California).

c. Owned controlling interest in several of the largest irrigation canals in the Arkansas Valley, Colorado, with very early water rights and priorities, insuring ample irrigation at all times for its lands in Colorado.

d. Owned entire capital stock of the Ventura County Railway Company, operating through California beet-growing territory, and serving the company's Oxnard plant.

e. Owned entire capital stock (\$500,000 par, 7 percent cumulative preferred, and 7,500 shares of no par value common) of Minnesota Sugar Corporation.

f. Owned 99 percent of the common stock of the Amalgamated Sugar Company, operating in Utah, Idaho and Montana. This company was incorporated in Utah in 1915 as a consolidation of the Amalgamated Sugar Company and the Lewiston Sugar Company. It owns and operates eight efficiently equipped plants of modern brick and steel construction located at Lewiston, Logan, Ogden and Smithfield, Utah; Burley, Paul, and Twin Falls, Idaho; and Missoula, Montana. The eight factories have an aggregate daily slicing capacity of 9,000 tons of beets and are capable of producing annually over 190,000,000 pounds or 1,900,000 bags of granulated sugar. In 1932-1933 the output totalled 1,994,197 bags, the largest so far in

the company's history. The company's subsidiaries are the Valley Land and Sugar Company, Consolidated Assets Company, and the Beet Growers Credit Corporation.

Table 22 shows the total assets by years from 1930 to 1933 inclusive of the American Beet Sugar Company and subsidiary companies, taken from the condensed balance sheets of the company, and including real estate, equipment, notes and accounts receivable, cash and supplies.

Table 22.- Assets of the American Beet Sugar Company, 1930 to 1933. 1/

Year	Total Assets
1930 -----	\$32,372,537.71
1931 -----	32,527,257.20
1932 -----	28,239,982.87
1933 -----	26,069,415.23

1/ Financial statements of American Beet Sugar Company, 1930-1933.

The company's issue of 6 percent convertible debentures was dated 1925 and due February 1, 1935. Three million five hundred thousand dollars were authorized and issued, of which \$615,000 have been redeemed. The bonds are convertible into common stock at \$70 per share and may be converted before any announced redemption date. It was announced on February 3, 1934 that upon deposit of debentures with the Bankers Trust Company, New York, the holder of each \$1,000 bond would receive \$200 in cash and the remaining \$800 would be extended to February 1, 1940. Ninety percent of the debenture holders

had previously agreed to the plan.

The capitalization of the American Beet Sugar Company is as follows:

Preferred stock, 7 percent cumulative (par \$100)

Authorized -----	\$5,000,000
Outstanding -----	\$4,840,000

Common stock (no par value)

Authorized -----	425,000 shares
Outstanding -----	358,166 shares

These figures do not include 1,600 shares of preferred and 5,851 shares of common in the treasury as of March 31, 1933. The preferred stock is entitled to par and accrued dividends in case of liquidation. The preferred and common stocks have equal voting powers.

Table 23 shows the production, earnings, and dividends paid by the American Beet Sugar Company from 1923 to 1933 inclusive.

The production, earnings, and dividends paid from 1923 to 1933 inclusive, by the Amalgamated Sugar Company, American Beet Sugar Company controlled is given in table 24.

In combination with the Amalgamated Sugar Company, the American Beet Sugar Company forms the second largest beet sugar manufacturing unit in the United States, with a production in the year ending March 31, 1933 totaling 4,734,743 one hundred pound bags of sugar.

The consolidated balance sheets for the period 1930

Table 23.- Production, Earnings and Dividends of American Beet Sugar Company, 1923 to 1934. 1/

Year ending March 31	Production 100-lb. bags	Net Income	Earned on Stock		Dividends Paid	
			Preferred	Common	Preferred	Common
1923	722,937	\$ 686,482	\$13.72	\$2.57	\$6.00	\$----
1924	742,580	1,515,972	30.31	8.10	6.00	----
1925	1,720,881	1,224,097	24.48	6.09	6.00	4.00
1926	1,313,219	639,379 <u>2/</u>	-----	-----	6.94	4.00
1927	1,234,280	455,509 <u>2/</u>	-----	-----	3.50	-----
1928	1,598,543	463,856	9.28	.76	-----	-----
1929	1,999,404	528,229	10.56	.59 <u>3/</u>	-----	-----
1930	2,182,933	320,654	6.41	-----	-----	-----
1931	2,443,643	1,764,961 <u>2/</u>	-----	-----	-----	-----
1932	2,589,736	1,285,661 <u>2/</u>	-----	-----	-----	-----
1933	2,740,546	75,377 <u>2/</u>	-----	-----	-----	-----

1/ Manual of Sugar Companies. Farr and Company, New York. 1930, p. 4; 1933, p. 5.

2/ Net loss.

3/ Based on 303,000 shares outstanding. Prior years 150,000 shares outstanding.

Table 24.- Production, Earnings and Dividends of Amalgamated Sugar Company, 1923 to 1934. 1/

Year ending March 31	Production 100-lb. bags	Net Income	Earned on Stock		Dividends Paid	
			Preferred	Common	Preferred	Common
1923	967,929	\$ 818,914	\$11.53	\$----	\$-----	\$----
1924	1,463,135	2,398,172	50.50	2.79	16.00	----
1925	645,619	194,943	4.44	----	14.00	----
1926	1,274,930	<u>2/</u>	----	----	8.00	----
1927	470,180	<u>2/</u>	----	----	8.00	----
1928	1,208,232	190,331 <u>3/</u>	----	----	2.00	----
1929	613,875	132,026	3.28	----	----	----
1930	1,258,755	259,574 <u>3/</u>	----	----	----	----
1931	1,013,286	595,824 <u>3/</u>	----	----	----	----
1932	1,014,877	925,843 <u>3/</u>	----	----	----	----
1933	1,994,197	427,572 <u>3/</u>	----	----	----	----

1/ Manual of Sugar Companies. Farr and Company, New York. 1933, p. 2; 1930, p. 1.

2/ Company did not report income account.

3/ Deficit.

to 1933 are given in table 25. We note that the depreciation of buildings and railroad has been about six and one-half million dollars, while the total assets have decreased about the same amount. The company therefore must have been holding its own in other items. Some of the stock and outstanding debentures have been retired; and bank acceptances have been greatly reduced; while at the same time the surplus account has been built up. It would appear that the company was in a much stronger financial position in 1933 than in 1930.

Table 25.- Consolidated Balance Sheets of American Beet Sugar Company, 1930-1933. 1/

ASSETS	1930	1931	1932	1933
Buildings, Railroads, etc.----	\$19,196,536.94	\$14,058,070.30	\$13,383,446.95	\$12,613,503.01
Farm Lands, Water Rights, etc.		4,943,839.55	4,939,310.43	4,975,560.08
Investments -----	2,878,275.57	2,709,649.36	2,709,606.93	2,692,180.22
Cash -----	1,022,063.88	666,798.68	359,148.64	426,196.65
Accounts Receivable -----	694,318.53	630,843.19	588,980.13	655,586.84
Sugar, Pulp, Molasses, etc.---	7,284,499.43	8,431,542.90	5,516,376.66	4,002,343.72
Materials and Supplies -----	701,415.72	520,835.17	404,710.60	376,366.48
Farm Products and Livestock---	46,013.76	39,968.78	15,009.56	62,637.93
Crop Advances -----	180,279.72	121,377.91	94,900.16	90,124.50
Cash in Sinking Fund -----	432.64	611.18	1,264.65	1,270.17
Land Sale Contracts, etc.-----		107,272.78 <u>2/</u>		13,719.57
Deferred Charges -----	368,701.52	296,447.40	227,228.16	159,926.06
Total	\$32,372,537.71	\$32,527,257.20	\$28,239,982.87	\$26,069,415.23

1/ Manual of Sugar Companies, 1933. Farr and Company, New York.

2/ In 1931, freight to market storage points.



Table 25.- (Continued,

LIABILITIES	1930	1931	1932	1933
Preferred Stock -----	\$ 5,000,000.00	\$ 4,840,000.00	\$ 4,840,000.00	\$ 4,840,000.00
Common Stock -----	14,703,530.28	14,500,696.69	14,500,696.69	14,500,696.69
Debenture 6s, 1935 -----	3,027,000.00	2,925,000.00	2,885,000.00	2,885,000.00
Minnesota Sugar Corp., 1st 6s -	1,090,000.00	1,030,000.00	960,000.00	887,000.00
Other Long Term Liabilities ---			17,500.00	
Bank Acceptances -----	4,625,000.00	7,175,000.00	4,378,379.15	2,000,000.00
Accounts Payable-----	269,977.49	300,224.05	180,785.24	255,717.73
Accruals -----	272,712.53	239,033.52	164,103.57	534,147.79
Deferred Liabilities -----	28,137.94			
Reserve for Insurance and Con- tingencies -----	168,206.03	203,405.32	253,020.17	248,980.84
Capital Surplus -----	3,187,973.44	242,389.39	238,740.64	238,740.64
Earned Surplus -----		<u>1,071,506.23</u>	<u>176,242.59</u>	<u>320,868.46</u>
Total	\$32,372,537.71	\$32,527,257.20	\$28,239,982.87	\$26,069,415.23
Net Income	320,654.00	1,764,961.00 <u>3/</u>	1,285,661.00 <u>3/</u>	75,377.00 <u>3/</u>

3/ Net loss.

## NATIONAL SUGAR MANUFACTURING COMPANY

Although it is one of the oldest beet sugar manufacturing factories in Colorado, little is known about the National Sugar Manufacturing Company, and letters of inquiry sent to the company bring no reply.

The company was incorporated in Colorado in 1899, and the business established in 1900. The company owns and operates a beet sugar factory at Sugar City, Colorado, which has a daily slicing capacity of 800 tons of beets. The company owns approximately 7,000 acres of irrigated lands. The depreciation reserve is \$653,930.60.

The authorized funded debt consisted of \$750,000 of 6 percent bonds, \$542,570 of which are outstanding. The company was capitalized for \$750,000; \$500,000 being in 6 percent cumulative, \$100 par preferred stock and \$250,000 in \$100 par common. No dividends have been paid on the common stock to date. The company made a small profit in 1929, but has operated at a loss totaling nearly half a million dollars since that time. Production figures are not available.

## TAXATION OF THE SUGAR BEET INDUSTRY

The General Property Tax.- The most important tax effecting the sugar beet industry is the property tax. This form of tax is undoubtedly the most important in our present system of taxation in Colorado because it produces the greatest revenue and affects the largest number of people. The general property tax is applied not only to real but also to personal property.

General property taxes are open to the following principal defects: First, the value of the property which forms the basis of the tax is not an accurate measure of the person's ability to pay the tax; second, the tax bears principally on those with real property and not upon those with personal and intangible property; and third, the property tax results in double taxation, by taxing the property of a corporation and also taxing the stock which represents the right to share in the income or proceeds from such property.

In regard to the administration of the property tax, this also seems open to at least two principal defects, as follows: First, the system of assessment is inadequate and consistent values for property are almost impossible of attainment; second, there is widespread evasion of taxes on personal and intangible property.<sup>1</sup>

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<sup>1</sup> Double Taxation, House Ways and Means Committee, 1933, p. 8.

The fact that the general property tax is not levied in accordance with the principle of ability to pay has been brought home to us during the current depression with great force. Indeed, the greater part of the general property tax is paid by persons with net incomes of less than \$5,000. Moreover, the press has been full of statements showing that large numbers of our citizens have been unable to pay their real estate taxes, and this result has brought about confusion in our state and local governments, since the expected revenues were not collected.

While some defend the general property tax as being a good tax on the basis that the burden falls, in some degree, according to the benefit received, the great majority of our economists severely condemn this phase of property taxation.

The growers of sugar beets in the past ten years have paid a property tax of about \$3 per acre annually in Colorado which means a total tax of \$675,000. In the past three years there has been a 30 percent reduction in property taxes in Colorado so the total now approximates \$500,000 annually.

The manufacturers or processors of sugar beets contributed approximately \$850,000 in property taxes in 1929 and \$550,000 in 1933. See table 26. A comparison of property tax payments shows that the total payments

by the companies is about the same in amount as the payment by the growers.

Property Tax on Corporations.- The constitution of the State of Colorado assumes that corporations shall be taxed as natural persons on the basis of their property. The only tax they pay in addition to the property tax is one assessed upon the capital stock. A large share of the property tax paid by corporations is paid on real property. As in the case of the sugar companies, the factory or office may occupy but a few acres of land and the machinery or improvements may provide no measure or indication of the income or tax-paying ability. Differences in the income-producing powers of corporations operating in the same industry may be pronounced, and the differences between abilities to pay of organizations in different industries are indeterminate.

Property of corporations does not lend itself readily to simple and accurate assessment. There is no standard by which to judge in gauging the value of various equipments. The company itself ordinarily is the only possessor of knowledge of the exact value, and it does not give such figures to tax assessors.

"In considering the corporate tax situation, it should be recalled that the amounts spent for taxes represent, on the average, a relatively unimportant part of the total receipts of a Colorado corporation. For cor-

porations as a whole, state and local taxes took in 1924 only 1.7 percent of the total receipts and all taxes only 2.5 percent.

"In corporation taxation, just as in farm taxation, it seems entirely reasonable to assume that cases of hardship would be lessened by a form of taxation which placed more emphasis on the ability of the corporation to pay taxes and less on certain tangible evidences of the corporation's property. In the case of corporations, as in the case of agricultural property, income is probably the best single indication of ability to pay taxes and a greater reliance on this indication would make possible a fairer corporation tax system in Colorado."<sup>1</sup>

One great difficulty of the property tax in Colorado is in the assessment of intangible property. Courts rule that money, stocks and bonds, book accounts, etc., are assessable only at the place of domicile. Many corporations, therefore, organize under the laws of another state, operate and make money in Colorado, and carry large deposits and accounts in Colorado banks which are not taxable by this state. The Great Western Sugar Company organized under the laws of New Jersey and with its subsidiary Cache la Poudre Company organized in Delaware, is an outstanding example of this type of organization.

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<sup>1</sup> Some Colorado Tax Problems. Colo. Exp. Sta. Bul. 346, 1928, p. 28-29.

Taxes Paid by the Sugar Companies.- The general property taxes paid by the sugar companies operating in Colorado were reduced approximately 38 percent in the period 1929 to 1933 inclusive. Table 26 shows the total taxes paid in Colorado on property of these corporations during this period.

Table 26 shows not only that property taxes paid by the companies have been decreasing, but that they have been decreasing faster than all revenues from state property. This may mean one of several things. The sugar companies may be receiving benefits not allowed the average property owner. New property may have entered the state for assessment, thus increasing the total. Mill levies may have been lowered more in counties where the factories operate, or the companies may have transferred some of their property out of the state. We can draw no definite conclusion about the matter, but the facts remain that sugar companies are paying a smaller proportion of the total taxes than they were in 1929.

#### Property Taxes Paid by the Various Companies

Great Western Sugar Company.- The property taxes paid by the Great Western Sugar Company on each factory and its adjacent property is shown in table 27. The amounts are all taken from the returns to questionnaires sent to county treasurers, with the exception of the

Table 26.- General Property Taxes Paid in Colorado by Sugar Companies, 1929 to 1933. 1/

Company	1929	1930	1931	1932	1933
Great Western -----	\$681,867.80	\$589,244.27	\$511,138.73	\$419,601.89	\$437,805.40
Holly -----	74,092.99	70,339.77	68,805.12	59,008.25	56,601.37
American -----	66,737.89	70,870.18	66,641.37	47,798.40	37,364.48
National -----	<u>23,686.05</u>	<u>22,533.19</u>	<u>19,654.55</u>	<u>16,390.54</u>	<u>16,696.83</u>
Total	\$846,384.73	\$752,987.41	\$666,239.77	\$542,799.08	\$548,468.08
Total revenue for State from property tax -----	\$49,633,933	\$49,206,717	\$44,863,801	\$39,997,921	\$40,002,639
Percent of total state property tax paid by sugar companies -----	1.71	1.53	1.49	1.36	1.37

1/ Compiled from returns of questionnaires sent to county treasurers and assessors.



Table 27.- General Property Taxes Paid by the Great Western Sugar Company, 1929-1933. 1/

Location of Sugar Factory	1929	1930	1931	1932	1933
<b>COLORADO</b>					
Brighton	\$ 45,736.89	\$ 44,952.05	\$ 43,122.13	\$33,566.98	\$ 36,022.01
Longmont	63,620.55	56,847.33	50,161.79	41,204.00	47,926.04
Fort Collins	77,853.42	62,004.51	58,712.23	44,405.13	59,474.64
Loveland	73,064.59	62,174.77	57,740.67	42,817.18	55,706.18
Sterling	55,434.56	49,308.05	36,310.17	27,171.31	25,219.23
Brush	46,525.08	37,667.72	34,096.26	24,356.22	24,544.09
Fort Morgan	38,496.73	30,727.37	27,084.30	20,842.88	22,420.15
Ovid	66,070.50	53,638.57	38,695.75	41,595.47	33,969.26
Eaton	46,268.82	41,232.03	35,992.22	29,270.08	29,422.10
Fort Lupton	29,781.71	28,248.91	23,171.91	19,032.01	17,826.97
Greeley	51,347.23	42,598.30	40,412.01	28,384.75	27,149.29
Johnstown	45,396.41	43,336.27	35,160.77	37,545.72	31,820.33
Windsor	42,263.31	36,508.39	30,478.52	29,410.16	26,305.11
Total	681,867.80	589,244.27	511,138.73	419,601.89	437,805.40
<b>MONTANA</b>					
Billings	41,355.54	42,194.74	46,368.25	42,520.83	44,553.35
<b>NEBRASKA</b>					
Gering	44,917.52	44,711.91	45,474.56	40,023.34	38,095.88
Minatare	35,062.17	37,693.35	40,511.79	36,335.31	30,707.94
Mitchell	45,772.74	46,494.62	45,747.80	38,611.08	31,818.18
Lyman	40,360.42	41,743.08	44,784.20	34,877.26	32,824.76
Scottsbluff	67,179.70	67,234.79	58,449.28	53,880.15	51,069.82
Bayard	37,640.32	37,952.99	38,604.21	36,101.06	29,810.98
Total	270,932.87	275,830.74	273,571.84	239,828.20	214,327.56

1/ Questionnaires to County Assessors and Treasurers.

Table 27.- (Continued)

Location of Sugar Factory	1929	1930	1931	1932	1933
WYOMING					
Lovell	\$ 21,521.14	\$ 20,506.71	\$ 21,640.74	\$ 19,408.30	\$ 18,987.46
Wheatland	450.58	1,443.00	3,137.48	2,969.72	2,769.18
Total	<u>21,971.72</u>	<u>21,949.71</u>	<u>24,778.22</u>	<u>22,378.02</u>	<u>21,756.64</u>
Total Great Western					
Denver Building	45,439.65	56,783.05	38,152.00	31,736.00	25,760.10
Grand Total Great Western	\$1,061,567.58	\$986,002.51	\$894,009.04	\$756,064.94	\$744,203.05

factories in Scottsbluff County, Nebraska, which were estimated from county assessor's reports for 1933. We see that the total tax bill of this company has dropped more than 33 percent in the five year period in spite of improvements in plants and equipments and an increase in the output of sugar by the company. Colorado collects approximately 60 percent of the property tax paid by this company, which is about the correct proportion considering that thirteen of the twenty-two factories are located in this state.

Holly Sugar Corporation.- Table 28 shows the total property taxes paid by the Holly Sugar Corporation on each of its factories. Property taxes have been reduced about 25 percent for this corporation in the past five years. Colorado claims but three of the eight factories, and takes 50 percent of the total property tax levy.

American Beet Sugar Company.- On its seven factories the American Beet Sugar Company paid \$86,770.05 in property taxes in 1933. This represented a reduction of nearly 40 percent from its 1929 tax bill on the same number of factories. This may be <sup>a</sup>more justifiable cut than it sounds because of the fact that some of the factories were not operating in 1933. Colorado receives 43 percent of the property taxes paid by the American Beet Sugar Company.

Table 26.- Property Taxes Paid by the Holly Sugar Company, 1929-1933. 1/

Location of Sugar Factory	1929	1930	1931	1932	1933
COLORADO					
Delta	\$ 22,685.55	\$ 22,380.75	\$ 21,943.05	\$ 19,951.56	\$ 21,840.54
Grand Junction	19,237.40	17,136.08	15,566.67	12,446.39	10,876.00
Swink	<u>32,170.04</u>	<u>30,822.94</u>	<u>31,295.40</u>	<u>26,610.30</u>	<u>23,884.83</u>
Total	74,092.99	70,339.77	68,805.12	59,008.25	56,601.37
CALIFORNIA					
Alvarado	3,138.20	8,095.64	10,622.89	9,207.24	7,513.73
Tracy	11,345.08	11,397.35	8,396.00	9,306.13	8,102.92
Santa Ana	<u>20,599.89</u>	<u>17,911.40</u>	<u>17,158.20</u>	<u>13,062.69</u>	<u>10,593.00</u>
Total	35,083.17	37,404.39	36,177.09	31,576.06	26,209.65
MONTANA					
Sidney	17,178.79	18,574.72	15,785.08	14,348.47	17,687.08
WYOMING					
Torrington	7,960.66	11,126.58	9,612.12	7,505.54	6,792.69
Sheridan	11,843.88	11,028.59	7,384.46	6,371.82	7,092.52
Worland	<u>20,448.57</u>	<u>20,024.68</u>	<u>20,724.42</u>	<u>17,689.80</u>	<u>13,872.45</u>
Total	40,253.11	42,179.85	37,721.00	31,567.16	27,757.66
TOTAL HOLLY SUGAR COMPANY	\$166,608.06	\$168,498.73	\$158,488.29	\$136,499.94	\$128,255.76

1/ Compiled from answers to questionnaires from county assessors and treasurers.

Table 29.- Property Taxes Paid by the American Beet Sugar Company, 1929-1933. 1/

Location of Sugar Factory	1929	1930	1931	1932	1933
COLORADO					
Las Animas	\$ 8,884.76	\$ 7,995.02	\$ 8,792.91	\$ 2,756.41	\$ 2,055.06
Rocky Ford	57,853.13	62,875.16	57,848.46	45,041.99	35,309.42
Total	66,737.89	70,870.18	66,641.37	47,798.40	37,364.48
CALIFORNIA					
Oxnard	16,883.26	15,418.70	13,782.14	14,490.01	12,641.21
IOWA					
Mason City	9,271.54	8,160.44	5,942.77	4,695.53	1,158.02
Belmond	4,948.09	5,380.52	7,342.64	4,872.89	3,858.00
Total	14,219.63	13,540.96	13,285.41	9,568.42	4,916.02
MINNESOTA					
Chaska	13,373.42	11,787.94	13,345.77	11,694.86	10,923.52
East Grand Forks	22,607.96	21,397.00	17,661.68	16,927.96	16,039.44
Total	36,080.38	33,184.94	31,007.45	28,622.82	26,962.96
NEBRASKA					
Grand Island	6,438.76	6,200.66	5,461.49	5,767.03	4,885.38
TOTAL AMERICAN BEET SUGAR CO.	\$140,359.92	\$139,215.44	\$130,177.86	\$106,247.48	\$86,770.05

1/ Compiled from returns to questionnaires sent to county assessors and treasurers.

Table 30.- Property Taxes Paid by the National Sugar Manufacturing Company in Colorado, 1929-1933. 1/

<u>Location of Sugar Factory</u>	<u>1929</u>	<u>1930</u>	<u>1931</u>	<u>1932</u>	<u>1933</u>
COLORADO					
Sugar City	\$23,686.05	\$22,533.19	\$19,654.55	\$16,390.54	\$16,696.83

1/ Compiled from returns to questionnaires sent to assessor and treasurer of Crowley County, Colorado.

The National Beet Sugar Company.- This company, operating entirely in Colorado, has enjoyed a reduction of \$7,000 in property taxes since 1929. This is in line with the 30 percent general cut on property taxes during the five year period. Table 30 shows the taxes paid by the National Beet Sugar Company.

Value of Property for Taxation Purposes.- The basis for the general property tax in Colorado is stated as follows: "All taxable property shall be listed and valued each year and shall be assessed at its full cash value; land to be listed and valued separate and apart from the personal property and improvements thereon."<sup>1</sup>

Assessment Ratios.- Under the direction of Mr. G. S. Klemmedson, Colorado State Supervisor of Federal Civil Works Project F-6, and the Bureau of Agricultural Economics of the U. S. Department of Agriculture, a study of tax delinquency, farm mortgages, and land transfers was made in twenty agricultural counties in Colorado in 1934. The work on land transfers consisted of copying in county clerk and abstract offices all records of actual transfers of land from 1928 through 1933. The records of all the cash sales have been summarized for this study, and a comparison of the actual cash sales value with the assessed valuations in various counties in which sugar companies own property was made.

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<sup>1</sup> Compiled Laws of Colorado, 1921. Chapter 155, Section 7178, p. 1836.

Table 31 shows the ratio of assessed valuations to cash sales value as determined by actual sales of 378 farms in Weld, Logan, Otero, and Crowley counties, which was the total number of farms sold in straight cash transactions between 1928 and 1933 inclusive. If the assessed valuation should be equal to the true cash value in a free market where supply and demand are not restricted the percent would of course be 100, and would fall in the 100 under 110 percent class. No farms in Weld County sold for the exact assessed valuation.

The study showed that 106 of the Weld County farms (67.9 percent) were assessed at less than their cash sales value. This fact becomes all the more significant when we realize that the amount of cash a person would pay for a farm was much lower from 1929 through 1933 than in ordinary times, and declined much more rapidly than the assessed valuations. Only 3 of the 156 farms fall in the 100 to 110 percent group, and 14 are in the 90 to 100 percent class. The total of the two groups comprises but 10.9 percent of all the farms. Forty farms were assessed from 100 to 200 percent of their cash sales values, ten at more than double their sales value. The Great Western Sugar Company operates five factories in Weld County.

The Great Western Sugar Company operates a factory in Logan County near Sterling. The low assessment ratios in this county are even more pronounced than in Weld, 77



Table 31.- Frequency Distribution Showing Percent Assessed Valuation to Cash Sales Value, farms in Weld, Logan, Otero and Crowley Counties, Colorado, 1928 to 1933. 1/

Assessment Ratio	Number of Farms in Each Class				Total in each class
	Weld	Logan	Otero	Crowley	
Under 10	3	1	3	-	7
10 under 20	7	2	4	3	16
20 " 30	4	2	2	7	15
30 " 40	16	10	4	11	41
40 " 50	14	5	7	8	34
50 " 60	12	11	5	3	31
60 " 70	16	10	8	6	40
70 " 80	7	9	5	4	25
80 " 90	13	13	7	6	39
90 " 100	14	4	9	5	32
100 " 110	3	3	5	4	15
110 " 120	6	5	2	3	16
120 " 130	6	1	3	2	12
130 " 140	6	-	4	2	12
140 " 150	8	2	3	2	15
150 " 160	3	2	-	-	5
160 " 170	1	-	1	1	3
170 " 180	3	-	-	-	3
180 " 190	2	-	-	-	2
190 " 200	2	-	-	1	3
200 " 250	5	-	-	-	5
250 " 300	5	-	-	1	6
Over 300	-	-	-	1	1
Total farms	156	80	72	70	378

1/ Compiled from records of CWA Project F-6. Bureau of Agricultural Economics and Colorado Experiment Station Cooperating. 1934.

of the 90 farms sold (86.3 percent) being assessed at less than the cash sales value. Only seven of the ninety Logan County farms were assessed between 90 and 110 percent of their cash sales value.

In Otero County, the American Beet Sugar Company operates a factory at Rocky Ford and the Holly Sugar Corporation owns and operates a plant at Swink. In this county 72 farms were sold during the period 1928 to 1933 on straight cash transactions. The comparisons between the cash sales value and the assessed valuation of these 72 farms is shown in table 31. One farm was assessed at a value 3.73 times the cash sale, while three farms were assessed at less than 10 percent of their sales value at the time of the sale. Seventy-four percent of the farms were under assessed, and 19 percent fall in the 90 to 110 percent class.

The remaining beet sugar company, the National Sugar Manufacturing Company, operates its plant at Sugar City in Crowley County. The same condition holds true here as in the other localities. Seventy records of actual cash sales were taken and 53 of them (76 percent) were found to be assessed at less than 100 percent of the sales value. One farm was assessed at nine and one-half times its cash price and another at two and one-half times.

A glance at table 31 shows that 280 of the 378 farms

sold for cash in the four counties studied were assessed at less than their cash price. Three farms, less than one percent, were sold for their exact assessed valuation.

Probably the most striking thing is not the low assessment ratio but the inequality of assessment. Two farms in our records of Weld County were assessed for but 8 percent of their cash sales values as determined by actual sales, while another is assessed for 293 percent of its cash sales value. These differences in valuation mean discrimination for or against the respective owners. Inequalities could be greatly reduced if the assessors and tax commission could make use of sales records such as we refer to as an index or guide in making assessments. In many cases the ratios must be qualified as they do not represent a true sample of all the farms in a particular county.

The Great Western Sugar Company operates six factories in the counties we have studied; the Holly Sugar Company, the American Beet Sugar Company, and the National Sugar Company one each. Seventy-five percent of all farm properties studied in these counties had assessment ratios of less than 100 percent. The corporations are constantly trying to influence assessors in one way or another to reduce assessments, according to statements made to the author by assessors. According to the Great Western Sugar Company's financial statement for 1932,

the plants, railroad, real estate, and equipment are worth \$43,045,928.20 - which figure is likely to be a conservative estimate. But the total assessed valuation of the Great Western Sugar Company properties, determined from the Tax Commission's report on the railroad combined with that from assessors' replies to questionnaires on real estate, is approximately \$18,695,288 or about 43.3 percent of the valuation given by the sugar company's auditor in their annual report.

## TAXATION OF PERSONAL PROPERTY

The assessment of personal property is even more difficult than assessment of real property. Because of its inherent nature, personal property is more easily concealed. Also, personal property is nearly always depreciated by use, while land is ordinarily improved. The assessment of the sugar which any particular company has on hand at one time is always a problem to the assessor. At the present writing the Great Western Sugar Company is suing Larimer County for a sum approximating \$25,000, claiming that the valuation of \$3.40 per bag placed upon sugar by the assessor is too high. Because the Great Western Sugar Company would not make its cost of production of sugar known to the assessor, he took 70 percent of the market value at the time of assessment, which was \$3.40 per hundred pound bag. The sugar company insists that an assessment of \$1.85 a bag would be correct.

The assessors have always been undecided as to what figure the sugar should be assessed at, with the result that the corporations have ordinarily been able to influence them in one way or another to get a low valuation per bag on this personal property. Table 32 shows amount of taxes paid per bag of sugar by the Great Western Sugar Company, and its relation to the amount received for the sugar. The eleven year average shows that the Great Western has paid taxes amounting to less than two-thirds

of one percent of the gross receipts per bag of sugar. Not even during the period of high taxes has the company paid as much as one percent of their receipts from sugar sales for taxes on sugar. The 1933 proportion paid was the smallest in six seasons.

Table 32.- Ratio of Taxes to Gross Receipts per Bag of Beet Sugar, Great Western Sugar Company, 1922 to 1934. 1/

Season	Received per Bag	Tax Paid per Bag	Ratio of Tax to Receipts (percent)
1922-23	\$8.129	\$.048	.6
1923-24	8.095	.043	.5
1924-25	6.419	.030	.5
1925-26	5.780	.057	.9
1926-27	6.248	.031	.5
1927-28	5.965	.035	.6
1928-29	5.344	.044	.8
1929-30	5.073	.041	.8
1930-31	4.784	.033	.7
1931-32	4.248	.031	.7
1932-33	4.402	.032	.7
11-year av.	5.8624	.0386	.7

1/ Compiled from statements to beet growers by Great Western Sugar Company.

Cost of Production of Sugar at the Factory.- If the cost of production were made known to the assessor, a basis of assessment for sugar which would be satisfactory to both the public and the manufacturers could be worked out. These figures, however, are kept carefully concealed. In attempting to get them for this study it was discovered that the United States Tariff Commission had recently asked the companies to supply such information, but the Commission would not make it public. The Sugar

Institute and the sugar statistic organizations were approached, but none would supply the desired information. It was found that beet growers associations have been desirous of obtaining cost of production figures from the various companies for a number of years, without success.

The cost of production can, however, be calculated with a fair degree of accuracy if it is assumed that the net income per year reported by the company is the correct figure. Such a calculation is made in table 33, where the gross receipts from the sale of sugar as reported in statements to growers, plus the loss for the year or minus the profit, is divided by the number of bags sold to get the net cost per bag. A minor difficulty in this is that statements to beet growers are made for the fiscal year October 1 to September 30, and income statements are made for years ending February 28. But W. D. Lippitt, president and general manager of the Great Western Sugar Company, has stated that 90 percent of this company's sugar is sold before the first of March in most years.

A weighted average of costs of production of beet sugar at the factory is shown in table 34. Although Colorado and Nebraska are among the lowest states in the number of pounds of sugar extracted per ton of beets, the manufacturing (or conversion) cost of sugar is the lowest

Table 33.- Gross Cost and Net Profit per bag of Sugar (100 lbs.), Great Western Sugar Company, 1923-1933. <sup>1/</sup>

	1923	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933
Gross Sales -----	\$40,667,761.00	\$41,609,466.00	\$43,519,896.00	\$26,799,438.00	\$43,162,840.00	\$50,791,790.00	\$44,127,973.00	\$37,991,702	\$42,708,844.00	\$37,279,025.00	\$24,878,132.00
Plus or minus loss or profit -----	6,879,113.79	12,004,303.74	10,577,273.65	6,424,142.09	3,365,713.27	3,530,567.00	7,785,699.88	5,810,267.53	489,418.26 <sup>2/</sup>	1,016,623.47 <sup>2/</sup>	2,562,476.63
	\$33,788,647.21	\$29,605,162.26	\$32,942,623.35	\$20,375,295.91	\$39,757,126.73	\$47,261,223.00	\$36,342,283.12	\$32,181,434.47	\$43,198,262.26	\$38,295,648.47	\$22,315,655.37
Number Bags Sugar Sold -----	5,002,800	5,140,144	6,779,856	4,636,581	6,908,265	8,514,969	8,257,480	7,489,001	8,927,434	8,775,665	5,651,552
Gross Cost per Bag -----	\$6.754	\$5.760	\$4.859	\$4.394	\$5.755	\$5.550	\$4.401	\$4.297	\$4.839	\$4.364	\$3.949
Gross Receipts per Bag -----	\$8.129	\$8.095	\$6.419	\$5.780	\$6.248	\$5.965	\$5.344	\$5.073	\$4.784	\$4.248	\$4.402
Net Profit per Bag -----	\$1.375	\$2.335	\$1.560	\$1.386	\$ .493	\$ .415	\$ .943	\$ .776	\$-.055	\$-.116	\$ .453

<sup>1/</sup> Compiled from annual reports to stockholders and annual reports to beet growers, Great Western Sugar Company. Cost figure includes all marketing, storage and other expenses.<sup>2/</sup> Net loss.



in these two states. Eighteen of the twenty-three factories used in these two states for the purpose of this study are operated by the Great Western Sugar Company. The factory conversion cost is lowest in the state of Colorado, but the advantage in the price of beets gives Nebraska factories the lowest cost of production of all sugar factories in the United States for this particular period. The third cheapest producers are in Wyoming, and two of the four factories used from this state are operated by the Great Western, thus making a total of twenty mills operated by this company among the twenty-five showing the lowest average costs of production.

Costs of production of sugar f.o.b. factory for the Great Western Sugar Company are shown in table 35. The cost per pound has dropped nearly 2.7 cents in the eleven year period. These figures include the charge for depreciation, freight and receiving expenses on beets, manufacturing and administrative expenses - in short, all expenses charged to a finished bag of sugar at the factory. The figure for 1930 is comparable with those in table 34. We find that all Great Western factories, including the molasses refining plant at Johnstown, produced at a cost of 3.401 cents per pound in this particular year. The lowest average cost of production in any one state was .419 cents higher, and the average for all irrigated areas was 4 cents per pound. We have previously pointed out

Table 34.- Beet Sugar: Cost of Production f.o.b. Factory in Irrigated Areas and in Non-irrigated Areas, arranged by States and weighted by Individual Factory Production, 1929-1930. (Cents per pound of sugar, <sup>1/</sup>

	Cost of Sugar Beets <sup>2/</sup>	Con- version Cost <sup>3/</sup>	Total Cost f.o.b. Factory	Bags of Sugar Produced	Tons of Beets Consumed	Pounds of sugar per ton of Beets Used	Number of Factories Used in Each State
<b>Irrigated Areas:</b>							
Colorado	2.011	1.821	3.832	6,685,794	2,636,201	254	16
Nebraska	1.937	1.883	3.820	2,793,901	1,097,334	255	7
Kansas	1.980	3.904	5.884	121,118	50,163	241	1
Wyoming	1.773	2.080	3.853	1,318,808	461,180	286	4
Utah	2.033	2.427	4.460	1,539,446	544,973	282	10
Idaho	1.987	2.279	4.266	1,572,817	508,031	310	8
Montana	1.850	2.175	4.025	1,078,674	370,636	291	4
California	1.766	2.486	4.252	1,766,308	513,234	344	5
Weighted average cost of all irr. areas	1.944	2.056	4.000	16,876,866	6,181,752	273	55
<b>Non-Irrigated Areas:</b>							
Michigan	2.524	2.799	5.323	516,819	173,362	298	5
Iowa	2.190	2.711	4.901	540,650	215,243	251	2
Minnesota	2.636	2.786	5.422	496,269	204,020	243	2
South Dakota	2.188	2.051	4.239	312,220	121,972	256	1
Wisconsin	2.592	4.287	6.879	42,764	15,083	284	1
Weighted average cost of all non-irr. areas	2.405	2.682	5.087	1,908,722	729,680	262	11
Weighted average cost all areas combined	1.991	2.121	4.112	18,785,588	6,911,432	272	66

<sup>1/</sup> Congressional Record, Seventy-third Congress, Second Session, Washington, April 18, 1934, p. 7075.

<sup>2/</sup> Based on 1930 farm cost of production.

<sup>3/</sup> See note next page

Footnote for table 34.

- 3/ Includes freight and receiving expense on beets, manufacturing costs, administrative expense, imputed interest, and credit for by-products and collateral operations, but does not include loading and reconditioning cost nor storage at distributing points.

that the three states in which the Great Western Sugar Company operated extensively had the lowest average costs of production.

The cost of production of sugar has been decreased almost by half in the eleven year period. The rate of decrease in costs has been steady with the exception of the years 1927 and 1931 when unaccounted for increases are recorded. Increasing efficiency in operation and management are indicated by the fact that in 1929, when costs of materials and wages were at their peak, the costs of production of sugar were within .007 of a cent per hundred of being the lowest in the company's history. The profit per bag has run as high as \$2.34 per bag and losses have not been more than 11 cents per hundred pounds.

Assessment of Sugar.— The Colorado law anticipates the assessment of personal property at its true cash value. Since sugar comes under this classification, it should be assessed according to its cost of production or market<sup>value</sup>, whichever is lowest. We have shown that this varied from \$3.94 to \$4.40 per bag between 1929 and 1933. Table 36 shows the actual assessments placed on sugar per hundred pounds by the various county assessors.

The uniformity of assessments shown between counties in the various states is due to an agreement between assessors on a value to be used for assessment purposes.

Table 35.- Cost of Production at Factory, Great Western Sugar Company, 1923-1933. 1/

	1923	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933
Net Receipts after Marketing Expenses	\$36,280,306.00	\$37,050,158.00	\$37,689,220.00	\$22,886,164.00	\$37,325,356.00	\$42,906,929.00	\$37,018,283.00	\$31,281,557.00	\$34,308,129.00	\$29,372,151.00	\$20,605,559.00
Plus or minus loss or profit-----	6,879,113.79	12,004,303.74	10,577,273.65	6,424,142.09	3,365,713.27	3,530,567.00	7,785,699.88	5,810,267.53	489,418.26	1,016,623.47	2,562,476.63
	\$29,401,192.21	\$25,045,854.26	\$27,111,946.35	\$16,462,021.91	\$33,959,642.73	\$39,376,362.00	\$29,232,583.12	\$25,471,289.47	\$8,927,434.00	\$8,775,665.00	\$5,651,552.00
Number Bags Sugar Sold -----	5,002,800	5,140,144	6,779,856	4,636,581	6,908,265	8,514,969	8,257,480	7,489,001	8,927,434	8,775,665	5,651,552
Cost per 100 pounds -----	\$5.877	\$4.873	\$3.999	\$3.550	\$4.916	\$4.624	\$3.540	\$3.401	\$3.898	\$3.463	\$3.193
Average Sale Price after Marketing---	\$7.252	\$7.208	\$5.559	\$4.936	\$5.403	\$5.039	\$4.483	\$4.178	\$3.843	\$3.347	\$3.646
Profit per Bag -----	\$1.375	\$2.335	\$1.560	\$1.386	\$ .487	\$ .415	\$ .943	\$ .777	\$ .055	\$ .116	\$ .453

1/ Compiled from statements to beet growers and annual income reports, Great Western Sugar Company, 1923-1933.

The sugar company exerts a great deal of influence in the decision as to the value to be placed on a bag of sugar. Persuasive representatives or tax agents of the companies call on the assessors and attempt to get them to accept the sugar company's valuation figure. In 1933, the Great Western Sugar Company agreed to allow an assessment of \$2.10 per bag of sugar providing that assessed valuation of other property was reduced to a certain figure, according to County Assessor H. K. Mitton of Larimer County. We note that four Colorado counties and the two in Nebraska accepted that figure. Three Colorado assessors decided to "buck" the Great Western Sugar Company for the first time, and assessed the sugar at \$3.40, a figure which they believed was nearer the true value. As we have previously mentioned, the company has filed suit in a test case, attempting to prove that this figure is too high.

Comparison of the assessment of sugar by the assessors with our cost of production figure calculated from company reports would show that the assessors valuing the sugar at \$3.40 per bag are using a more nearly correct figure than those using \$2.10 per bag. The information in the table would indicate that the assessed valuation of sugar had decreased much faster than its cost of production value, and that at the present time sugar is generally assessed at less than its cost of

Table 36.- Comparison of Cost of Production Value of Sugar with Assessment Value in Colorado, Nebraska and Montana, Great Western Sugar Company, 1929-1933. 1/ (Per 100 pounds)

Year	Cost of Production at the Factory	Assessment Value of Sugar									
		Colorado Counties							Nebraska		Montana
		Adams	Boulder	Larimer	Logan	Morgan	Sedgwick	Weld	Scotts- bluff	Morrill	Yellow- stone
1929	\$3.54	\$4.00	\$4.00	\$4.00	\$4.00	\$4.00	\$4.00	\$4.00	\$	\$3.25	\$3.75
1930	3.40	4.00	4.00	4.00	4.00	4.00	4.00	4.00		3.25	3.75
1931	3.90	3.00	3.00	3.00	3.00	3.00	3.00	3.00	2.85	2.85	3.25
1932	3.46	2.10	2.10	2.10	2.10	2.10	2.10	2.10	2.25	2.25	2.90
1933	3.19	3.40	3.40	3.40	2.10	2.10	2.10	2.10	2.10	2.10	2.70

1/ Compiled from returns of questionnaires sent to county assessors and reports of the Great Western Sugar Company.

production value.

Taxes Paid on Sugar.- The taxes paid on a bag of sugar by the Great Western Sugar Company in each of the last eleven years is shown in table 32. The total taxes paid on sugar by the company during this period and a comparison of this figure with the gross receipts from sugar sales and with the net receipts after sales and marketing expenditures is given in table 37.

A relatively small percent of the net receipts from sugar go for personal property taxes. Only in the year 1925-26 did the amount reach one percent, and in the previous year it had been but slightly over a half of one percent. In 1933 the Great Western paid but \$180,000 tax on nearly \$25,000,000 worth of sugar.



Table 37.- Ratio of Taxes to Gross and Net Receipts from Sugar Sales, Great Western Sugar Company, 1922-1933.

Date <sup>1/</sup>	Number of Bags of Sugar Sold	Taxes on Sugar	Gross Receipts from Sugar	Ratio Taxes to Gross Receipts (percent)	Net Receipts after Sales and Marketing Expenses	Ratio Taxes to Net Receipts before Taxes (percent)
1922-1923	5,002,800	\$240,134	\$40,667,761	.590	\$36,280,306	.658
1923-1924	5,140,144	221,026	41,609,466	.531	37,050,158	.593
1924-1925	6,779,856	203,396	43,519,896	.467	37,689,220	.537
1925-1926	4,636,581	264,285	26,799,438	.986	22,886,164	1.142
1926-1927	6,908,265	214,156	43,162,840	.496	37,325,356	.570
1927-1928	8,514,969	298,024	50,791,790	.584	42,906,929	.690
1928-1929	8,257,480	363,329	44,127,973	.823	37,018,283	.972
1929-1930	7,489,001	307,049	37,991,702	.808	31,281,557	.972
1930-1931	8,927,434	294,605	42,708,844	.690	34,308,129	.851
1931-1932	8,775,665	272,046	37,279,025	.730	29,372,151	.918
1932-1933	5,651,552	180,850	24,878,132	.727	20,605,559	.870

<sup>1/</sup> Year beginning October 1, ending September 30. Compiled from statements to growers by Great Western Sugar Company

## THE CORPORATION LICENSE TAX

Every domestic and foreign corporation in Colorado with the exception of insurance companies pays a corporation license tax. This is the only special tax imposed upon corporations.

The law states: "Every foreign corporation, which has heretofore obtained, or which shall hereinafter obtain, the right and privilege to transact and carry on business within the limits of the state of Colorado, in addition to the fees and taxes now provided by law, shall pay on or before the first day of May,..... to the Secretary of State of the State of Colorado an annual state corporation license tax according to that portion of its capitalization which is represented by its corporate capital, assets, and property located and employed in Colorado, as follows: Ten dollars where such portion of its capitalization is one hundred thousand dollars or less, and ten cents on each one thousand dollars or fractional part thereof, when such capitalization is more than one hundred thousand dollars....."<sup>1</sup>

With the exception of the National Sugar Manufacturing Company, all the sugar companies operating in Colorado are foreign corporations. According to the sworn statements of the officers of the company, filed with the Secretary of State, the amount of capital stock repre-

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<sup>1</sup> Compiled Laws of Colorado, 1921. Chapter 155, Section 7273, p. 1859.

sented by the corporate capital, property and assets of the Great Western Sugar Company originally employed in the State of Colorado was \$7,575,210. In 1934 the Great Western paid \$1,283.30 tax plus a \$5.00 filing fee on the \$12,832,300 of capital employed in Colorado. The amount of capital employed in Colorado in other years compared to the assets and surplus of the company is shown in table 38.

Table 38.- Amount of Corporate Capital Employed in Colorado, Surplus Account, and Assets of Great Western Sugar Company, 1926 to 1933. 1/

Year (Dec. 31)	Capital Em- ployed in Colorado	Surplus	Total Assets
1926	\$14,331,000	\$35,587,452.87	\$79,611,538.42
1927	16,608,000	53,702,597.65	87,021,861.71
1928	14,394,000	33,401,442.77	65,141,910.90
1929	15,818,000	34,380,594.00	72,565,309.30
1930	15,445,000	29,799,294.27	76,177,955.86
1931	15,034,000	28,059,154.41	61,037,391.40
1932	14,861,000	25,814,889.11	56,274,018.57
1933	12,832,300	17,639,327.55	50,017,345.21

1/ Compiled from affidavits of Great Western Sugar Company filed with the Secretary of State of Colorado.

The amounts in the column labeled "Capital Employed in Colorado" are based upon the proportion of the original 30 million dollar capitalization which is employed in Colorado. It is upon this figure that the corporation license tax is assessed. But in the year 1927, for example, when the proportion of capital used in Colorado was \$16,608,000 the company had assets of nearly three times the capitalization and a surplus amounting to 110

percent of it. This tax based upon the capital stock is not a measure of the true taxpaying ability of the organization. If the corporation was losing a great deal of money yearly they would pay the same tax.

Corporation license taxes paid in Colorado by the Great Western Sugar Company from 1927 to 1934 are as shown in table 39.

Table 39.- Corporation License Tax Paid by Great Western Sugar Company in Colorado, 1927 to 1934. 1/

Year	Corporation License Tax	Plus Filing Fee
1927	\$1,433.10	\$1,438.10
1928	1,660.80	1,665.80
1929	1,439.40	1,444.40
1930	1,581.80	1,586.80
1931	1,544.40	1,549.40
1932	1,503.40	1,508.40
1933	1,486.10	1,491.10
1934	1,283.30	1,288.30

1/ Annual Report of Great Western Sugar Company filed with Secretary of State of Colorado.

The revenue from the license tax on all corporations operating in Colorado is less than \$200,000. As this is the only tax other than the property tax that corporations in Colorado pay, it cannot be said that taxes on business corporations are heavy.

## COMPARISON OF TAXES PAID BY SUGAR CORPORATIONS AND BY FARMERS

The question that now arises is, "How do the taxes paid by the sugar companies compare with those paid by farmers?" Two bases for comparison have been used in this study: First, the proportion of taxes to capital; and second, the proportion of taxes to income. The total of all taxes paid by the Great Western is given in table 40.

Ratio of Taxes to Income.- A comparison of the amount of its income which the Great Western Sugar Company pays for taxes, contrasted with the percentage of the incomes going to taxes on farms in Weld County upon which the Colorado Agricultural College keeps records is shown in table 41.

The Great Western operates five factories in Weld County. The years 1931 and 1932 are the only years since the organization of the company that it has shown a deficit, with the exception of 1922. So these two years are probably not a fair basis for comparison. In 1933 the company reported a smaller profit than at any time since 1922; and even then paid a smaller proportion for taxes than did the farmer in so-called "boom" days. The reduction in farm prices of course started before the industrial depression, so the agricultural percentages are also likely to be high. The information shows that on

Table 40.- Total Taxes Paid by Great Western Sugar Company, 1929-1933. 1/

Year	Amount of Taxes				Percent of Total		
	Total Taxes	Property Tax	Corporation License	Federal Income	Property	Corporation License	Federal Income
1929	\$2,127,907.00	\$1,061,567.58	\$1,439.40	\$1,064,900.02	49.9	.1	50.0
1930	1,702,957.09	986,002.51	1,581.80	715,372.78	57.9	.1	42.0
1931	927,860.16	894,009.04	1,544.40	32,306.72	96.4	.2	3.4
1932	768,039.41	756,064.94	1,503.40	10,471.07	98.4	.2	1.4
1933	981,658.70	744,203.05	1,486.10	235,969.55	75.8	.2	24.0

1/ Compiled from returns of questionnaires sent to county treasurers, annual reports filed with Secretary of State, and annual income statements.

the average about half the net income before taxes of the farmer in Weld County goes to help pay the costs of government; whereas the beet sugar company in times of depression (but excluding the worst years) pays about one-fourth of its income for taxes.

The same sort of comparison is shown in table 42 for Delta and Mesa counties and the Holly Sugar Corporation, which operates two factories in this region. The years 1931 and 1932 were bad years for both sugar company and farmers, as each showed a loss on operation even before taxes were deducted. From the data it would appear that the farmers in this district generally paid less of their incomes for taxes than the Holly Sugar Corporation did. If Federal Income taxes were added the percent would be even higher. As in the case of the Great Western Sugar Company, however, the period 1929 to 1933 represents the leanest years in the company's financial history. There is no correlation between the fluctuations of income and the rate at which taxes increase or decline. The raising of beets in this area seems to be more profitable to the farmers than to the sugar company.

Table 43 shows the ratio of taxes to income of farms in Otero County, and the percent of income which the American Beet Sugar Company paid for taxes. This company and the Holly Sugar Corporation both operate in Otero County. The years 1931, 1932 and 1933 were espec-

Table 41.- Ratio of Taxes to Income, Great Western Sugar Company and Farms in Weld County, Colorado, 1926-1933. 1/

Year	Great Western Sugar Company			Weld County Farms		
	Total Taxes <u>2/</u>	Income before Taxes	Ratio of Taxes to Income	Total Taxes	Income before Taxes	Ratio of Taxes to Income
1933	\$ 981,658.70	\$3,544,135.33	27.7	\$-----	\$-----	----
1932	786,039.41	-248,584.06	---- <u>3/</u>	4,584	-13,248	---- <u>3/</u>
1931	927,860.16	438,441.90	211.6	10,126	18,365	55.1
1930	1,702,957.09	7,513,224.62	22.7	11,222	55,025	20.4
1929	2,127,907.00	9,913,606.88	21.5	9,618	10,056	95.6
1928	---	-----		8,120	17,862	45.5

1/Farm Records from Department of Economics and Sociology, Colorado Agricultural College; Great Western Records compiled from income statements of company and questionnaires to county assessors and treasurers.

2/Includes property, corporation license, and federal income tax.

3/Taxes exceeded income.



Table 42.- Percent of Income Paid for Taxes, Holly Sugar Company Compared with Farms in Delta and Mesa Counties, 1928-1933. 1/

Year	Holly Sugar Company			Delta and Mesa County Farms		
	Total Taxes <u>2/</u>	Income before Taxes	Ratio of Taxes to Income	Total Taxes	Income before Taxes	Ratio of Taxes to Income
1933	\$128,255.76	\$ 109,511.76	117.1	\$-----	\$-----	----
1932	136,499.94	-858,871.06	----	5,490	-895	----
1931	158,488.29	-1,287,069.71	----	6,853	-3,057	----
1930	168,498.73	355,003.73	47.5	7,631	25,575	29.8
1929	166,608.06	394,346.06	42.2	9,566	81,731	11.7
1928	-----	-----	----	12,640	103,090	12.3

1/Farm Records from Department of Economics and Sociology, Colorado Agricultural College; Holly Sugar Company Records from Income Statements and questionnaires mailed to county treasurers and assessors.

2/Includes property taxes only.

Table 43.- Ratio of Taxes to Income, American Beet Sugar Company and Farms in Otero County, 1928-1933. 1/

Year	American Beet Sugar Company			Otero County Farms		
	Total Taxes <u>2/</u>	Income before Taxes	Ratio of Taxes to Income	Total Taxes	Income before Taxes	Ratio of Taxes to Income
1933	\$ 86,770.05	\$ 11,393.05	762.0	\$-----	\$-----	----
1932	106,247.48	-1,179,413.52	----	-----	-----	----
1931	130,177.86	-1,634,783.14	----	3,518	6,511	54.0
1930	139,215.44	459,869.44	30.3	3,465	13,038	26.6
1929	140,359.92	668,588.92	21.0	3,232	19,667	16.4
1928	-----	-----	----	3,957	29,298	13.5

1/ Farm Records from Department of Economics and Sociology, Colorado Agricultural College; American Beet Sugar Company Records from Income Statements and questionnaires mailed to county treasurers and assessors.

2/ Property taxes only.

ially poor from the standpoint of the American Sugar Company, and in 1929 and 1930 the income was none too large. It appears from the data that the sugar company pays a larger percent of its returns on property tax alone than the farmers do on all taxes, but again we must point out that these years are not typical for either the sugar company or the farmer.

Ratio of Taxes to Capital.- The amount of taxes paid in proportion to the amount of capital invested is one way of comparing taxes paid. This would not be considered a justifiable manner in which to assess taxes because it would not be a true measure of income. Table 44 shows the amount of taxes paid during the years 1929 to 1933 by the three large sugar companies operating in Colorado, and the proportion which the taxes represent of the total assets of the company for the particular year in question. For the Great Western Sugar Company the figures are comparatively accurate, as the taxes paid include Federal Income taxes and special taxes in Colorado. But the figures for the other two companies include property taxes only, and the proportion of taxes to capital would be increased if these items could be added. Federal Income taxes nearly as large as the property tax in the case of the Great Western do not amount to so much during this period for the Holly and American Beet Sugar companies, however.

Table 44.- Ratio of Taxes to Capital, Sugar Companies  
Operating in Colorado, 1929 to 1933. 1/

Year	Total Taxes	Total Capital	Ratio of Taxes to Capital
<u>Great Western Sugar Company</u>			
1933	\$ 981,658.70	\$78,173,013.53	1.26
1932	768,039.41	75,715,851.94	1.01
1931	927,860.16	88,536,372.42	1.05
1930	1,702,957.09	82,556,220.13	2.06
1929	2,127,907.00	77,810,889.79	2.73
<u>American Beet Sugar Company</u>			
1933	\$ 86,770.05	\$26,069,415.23	.33
1932	106,247.48	28,239,982.87	.38
1931	130,177.86	32,527,257.20	.40
1930	139,215.44	32,372,537.71	.43
1929	140,359.92		
<u>Holly Sugar Company</u>			
1933	\$ 128,255.76	19,140,588.13	.67
1932	136,499.94	19,694,116.24	.69
1931	158,488.29	31,582,838.21	.50
1930	168,498.73	30,928,242.95	.54
1929	166,608.06		

1/ Taxes, compiled from returns of questionnaires sent to county assessors and treasurers, plus Federal Income taxes. Capital taken from annual statements of companies.

No general conclusions may be drawn as to the trend of relation between taxes and capital. As has been mentioned the Great Western figure is greatly influenced by the heavy income taxes paid the Federal government in prosperous years. Property taxes have been steadily declining in all localities since 1929, but the profits of the companies and the amounts of capital invested have also been on the decline. Interpretation of the data would indicate that the Great Western Sugar Company pays between 1 and 3 percent of its capital investment for taxes, the greatest percentage being paid in more prosperous years, which is both fitting and proper.

Property taxes paid by the American Beet Sugar Company have declined and so have the values of the company's property, but during this period the proportion of capital represented by taxes paid has declined until it now is one three-hundredth of the total.

On the other hand, in the case of the Holly Sugar Corporation the proportion has increased during the same period and under the same conditions until it now represents about one one-hundred-fiftieth of the total. The assets of these last two companies for 1929 are not available.

A similar comparison calculated from farm records in three counties is presented in table 45. The Great Western Sugar Company operates five factories in Weld County;

Table 45.- Ratio of Taxes to Capital, Farms Operated in Weld, Otero, Mesa and Delta Counties, 1926 to 1932. 1/

Year	Total Taxes	Total Capital	Ratio of Taxes to Capital (percent)
<u>Weld County</u>			
1932	\$ 4,584	\$517,485	.89
1931	10,126	855,095	1.18
1930	11,222	846,908	1.33
1929	9,618	765,174	1.26
1928	8,120	668,855	1.21
1927	8,066	726,225	1.11
1926	9,460	960,216	.99
<u>Otero County</u>			
1931	\$ 3,518	\$144,487	2.43
1930	3,465	142,899	2.42
1929	3,232	198,717	1.63
1928	3,957	228,440	1.73
1927	4,596	311,300	1.48
<u>Delta and Mesa Counties</u>			
1932	\$ 5,490	\$261,844	2.10
1931	6,853	487,703	1.41
1930	7,631	479,487	1.59
1929	9,566	639,590	1.50
1928	12,640	768,600	1.64
1927	14,629	919,100	1.59

1/ Compiled from records of the Department of Economics and Sociology, Colorado Agricultural College.

the Holly Sugar Corporation three in Otero, Mesa and Delta counties; and the American Beet Sugar Company one in Otero County. There is no correlation between the amounts of capital used on the farms and the taxes paid. The taxes generally seem to represent a higher proportion of capital on farms than in the case of the sugar companies, but these of course represent the entire taxes paid on the farms. Taxes seem generally to represent a greater proportion of capital in Otero County than in the other counties.

Property Tax Paid by Farm Producers of Sugar Beets.-

The average cost per acre of producing sugar beets on farms in Weld County, Colorado, is shown for each of eleven years in table 46. Average yields each year varied from 11.25 tons in 1922 to 18.51 in 1926. The year 1925 was a hard year for sugar beets to get started. The area that grew and was harvested that year made fairly good yields.<sup>1</sup>

The contract labor shown is based on actual payments divided by measured area harvested. This does not agree exactly with the standard payments per acre which are based on areas computed by field men of the sugar company.

The section of Weld County in which these farms are located has certain advantages for sugar beet production

<sup>1</sup> R. T. Burdick and H. B. Pingrey, "Cost of Producing Crops on Irrigated Farms." Colo. Exp. Sta. Bul. 353, 1929.

Table 46.- Cost Per Acre of Producing Sugar Beets, Weld County Cost Route Farms, 1922 to 1932 inclusive. 1/

Year	1922	1923	1924	1925	1926	1927	1928	1929	1930	1931	1932	Yearly Average
Number of farms-----	12	13	17	10	7	10	2	10	11	7	3	
Acres in crop harvested -----	23.31	26.63	37.17	20.19	43.87	43.97	24.35	31.84	34.19	21.38	25.35	30.204
Yield per acre, tons -----	11.25	15.38	16.02	13.68	18.51	14.68	17.90	15.62	16.22	14.44	14.55	15.2912
Seed per acre, lbs. -----	16.5	16.2	16.8	43.	18.	22.6	---	---	---	---	---	22.183
Man hours per acre -----	35.35	36.20	37.88	59.20	40.22	35.30	30.68	36.96	32.81	34.20	30.51	37.211
Horse hours per acre -----	72.	81.82	77.76	113.56	81.30	77.50	57.85	51.93	51.67	52.36	45.93	69.362
Tractor hours per acre -----	---	.38	.50	2.35	.56	.47	---	.94	1.20	.87	.62	.8766
Truck hours per acre -----	---	---	---	---	---	---	.66	4.82	4.04	3.15	3.94	3.322
Costs per acre:												
Man labor -----	\$11.60	\$11.58	\$12.97	\$18.42	\$13.22	\$10.30	\$ 8.66	\$12.12	\$10.75	\$ 7.79	\$ 4.81	\$11.111
Horse labor -----	9.51	9.93	11.20	16.35	11.02	9.21	9.22	7.30	7.26	5.99	4.58	9.234
Hand contract -----	17.15	21.17	23.72	19.37	26.33	24.66	23.97	24.46	24.75	18.09	12.09	21.432
Haul contract -----	---	.82	.05	.41	1.46	.38	7.82	2.18	3.50	1.93	.03	1.858
Seed -----	3.12	2.43	2.52	6.50	2.75	3.37	3.00	2.86	3.27	2.89	2.06	3.161
Manure -----	5.48	5.04	7.48	13.41	9.59	6.62	8.72	7.88	8.58	6.13	9.13	8.005
Water tax -----	2.20	1.43	2.18	4.62	2.77	2.32	3.07	4.13	2.95	3.24	4.09	3.000
Real estate tax -----	3.41	3.20	3.02	2.62	2.94	3.20	3.32	3.26	2.90	2.18	2.15	2.972
Buildings -----	.43	.60	.57	1.75	.49	.40	.83	.58	.52	.48	.54	.654
Equipment -----	3.09	3.44	3.85	6.32	4.71	5.31	4.29	3.23	3.21	3.70	3.53	4.061
Truck -----	---	.20	.13	.22	1.83	1.71	4.02	3.08	2.60	1.57	2.65	1.801
Tractor -----	---	.28	.37	1.74	.57	1.28	4.02	.94	1.20	.70	.72	.866
Miscellaneous -----	.18	.07	1.15	.31	.75	.31	---	.18	.74	.38	.10	.417
Overhead -----	2.46	2.96	3.15	4.28	4.15	4.37	4.62	3.74	3.32	2.73	2.09	3.442
Total Operating Cost -----	\$58.63	\$63.15	\$72.36	\$96.32	\$82.58	\$73.44	\$81.54	\$75.94	\$75.55	\$57.80	\$48.57	\$71.443
Interest on land -----	14.78	14.71	14.04	13.05	13.42	12.90	15.03	13.98	13.01	12.12	12.19	13.566
Total All Costs -----	\$73.41	\$77.86	\$86.40	\$109.37	\$96.00	\$86.34	\$96.57	\$89.92	\$88.56	\$69.92	\$60.76	\$85.010
Value per ton -----	\$ 7.88	\$ 8.19	\$ 7.50	\$ 6.00	\$ 8.00	\$ 8.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 5.50	\$ 4.62	\$ 6.992
Value per acre -----	88.65	125.96	120.15	82.08	148.08	117.44	125.30	109.35	128.03	75.74	67.38	107.83
Returns per acre:												
(1) Without interest -----	30.02	62.81	47.79	-14.24	65.50	44.00	43.76	33.41	52.48	17.94	18.81	36.571
(2) With interest -----	15.24	48.10	33.75	-27.29	52.08	31.10	28.73	19.43	39.47	5.82	6.62	23.004
Costs per ton:												
(1) Without interest -----	5.21	4.10	4.52	7.04	4.46	5.00	4.55	4.86	4.66	4.00	3.34	4.704
(2) With interest -----	6.52	5.06	5.39	7.99	5.18	5.88	5.39	5.76	5.46	4.84	4.17	5.604
Percent taxes to total cost --	5.81	5.07	4.17	2.72	3.56	4.36	4.07	4.29	3.84	3.77	4.43	4.16
Real estate taxes per ton of beets -----	\$ .30	\$ .21	\$ .19	\$ .19	\$ .16	\$ .22	\$ .18	\$ .21	\$ .18	\$ .15	\$ .15	\$ .19

1/R. F. Burdick and H. B. Pingrey, "Cost of Producing Crops on Irrigated Farms," Colo. Exp. Sta. Bul. 353, p. 32, and unpublished records, Colorado Experiment Station.



which result in higher yields than can be secured elsewhere for the same cost.

The chief advantage possessed by the area in Northern Colorado in the raising of sugar beets is that of climate. The monthly mean temperature at Fort Collins over a period of forty years is 46.5 degrees, while that of Rocky Ford is 52 degrees. Yields of sugar beets in these respective sections were 15.57 tons and 12.99 tons.

Sugar beets are a relatively cool climate crop. The temperature during the months of June, July and August is very important. A comparison of temperatures during these months at Rocky Ford and Fort Collins is given below.

	<u>June</u>	<u>July</u>	<u>August</u>
Rocky Ford ----	70.5	74.8	73.4
Fort Collins --	63.4	68.3	67.3

Not only is the temperature during these months important, but the temperature between night and day just preceding beet harvest is also an important factor in the development and the storage of sugar. The maximum activity of sugar storage is during the last month of the growing season. Northern Colorado has cooler nights than the Arkansas Valley, and fairly warm days.

The soil in this area is medium to light. Potatoes are widely grown. Many farmers follow potatoes by sugar beets. This tends to cheapen the cost of production inasmuch as plowing is eliminated. It secures an early

preparation of seedbed and allows for early planting.

These are important factors in raising beets, as labor performed and yields are two important factors in cheapening costs and thereby raising the profit from sugar beets.

Many farmers feed either sheep or cattle and have sufficient manure to maintain their soil in high fertility. There is normally sufficient irrigation water to keep crops growing thru the year. These and other items have combined to make the Windsor-Eaton-Greeley area highly productive. In 1926 the farms included in this study averaged 18.51 tons of beets per acre. Northern Colorado made an average of 14.40 tons the same year. The lowest yield on any of these farms that year was 14.99 tons.

For the above reasons the average cost per acre or per ton shown for this study is less, proportionately, than what might be considered normal under Northern Colorado irrigated conditions.

#### Cost of Producing Sugar Beets in Other States.--

Table 47 shows the average cost of producing sugar beets on the farms in various states. These figures, compiled by the United States Tariff Commission, show the average cost of producing sugar beets in Colorado to be \$5.08 per ton in 1930 and \$5.52 per ton in 1931. The average cost of producing the beets in Weld County, as shown in table 47, was \$4.66 and \$4.00 per ton for 1930 and 1931 respec-

tively - figures considerably lower than the average for the state.

Table 47.- Sugar Beets, Cost per Ton at Farm, by States, 1930 and 1931. 1/

States	Simple Average <sup>2/</sup>	
	1930	1931
Non-irrigated:		
Michigan -----	\$7.51	\$5.31
Wisconsin -----	7.35	5.37
Iowa -----	5.50	5.05
Minnesota -----	<u>6.35</u>	<u>5.38</u>
Average -----	\$6.39	\$5.40
Irrigated:		
Colorado -----	\$5.08	\$5.52
Nebraska -----	4.93	4.69
Wyoming -----	5.08	5.23
Utah -----	5.72	7.34
Idaho -----	5.90	6.32
Montana -----	5.38	5.63
Kansas -----	4.78	5.92
South Dakota -----	5.60	6.41
California -----	<u>6.02</u>	<u>6.14</u>
Average -----	\$5.27	\$5.67
All States -----	\$5.40	\$5.65

1/ U. S. Tariff Commission, Washington, D. C. March 13, 1934.

2/ Simple average of costs in representative areas.

Nebraska seems to produce sugar beets more cheaply than other states, on the basis of the simple average comparison. Colorado and Wyoming also produce at a comparatively low rate. In 1930, costs of production were generally higher on non-irrigated land which had to be irrigated, while in 1931 the opposite was true.

Tax in Relation to Cost of Production of Beets.--

The average real estate tax paid on these beet-raising farms was higher in 1922 and lower in 1932 than at any other time in this eleven period. The trend seemed to be for the taxes to increase during the period of prosperity from 1925 to 1928, and to decline as rapidly as other costs, as shown by the percent of the total cost which they represent. In 1929, taxes comprised 4.07 percent of the total cost of producing sugar beets, and in 1932 they were 4.43 percent. The average percent of the costs of production chargeable to taxes over the eleven year period was 4.16 percent. About 4 cents out of the dollar spent by the beet grower in raising beets was paid for taxes.

The real estate tax per ton of beets raised has averaged about 19 cents for the eleven year period. It has fluctuated between 15 and 30 cents. A variable figure is to be expected because the number of tons of beets produced per acre is likely to vary widely in different years. The real estate taxes paid per ton of beets produced were lower in 1932 and 1933 than in any of the previous years.

The United States Tariff Commission has recently released figures showing the cost per ton of sugar beets in Colorado to be \$5.08 in 1930 and \$5.52 in 1931. (See table 47) In table 46 we have shown that the real estate

tax averages 3.84 percent of the total cost of production of beets on Weld County farms in 1930, and 3.77 percent in 1931. Assuming these figures to be typical for the state we find that taxes per ton of sugar beets in Colorado amounted to 19.5 cents in 1930 and 20.8 cents in 1931. These costs compare favorably with those of Weld County where we have exact records.

## SUMMARY

Development of the Industry

The raising of sugar beets for sugar is one of the most economically important occupations in Colorado. During the past ten years the production of sugar beets has amounted to 16.5 percent of the total value of all agricultural products in the state, and in some years beets have comprised as much as 20 percent of the total. In Morgan and Weld counties sugar beets represent over 50 percent of the value of all crops.

The industry has assumed an important place in our economic system since its introduction a comparatively short period ago. The process of refining sugar from cane stalks was discovered by a Venetian a century before Columbus. A Prussian chemist obtained beet sugar crystals in 1747. In 1812 Napoleon decreed that the farmers must plant 79,000 acres of beets; and he established plants for manufacturing sugar and schools for the plant operators.

The first successful beet sugar factory in America, however, was not established until 1879. Several unsuccessful attempts had preceded the venture at Alvarado, California. By 1890 several factories were operating, and the industry has grown under the protective tariff until over one and one-half million tons of beet sugar were produced in the United States in 1933.

The first Colorado beets were raised near Denver as early as 1860. After much agitation the first factory for sugar manufacturing was established at Grand Junction in 1899. This factory turned out 8,700 bags of sugar in 1900, and paid growers more than half a million dollars. The first factory on the eastern slope was at Loveland, starting operations in 1900. From this beginning the industry has grown until Colorado leads all states in the production of beet sugar. Since 1919 Colorado has never produced in any year less than 21 percent of all beet sugar in the United States, and in 1926 production in Colorado was 42 percent of the total. During the period 1911 to 1930 producers here accounted for 30 percent of the total United States production of sugar beets.

#### Companies Operating in Colorado

Four beet sugar companies operate factories in Colorado at the present time, the largest and most important of which is the Great Western Sugar Company. This corporation is the largest producer of beet sugar in the United States, operating twenty-two factories of which thirteen are in Colorado, six in Nebraska, two in Wyoming, and one in Montana. A molasses desugaring plant is operated at Johnstown, the only factory of its kind in the world. Several subsidiary companies are owned by the Great Western, chief of which are: The Great Western

Railway, operating 87 miles of track and doing a general freight and passenger business; and the Cache la Poudre Corporation, a nine million dollar company set up to deal in securities. The company has no funded debt or outstanding obligations. The plants have a combined slicing capacity of 42,000 tons of beets per day and are capable of turning out 10,800,000 bags of sugar in a single season.

The second largest producer of beet sugar in the United States is the American Beet Sugar Company, which operates a factory at Rocky Ford, Colorado, and owns another at Las Animas which is being equipped for the coming manufacturing season. This company operates seven plants of its own, but owns 99 percent of the common stock of the Amalgamated Sugar Company, operating eight additional factories. The American Beet Sugar Company lost three million dollars from operations between 1931 and 1933, according to their financial reports, but paid off several million in stock, debentures, and bank acceptance liabilities, and were in a much stronger financial position in 1933 than in 1930.

The Holly Sugar Corporation operates ten sugar factories, three of which are located at Swink, Grand Junction and Delta in Colorado. The company is capable of producing 3,400,000 bags of sugar per season. Two and one-fourth million dollars have been lost in operations since 1920. A number of outstanding notes have been



repaid since 1930, but the surplus has been greatly reduced and the depreciation reserve completely exhausted.

The fourth company operating in Colorado is the National Sugar Manufacturing Company, owning only the one factory at Sugar City. Production has been low and losses total approximately one and one-half millions since 1930.

#### Great Western Sugar Company

Capitalization and Dividends.— More information is available concerning the Great Western Sugar Company than concerning any other. The capitalization of this company is 30 million dollars, of which only \$3,469,520 was paid in cash. Property payments totaled \$20,532,000, and the balance was stock. From this start, representing \$24,001,520 paid in, an organization has been built up which has assets totaling 75 million dollars. The original issue of 150,000 shares of common stock has been split twelve shares for one, and a 10 million dollar dividend was paid on the common in 1933 alone.

On the preferred stock, dividends totaling \$27,728,067 have been paid to January 1, 1934. On the common, \$79,327,071.43 has been paid. The original value of each type of stock was 15 millions. In three successive years, 1918, 1919 and 1920, 47 percent of the original value of the common stock was paid to stockholders in each year. The dividends on each share of original

common stock now total \$18.23 per year for each of the twenty-nine years between 1905 and 1934, or a total of \$528.81 paid on an original \$100 investment. In addition, the market value of one share of the original common is now \$279 due to the splitting of the shares.<sup>1</sup>

Increase in Assets.— The assets have increased in spite of the large dividends paid. In 1928 they amounted to 94 million dollars, more than three times the original investment. Five percent has annually been written off for depreciation until recently. The assets according to the company's income statement February 28, 1934, were \$75,000,000. The value of the stock on the market the same date was \$72,825,000 even with the prospect of governmental restrictions facing the organization.

Depreciation Reserves.— Due to the 5 percent charge, a reserve for depreciation of more than 17 million dollars has been built up. For four straight years, 1931 to 1934, the item "plants, railroad and equipment" has remained approximately 43 million dollars, the depreciation charge just offsetting improvements made. The surplus account has not been less than 25 million dollars since 1922. In 1933, 9 million dollars were taken from surplus to organize the Cache la Poudre Corporation, but the surplus account was only decreased \$5,800,000 during the fiscal year.

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<sup>1</sup> Feb. 28, 1934

Income.— The income reported by the Great Western Sugar Company has varied between 3 and 12 million dollars since 1922. In 1934 it was \$6,414,063.37. Losses totaling less than one and one-half million dollars after depreciation charges were reported for 1931 and 1932, but a perusal of the income statements reveals that Federal income taxes were paid in those years nevertheless, indicating that the company made a taxable income during those years. Income calculated by dividing Federal income taxes paid by the Federal tax rates charged in the particular year shows that the Great Western generally pays income taxes on an income from three hundred thousand to two million dollars higher than the net income after depreciation and other charges reported by the company in annual statements.

#### Taxation of the Sugar Beet Industry

Difficulties.— Several difficulties arise in the taxation of such corporations. The primary trouble lies with the system of taxation used in Colorado. The great burden falls on the property tax, which is neither suitable nor adequate. In the first place, the valuation of the property of an organization is not an accurate measure of taxpaying ability. Another defect is that the tax rests principally upon those with real property and not upon those owning personal and intangible property. There is widespread evasion of taxes on property of this

nature. A principal defect is that the system of assessment of property taxes is inadequate and consistent values are impossible of attainment. It is not possible for one man or a group of men to evaluate accurately all the various kinds of property in one county.

Taxes Paid by the Companies.- The property tax paid by the Great Western Sugar Company dropped more than 33 percent between 1929 and 1933 in spite of improvements in plants, equipment, and output of the company. Colorado collects approximately 60 percent of the total property taxes paid by this company, which is about the correct proportion considering that 13 of the 22 factories are located here.

Property taxes on the Holly Sugar Corporation dropped but 25 percent between 1929 and 1933. Colorado collects about 50 percent of the tax paid by this company, three of the eight factories being located here. American Beet Sugar Company property taxes dropped about 40 percent, and Colorado gets over 40 percent of the total property taxes on two of eight factories. The National Sugar Manufacturing Company received a reduction of 30 percent in property taxes on its one Colorado factory.

In 1929 all the sugar companies paid a total of \$850,000 in property taxes in Colorado. In 1933 the total was \$550,000, or a reduction of about 30 percent. This compares favorably with reductions in taxes to growers,

and the total amount paid by growers of sugar beets is about the same as that paid by the companies. However, in 1929 the companies paid 1.71 percent of the total property tax revenue of the state of Colorado, whereas in 1933 their payments comprised but 1.37 percent of the total. Assuming that no new property was brought into the state for assessment, the valuations of property of the sugar corporations must have been reduced at a greater rate than that of property in general. As a matter of fact, there can be no standard by which to judge the value of the few acres of ground and the complicated machinery and improvements which constitute a sugar mill. The assessors must arrive at an arbitrary figure or take the value suggested by the sugar company.

Taxation of Intangibles.- Colorado finds itself peculiarly handicapped in the taxation of intangible property. The three large sugar companies operating in the state are all foreign corporations. Money, stocks, bonds and book accounts are assessable only at the place of domicile. So the cash assets arising from the processing of Colorado beets and deposited in Colorado banks can not be taxed by Colorado under present laws.

Corporation License Tax.- The only tax other than the tax on property which must be paid to the state by sugar companies is the corporation license tax. This tax is assessed upon the portion of the original capitalization employed in the state. We have already shown

that the capitalization of 30 million dollars in the case of the Great Western has resulted in the payment of dividends comprising four or five times the original capital employed, and in assets invested in property of over 75 million dollars. Yet the corporation pays only a tax of one cent per one hundred dollars of the capitalization represented by property in Colorado. The tax is the same whether the corporation profits or loses by the year's operations. The corporation license tax amounts to little more than a nuisance tax, as it yields less than \$200,000 revenue to the state each season from all the corporations operating in the state.

Inequality of Assessment.- According to Colorado law, property should be assessed at its true cash value for taxation purposes. A survey made of the cash sales of 378 Colorado farms in counties where sugar factories are operated showed that only three were assessed at this figure. Two hundred eighty of the farms were assessed for less than their cash sales value, and the balance were assessed for more than their sales value. Several farms were assessed at more than three times their cash price and one farm was assessed at more than nine times this price. Such differences in valuation mean discrimination for or against the owner of one piece of property in comparison with another owner.

The assessor of Larimer County states that the sugar company tries to influence him in making lower assessments

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According to a sworn statement of the Great Western Sugar Company's auditor the plants, railroad, real estate, and equipment of the company were worth \$43,045,928 in 1932. The total assessed valuation of these items was approximately \$18,695,288, about 43 percent of the sworn book value of the company.

At the present time the Great Western Sugar Company has filed suit against Larimer County, claiming that the assessment of \$3.40 per 100 pound bag of sugar is excessive. Since 1933 the average tax per bag of Great Western sugar has dropped from five cents to three cents. The average tax for the eleven years has been 3.86 cents, or about seven-tenths of one percent of the average amount received per bag.

Factory Cost of Production of Beet Sugar.— It would possibly be easier for these assessments to be made if assessors were shown the factory costs of the production of the sugar. The actual costs are well hidden by the Great Western, but we were able to arrive at the cost by deducting the reported profit or loss from the net receipts of the company and dividing by the number of bags. This procedure showed the actual cost of production in 1933 to be \$3.40 per bag, at the factory, the exact assessment the Larimer county assessor had made. The costs of production had been cut \$2.70 in the past eleven year period, speaking for the efficiency of the organization. The costs of production were as low in 1929 when

wages and materials were high as at any other time. Profits per bag were as high as \$2.30 in 1926, but losses have never been more than eleven cents.

The Tariff Commission recently released figures quoting the average cost of beet sugar in Colorado as \$3.83 per hundred pounds for 1930. Considering the financial strength of the Great Western Sugar Company it is not unreasonable to assume that our calculated figure forty cents per hundred below the average is approximately correct.

In 1933 the Great Western paid \$180,000 tax on sugar which sold for nearly \$25,000,000. The tax represented less than eight tenths of one percent. Assessments on sugar in Colorado declined from \$4.00 per hundred in 1929 to \$2.10 in most counties in 1933. The tax assessments have declined much more rapidly than the costs of production, and at the present time are much less than the costs of production of the sugar.

Grower Cost of Production of Sugar Beets.— The average cost of raising beets has been cut by Weld county farmers from \$7.98 per ton in 1922 to \$4.17 in 1933. This is the best area for beet raising in Colorado, so the costs may not be typical of the state. United States Tariff Commission figures give the Colorado average cost as \$5.08 in 1930 and \$5.52 in 1931. Weld county figures for these years are \$4.66 and \$4.00 respectively. Taxes represent 4.4 percent of the total cost in 1932—four



cents of the dollar spent by the beet grower in raising his crop went for taxes. This compares with the tax of less than one per cent paid by the manufacturers.

Ratio of Taxes to Income.- A comparison of incomes with taxes paid shows that the Great Western Sugar Company paid a smaller proportion of its income for taxes than did farmers in Weld County. The comparisons were made for the years 1929 to 1933, years when profits were meager for corporations and farmers alike. For this reason conclusions may not be valid, but the sugar companies paid between 20 and 25 percent of their net income for taxes and the farmers from 45 to 55 percent.

Similar comparisons between Holly and American Beet Sugar companies and farm records from Delta, Mesa, and Otero counties showed that the companies paid a slightly higher percentage of income for taxes than did the farmers.

## CONCLUSIONS AND RECOMMENDATIONS

Conclusions.- Methods employed in taxing sugar companies in Colorado are not accurate in measuring the ability of the companies to pay. The burden of taxation of these companies rests upon the general property tax, which is entirely too inelastic to adequately serve the purpose. The companies pay less than their fair share of taxes in times of prosperity and more in times of depression.

Assessments of sugar company property under the existing system are difficult to determine and tend to be lower than the true value of the property.

The corporation license tax amounts to no more than a license to do business in the state and bears no relation to their reasonable taxpaying ability.

Beet sugar manufacturers in Colorado ordinarily pay lighter taxes proportionately than do the growers of the beets upon whose product the industry depends. Manufacturers' incomes are generally higher. The Great Western Sugar Company is the outstanding success among beet sugar manufacturers, and its operations are mainly in Colorado.

Recommendation.- It has been shown that the present method of taxing sugar companies in Colorado is both unfair and inadequate. Under present conditions local assessors have no adequate method of assessing the real and personal property of the organization, and can not

assess in any way the intangible property of the companies which in some cases represents more than half the total assets. It would seem that a corporation income tax in addition to the property tax would provide a fairer basis for taxation. Study of Federal Income tax figures shows that this tax would provide revenue on a fair basis of assessment when the companies are prospering, and would be no burden to the sugar companies in times of low income. Substitution of a tax based upon net income for the corporation license tax would make the Colorado system of taxation of sugar companies both more equitable and more adequate.

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