Republic Wire accepted the offer and we converted from imported rod to domestic rod. But earlier this year when the wire rod market developed in short supply in response to increased demand, our source began to indicate in conversations that a cut was forthcoming in our monthly requirement due to a shortage of hot metal for our rods.

We received one cut of approximately 40 percent for the month of May and then were informed of a cut to 10 percent for the coming month of July. At the present time subsequent to a recent newspaper account of the plight of the small steel business in the dual distribution industry our full allocation was restored.

It is my firm conviction that a steel import quota, border tax, or tariff surcharge would cause a rapid strangulation of the nonintegrated wire mills and wire fabricators and would eventually lead to their disappearance from our domestic industrial scene.

Thank you.

(The position paper referred to follows:)

Position Paper of the Independent Wire Drawers Association

I. INTRODUCTION

The Independent Wire Drawers Association is a national trade association representing over 30 independent non-integrated wire drawers and fabricators. The term "independent" is used to indicate these firms are not subsidiaries, divisions or captives of the major steel corporations. The term "non-integrated" is used in the sense that these firms do not possess basic steel-making capacity.

We would like to explain the term "wire drawer". Wire is manufactured from wire rod, a semi-finished steel product, by drawing it through a series of dies which reduces the diameter of the wire rod and at the same time increases its length. Thus, the descriptive term "wire drawer".

A wire fabricator manufactures a finished wire product from the wire, producing such things as nails, barbed wire, woven fence wire and welded wire concrete reinforcing mesh. Most members of the Independent Wire Drawers Association fabricate some wire products in addition to drawing wire.

II. IMPORTED WIRE ROD HAS BEEN THE ECONOMIC SALVATION OF THE INDEPENDENT WIRE DRAWERS BECAUSE OF THE PRICE SQUEEZES BIG STEEL HAS APPLIED TO THE INDEPENDENTS IN THE PAST

The basic raw material for the steel wire and wire products industry is hot-rolled carbon steel wire rod. In the United States, wire rod is produced by 15 vertically integrated steel mills; and 93 percent of U.S. wire rod capacity is controlled by a mere 12 of these producers, including such industry giants as United States Steel, Republic and Bethlehem. Steel wire and wire products, however, are produced by both the major integrated producers of wire rod and by many small, independent, non-integrated wire drawers and fabricators, who are dependent upon the integrated producers for their wire rod. Economists characterize this situation where a supplier is also a competitor as "dual distribution."

There is, however, nothing inherently evil about this dual distribution situation so long as a normal relationship exists between wire rod, wire and wire product prices which permit an adequate margin for converting wire rod into wire, and wire into products. But beginning in 1955, the behavior of these prices has not been normal, instead, these prices illustrate how an integrated producer in a dual-distribution industry can apply anticompetitive price squeezes to their non-integrated competitors.

The case of a typical wire product, annealed bailing wire, graphically illustrates the double price squeeze experienced by the independent wire drawers and fabricators. Prior to 1955 most independent producers purchased their wire rods from domestic steel mills at an average price of approximately $105 per ton. At that time bailing wire sold for around $192 per ton which permitted the fabricators a reasonable markup on the wire drawing and fabricating process. But the major steel producers raised wire rod prices in 1955, 1956, 1957 and again in 1958. According to the Bureau of Labor Statistics, wire rod prices rose more than