Religion, Politics, and Sugar

Godfrey, Matthew

Published by Utah State University Press

Godfrey, Matthew.
Utah State University Press, 2008.
Project MUSE. muse.jhu.edu/book/9857.

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Chapter Seven

Conclusion

When the Federal Trade Commission ceased taking testimony in its trial of the Utah-Idaho Sugar Company in February 1921, the corporation’s problems with government investigations largely ended. The FTC issued its findings against the company in 1923, and in 1927, the Eighth Circuit Court of Appeals overturned the agency’s decision, but no other government inquiries followed the FTC’s trial. Instead, Utah-Idaho Sugar spent most of the 1920s working with the federal government in order to preserve the corporation’s economic solvency.

In 1921, federal loans helped revive the Utah-Idaho Sugar Company from the worldwide crash in sugar prices. Nonetheless, the corporation faced continued financial difficulties for much of the next decade. In 1924, curly top, a beet-withering disease spread by the white fly, created serious problems for farmers throughout Utah, Idaho, and Washington. That year, agriculturists planted over eighty-three thousand acres of beets for Utah-Idaho Sugar, but the white fly affected so many different areas that only sixty-four thousand acres were harvested and only four hundred twenty-four thousand tons of sugar were produced, a decline of almost one million bags. Because of the extent of the disease, Utah-Idaho was forced to close down processing plants in Lehi and Delta, Utah; Rigby, Idaho; and Toppenish, Washington. The next few years brought more curly
top problems, and by 1929, three more factories in Elsinore, Payson, and Moroni, Utah, closed, as well. Although Utah-Idaho Sugar relocated many of these plants to other areas, it lost hundreds of thousands of dollars from idle factories.¹

The continued instability in sugar production and prices throughout the 1920s compounded these losses. Prices rebounded in 1922 and 1923, but they fell to 2.5 cents per pound in 1924 and 1925. The main reason for this decrease was overproduction. Cane growers in Cuba, Puerto Rico, and the Philippines increased their total output in the 1920s, as did Hawaii and Europe. Because of the unusually large supply of sugar, the commodity dropped to two cents per pound in 1929, and after the onset of the Great Depression, it fell to one cent. Facing substantial losses, Utah-Idaho Sugar took out loans from bankers in Salt Lake City and New York City and enacted strict fiscal policies that reduced costs of production and postponed dividend payments.²

At the same time, Utah-Idaho officials worked closely with the federal government to mitigate the financial destruction and the disease problems. The U.S. Department of Agriculture labored throughout the 1920s to find a solution to curly top, which by 1926 had forced twenty-two beet sugar factories in the American West to shut down. Researchers investigated the possibility of developing a breed of sugar beets that could resist the disease, and the government appointed Dr. George H. Coons, a specialist in beet diseases at Michigan Agricultural College in Lansing, Michigan, to work on the problem. Congress appropriated $400,000 to support his efforts in 1928, and shortly thereafter Coons and his researchers produced the first strain of curly-top resistant beets. By the mid-1930s, the newly developed seed, known as “U.S. No. 1,” had significantly benefited Utah-Idaho Sugar by helping to increase the beet production of its farmers.³

The government also addressed the problem of low prices by passing the Sugar Act of 1934. This law established a quota

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system for American sugar and divided the country’s market between beets, domestic cane production, and sugar from Hawaii, Puerto Rico, the Philippines, and Cuba. If manufacturers met specific qualifications, such as planting a certain amount of acreage and providing good wages to their employees, companies became eligible for a federal cash benefit payment of $2.60 per ton of beets. This act, coupled with the Department of Agriculture’s work to produce curly-top-resistant beets, had provided increased security and stability to the sugar industry by the mid-1930s. In addition, when the United States became involved in the Second World War in 1941, prices rose and sugar producers prospered once again. The government regulated the production and sale of sugar during the war, and, as with the First World War, many sugar companies readily submitted to increased government control.  

One of the biggest factors in Utah-Idaho’s ability to ride out the economic storms of the 1920s and 1930s, however, was the continued involvement of the LDS church. Heber J. Grant remained president of the corporation, and, except for a two-year stint as vice president and chairman of the board, he labored in that position until his death in 1945. Meanwhile, after resigning as general manager, Charles Nibley was appointed vice president and worked in that capacity until he died in 1931. Other church authorities also held key positions: George Albert Smith, an apostle in the church, was vice president from 1922 to 1931 and then became president of the corporation when he was appointed head of the LDS church in 1945. In 1951, David O. McKay succeeded Smith as president of both the church and Utah-Idaho Sugar, while Senator Reed Smoot concluded a four-year term as vice president from 1937 to 1941.  

The LDS church also maintained its financial support of the company. After the stock market crash of 1929, the church loaned the corporation $750,000 and also underwrote bank loans. In October 1935, Utah-Idaho Sugar decided to exploit

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low interest rates by issuing new bonds totaling $3.5 million, thereby financing the payment of accumulated dividends on preferred stock. The church agreed to buy $2 million of the new bond release, and it also accepted $500,000 more in bonds as payment against the 1929 loan. The church’s holdings in Utah-Idaho Sugar increased substantially, and the Mormon organization continued its financial and administrative interest in the corporation until the 1980s.6

In many ways, the story of the early history of the Utah-Idaho Sugar Company is fascinating just because of the legal, political, and economic turmoil it faced. But this history also holds several layers of significance for historians. For one thing, it illustrates how several regulatory mechanisms functioned in the United States in the early twentieth century, such as the Federal Trade Commission. Although Woodrow Wilson and other reformers envisioned the FTC as restoring competition to American business, it had little power in its early years, especially because its decisions were subject to judicial review. In 1927, the Eighth Circuit Court of Appeals could overturn the FTC’s findings that Utah-Idaho Sugar had used unfair business practices against its competitors by insisting that the manufacturing of sugar was not interstate commerce, thereby nullifying the agency’s jurisdiction over the case. Such overrulings were not confined to the FTC, however, as evidenced by the Supreme Court’s dismissal of the Lever Act as unconstitutional, quashing the profiteering indictments against Utah-Idaho directors. In both instances, earnest efforts by government agencies to protect consumers and ensure competition in American business were destroyed by judicial decisions. Historians have acknowledged that federal courts were impediments to reform; the battles between Utah-Idaho Sugar and the government in 1920 and 1921

6. Arrington, Beet Sugar in the West, 124–27, 135. In 1979, Utah-Idaho Sugar decided to abandon the sugar business because “sugar prices had fallen, the company’s sugar operations were not profitable, and the future did not seem promising.” The corporation subsequently moved its headquarters to Kennewick, Washington, where it focused on potato processing. In the mid-1980s, the LDS church sold the company, and it was renamed AgraWest. Rowland M. Cannon to Matthew Godfrey, June 22, 1999, letter in possession of the author. Rowland Cannon was president of Utah-Idaho Sugar from 1969 to 1981.
emphasize this point.\footnote{See, for example, Richard Hofstadter, The Age of Reform: From Bryan to F.D.R. (New York, 1955), 309.} Yet other agencies were more successful in their endeavors. The Food Administration, for example, operated throughout the First World War to prevent shortages and high prices in consumer goods, and the Sugar Equalization Board had comparable success in the sugar arena.

Utah-Idaho Sugar’s history also indicates, somewhat surprisingly, that congressional allies of big corporations sometimes tried to get their friends to toe the line. When Utah-Idaho’s directors first decided to raise sugar prices in 1920, for example, they contacted Smoot to see what the Department of Justice would think. Smoot presented Utah-Idaho’s case to the DOJ, but after it told him that a price hike would result in an investigation, the senator counseled Utah-Idaho Sugar to abide by the regulations and keep its rates low. Although Smoot believed that the Justice Department’s inquiry was ultimately based on political intrigue, he did not think that Utah-Idaho Sugar was justified in raising its prices. In a similar way, Smoot acted as an emissary between the corporation and Herbert Hoover during the First World War. Smoot frequently presented Nibley’s proposals about sugar prices to Hoover, but when the food administrator rejected these suggestions, Smoot encouraged Nibley to trust Hoover’s decisions. Nibley and other Utah-Idaho directors did not always follow Smoot’s recommendations, but it is significant that Smoot, perhaps sensing his duty to the government, advised the corporation from time to time to obey government regulations rather than reject them outright.

Neither Smoot nor any other member of Congress prevented beet sugar from becoming politicized, in large part because of its importance to the economic well-being of the American West. For the first half of the twentieth century, beet sugar production was vital to the agricultural economies of several states, including Utah, Idaho, Colorado, and California. At its height, as one publication attested, beet sugar was “an integral part of the economy of twenty-two states,” the vast majority of which were in the trans-Mississippi West. For
farmers in these states, beet sugar served as “a major source of income and purchasing power” by providing them with a reliable cash crop. As one of the major players in the beet sugar industry, Utah-Idaho Sugar became embroiled in the politics that accompanied such power. Indeed, both Republicans and Democrats used the corporation’s troubles with the federal government to their benefit: the Democrats to show the need for economic regulation in the state and the Republicans to charge Democrats with needlessly harassing a corporation for political gains. This same partisanship extended to the national arena, in large part because of the extent to which the beet sugar industry relied on the federal government. Many beet sugar companies argued that they could not survive without the tariff, while the federal government enabled corporations such as Utah-Idaho to continue operations in the agricultural depression of the early 1920s. In addition, through the farm bureau and county agent system of the U.S. Department of Agriculture, beet farmers were able to lobby Utah-Idaho Sugar for better prices. Federal entanglements, although beneficial in several ways to beet sugar, furthered its politicization.

Along with federal efforts, the most significant force supporting the Utah-Idaho Sugar Company, as explained above, continued to be the LDS church. This brings us back to the central questions of this book: why the LDS church became involved in sugar, why it maintained that involvement and even used it to its advantage, and what repercussions this had on both the church and the corporation. As this study has demonstrated, the answers are many and convoluted. Brigham Young and John Taylor originally attempted to produce sugar in Utah Territory so that Utahns would not have to pay exorbitant amounts to import the product from the East. Wilford Woodruff had similar ideas, but was also motivated by his conviction that God wanted the beet sugar industry established in Utah. He and other church leaders gave several reasons why the Lord might have such a desire, such

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as the hope that the sugar industry would create jobs in factories for recently arrived migrants who had no access to land or the provision of a dependable cash crop to farmers. Looking out for the welfare of their members and drawing on a tradition of the LDS church as the central economic authority in Utah, Woodruff and other church officials believed that these possibilities warranted extensive church involvement, both financially and through the exertion of ecclesiastical influence on behalf of the company.

But Utah’s economy was changing, evolving into a more national and less regional force, and the church itself faced financial difficulties in the late 1800s and early 1900s that precluded extensive LDS aid. Thus, as the directors of the Utah Sugar Company eyed expansion, it had to turn to outside forces, namely the American Sugar Refining Company, for financial aid. The purchase of 50 percent of the Utah Sugar Company’s stock by Henry Havemeyer and American Sugar paved the way for Utah Sugar to extend into Idaho, but it also aligned the corporation with the Sugar Trust, a force that many Americans regarded as a prime example of corporate malfeasance. Instead of refuting American Sugar’s practices of forcing competitors out of business or absorbing them, Utah-Idaho leaders embraced such policies and used the influence of the church to Utah-Idaho’s advantage. Big business was just as much alive in the American West in the early 1900s as it was in the East.

Today, and even to many contemporary observers, the actions of the Utah-Idaho Sugar Company, well documented by the Hardwick Committee, the U.S. Department of Justice, and the Federal Trade Commission, seem puzzling, given the involvement of Mormon officials such as Joseph F. Smith, Heber J. Grant, and Charles W. Nibley in its affairs. Why did religious leaders permit such conduct to occur, and, in some instances, actively encourage it? Several reasons exist. For one thing, the national sugar market engulfed Utah-Idaho Sugar, making the company subject to its economic forces. This situation had two effects: first, it meant that the corporation had little control over how sugar prices and beet rates were set. Generally, unless the company wanted to start a price war with other interests, it had to follow either market forces or,
Conclusion

during the First World War, the federal government in the setting of prices. Second, because it became more of a national player, Utah-Idaho had to look out for its own interests in the cutthroat world of sugar. High sugar prices caused by the outbreak of the First World War led to the rise of new beet sugar concerns, all anxious to take advantage of the situation. If Utah-Idaho wanted to survive in these conditions, it had to do whatever it took to maintain its hold in the Intermountain West. If that involved using the church’s influence to drive competitors out of business, so be it.

But these were conscious decisions that Utah-Idaho leaders made, and ones that seemed to fly in the face of their responsibilities to members of the LDS church. Why did they then make them? The easy answer, and one that many observers considered to be most obvious, was merely greed. The LDS church and several of its leaders held considerable amounts of stock in the company, and when it did well, they received dividends. Because of the policies of the corporation (coupled with trends in the national market), Utah-Idaho Sugar made a considerable amount of money in the 1910s, and the church and its officials were rewarded accordingly (see Table 2). In 1916, for example, the church reported that it had obtained “a net gain of $1,416,500 on its Utah-Idaho stock” just between 1914 and 1916.\(^9\)

\(^9\) “Statement of Church Sugar Stock Purchases, July 1, 1916,” Scott G. Kenney Collection, MSS 587, box 12, folder 22, Special Collections and Archives, J. Willard Marriott Library, University of Utah, Salt Lake City, Utah.

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Company Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1912</td>
<td>$1,727,031</td>
</tr>
<tr>
<td>1913</td>
<td>—</td>
</tr>
<tr>
<td>1914</td>
<td>$1,786,495</td>
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<tr>
<td>1915</td>
<td>$2,323,495</td>
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<tr>
<td>1916</td>
<td>$4,631,076</td>
</tr>
<tr>
<td>1917</td>
<td>$10,031,859</td>
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<tr>
<td>1918</td>
<td>$1,373,825</td>
</tr>
<tr>
<td>1919</td>
<td>$1,052,985</td>
</tr>
<tr>
<td>1920</td>
<td>$968,275</td>
</tr>
<tr>
<td>1921</td>
<td>$1,064,463</td>
</tr>
</tbody>
</table>

Table 2: Utah-Idaho Sugar Company Net Profit, 1912–1921. “Net Profit Before Income,” Leonard J. Arrington Papers, Series 12, MSS 1, box 10, folder 10, Special Collections and Archives, Utah State University.
Yet greed was not the only motivation. As Nibley’s situation showed, unflinching loyalty to the Mormon church played a role as well. The church had made a large sacrifice to support the Utah Sugar Company in the 1890s, as had many of its leaders. Was it not appropriate for those who had forfeited so much both in time and money to receive a reward, no matter how they obtained it? Should not good LDS members prove their loyalty to the church by supporting Utah-Idaho Sugar in every way, even if it meant sacrificing their own interests? Officials such as Nibley answered yes to both questions, even though it seemed to confirm what many muckrakers, members of Congress, and even LDS members such as Charles Patterson feared: that the LDS church’s requirement of strict loyalty to its leaders extended into temporal affairs. As Richard T. Ely, a social and economic observer in the Progressive Era, related, much of the church’s economic strength came from “the authority which percolates downward from the First President [sic] through the hierarchical priesthood.”  

Compounding this authority was the fact that many Mormons in the 1910s had been raised on the economic principle of cooperation, making LDS officials less reluctant to use ecclesiastical influence for a business’s benefit and making members more susceptible to that mode of persuasion. Church leaders might regard claims that the LDS church dominated Utah’s economy as nonsense, but there was at least a subtle and indirect influence that exerted itself in church-supported enterprises. In the sugar industry, it was even more pronounced. In fact, as late as 1919, Grant reinforced the notion that good Latter-day Saints needed to support Utah-Idaho Sugar. In the church’s general conference, he related once again to church members Woodruff’s declaration that God wanted the Utah Sugar Company established. “I can bear witness that Wilford Woodruff was in very deed . . . a true Prophet of God,” Grant proclaimed. “Under the inspiration of the Lord, . . . he was blessed . . . with wisdom that was superior to all the wisdom of the bright financial minds in

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the Church.”

Coming on the eve of two investigations into Utah-Idaho’s business practices, these pronouncements had even more significance for LDS followers.

Even though federal inquiries in the 1910s did not convince Grant to end the church’s support of business, they did have some effect. For one thing, Grant began counseling Mormons to cease working against non-Mormon industries.

As historian Thomas G. Alexander has shown, Grant and his fellow leaders “became so sensitive about potential competition with private business” in the 1920s and 1930s “that they adopted practices that hurt their own enterprises.”

Certainly some of that reluctance stemmed from Utah-Idaho Sugar’s troubles.

A look into the early history of the Utah-Idaho Sugar Company, then, indicates that, for Mormons in the early 1900s, business and religion were not a good mix, a lesson that the church would not really grasp until the latter part of the twentieth century when it began to require its high-ranking officials to divest themselves of active business connections.

Although the church was able to keep the beet sugar business afloat with its aid, the use of its influence led to federal investigations that ultimately resulted in embarrassment for the church and hard feelings among some of its members.

In many ways, church involvement in beet sugar meant that Utah-Idaho Sugar was an anomaly in the integration of American West enterprises into the national economy. Yet, at the same time, the corporation’s history, with or without the Mormons, still highlights the turbulence that followed such integration, while also indicating that even small western enterprises could enact business policies that seemed very similar to those of eastern big businesses such as Standard Oil and U.S. Steel.

In the end, the LDS influence in Utah’s sugar industry, drawing on the long past of church involvement in beet sugar, continued to be pronounced, although exerted in more

11. *Eighty-Ninth Annual Conference of the Church of Jesus Christ of Latter-day Saints* (Salt Lake City, 1919), 8.
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subtle ways. God wanted the beet sugar industry established, Wilford Woodruff had proclaimed in the 1890s, and Mormon leadership was eager to carry out God’s will. Whether God also wanted his leaders to use their influence to drive competitors out of business, to compel members to support Utah-Idaho Sugar, and to plead the innocence of company officials indicted for profiteering and antitrust violations is unclear. But that was a major result of the LDS influence in beet sugar: it allowed the industry to flourish and dominate in the Intermountain West, while also bringing the Utah-Idaho Sugar Company into direct conflict with the federal government. “We were put to endless trouble and expense and held up to ridicule and scorn for simply doing that which practically everybody else in the sugar business was doing,” Charles Nibley had protested in the aftermath of the company’s 1920 price hike, yet there were few other companies using the backing of a church that demanded unquestioning allegiance to further their pursuits.13 This was the real cause of the “endless trouble” that befell Utah-Idaho Sugar in the 1910s. Ultimately, it was also the result of the path of LDS influence that Wilford Woodruff had blazed.

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