

volume in international trade.⁷ We believe that the data developed on these products are broadly representative of the situation with respect to other commodities, including plastics. The study showed that the average EEC common external tariff rate for these fourteen products amounted to 13.3%. The average U.S. tariff rate for the same fourteen products was 18.7% or 41% higher. However, it was found that the EEC tariff rate accounted for less than one-fourth the total EEC cost-of-entry barriers facing these fourteen products, while the U.S. tariff rate accounted for more than one-half of the total U.S. cost-of-entry barriers. Thus, while U.S. tariff rates were 41% higher than the EEC tariff rates, total costs-of-entry were 58% higher into EEC than into the U.S.:

Comparative Costs-of-Entry
14 Chemical Products

Total Barrier 56.5%			
Other Trade Barriers 43.2%		Total Barrier 35.8%	
		Other Trade Barriers 17.1%	
Tariff Barrier 13.3%		Tariff Barrier 18.7%	
<u>U. S. to EEC</u>		<u>EEC to U. S.</u>	

In March, 1967, while in Geneva as an industry technical specialist for the plastics industry, I submitted information on EEC costs-of-entry as they applied to plastic materials. Our data at that time led us to conclude that a reduction of the EEC common external tariff on plastics to an average of 10% would require a U.S. tariff rate averaging 24.5% to amount to equivalent cost-of-entry barriers for both EEC and U.S. under existing conditions of international trade. Our study further concluded that the planned harmonization of EEC border tax at an estimated level of 14.7% would require a considerably higher U.S. rate than even the 24.5% in order to balance the total costs-of-entry.

A. BORDER TAXES

Since President Johnson's Balance of Payments speech last January first, Border Taxes have been in the spotlight. Much has been debated. Much new data has been developed and analyzed. We have had the experience of the German change from turnover tax to value-added tax. The chemical industry, and the plastics sector of the chemical industry, have been leaders for the past several years in analyzing the impact on trade of indirect taxation systems and border tax adjustments. From this work, we have come to the following conclusions:

⁷ *Comparative Cost-of-Entry into United States and European Chemical Markets*, Horace J. DePodwin Associates, Inc., February, 1966.

1. EEC Border tax harmonization on a value-added tax system will have a significant effect on trade. The harmonized value-added tax at about 15 percent will mean further substantial tax remissions for EEC exporters. The impact on imports will be equally great. Altogether producers in the EEC are likely to have a substantial competitive cost advantage in comparison with non-TVA tax country producers (USA). The advantage is great enough to have a substantial effect on the ability of U.S. producers to compete in world markets.

2. Anticipating that EEC will harmonize on a value-added tax at about 15 percent, a similar system of border tax adjustments may become essential for the U.S. in order to be equivalently competitive.

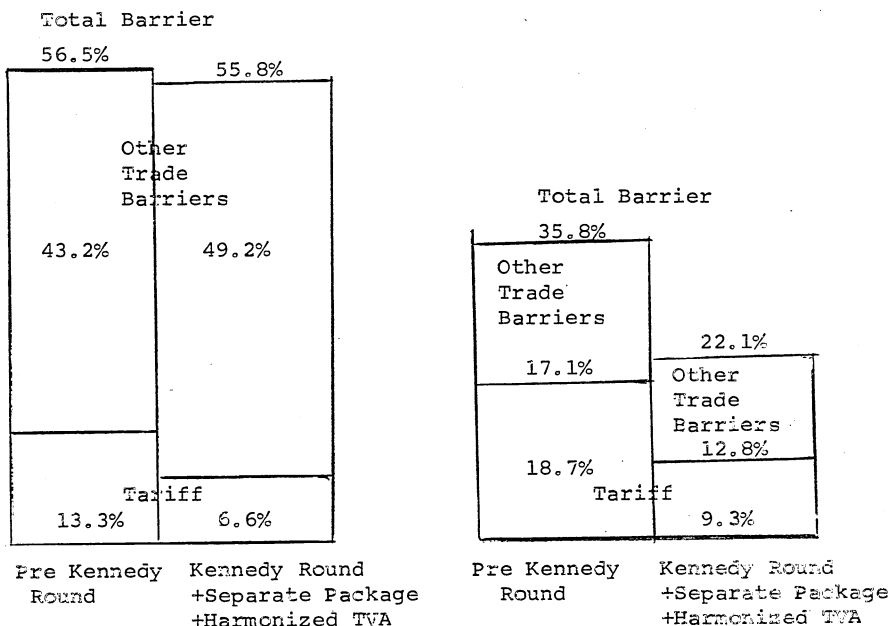
3. The remission of TVA taxes will provide producers in TVA tax countries with a large cost advantage in comparison to U.S. producers on exports to third country markets which are the major growth areas for exports for the future. This competitive disadvantage for U.S. exports will have a limiting effect on exports and, therefore, adversely affect the U.S. balance of payments. The effect on third country markets will also apply to LDC's which will increasingly be deprived of the products of U.S. industry.

4. The substantial and differential cost effect of c.i.f. vs. f.a.s. valuation and border tax adjustments calls for a continuing international discussion to identify and manage dislocations of trade.

The significance of border taxes and their effect on costs-of-entry is shown by an examination of the effect of the implementation of the Kennedy Round Agreement on tariff rates plus the planned EEC TVA tax harmonization, assuming 14.7% as the harmonized rate. The chart below shows costs-of-entry for EEC and for the U. S. before and after full Kennedy Round implementation and border tax harmonization,⁸ for the same 14 chemical products under discussion:

⁸ Data based on *Comparative Cost-of-Entry into United States and European Chemical Markets*, Horace J. DePodwin Associates, Inc., February 1966. Further updated information derived from *Chemical Tariffs and Cost-of-Entry*, William F. Christopher, April 20, 1967 and *Updated Cost-of-Entry Study*, SOCMA, 1968.

Comparative Costs-of-Entry 14 Chemical Products



U. S. to EEC

EEC to U. S.

The major cost-of-entry costs other than tariffs included in the above chart, and in the chart on page 26, are shipping costs, border tax adjustments, c.i.f. valuation, cascaded border tax base, and special taxes or charges applying in specific countries or to specific products. Much debate centers on whether or to what extent border tax adjustments operate as cost barriers to trade and whether they should, therefore, be included in calculations such as these. The issues and the contending arguments are well known to the Committee on Ways and Means. This statement suggests that, where domestic price comparisons are made between the prevailing tax-paid price in EEC (direct and indirect taxes included) and the prevailing price in U. S. (direct and indirect taxes included), as is done in the foregoing section on price comparisons, and where such price comparisons show increasing disadvantages to U. S. producers, it follows that border tax adjustments on U. S. exports to EEC sharply disadvantage our export trade to those countries and border tax adjustments on EEC exports to U. S. and to third countries correspondingly disadvantage both our domestic trade (especially now that U. S. tariffs are reduced) and also our export trade to third countries. Based on this reasoning, and in view of the considerable doubt that there is any significant difference in incidence between direct taxes and indirect taxes, we believe it appropriate to include border tax adjustments among trade barrier costs.

The Society believes that the data summarized above demonstrate that there are substantial and differential costs-of-entry beyond tariff duties themselves which must be considered in trade negotiations and which must be taken into account in arriving at any true measurement of reciprocity. Border tax adjustments constitute one of these differential cost elements and, therefore, their effects in disadvantaging U.S. trade must be considered. We agree that further studies are needed to develop additional data. Such studies are now being undertaken in the plastics industry, and we urge the full cooperation of Government in this effort.

B. INTERNAL RESTRICTIONS AFFECTING MARKETING AND DISTRIBUTION

Many countries have extensive laws and regulations requiring clearance or approval of plastics products relating to health, sanitary, or safety reasons. To give an example, in many European countries, prior clearance must be obtained in order to market plastics having uses involving contact with food for human consumption. Approval may also be required for the use of certain plastics for construction purposes.

It is not the Society's contention that such regulations constitute barriers to trade *per se*. However, we believe that they could be employed as a device to limit exports from this country such as by the adoption of standards or nomenclature which would arbitrarily discriminate in favor of competitive products manufactured in the destination country.

The export potential for plastics products and materials which might be subject to internal marketing restrictions abroad due to health and similar reasons is believed to be quite substantial. Accordingly, it is recommended that our Government institute procedures to review and identify all such restrictions continually. In the interest of promoting exports from this country, we would also suggest that stronger efforts be made by Government through the Department of Commerce to familiarize domestic producers with the appropriate laws and regulations involved such as by their periodic compilation and publication on an industry sector basis.

III. PROBLEMS FACED BY AMERICAN PLASTICS EXPORTERS AND RECOMMENDATIONS AIMED AT MAKING THE INDUSTRY MORE COMPETITIVE IN WORLD TRADE

Many of the industrialized nations of the Free World have very effective export incentive programs. While these incentives take many forms, their purpose is clear—to make export business as attractive as possible.

The U.S. has generally avoided such mechanisms, relying instead on the business community to compete in world markets through a combination of export sales and foreign production facilities. In general, these policies have served the nation well, resulting in a consistently favorable return of earnings in excess of investment outflows.

We are fully aware of the current Administration proposals which are designed essentially to conserve and bring home dollars now in the hands of U.S.

nationals. However, the program will not earn *additional* foreign exchange, and the limitations, on foreign investment will have the effect of reducing future earnings abroad. Accordingly, we believe that, if there are restraints, such restraints should be strictly temporary, and that they must also be coupled with a positive export program which will not only improve the short-term trade balance to cover a large part of the international payments deficit, but will also partially offset the future foreign earnings penalties which are likely to flow from the regulations against direct investment.

Admittedly, the problem of increasing our exports is highly complex. However, one of the key elements restraining such an increase is that the net realization on exports, taking into account the risks involved, the effort required, and the need of highly skilled personnel, does not always compare favorably with the net realization on sales of the same products in domestic markets. The solution, therefore, is an export incentive program which will augment the net return on export sales to a sufficient degree to overcome the complexities of international trade. We believe that the Government is free to adopt a number of limited measures which, in the aggregate, would go a long way toward making exports a more attractive business.

A. CREDIT FOR FOREIGN BORDER TAXES

The border adjustment taxes levied by a number of European countries substantially reduces the net realization on our exports to those markets. As the EEC countries harmonize their tax systems, it is clear that those outside of the EEC will pay more to enter every EEC country with the possible exception of France.

While it would be preferable if our exports to EEC countries were accorded offsetting tax relief under revisions to the present GATT regulations, we recognize that it is doubtful whether any substantial progress along these lines will be made in the near future. The Society, therefore, proposes that our Government allow a direct foreign tax credit for foreign border taxes paid by or on behalf of U.S. exporters. This approach would appear to be an appropriate method within the framework of the GATT rules to offset the distorting effect of the application of foreign indirect taxes. It would also strengthen the Administration's ability to deal more effectively in negotiating the competitive equalization of this unjustified barrier to trade.

B. DRAWBACK

The right of drawback can be a highly useful export marketing tool. However, present cumbersome procedures, coupled with the limited staff of the Bureau of Customs, result in long delays for approval of drawback agreements and for processing claims, thus impinging upon its usefulness. Notwithstanding this, the Society does not support any proposal, such as that suggested by the U.S. Tariff Commission, which might seek abandonment of the principle of drawback. Rather, the Society recommends that current procedures be revised to make this tool more workable and enhance its usefulness in export marketing.

We are aware that the Bureau of Customs has recently taken a step in that direction by proposing changes in the Customs Regulations applying to drawback. We urge the adoption of these and other revisions presently under consideration as a means of further expediting drawback processing both by Government and industry.

C. DOCUMENTATION

It is generally recognized that the number and complexity of shipping and other documents involved in doing business overseas is a major barrier to exports from this country. This is particularly true of many smaller companies, which, numerically, constitute the majority of the Society's membership. We believe that many of such companies do not participate fully in world trade, at least partly because of the complex and burdensome requirements for documentation.

The Society is aware of the efforts being made to simplify documentation by organizations such as the National Committee for International Trade Documentation. We strongly urge that these matters be given top priority and that the Congress move promptly to pass legislation aimed at achieving these desired ends where necessary.

D. OCEAN FREIGHT RATES

It is an acknowledged fact that ocean freight rates represent a substantial part of the landed value of exported products. However, heretofore, the greatest emphasis appears to have been placed on the disparities between freight rates on items inbound to the U.S. *vis a vis* those applicable to outbound shipments. It is the Society's belief that far more is to be gained by shifting this emphasis to the question of disparities to third countries so as to assure that U.S. plastics producers will not be at a disadvantage in competing with other major manufacturing countries in those markets. The Society, therefore, urges that strong efforts be made to assure cooperation between U.S. shippers and ocean carriers serving the U.S. to develop rates and conditions conducive to increasing our export trade to third countries. In this connection, we would recommend that consideration also be given by both the Administration and the Congress to the implementation of legislation aimed at permitting shipper groups to confer with ocean carriers and conferences of carriers on a collective basis by immunizing such activity from the operation of our anti-trust laws.

E. TAX INCENTIVES

At the outset, the Society wishes to acknowledge and express its satisfaction with the recently adopted revisions to the Regulations under Section 482 of the Internal Revenue Code. Such revisions should provide additional incentives for American industry to compete more effectively in world markets and we, therefore, strongly urge that the revised Regulations be liberally interpreted by the Treasury Department, in actual practice so as to derive the maximum advantages therefrom. In spite of those liberalized Regulations, however, there remains much further to do in the area of tax incentives.

Purchasers in most third country markets, including Latin America, Africa, Australia, and East Asia often require credit terms in excess of 180 days. The governments of many of our competitors in major producing countries have programs which permit and encourage liberal credit terms for export business. This enables their constituent companies to do business abroad in accordance with the customs and requirements of those markets. On the other hand, the United States requires that interest be charged on receivables outstanding against the overseas affiliates of American companies for periods exceeding six months. This impedes our ability to compete effectively for much business abroad. Accordingly, we propose that the Congress adopt a broad Resolution aimed at encouraging the Department of Treasury to revise its procedures and regulations so as to conform with the realities of the marketplace such as by permitting interest-free credit terms, under the circumstances outlined above, for a minimum period of at least one year.

The Society is of the view that present tax accounting procedures also tend to restrict maximum utilization of export possibilities by failing to take into account competitive pricing conditions in foreign markets. Accordingly, we propose the full implementation, under the revised Section 482 Regulations, of one of the recommendations of the Action Committee of the National Export Expansion Council which reads, in pertinent part, as follows:

"Regulations should be issued promptly under Section 482 of the Internal Revenue Code to provide clear guidelines for determining the reasonableness of export selling prices to related corporations, under varying economic circumstances giving due recognition to the type of goods or products being sold, local competitive conditions, local tariffs, the extent to which such goods or products are incidental to domestic corporate operations and other pertinent factors. The regulations should not provide fixed rigid price formulas but should indicate a policy for handling pricing problems in relation to the facts and competitive conditions relating to particular methods of operation and pricing. In particular, the regulations should make clear that if competitive conditions cause the U.S. manufacturing corporation to price to a foreign affiliate at a level which only recovers the incremental costs of manufacturing in the United States, this fact will not mean that the price is unreasonable. The regulations should clearly state that they do not require the recovery of full overall costs in the United States unless the foreign competitive situation will justify prices high enough to accomplish this."⁹

⁹ *National Export Expansion Council Report of the Action Committee on Taxation*, February 11, 1966, page 7.

Again, the Society wishes to acknowledge the progress currently being made through the adoption of liberalized regulations by the Treasury Department to improve tax incentives for American exporters. We urge that these efforts continue and that all appropriate incentive areas continue to be explored.¹⁰ We believe that such efforts would be greatly facilitated were Congress to express its support by the adoption of an appropriate resolution such as suggested above.

IV. FUTURE ADMINISTRATION OF U.S. FOREIGN TRADE POLICY PROPOSALS CONCERNING THE

A. SECTOR NEGOTIATIONS

Based upon the experience of the recently-concluded Kennedy Round, the Society is of the opinion that the sector approach is the most practical means of negotiating tariff and trade matters. We believe that the concept of dealing on an all-commodities basis is virtually unmanageable and that the more specific "sector approach" is far better designed to result in informed and enlightened decisions by all concerned. The Society, therefore, recommends that sector bargaining be elevated to a formal basis for purposes of trade negotiations and that the chemical industry be defined as one sector with plastic materials and plastic fabricated articles as two specific subsectors thereof.

B. INDUSTRY ADVISORS

With the recent dissolution of the roster of industry specialists selected during the Kennedy Round, we believe the time is now ripe for both the Administration and Congress to review that program generally and to institute procedures looking towards strengthening the relationship between government and industry on all future matters relating to tariffs and trade.

In our opinion, one of the significant shortcomings in U.S. trade policy has been the existence of a serious "information gap" between those in government responsible for implementing our trade programs and those in the private sector who have such vital interests at stake, most notably domestic industry. This was evident in the recently concluded "Kennedy Round". Due to the lack of any really manageable system, it was difficult—often impossible—to establish a meaningful dialogue between industry and those officials responsible for the conduct of our negotiations. As a consequence, in many instances, our negotiators were deprived of the in-depth knowledge needed to make fully informed and truly enlightened decisions.

This was true even though a very real effort was made by the STR to assemble, and organize industry data, and make it available to the negotiators. As one of the technical specialists for industry, I was involved in the preparation of many studies and reports, and on many occasions responded to questions from the STR. Near the end of the negotiations, I spent several days in Geneva. At all times, the officials contacted in STR and in other government agencies, showed a sincere interest in the information provided. Yet, there remained the very real problem of making use of this information in the course of the negotiations, and especially at the point of decision.

The problem stems primarily from the fact that the industry technical specialist system, as conceived, was basically unworkable. To begin with, there were far too many technical specialists. Moreover, they were not organized in any rational way nor did they have the kind of official status needed to make them effective in their contacts with the Government, and in their dealings with industry itself. Added to this, the technical specialists were not utilized by our Government to the degree possible with the result that their talents were left untapped in many areas.

We strongly support the issuance of an Executive Order by the President aimed at establishing a closer working relationship between the Congress, industry, labor, and the Executive Branch on trade matters.¹¹ In connection with this, and in the belief that such a program would be much more effective and more helpful to movement, we would also make the following more specific recommendations:

¹⁰ For example, consideration should be given to the allowance of special depreciation for investment allocable to export sales. Such an approach would encourage the building of plants specifically for export business as opposed to the concept prevalent among many producers of building for domestic supply with excess, if any, to be applied to export.

¹¹ 90th Congress, 2d Session—*Committee Print*; Committee on Ways and Means, U.S. House of Representatives; *Proposed "Trade Expansion Act of 1968"*, p. 5.

1. In order to make the program more workable, the number of advisors should be kept to a bare minimum. The roster of 250 or so technical specialists of the Kennedy Round should be reduced to no more than 50 Industry Advisors.

2. The Industry Advisors should be organized on a "sector" concept, with a minimum number of industry representatives for each industry sector. In turn, the Industry Advisors would organize contacts within their industries so that prompt and reliable data would be readily available.

3. The appointment of the Industry Advisors should be made official instead of unofficial and off the record. Among other things, this would give rise to obligations which would substantially solve problems of confidentiality. Moreover, those appointed would be experienced individuals accustomed to handling confidential information, and they could be relied upon to do so. This would result in far greater access to reliable and pertinent economic data.

4. The Industry Advisors should be called upon to participate in discussions and conferences, and in a continuing two-way dialogue on all aspects of trade negotiations. This would include counselling conferences with the Office of the Special Representative for Trade Negotiations, advisory participation in GATT negotiations, attendance at OECD Industry Committee and other committee meetings, participation in or an advisory relationship to participants at UNCTAD conferences, and participation or advisory service for regional trade organization conferences.

In our judgment, the above recommendations, if adopted and implemented, would provide an answer to the most critical problem of trade negotiations—getting depth of knowledge at the point of decision at the time decisions are being made. It would also improve industry understanding of the negotiating process, and, therefore, of the results obtained.

C. ORCHESTRATION

Another important consideration for future trade policy is a better coordination or "orchestration" of the various government information sources, such as the Tariff Commission, the Department of Commerce, the Bureau of Customs, and the many other agencies and departments involved. Under present procedures, each agency gathers and disseminates its information and views within the limited context of its own particular functions. Clearly, their horizons must be expanded to encompass the worldwide competitive and trade situation. Undoubtedly, this will require some redefinition of responsibilities and functions for each agency source.

D. STRENGTHENING OFFICE OF STR

The establishment of the office of STR under the provisions of the Trade Expansion Act of 1962 has provided an improved administrative method for handling the complicated problems of trade negotiations. The Society believes that this office should be further strengthened by the addition of personnel and resources to better cope with the many problems now before it.

E. BROADENING THE ADJUSTMENT ASSISTANCE PROGRAM

The Society endorses the Administration proposal to broaden the eligibility requirements of the adjustment assistance program and we support the principles of the tests enumerated.

We disagree, however, that adjustment assistance under these new criteria should be limited to individual firms and workers. It is our belief that the program should also permit relief for an industry through tariff adjustments whenever increased imports have been a substantial cause of serious injury or the threat thereof. This, coupled with the referenced broadened eligibility requirement for relief for industries, would enable Government to take steps aimed at avoiding the harmful effects of increased imports in their incipency. It would also minimize the possibility of the Government incurring substantial expenditures in the way of payments to individual firms or workers which would be the likely result if the Administration's program were adopted as proposed.

F. EXTENSION OF PRESIDENT'S NEGOTIATING AUTHORITY

The Society is in agreement with the Administration that there is no need, at this time, to grant the President additional powers to negotiate tariff reductions on a broad basis. The Kennedy Round adjustments are not scheduled to become fully implemented until 1972 and the question of further broad tariff reductions

should, therefore, be deferred until all concerned, including the Executive Branch and Congress, have had an opportunity to fully and intelligently assess the results of the major concessions made during the Kennedy Round.

At the same time, the Society is cognizant of the fact that the Executive Branch must have a sufficient degree of flexibility to negotiate tariff rate adjustments for administrative purposes and to enable the President to implement current trade programs such as by granting compensation for "escape clause" relief and to deal with unusual situations. On the assumption that this is the basic rationale for the Administration proposal, the Society supports an extension, through June 30, 1970, of the President's negotiation authority.

We trust that the views expressed in this statement will be of value to the Committee on Ways and Means in its review of U.S. foreign trade policy generally, and that the members of the Committee will consider the recommendations contained herein to be constructive and helpful. Needless to say, if you wish us to further amplify any of the points we have covered, or if you have any questions whatsoever concerning the contents of this statement, now or later, please do not hesitate to call upon us.

Thank you very much.

APPENDIX A

PLASTIC MATERIALS—TARIFF CLASSIFICATIONS AND TARIFF DUTY RATES

TABLE 1.—PLASTIC MATERIALS TARIFF CLASSIFICATIONS

Materials	United States	EEC	United Kingdom	Japan
Acrylics.....	445.05	39.02C XII.....	39.02B(2).....	39.02-2(5)
Amino plastics:				
Melamine.....	445.35	39.01C II(a).....	39.01B.....	39.01-2(4)
Urea-formaldehyde.....	445.35	39.01C II(a).....	39.01C.....	39.01-2(4)
Epoxyes.....	405.25	39.01C IV.....	39.01E(2).....	39.01-2(4)
Fluorocarbons.....	445.50	39.02C II.....	39.02E(2).....	39.02-2(2)
Phenolics:				
Resins.....	405.25	39.01C I(a).....	39.01E.....	39.01-2(1)
Compounds.....	405.25	39.01C I(b).....	39.01C.....	39.01-2(1)
Polyamide.....	405.25 445.50	39.01C V.....	39.01E(2).....	39.01-2(4)
Polyolefins:				
Polyethylene.....	445.30	39.02C I(a).....	39.02B(2)(b).....	39.02-2(1)
Polypropylene.....	445.50	39.02C IV.....	39.02B(2)(b).....	39.02-2(6)
Styrene resins.....	405.25	39.02C VI(a).....	39.02B(2)(b).....	39.02-2(3)
Polyvinyl alcohol.....	445.40	39.02C XI.....	39.02B(2)(b).....	39.02-2(4)
Polyvinyl chloride.....	445.45	39.02C VII(a).....	39.02B(2)(b).....	39.02-2(4)

TABLE 2.—PLASTIC MATERIALS, PRE-KENNEDY ROUND

Materials	United States	EEC (percent)	United Kingdom (percent)	Japan (percent)
Acrylics.....	2.75 cents per pound plus 20 percent.....	21	10	20
Amino plastics:				
Melamine.....	do.....	15	25	20
Urea-formaldehyde.....	do.....	15	20	20
Epoxyes.....	2.8 cents per pound plus 18 percent ASP.....	18	10	20
Fluorocarbons.....	2.75 cents per pound plus 20 percent.....	18	10	20
Phenolics:				
Resins.....	2.8 cents per pound plus 18 percent ASP.....	15	10	20
Compounds.....	do.....	15	20	20
Polyamide.....	2.75 cents per pound plus 20 percent.....	22	10	20
Polyolefins:				
Polyethylene.....	do.....	(1)	10	(2)
Polypropylene.....	do.....	23	10	(3)
Styrene resins.....	2.8 cents per pound plus 18 percent ASP.....	20	10	20
Polyvinyl alcohol.....	1.25 cents per pound plus 6.25 percent.....	17	10	20
Polyvinyl chloride.....	2.5 cents per pound plus 12.5 percent.....	20	10	20

¹ 40 percent against U.S. goods; 20 percent against all other.

² 52 yen per kilogram.

³ 57 yen per kilogram.

Note: Bases for tariff valuation: United States, free on board, except benzenoids ASP; EEC, United Kingdom, Japan, cost, insurance, and freight.

TABLE 3.—PLASTIC MATERIALS, TARIFF CHANGES

Materials	United States			European Economic Community		
	Pre-Kennedy Round	Kennedy Round	Kennedy Round plus separate agreement	Pre-Kennedy Round (percent)	Kennedy Round (percent)	Kennedy Round plus separate agreement (percent)
Acrylics.....	2.75 cents per pound plus 20 percent.....	1.3 cents per pound plus 10 percent.....	No change.....	21	16.8	10.5
Amino plastics:						
Mellamine.....	do.....	do.....	do.....	15	12.0	7.5
Urea-formaldehyde.....	do.....	do.....	do.....	15	12.0	7.5
Epoxies.....	2.8 cents per pound plus 18 percent ASP.....	1.4 cents per pound plus 9 percent ASP.....	1.5 cents per pound plus 10 percent.....	18	14.4	9.0
Fluorocarbons.....	2.75 cents per pound plus 20 percent.....	1.3 cents per pound plus 10 percent.....	No change.....	18	14.4	9.0
Phenolics:						
Resins.....	2.8 cents per pound plus 18 percent ASP.....	1.4 cents per pound plus 9 percent ASP.....	1.5 cents per pound plus 10 percent.....	15	12.0	7.5
Compounds.....	do.....	do.....	do.....	15	12.0	7.5
Polyamide.....	2.75 cents per pound plus 20 percent.....	1.3 cents per pound plus 10 percent.....	No change.....	22	17.6	11.0
Polyolefins:						
Polyethylene.....	do.....	do.....	do.....	(1)	16.0	10.0
Polypropylene.....	do.....	do.....	do.....	23	18.4	11.5
Styrene resins.....	2.8 cents per pound plus 18 percent ASP.....	1.4 cents per pound plus 9 percent ASP.....	1.5 cents per pound plus 10 percent.....	20	16.0	10.0
Polyvinyl alcohol.....	1.25 cents per pound plus 6.25 percent.....	0.6 cent per pound plus 3 percent.....	No change.....	17	13.6	8.5
Polyvinyl chloride.....	2.5 cents per pound plus 12.5 percent.....	1.25 cents per pound plus 6 percent.....	do.....	20	16.0	10.0

1.40 percent against U.S. goods, 20 percent all other.

Note: Bases for tariff valuation: U.S.—f.o.b., except benzenoids ASP where indicated; EEC—c.i.f.

TABLE 3.—PLASTIC MATERIALS, TARIFF CHANGES—Continued

Materials	United Kingdom			Japan	
	Pre-Kennedy Round	Kennedy Round	Kennedy Round plus separate agreement	Pre-Kennedy Round	Kennedy Round
Acrylics.....	10 percent.....	No change.....	No change.....	20 percent.....	10 percent.....
Amino plastics:					
Melamine.....	25 percent.....	17.5 percent.....	7.5 percent.....	do.....	Do.....
Urea-formaldehyde.....	20 percent.....	16 percent.....	do.....	do.....	Do.....
Epoxies.....	10 percent.....	No change.....	No change.....	do.....	Do.....
Fluorocarbons.....	do.....	do.....	9 percent.....	do.....	17.5 percent.....
Phenolics:					
Resins.....	do.....	do.....	7.5 percent.....	do.....	10 percent.....
Compounds.....	20 percent.....	16 percent.....	do.....	do.....	Do.....
Polyamide.....	10 percent.....	No change.....	10 percent bound.....	do.....	Do.....
Polyolefins:					
Polyethylene.....	do.....	do.....	No change.....	52 yen per Kg.....	35 yen per Kg.....
Polypropylene.....	do.....	do.....	do.....	57 yen per Kg.....	40 yen per Kg.....
Styrene resins.....	do.....	do.....	do.....	20 percent.....	17.5 percent.....
Polyvinyl alcohol.....	do.....	8.5 percent.....	do.....	do.....	10 percent.....
Polyvinyl chloride.....	do.....	No change.....	No change.....	do.....	Do.....

Note: Bases for tariff valuation: United Kingdom and Japan—c.i.f.

TABLE 4.—PLASTIC MATERIALS, FINAL POST-KENNEDY ROUND TARIFF RATES

Materials	United States	In percent		
		EEC	United Kingdom	Japan
Acrylics.....	1.3 cents per pound plus 10 percent.....	10.5	10.0	10.0
Amino plastics:				
Melamine.....	do.....	7.5	7.5	10.0
Urea-formaldehyde.....	do.....	7.5	7.5	10.0
Epoxies.....	1.5 cents per pound plus 10 percent.....	9.0	10.0	10.0
Fluorocarbons.....	1.3 cents per pound plus 10 percent.....	9.0	9.0	17.5
Phenolics:				
Resins.....	1.5 cents per pound plus 10 percent.....	7.5	7.5	10.0
Compounds.....	do.....	7.5	7.5	10.0
Polyamide.....	1.3 cents per pound plus 10 percent.....	11.0	10.0	10.0
Polyolefins:				
Polyethylene.....	do.....	(¹)	10.0	(²)
Polypropylene.....	do.....	11.5	10.0	(³)
Styrene resins.....	1.5 cents per pound plus 10 percent.....	10.0	10.0	17.5
Polyvinyl alcohol.....	0.6 cent per pound plus 3 percent.....	8.5	8.5	10.0
Polyvinyl chloride.....	1.25 cents per pound plus 6 percent.....	10.0	10.0	10.0

¹ 40 percent against U.S. goods, 10 percent all other.² 35 yen per kilogram.³ 40 yen per kilogram.

Note: Bases for tariff valuation: United States, f.o.b.; EEC, United Kingdom, Japan, c.i.f.

APPENDIX B

U.S. IMPORT STATISTICS FOR SELECTED PLASTICS PRODUCTS

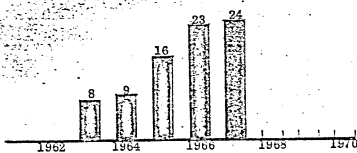
LIST OF PRODUCTS SELECTED AND PRE- AND POST-KENNEDY ROUND TARIFF RATES

TSUS A Number	Plastic product	Ad valorem tariff rates	
		Pre-Kennedy round (July 1, 1962)	Final stage, Kennedy round (Jan. 1, 1972)
678.35	Machines for forming rubber or plastics.....	11.5 percent.....	5.5 percent.
708.43 20	Sunglasses (not over \$2.50 per dozen).....	30 percent.....	15 percent
708.45 20	Sunglasses (over \$2.50 per dozen).....	17 percent.....	Do.
734.05	Billiard, pool, and bagatelle balls.....	20 percent.....	No change.
745.25	Casain buttons.....	15 percent.....	7.5 percent.
745.32	Buttons of acrylic and/or polyester resin.....	0.75 cents per line per gross +12.5 percent.	0.6 cents per line per gross, +10 percent.
745.34	Buttons, other.....	19 percent.....	9.5 percent.
745.40	Button parts, blanks and molds.....	36 percent.....	28.5 percent.
750.15	Combs, not rubber (over \$4.50 per gross).....	0.8 cents each, +16 percent.	0.4 cents each, +8 percent.
770.05	Laminated plates or sheets.....	5 cents +9 percent per pound.	2.5 cents + 4.5 percent per pound.
771.40	Plastic imitation patent leather.....	5.5 percent.....	2.5 percent.
771.42 20	Noncellulose film, strips, and sheets (not over 0.009 inches thick).	12.5 percent.....	6 percent.
771.42 40	Noncellulose film, strips, and sheets (over 0.009 inches thick).	do.....	Do.
771.45	Acrylic resin profile shapes.....	17 cents per pound.....	8.5 cents per pound.
771.55	Noncellulose profile shapes, other than acrylic or casain.	20 percent.....	10 percent.
772.06	Dishware, rubber or plastic.....	21 cents per pound plus 17 percent.	10.5 cents per pound plus 8. percent.
772.09	Trays, rubber or plastic.....	17 percent.....	8.5 percent.
772.15	Other articles, rubber or plastic.....	do.....	Do.
772.20	Packing containers, rubber or plastic.....	15 percent.....	7.5 percent.
772.30	Wearing apparel, rubber or plastic.....	12.5 percent.....	No change.
772.35	Household furnishings, rubber or plastic.....	do.....	6 percent.
772.40	Nursing supplies and pacifiers, rubber or plastic.	8 percent.....	4 percent.
772.42	Bags for ice, douche, etc., rubber or plastic.....	12.5 percent.....	6 percent.
772.65	Hose, pipe, tubing, rubber or plastic.....	8.5 percent.....	4 percent.
772.85	Caps, other closures, rubber or plastic.....	17 percent.....	8.5 percent.
772.95	Christmas tree ornaments, rubber or plastic.....	25.5 percent.....	12.5 percent.
772.97	Other religious articles, ornaments, rubber or plastic.	17 percent.....	8.5 percent.
773.15	Nylon brush bristles.....	3 cents per pound.....	1 cent per pound.
774.60	Other articles, rubber or plastic.....	17 percent.....	8.5 percent.
790.05	Spring clothespins.....	20 cents per gross.....	10 cents per gross.

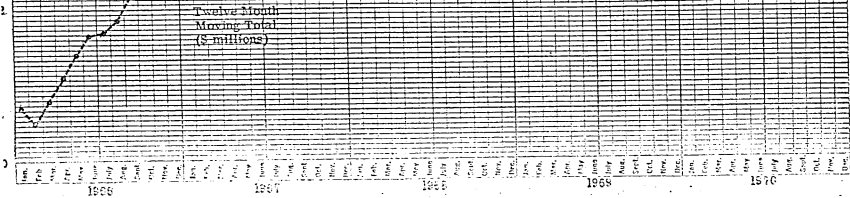
MACHINES FOR FORMING RUBBER OR PLASTICS

678.35

ANNUAL TOTAL
(\$ millions)



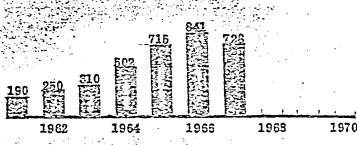
Twelve Month
Moving Total
(\$ millions)



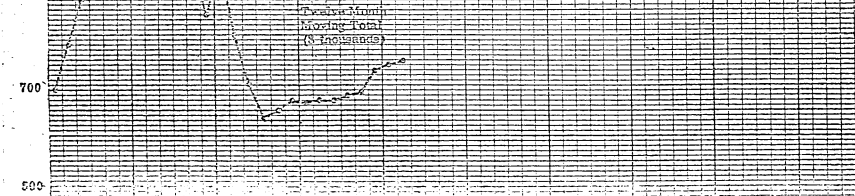
SUNGLASSES (not over \$2.50 per dozen)

708.43.20

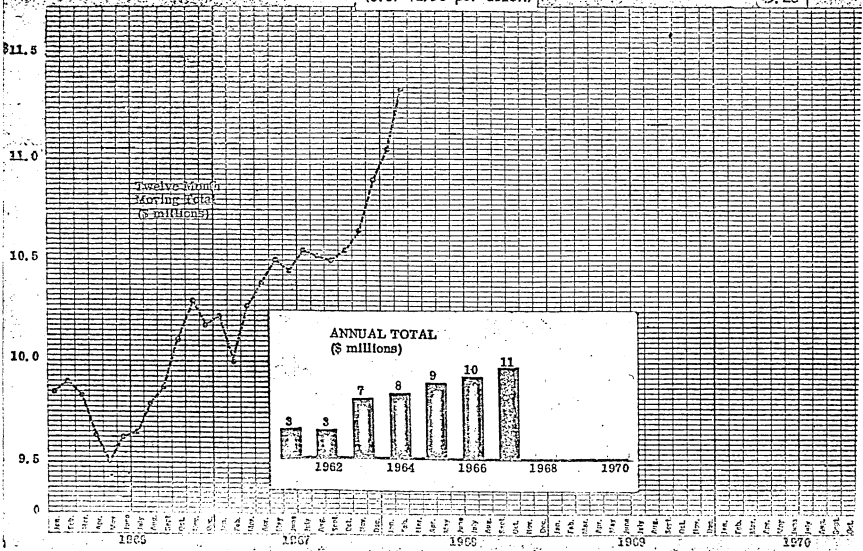
ANNUAL TOTAL
(\$ thousands)



Twelve Month
Moving Total
(\$ thousands)

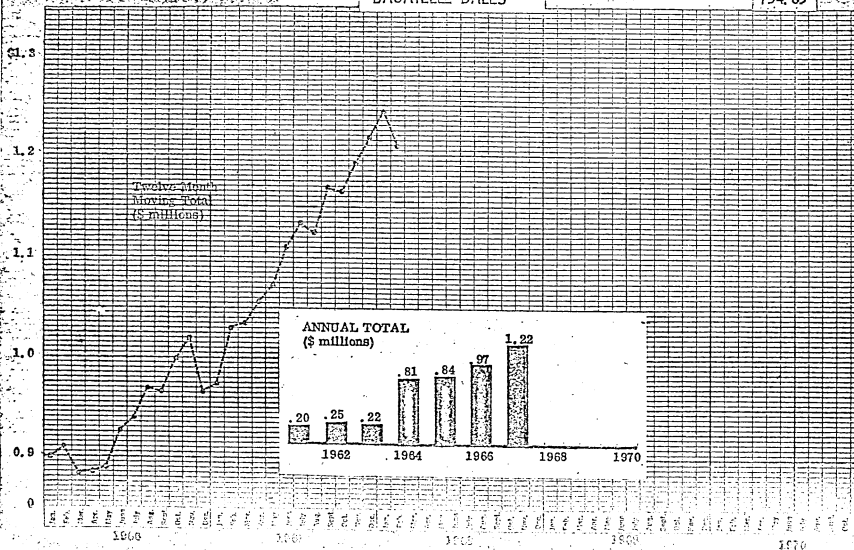


SUNGLASSES (over \$2.50 per dozen)

708
45.20

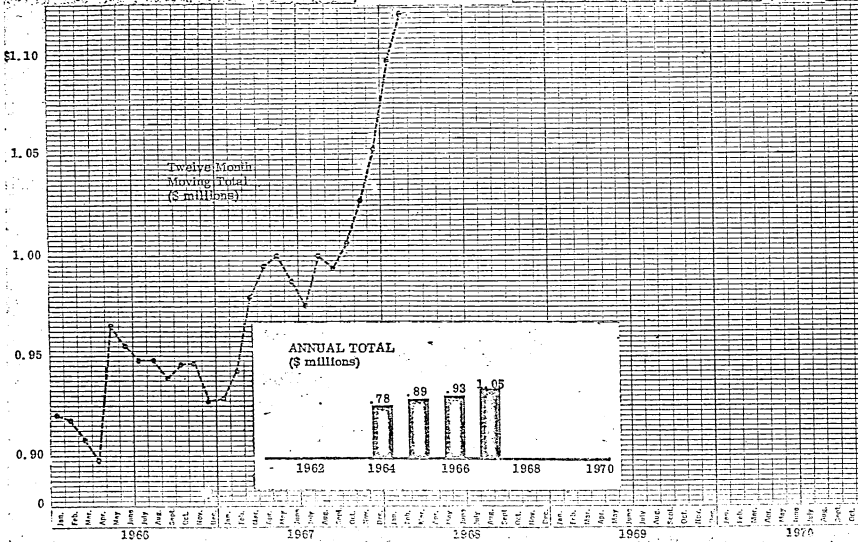
BILLIARD, POOL AND BAGATTELLE BALLS

734.65



CASEIN BUTTONS

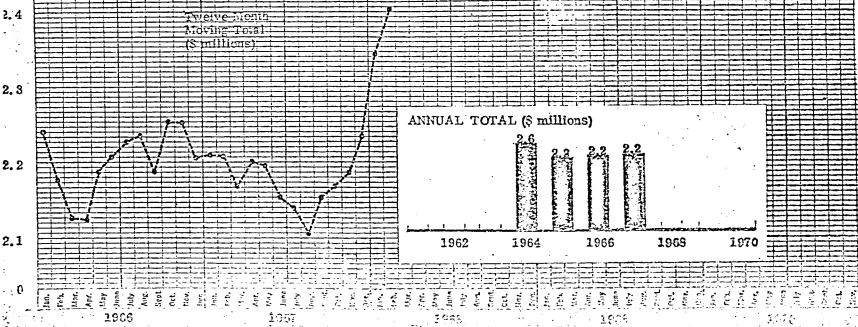
745.25



BUTTONS OF ACRYLIC AND/OR POLYESTER RESIN

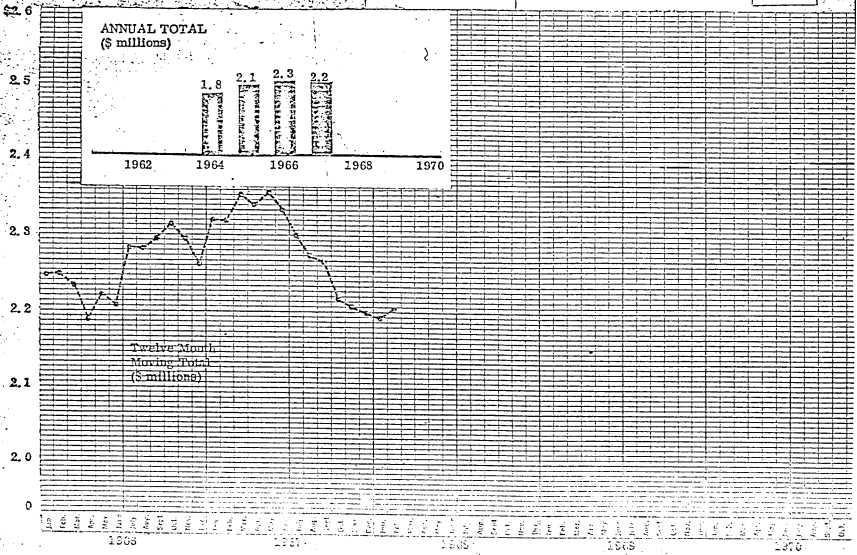
745.32

- 1/ Statistics do not include "buttons without holes" imported, for tariff purposes, at the substantially lower rate applicable to button blanks (TSUS Item 745.40) under a previous tariff avoidance device. It is estimated that the volume of such imports was approximately 4,300,000 gross each in 1964 and 1965.
- 2/ Data also exclusive of duty-free imports of "buttons without holes" via the Virgin Islands under a subsequent tariff loophole. Volume of such imports estimated to be 1,065,000 gross in 1966 and 427,000 gross in the first three months of 1967. (Source: FT 800, as revised).
- 3/ Statistics include only buttons imported, as such, and do not, therefore, account for the rapidly increasing growth of buttons imported attached to garments.



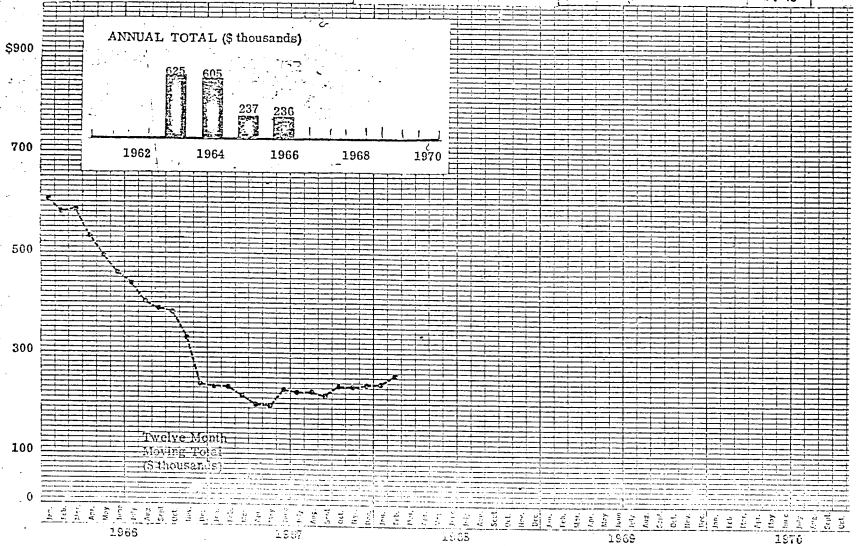
BUTTONS, OTHER

745.34



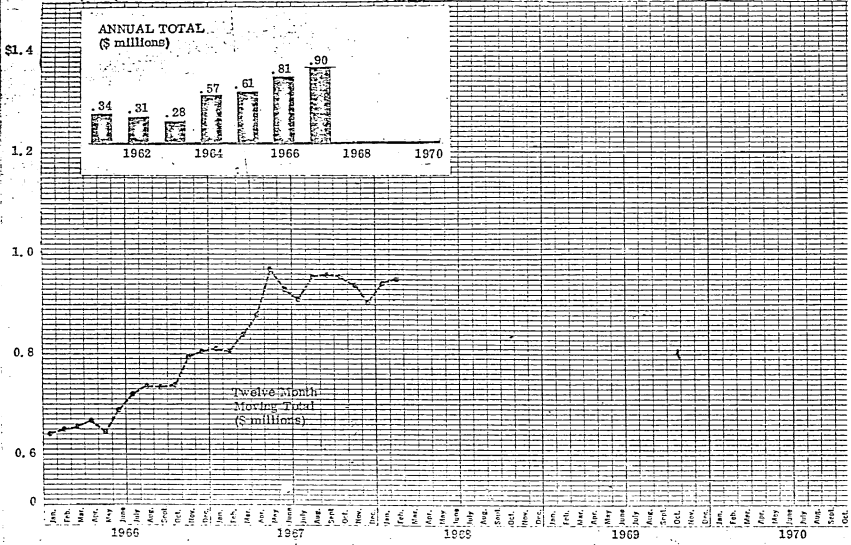
BUTTON PARTS BLANKS AND MOLDS

745.40



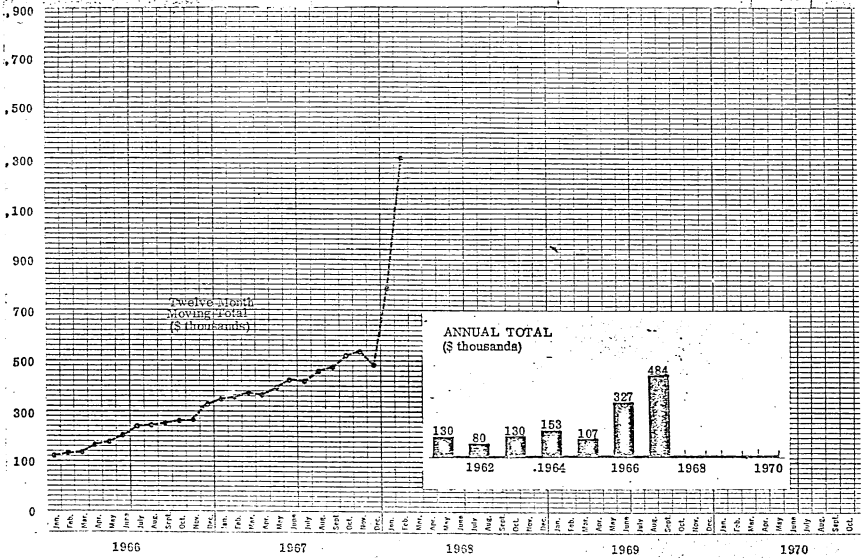
COMBS, NOT RUBBER
(over \$4.50 per gross)

750.15



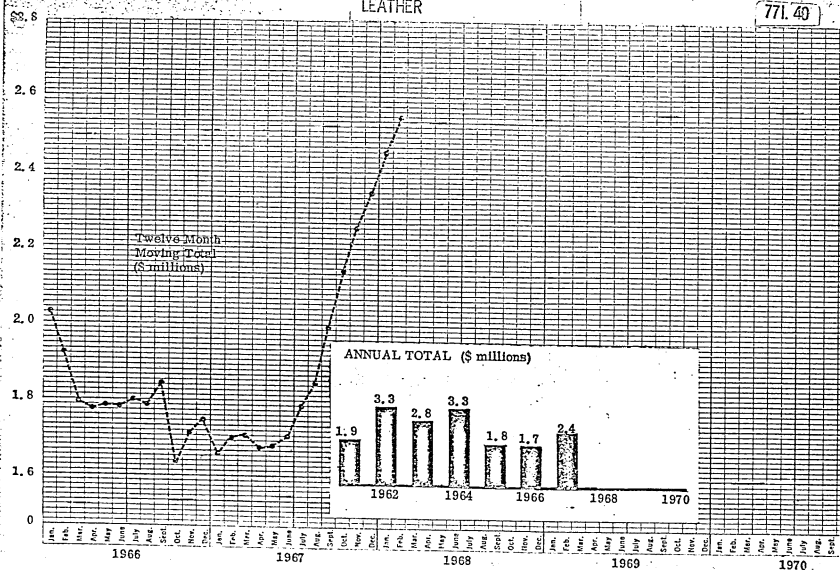
LAMINATED PLATES OR SHEETS

770.05



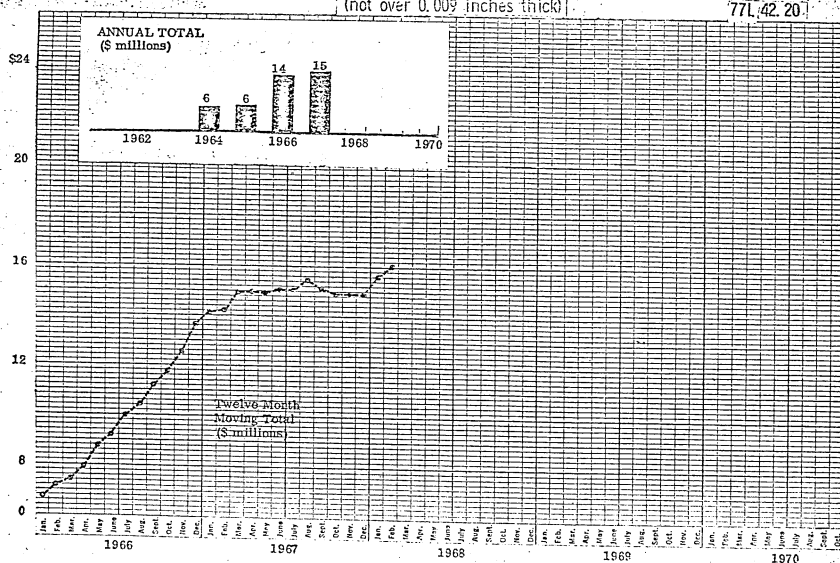
PLASTIC IMITATION PATENT LEATHER

771.40



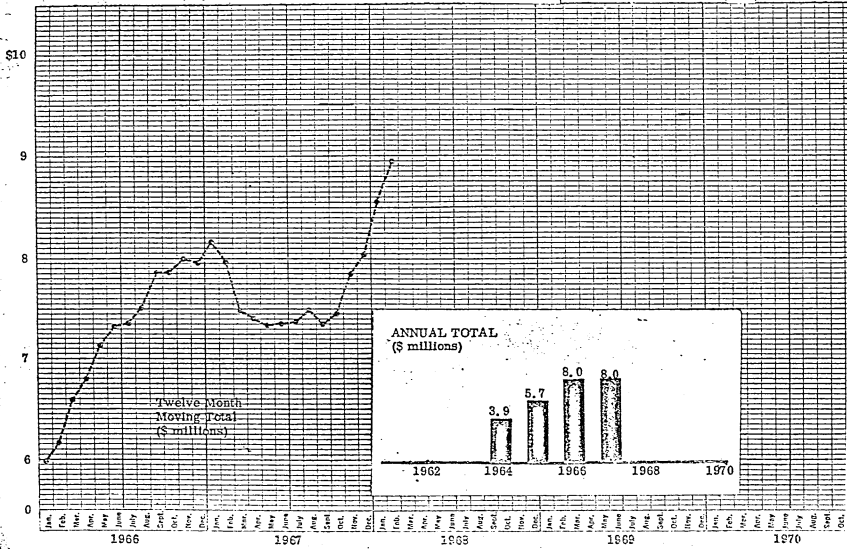
NON-CELLULOSE FILM, STRIPS AND SHEETS (not over 0.009 inches thick)

771.42.20



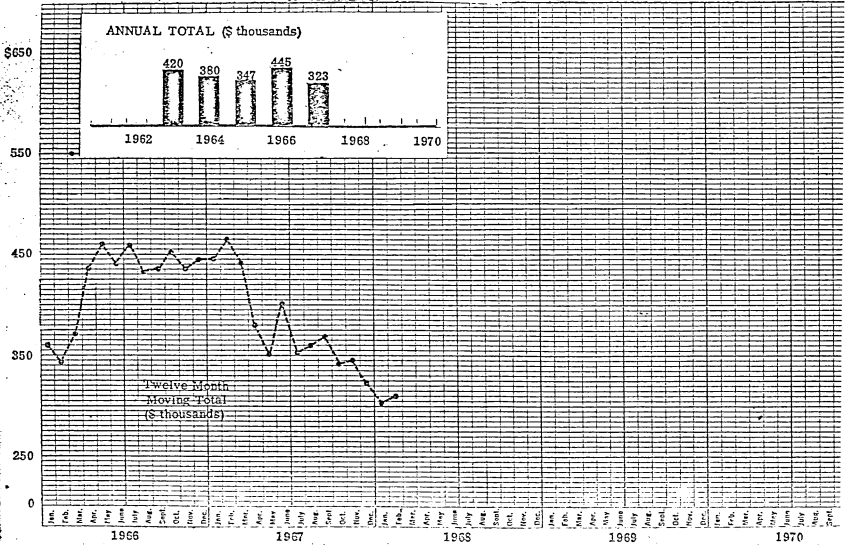
NON-CELLULOSE FILM,
STRIPS AND SHEETS
(over 0.009 inches thick)

771.42.20



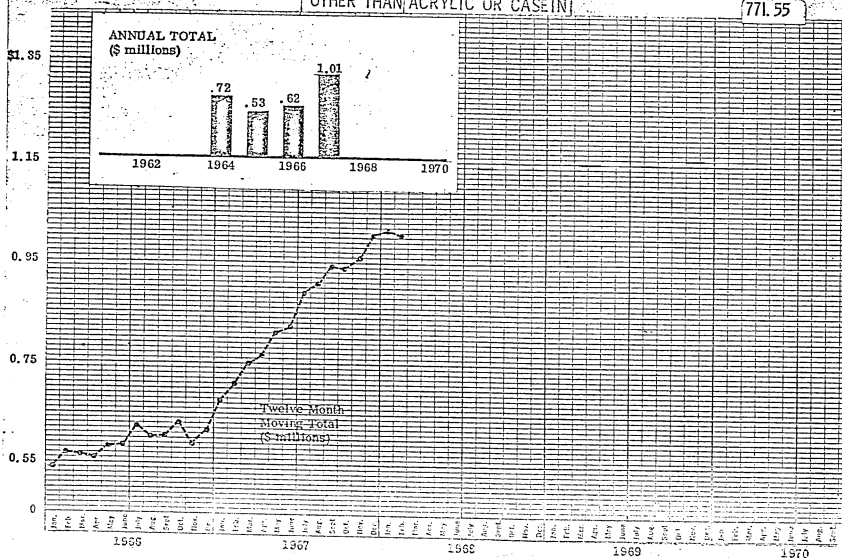
ACRYLIC RESIN PROFILE SHAPES

771.45



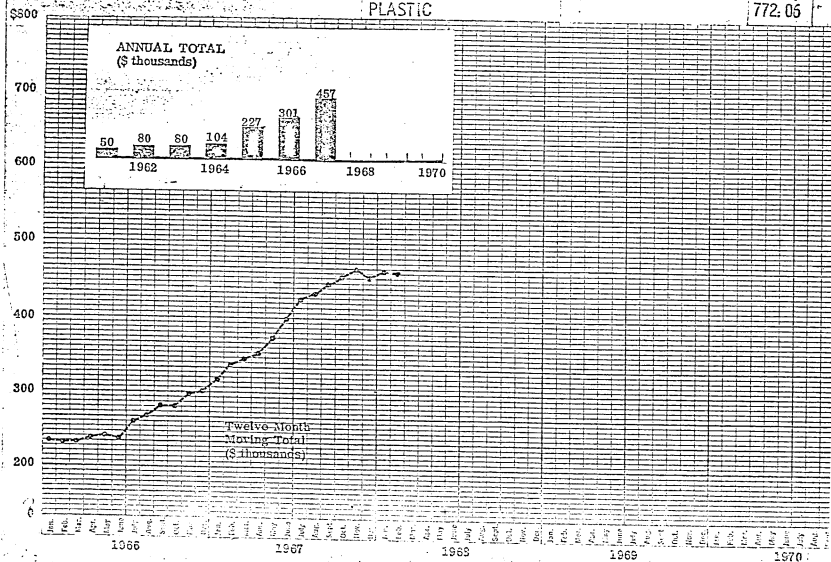
NON-CELLULOSE PROFILE SHAPES OTHER THAN ACRYLIC OR CASEIN

771.55



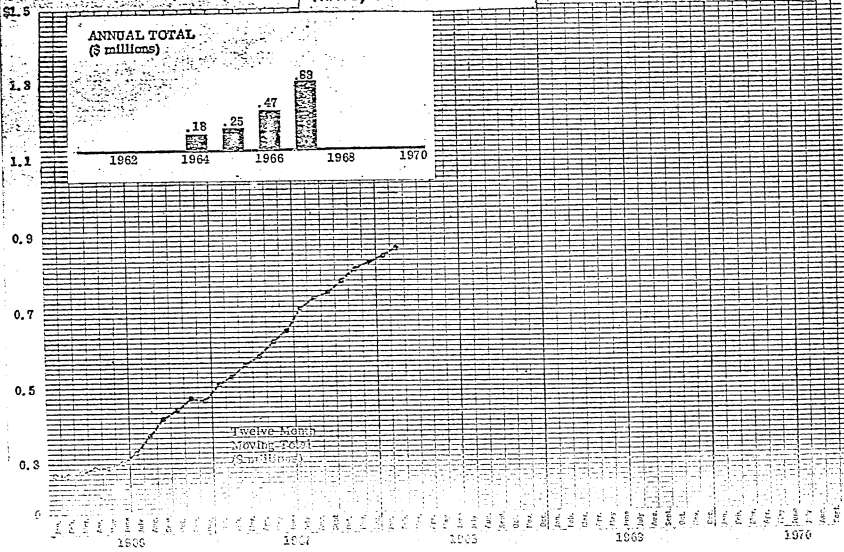
DISHWARE, RUBBER OR PLASTIC

772.05



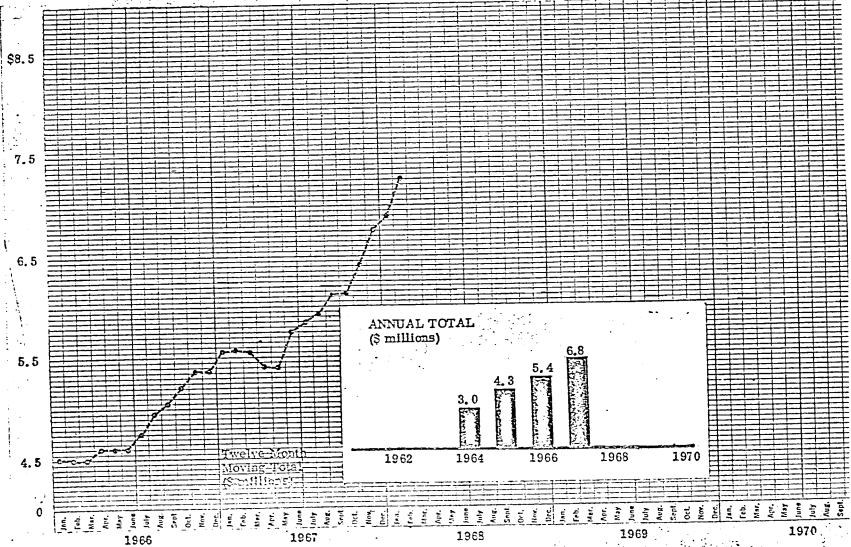
TRAYS, RUBBER OR PLASTIC

772.09



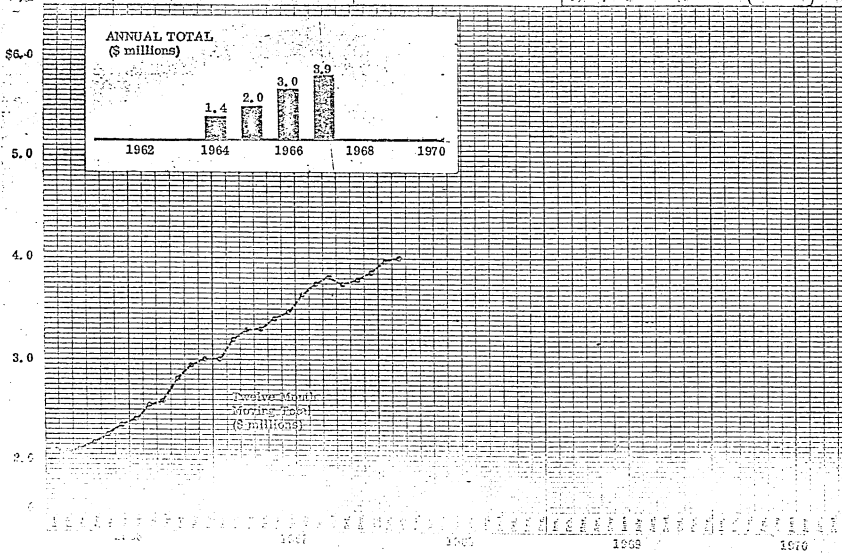
OTHER ARTICLES, RUBBER OR PLASTIC

772.15

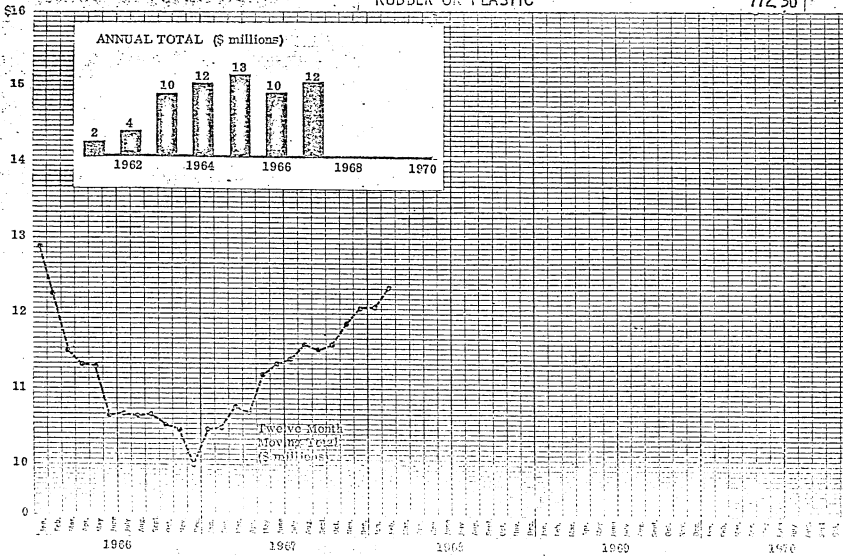


PACKING CONTAINERS,
RUBBER OR PLASTIC

772.20

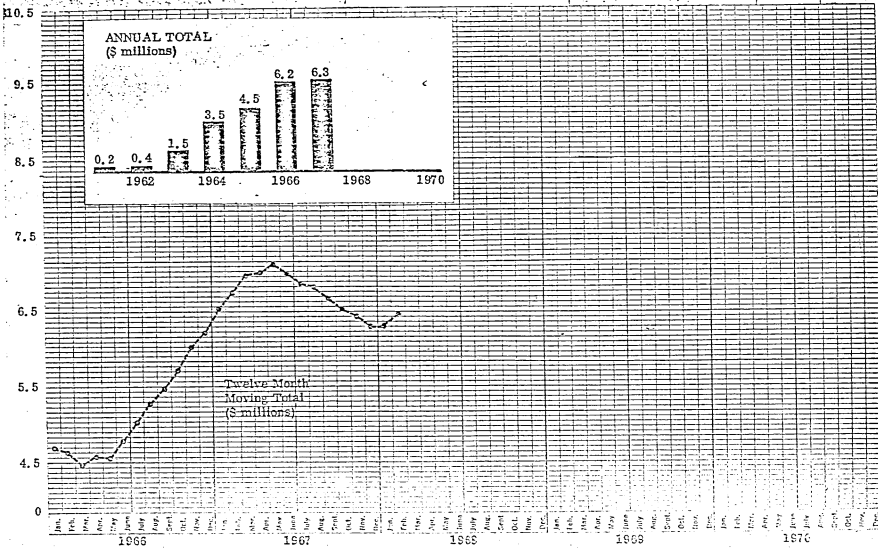
WEARING APPAREL,
RUBBER OR PLASTIC

772.30

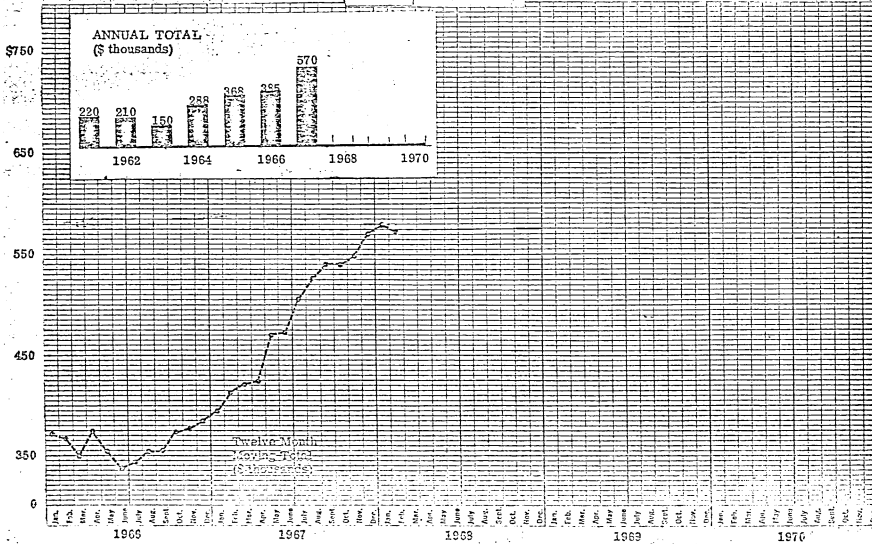


HOUSEHOLD FURNISHINGS,
RUBBER OR PLASTIC

772.35

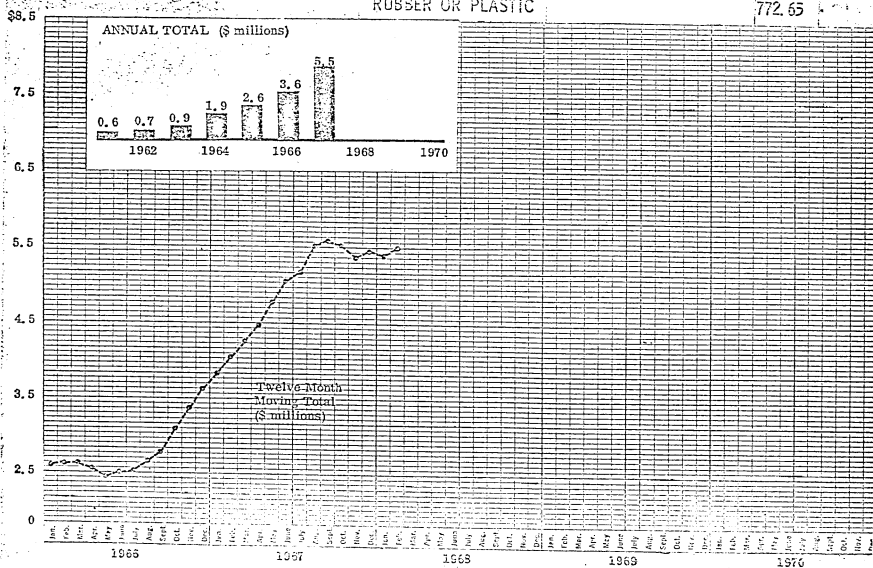
NURSING SUPPLIES AND PACIFIERS,
RUBBER OR PLASTIC

772.40

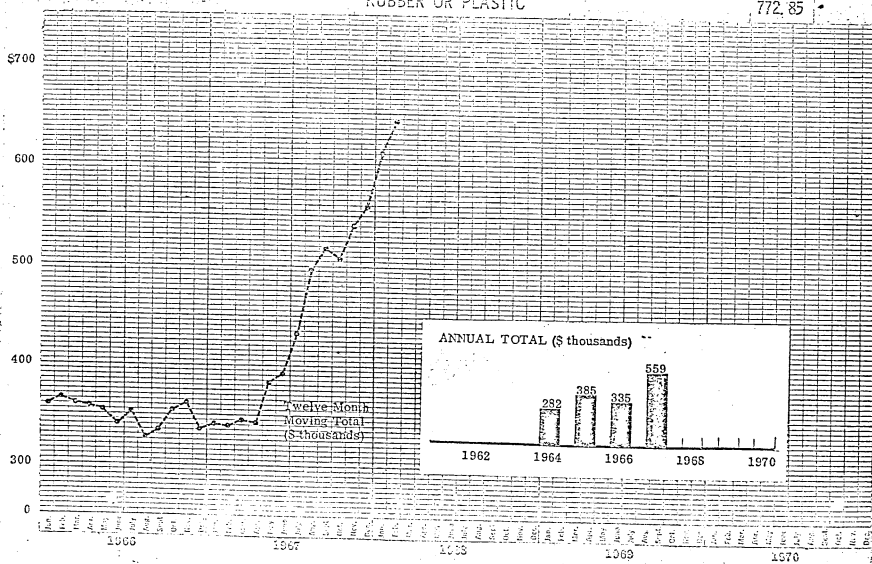


HOSE, PIPE, TUBING,
RUBBER OR PLASTIC

772.65

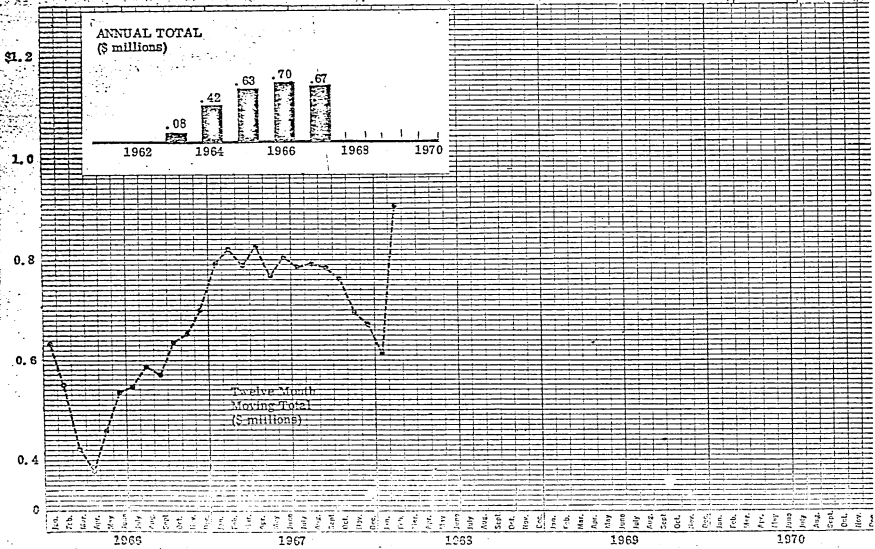
CAPS, OTHER CLOSURES,
RUBBER OR PLASTIC

772.85



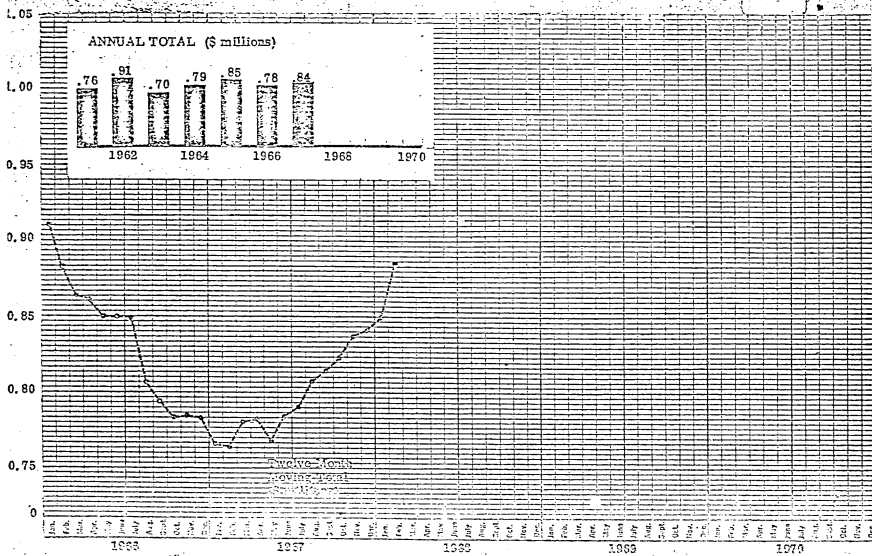
NYLON BRUSH BRISTLES

773.15



SPRING CLOTHESPINS

790.05



STATEMENT OF GILBERT C. RICHMAN, BUTTON DIVISION, SOCIETY OF THE PLASTICS INDUSTRY, INC.; ACCOMPANIED BY SIDNEY EMSIG, CHAIRMAN

Mr. RICHMAN. Mr. Chairman and members of the committee, my name is Gilbert C. Richman. I am the president of U.S. Plastic & Chemical Corp. of West Haverstraw, N.Y., a producer of polyester button blanks. I am here representing the button division—of which I am a former chairman—of the Society of the Plastic Industry. This is the same society about which Mr. Christopher has been speaking to you.

Our division represents perhaps the smallest of all the divisions of the SPI. We do, however, represent 80 percent of the domestic production of polyester buttons and button blanks. All of the companies in our industry are classified by definition as "small business."

There is no need at this time to go into the background of the tariff avoidance devices that have caused so much turmoil within our industry. The committee has been most sympathetic to our problems through recent years and has been most instrumental in closing two loopholes that have caused the serious situation within the industry. The closing of the second loophole about a year and a half ago has provided us with the first effective tariff relief that has been available for the past 5 or 6 years.

We are frankly an import-sensitive, tariff-protected industry. We are reconciled at this time to domestic sales only. We have long since lost all of our export markets.

I have not read, Mr. Chairman, the brief that we have submitted but would like to comment very quickly about two of the points raised therein. The first addresses itself to the question of tariff preferences for the less-developed countries, (LDC's.) I have personally visited a dozen of these countries and have been in button manufacturing operations in six of them. As a consequence, I think that I know their capability on a firsthand basis. Inasmuch as 50 percent of the cost of manufacturing an average button of this sort is in the form of wages, it is obvious that those countries with very low wages would have a very material advantage over domestic production.

In addition to this, there is the very strong probability that, should such advantages be granted to the LDC's, that machinery manufacturers and holders of patents and processes in more strongly economized countries would give or lend or lease their machinery and their know-how to these less-developed countries. As a consequence they would be controlling the output of these countries, within our industry, on a *de facto* basis. It would be obvious under circumstances of this sort that there would be no real economic benefit in granting such tariff preferences.

The second main point in our brief deals with the imports of buttons coming in attached to garments. Last year these buttons amounted to the amazing quantity of 11,820,000 gross, or almost two billion of buttons. This alarming growth is related to the advent of the synthetic man-made fibers which are now proliferating and which are causing great increases in the imports of finished apparel.

We would suggest that some consideration might be given for limitation of some of these manmade fiber imports in much the same fashion

as there is limitation for cotton goods under the LTA. I am sure that the apparel industry, when it appears before you will have a good deal more detail along these lines. Our tiny button industry represents but a small percentage of the total plastic industry. Mr. Christopher speaks in terms of hundreds of millions of dollars, billions of dollars in fact, and billions of pounds of raw material. He speaks also of an industry growing at a rate of 12 to 15 percent a year.

Between 1963 and 1966, the total button industry within this country shrunk by 12½ percent, from \$82 million of gross sales to \$72 million. During this period 15 companies have gone out of business and there are three more even today on the verge. One company is liquidating in Iowa and one company is in Chapter XI proceedings in the State of Maine, and another in the same proceeding in Pennsylvania.

Despite all of these difficulties, and conceding that there may well be additional changes in the industry as time goes by, that there may be additional failures, and that there may be amalgamations of some of the survivors, it is our opinion that much of the strength and viability has remained within the industry. Accordingly, barring any catastrophe, and with your continued consideration—for which we have been most appreciative in the past—we are confident of our ability to survive.

It is a privilege, gentlemen, to have this opportunity to appear before you and to present the views of our industry. Needless to say, my colleagues and I are available at all times for questions and for detailed information should it be required.

I would like to state for the record that Mr. Sidney Emsig is with me and that he is the current chairman of the button division of the SPI. He and I stand ready at your service.

(Mr. Richman's prepared statement follows:)

STATEMENT OF GILBERT C. RICHMAN, BUTTON DIVISION, THE SOCIETY OF THE PLASTICS INDUSTRY, INC.

Mr. Chairman and members of the Committee, my name is Gilbert C. Richman. I am President of U.S. Plastic and Chemical Corporation, a major American producer of plastic button blanks, with its principal office and plant in West Haverstraw, New York. I am also a past Chairman of the Button Division of The Society of the Plastics Industry, Inc., and I am an active member of the Division's Steering Committee. With me today, is Mr. Sidney Emsig, the present Chairman, who will assist me in presenting the Button Division's views with respect to the general subject of trade between the United States and foreign nations. The two specific areas to which my comments are directed concern (1) the matter of tariff preferences for less developed countries and, (2) the need for taking steps to impose reasonable limits on imports of textiles, in particular, wearing apparel.

Mr. Christopher has explained to you the composition and functions of the Society itself so they need not be repeated here. Suffice it to say that the SPI Button Division is a standing Division of the Society which is composed of companies accounting for approximately 80 percent of the dollar volume of American production of polyester and acrylic buttons and button blanks. The Button Division speaks on behalf of its members concerning those matters deemed to be of general importance to the button industry. In this capacity, the Division has represented the industry before a number of governmental agencies such as the U.S. Tariff Commission and the Trade Information Committee and, on several occasions, has filed presentations with the appropriate Committees of Congress.

At the outset, we wish to make it clear that the views expressed in this statement are limited exclusively to the particular commodity group of interest to our membership, that is, buttons and button blanks. We have no intention of broadening our position beyond this.

On page 21 of Mr. Christopher's statement, reference is made to those segments of the plastics industry which are acutely import sensitive. The American button industry clearly falls into this category and, therefore, requires the full measure of protection, both direct and indirect, now afforded by our tariffs.

As the members of the Committee on Ways and Means well know, the American button industry has been particularly hard-hit by imports in recent years having been the victim of two avoidance devices which practically nullified the button tariff. The first of these involved the direct importation of "buttons without holes" at the substantially lower button blank rate of duty. No sooner had this loophole been closed by the enactment of legislation that the importers began shipping "buttons without holes" to the Virgin Islands, drilling the holes there, and entering the finished button into the United States completely free of duty. Recognizing its manifest unfairness, Congress moved to enact further legislation to do away with this practice. However, much damage was done and, indeed, between 1963 and 1967, approximately fifteen button producers were forced out of business as a direct result of the "buttons without holes" tariff loopholes. Even today, the industry has yet to recover fully from the effects of these avoidance devices and we are advised of as many as three more impending failures.

A. TARIFF PREFERENCES FOR LESS DEVELOPED COUNTRIES

One of the primary reasons why our industry is so sensitive to imports is that a substantial portion of button production costs are attributable to labor. With the much cheaper labor available in less developed countries plus the added benefit of a special tariff preference here, undue advantage could be taken of the domestic industry. This could be done with a relatively modest investment or no investment at all as we understand that there are producers of button-making machinery in Europe and, perhaps, Japan who would be willing to assist prospective operators in setting up production facilities in less developed countries. The probable net result, as applied to buttons, would be facilities dominated *de facto* by interests located in developed countries making convenient use of the less developed country's cheaper labor and tariff preferences. It can hardly be argued that this would prove to be of any real, long-term economic value to the less developed country, which we understand would be one of the underlying considerations in support of a preferential tariff policy.

Apart from this, the granting of U.S. tariff preferences for buttons and button blanks produced in less developed countries would be inconsistent with the treatment afforded those commodities by our Government in the recently concluded "Kennedy Round". Recognizing the need for adequate tariff protection, our Government substantially spared polyester and acrylic buttons and button blanks from tariff reductions. Tariff cuts on these commodities were approximately 20 percent rather than the full 50 percent which was permissible under law. This constituted clear acknowledgment that the domestic industry requires added protection against imports even from our trading partners in GATT, all of whom are highly industrialized and have much less of a labor cost advantage. Were preferences now to be granted to less developed countries, the relief given to buttons and button blanks in the "Kennedy Round" would have proven to be a futile gesture from the standpoint of our industry.

Before closing on this subject, we wish to again make it clear that the Button Division is not opposed to the basic concept of granting tariff preferences to less developed countries in and of itself. We are simply taking this opportunity to advise the Committee that such a policy, as applied to buttons and button blanks, would without a doubt, prove damaging, perhaps even disastrous to our domestic industry. We, therefore, urge that the Committee and Congress take this fully into account with respect to any proposals which may be submitted either now or in the future aimed at establishing preferential tariffs for products of less developed countries.

B. IMPORT QUOTAS ON WEARING APPAREL

Of course, my statement thus far has related solely to the importation of buttons as such. The industry is presently faced with a problem which we believe to be much more severe which is their importation on wearing apparel. We estimate that buttons imported in this manner have grown successively from approximately 6,800,000 gross in 1963, to 7,775,000 gross in 1964, to 9,360,000 gross in 1965, to 10,485,000 gross in 1966, and to an astounding 11,820,000 gross in 1967.

Based upon the information available to date, there is no question but that imports of buttons on garments in 1968 are anticipated to increase substantially from all prior years.¹ This will have a severe adverse effect not only on the button industry but on related industries such as the button blank and raw material suppliers.

Because of the substantial disparity between production costs in the United States as compared with Hong Kong, Japan, and the less developed countries, the American button industry is not competitive in world markets, and is not, therefore, a substantial exporter. Our industry is almost exclusively reliant on the domestic apparel industry and our fate is inextricably woven into theirs. Thus, should imports continue to erode the American apparel industry, we, too, would be equally harmed. For these reasons, the Button Division urges that this Committee give consideration to taking whatever steps are deemed appropriate to afford relief to our apparel industry from the increasing flow of such imports.

In our judgment, one constructive approach would be the enactment of legislation aimed at imposing quotas on imports of wearing apparel under reasonable conditions designed to meet the needs of the domestic industry, while at the same time, recognizing the legitimate interests of the foreign producers and importers.

On behalf of the SPI Button Division, we want to express our thanks to the Committee for having been given the opportunity to participate in these proceedings. Needless to say, should you have any questions concerning the topics we have covered or should additional data be desired, please do not hesitate to call upon us.

Mr. BURKE. Have you any questions?

Mr. BUSH. I have one question.

What are the raw materials that go into plastics, generally? Isn't it gas?

Mr. CHRISTOPHER. Yes; petroleum raw materials are the most basic raw materials going into plastics.

Mr. BUSH. With our volume of natural gas and supply of petroleum products, where does the cost differential come in here? What does the competition use for sources of supply, for example?

Mr. CHRISTOPHER. In foreign countries?

Mr. BUSH. Yes.

Mr. CHRISTOPHER. In foreign countries the petroleum raw materials are less expensive, lower in cost.

Mr. BUSH. Natural gas, I am speaking of.

Mr. CHRISTOPHER. In consideration of these raw materials we must remember we are negotiating in the Kennedy round for the competitive situation in the 1970's and with the development of the oil and gas fields in north Africa and in the North Sea we anticipate a competitive natural resources base to ours.

Mr. BUSH. Let me start again. This is probably very fundamental. Where does most of your competition come from?

Mr. CHRISTOPHER. Foreign competition?

Mr. BUSH. Yes.

Mr. CHRISTOPHER. From the EEC countries.

Mr. BUSH. Where do they get their gas supply?

Mr. CHRISTOPHER. Today?

Mr. BUSH. Yes, sir.

Mr. CHRISTOPHER. Natural gas or oil?

Mr. BUSH. Natural gas. Isn't natural gas a fundamental ingredient for the low-cost production of plastics generally?

Mr. CHRISTOPHER. It is one of the low cost; yes.

¹ In this connection, we note with increasing concern the rapid movement of certain segments of the apparel industry to less developed countries where labor costs are far lower than even in Hong Kong or Japan.

Mr. BUSH. These EEC countries for the most part, with the possible exception of Holland, and that is only recent, don't produce natural gas in any quantity, do they?

Mr. CHRISTOPHER. You are correct on this. In 1972 the situation will be somewhat different but also, as of today, and our brief so states, the United States does have in general a competitive cost advantage in the large-volume thermoplastic materials to which you refer. We anticipate and develop in more detail in our brief that by 1972 because of two factors operating, the shift from the coal base in Europe to oil and gas as a basis for raw materials, and the increasing scale of production and equivalent technology, that this advantage will no longer be enjoyed by our producers.

Mr. BUSH. Your fear is largely for the future.

Mr. CHRISTOPHER. In that classification. In the condensation polymers the European producers have an advantage right today.

Mr. BUSH. Thank you, Mr. Chairman.

Mr. BURKE. We wish to thank both of you, Mr. Christopher and Mr. Richman, for your excellent testimony and your charts and slides. They were very informative.

(The following statement was received, for the record, by the committee:)

STATEMENT OF JULIUS SIMON, PRESIDENT, OPTICAL IMPORTERS ASSOCIATION OF THE UNITED STATES, INC.

The Optical Importers Association of the United States, Inc. (O.I.A.), submits the following statement in lieu of a personal appearance before this Committee for incorporation in the record of hearings on tariff and trade proposals. The O.I.A. is a nonprofit corporation registered under the laws of the State of New York. It is a self-sustaining organization and is not affiliated with any foreign interests. Its membership is composed of 26 firms, located throughout the United States, who import eyeglass frames and mountings from abroad. In terms of percentage of imports, O.I.A. members account for approximately 85% of all eyeglass frames annually imported into the United States and in excess of 90% of imports of such merchandise from France, Italy and West Germany, the major exporting countries of eyeglass frames to the United States.

As American businessmen, the members of the O.I.A. strongly favor continuance of a reciprocal trade policy between the United States and other free countries of the world. We, therefore, support the Trade Expansion Act of 1968 and urge its passage. Experience and history have proven that exchange of products and know-how between the United States and its trading partners is of mutual benefit, and that unnecessary restrictions on such trade serve no useful purpose and invite only retaliation. For this reason, the O.I.A. opposes all tariff and non-tariff barriers not in the base economic interest of the United States and its citizens.

An example of the type of non-tariff barrier inimical to the interests of the United States is H.R. 16906. This bill would prohibit the manufacture for sale, sale in interstate commerce and the importation into the United States for sale of any eyeglass frame made of cellulose nitrate. On its face, H.R. 16906 does not appear to discriminate against imported eyeglass frames. The fact of the matter is, however, that nitrate is no longer used in the United States in the manufacture of plastic eyeglass frames, and, with the exception of some possible remaining inventory of American-made frames, the only source for nitrate frames is imports. Therefore, H.R. 16906 is aimed directly at imports and is an attempt to place an absolute embargo on the importation of a large percentage of the plastic eyeglass frames currently being imported into this country.

Cellulose nitrate has been used throughout the world in the manufacture of eyeglass frames for close to ninety years. In the United States, nitrate was used until approximately 1958, when frame manufacturers began using acetate. This switch in basic raw material was not one of preference but was as a result of a shortage of nitrate material in this country and the announced intention

of nitrate manufacturers to discontinue its production. Over the last half century, the nitrate eyeglass frame has become the preferred plastic frame of professional ophthalmologists and optometrists because of its durability and quality stability. It is a known and accepted fact in the industry that nitrate is superior to other plastic materials because of its ability to retain shape under adverse conditions and changes of climate. Retention of shape, and ability to hold the position of the lenses is an important feature of an eyeglass frame and is essential to good vision, since the adjustment and position of the lenses in the frame is directly related to the interpretation of the doctor's prescription. Further, nitrate material will accept a much higher finish and has a greater resistance to body acids than other types of plastics.

It is also a matter of public record that imported eyeglass frames have not had an adverse impact upon the industry in the United States. In October of last year, the Tariff Commission presented a detailed report to the President on the conditions of the eyeglass frame industry in this country. This report was the culmination of a thorough investigation by the Commission, which was instituted under section 301 of the Trade Expansion Act of 1962 by a petition of the International Union of Electrical, Radio and Machine Workers. In its report, the Commission unanimously found that both production and profits in the industry had increased substantially from 1962 to 1966 and, further, that the increase in the volume of imports over the same period had not caused, nor did it threaten to cause, serious injury to the domestic industry.

We believe that the growth of the industry in this country is in part due to the imaginative styling of European-made frames. The fact is that imports have been the proximate cause of the industry moving from a period where eyeglass frames were nothing more than prosthetic devices, to the stage where fashion considerations have stimulated and increased consumption. The ability of imported frames to compete in the U.S. market is not due to any price advantage. Indeed, in most cases, European-made frames sell at prices substantially higher than domestic frames. Rather, as found by the Tariff Commission, it is the new shapes, colors and decorations created by importers which have stimulated the demand for imported frames. The style innovations introduced by importers have also stimulated the domestic industry into producing more fashionable eyeglass frames which have been well received by consumers.

It is submitted that the record of the nitrate eyeglass frame of over fifty years of safe, efficient and beneficial service to the public militates against any curtailment of its availability and continued use in this country. H.R. 16906 is not, on its face, designed to serve the public interest and we urge the Committee to reject this attempt to place an unjustified embargo on imported eyeglass frames.

Mr. BURKE. Our next witness is the barber and beauty shop equipment industry, Mr. John A. Dlouhy.

Before you proceed, Congressman Rostenkowski of Chicago is very interested in your testimony and regrets that he is unable to be here. He is going to read it in its entirety.

You may identify yourself for the record.

STATEMENT OF JOHN DLOUHY, EXECUTIVE VICE PRESIDENT, EMIL J. PAIDAR CO.

Mr. DLOUHY. Mr. Chairman and members of the committee, my name is John Dlouhy. I live in Chicago and am employed as executive vice president at the Emil J. Paidar Co., a manufacturer of barber chairs for the past 60 years.

Last November I represented that industry at a formal U.S. tariff hearing as the cost spokesman discussing the relative costs of manufacturing not only here in the United States, but in Japan and Hong Kong.

As a result of a manufacturing investigation, representatives from the Armour Research Foundation and the Illinois Institute of Technology were sent to the Orient in 1961 to explore the feasibility of a joint

venture. Their recommendations were then simply that it was less expensive to manufacture in the United States. Some 6 years later, with wage costs percentage-wise having risen more than 100 percent in Japan, while materials increased from 25 percent to 30 percent, the 1961 engineering recommendations are even more valid. My visit to Japan—more precisely, my 1966 visit to Japanese barber chair manufacturers together with photos of their plants validated this point.

The U.S. Tariff Commission, in their report to the President on Investigation No. TEA-F-7 under section 301(c)(1) of the Trade Expansion Act of 1962, the closest decision in the last 6 years, voted against relief for my company, Paidar, 3 to 2. It is not my attempt to rehash that 3 to 2 decision of the U.S. Tariff Commission. My position is public record, and I am here to lay before Congress supplementary information pertaining to my problem.

In the previous case, eyeglass frames, TEA-I-10, the Commission, in October 1967, was quick to "define" the statutes of the law and thusly, found grounds for rejection of the petitioner on that basis. However, immediately thereafter confronted with our parameter congruent to their established benchmarks, they rendered their decision with a vague thought of "everybody knows the Japanese make things cheaper" attitude. The Commission, in a split decision, using this case as unprecedented platform for generating three additional statements, officially then shifted the blame for this situation to your door.

The Paidar position is quite apparent. The public record in magazines, newspapers, and the like, as well as the obvious investment in tooling and equipment yielded the petitioner as a low-cost producer arguing the stand from the ground up, piece by piece, the Japanese chair was the same cost as the American counterpart, if not more. My exhibit No. 19 in the hearing displayed their model No. 59 as well as their domestic price direct from factory to barber.

Included herein is (1) a thermofax of that exhibit in Japanese; (2) a Takara-Belmont photo of same chair and used by their distribution; and (3) the color illustration of the Paidar advertising piece and, as you can see, is the original design from which units were copied. Although the copying is point enough, let me return to the pricing structure—domestic Japanese price, \$197.63; export price and duty evaluation base, \$130.00.

(The exhibits referred to are in the committee files.)

Eight months ago, before the U.S. Tariff Commission, as industry cost spokesman, I displayed 24 visual aids and exhibits building this point piece by piece, even Japanese machine by machine. Today, even more conclusive information now validates this.

The separate and supplementary statement by Chairman Metzger who had not been appointed at the time of the November hearing, stated quite clearly:

Nor is their case necessarily weakened by the fact that there have been no petitions between 1962 and the present time deemed to have gratified for relief under the stringent standards laid down by Congress.

Metzger continued:

I am not persuaded that identity of treatment of causation criteria in tariff relief and adjustment causes was intended by Congress. To those who would complain this congressional "substantially the same" standard does not go far

enough in "taking care of" adjustment cases, the answer would be twofold: first, perhaps so, but it is a speculative matter, particularly since whatever impact the Kennedy Round tariff concessions will have will be visible only in the future; second, how far the country should travel in the future in the direction of liberalization of the causation criteria in adjustment assistance cases is a legislative pooling question for the Congress to decide upon, amending existing law accordingly, if it decides upon change, and establishing standards which administrative agencies would then apply. Until then, an administrative agency must apply the existing law, not the law as it might be or might have been.

Tariff Commissioner Clubb retorts:

The position of the majority, which is concededly consistent with earlier majority opinion of the Commission, if adhered to in the future cases, will make it virtually impossible for any petitioner to qualify for tariff or trade adjustment relief under the Trade Expansion Act. I believe this position to be both unwise and unnecessary: unwise because it frustrates the clear intention of Congress; unnecessary because of the words of the statute do not require it.

Clubb continues:

It appears that the majority has adopted the most restrictive possible meaning of the words of the statute and has thereby virtually insured that no petitioner can be successful.

Thus, where several interpretations of the term "major" are available, the majority has chosen the most restrictive. By considering as "causes" of increased imports, those very conditions for which Congress intended to provide a remedy, it has insured that in every case there will be a great number of "competing causes" to outweigh the effects of concessions. Finally, by in effect restricting the consideration of concessions to the most recent concession, it has so minimized the effects of duty reductions that they must always appear small in relation to the other multitudinous "causes" involved. With all deference to my colleagues in the majority, therefore, I submit that there is enough flexibility in the words of the statute so that the majority is not here compelled to adopt such a restrictive interpretation and the results it produces cannot be laid at the feet of Congress. The choice of words is made by Congress, but the choice of interpretations is made by the Commission.

I quote further from Commissioner Clubb:

Considering all these factors, it is clear that, but for the concessions, the imports would not have reached substantially their present level, and, therefore, the imports were a result in major part of the concessions.

On page 47 he continues:

To ask whether injury would have occurred but for the increased imports. We need not dwell long on this. The injury to the domestic interests took the form of reduced income resulting from declining sales. The reduced sales were a direct result of imports which rose from almost zero in 1955 to * * * of the United States consumption in 1966. Accordingly, it seems entirely clear that, but for the import competition, the domestic concerns and the industry would not be suffering injury.

In the case of Paidar, it seems clear that the injury has been of a crippling nature, and, therefore, it is "serious" within the meaning of the statute. In this connection, it should be noticed that Paidar has a substantial investment in plant and equipment which it recently increased in a modernization effort. This gives it a very substantial overhead which requires that sales be kept at a relatively high level in order to break even. Sales have not been at the break-even point for some time, and the losses, now aggravated by the increased investment, are growing more ominous. At present it is operating at a loss, and there is no relief in sight. It seems clear that this does constitute the crippling, perhaps even mortal, injury required by the act.

Gentlemen, you are being besieged with a great deal of information regarding foreign imports and allegations related to it. However, gentlemen, I daresay that very few, if any, of the people appearing here have gone through the official U.S. Tariff Investigation and, as a result, finished the Tariff Commission arguing among themselves and, the majority blaming you—Congress.

Gentlemen, as a small business we have lost a great deal of money. As a small business, we cannot afford to pursue every avenue in court, but most important, as to small business we are seeking relief under what we believe to be the ground rules set up by Congress. In turn, we are being caught in the crossfire of an administration-biased Tariff Commission argument of the original congressional intent.

Thank you, gentlemen.

Mr. BURKE. Thank you very much.

Do you know how many people are in this same business as the Paidar Co.?

Mr. DLOUHY. I am sorry. I didn't hear your question.

Mr. BURKE. How many firms are in the same business as the Paidar Co.?

Mr. DLOUHY. In the Tariff Commission report they indicate there are two domestic manufacturers. There are at least six Japanese importers in the country at this time, and I have information on the seventh one that arrived at my office yesterday.

Mr. BURKE. How many people do Paidar employ?

Mr. DLOUHY. I would suspect we are down at around 80. However, the position we presented to the Tariff Commission was the fact that in Japan the manufacturer deals directly with the consumer and they are attempting in this country to dissolve that intermediate distribution setup. We will be losing, I believe, 2,000 to 3,000 people involved in this intermediate sales activity.

Mr. BURKE. Do you have any questions?

Mr. BUSH. I don't mean this question to be facetious, but in the trend of the long haircuts these days, has anybody done any serious work or figures on consumption of haircuts?

Mr. DLOUHY. I have in my chair, the indication that the industry between 1965 and 1966 dropped approximately 1 or 2 percent.

Mr. BUSH. What would probably be offset in the future by population obviously.

Mr. DLOUHY. Yes. I think the Tariff Commission in their investigation indicated that the Japanese were eroding the American market at the rate of around 14 percent, and I think the growth of barbers within the country was about 2.4 percent so that in effect they were eroding the American manufacturer quite deeply.

Mr. BUSH. You actually have more and more barbers appearing in this country. The net increase of barber chairs in this country is up? There is an increase over the last few years?

Mr. DLOUHY. I think that is in the official documentation of the Tariff Commission which is available.

Mr. BUSH. Thank you, sir.

From looking around you think that the effect would be more than that, but I guess it is just superficial.

Mr. BURKE. Thank you very much.

Our next witness, and the concluding witness of the day, is the umbrella industry, Mr. Leonard E. Finkel.

If you will identify yourself for the record we would appreciate it. We welcome you to the committee. If you wish to summarize your statement, and all the exhibits will be included in the record.

STATEMENT OF LEONARD E. FINKEL, PRESIDENT, UMBRELLA FRAME ASSOCIATION OF AMERICA

Mr. FINKEL. Mr. Chairman, gentlemen of the committee, my name is Leonard E. Finkel. I am chairman of the Finkel Umbrella Frame Co. and president of the Umbrella Frame Association of America.

In the brief time allotted to me, it is of course impossible to completely relate the problems of our industry to the subject under consideration by this committee. I can only hope to excite your interest so that you will give due consideration to the brief that has been filed with your committee by the Umbrella Frame Association of America.

This brief contains a description of the industry and its products, a history of our efforts to obtain relief from the problems of imports, trends in the industry in the United States and Japan, statistics of imports and domestic production derived from Government records generated by Government investigations and statistics compiled from individual company records certified by independent certified public accountants.

The facts of this case are well documented and are known in many places in the Government here in Washington. Our plight is familiar to the Department of Commerce. The Tariff Commission has listened to our pleas on three occasions. Committees of Congress, too, have had the opportunity to hear our story.

I respectfully submit, therefore, that the evidence we have submitted may be accepted as fact. I further submit that our case is a classic textbook example of a situation that merits and justifies relief. It would follow that what has happened to our small industry has also happened or will soon happen to other small industries similarly situated or will soon happen and, therefore, this is a situation that deserves the consideration of your committee in and of itself and as a facet in the broad fabric of international trade which is presently your concern.

The industry about which I speak is the umbrella frame manufacturing industry. The problems cannot realistically be examined without considering conditions in the umbrella manufacturing industry as well. The frame industry makes the metal structure that supports the cover and sells it to the umbrella manufacturer who makes the cover and assembles the cover and handle to complete the product.

Pursuant to section 405(4) of the Trade Expansion Act of 1962 we may consider frames and umbrellas together and evaluate the impact of imports of frames and umbrellas on the domestic producers of umbrella frames. The U.S. Tariff Commission accepted this principle in the proceedings initiated by the industries' application of January 9, 1964.

As it relates to the frame industry, this principle translates into the concept that every umbrella has a frame and a frame can only be used in an umbrella.

A consideration of the statistical material appended to our brief reveals some very interesting and startling facts:

Startling fact No. 1: In 1954 the domestic manufacturers of umbrella frames produced 745,514 dozen umbrella frames. In the same year 717,233 dozens of umbrella frames were used to make domestic

finished umbrellas. In 1954, therefore, the domestic frame manufacturers enjoyed virtually the entire market.

Compare this with 1967. In 1967 the domestic frame manufacturers produced approximately 600,000 dozens of umbrella frames. The domestic market in 1967 was 2,200,000 umbrellas. The domestic frame manufacturers, therefore, had 27 percent of the domestic market. Think of it. In 14 years this domestic industry had its market shrink from virtually 100 percent to 27 percent.

It is also a fact that the first quarter of 1968 shows that 462,459 dozen umbrellas and frames were imported as compared to a total of 334,297 dozen for the first quarter of 1967 indicating an increase of 128,162 dozen imports or 38 percent more imports in the first quarter of 1968 than there were in the same period of 1967.

The trend strongly indicates that the share of the domestic market that the U.S. manufacturer will have in 1968 will be substantially lower than 25 percent.

Startling fact No. 2: In 1954 there were eight companies engaged in the manufacture of umbrella frames in the United States. Today there are three companies remaining. The other five could not survive the impact of imports and the low prices they established as the U.S. market price. The number of manufacturers of umbrella frames has diminished by 62½ percent.

Startling fact No. 3: In 1954 there were approximately 100 umbrella manufacturers. Today there are less than 35, a reduction of 65 percent. The attrition in this industry is likewise attributable directly to the effects of imported frames, bases and umbrellas.

Startling fact No. 4: In the New York Times under dateline of June 10 (AP) Secretary of State Dean Rusk is quoted as saying:

It is difficult to see how we could count upon Japan as a major partner if we had not deliberately fostered—or if we were suddenly to change—a system which permits Japan's 100 million people to achieve through trade what they could not attain in the narrow confines of their crowded islands.

Mr. Rusk also said placing trade restrictions "would breed resentment and store up additional problems for today and the years ahead". Let us examine the situation that "we have deliberately fostered" and see where the "resentment" should really lie.

Japan has 450 member companies of the Umbrella Association who are engaged in the manufacture of umbrellas. There are 70 companies specializing in the manufacture of frames.

Keep in mind that there are only three frame manufacturers in the United States. In 1967 the estimated output of umbrellas in Japan was 49,920,000 units or over 4 million dozen. The American manufacturers have less than 600,000 dozen, and this amount is steadily shrinking. Japan enjoys markets all over the world while we have lost practically all of our world markets.

The Japanese have exhausted their facilities and labor supply and are using manufacturers in Hong Kong and Korea as subcontractors.

The conditions in Japan and other foreign countries would appear to reflect the successful accomplishment of "a deliberately fostered system" to achieve trade. It would also appear that the current condition in the United States is certain to breed the resentment of the domestic manufacturers.

The facts are incontrovertible. The conditions in foreign countries, notably Japan, are continuing to improve and the conditions in the United States are continuing to deteriorate. We have a grim picture to which we may look forward; the complete destruction of the umbrella frame industry. And this in very short order, and a country with no frame manufacturing and with possibly three or four umbrella manufacturers remaining for specialty work or repairs.

I respectfully submit, gentlemen, that this is an untenable position. The United States should not permit the annihilation of any of its industries. If we permit imports to completely destroy an industry with low prices it may be that we will only have sources of supply in foreign countries at high prices. We must remember that all foreign countries do not have the same attitude toward monopolies, cartels and subsidies that the United States has and with the American industry out of the way we might very well feel the impact of concerted effort on the part of the producers of imported frames and umbrellas.

We submit further that while it may be conducive to better international trade relations to remove trade barriers it is necessary to recognize that there are exceptions that warrant special treatment.

Although many foreign countries have tariff and other regulatory barriers to protect their home industry and some go to the extreme of levying embargoes to do this we realize that this is not the direction in which to go to establish and advance international trade. We recognize that quotas, surcharges, higher tariffs, restrictive import regulations, and other trade barriers are repugnant to the concepts of free international trade. However, it must also be recognized that all trade situations cannot be subjected to the same formulae and control, or lack of control. It is submitted that the case of umbrella frames and umbrellas is an unusual and exceptional case and merits unusual treatment and consideration. It is submitted that in establishing a modified pattern of procedure for international trade due allowance must be made for unusual and exceptional cases.

Reasonable quotas should be established for each exporting country so that sufficient markets are left over for domestic industry. In addition, if quotas do not accomplish the result, competition should be equalized by means of increased tariffs. This is a case that cries out for recognition. These are industries that require help to survive. This is a case that literally speaks for itself and for all in the same circumstances.

Thank you.

(Mr. Finkel's prepared statement and exhibits follow:)

STATEMENT OF LEONARD E. FINKEL, PRESIDENT, UMBRELLA FRAME ASSOCIATION
OF AMERICA

THE PRODUCT

The product of this Industry is the "Umbrella Frame". The frame consists of ribs and stretchers assembled together by means of fixtures known as notches and runners and mounted on a metal tube or wooden dowel. The frames are sold to umbrella manufacturers who make the cover and assemble it to the frame and affix a handle to the steel tube or wooden dowel to complete the umbrella.

Related to the umbrella frame, in the contemplation of our problem, are the umbrella base and the umbrella. The umbrella base is a completed umbrella

without a handle. The umbrella, of course, is a frame covered with water repellent textile or plastic material, with a handle mounted on the shaft.

It is important to keep the classes of the Product in mind because imports consist of frames, bases and completed umbrellas.

The reason bases are imported is that first—they ship more readily (the multi shapes of handles creates packaging problems) and second—they make for more flexibility in inventories.

THE INDUSTRY

In 1954 there were eight (8) companies engaged in the business of manufacturing umbrella frames, namely:

S. W. Evans & Sons, Philadelphia, Pa.

Fretz, Gross & Co., Philadelphia, Pa.

Newark Rivet Works, Newark, New Jersey.

Arlington Frames, Inc., Newark, New Jersey.

American Folding Umbrella Co., New York, New York.

Newark Umbrella Frame Co., Newark, New Jersey.

Cross Umbrella Frame Co., New York, New York.

Finkel Umbrella Frame Co., Inc., New York, New York.

Today, 14 years later, the Industry consists of the following companies:

S. W. Evans & Sons

Newark Umbrella Frame Co.

Finkel Umbrella Frame Co., Inc.

The Industry attributes this attrition in its number to the impact of imports of umbrella frames and umbrellas from foreign countries—notably Japan and more recently Hong Kong. The number of manufacturers of umbrella frames has diminished by 62½%.

EMPLOYMENT

In 1954 the Industry employed approximately 2,500 persons of whom approximately 25% were skilled labor, 50% semi-skilled and 25% unskilled but trained labor. Today it is estimated that less than 500 persons are employed by the Industry, a reduction of approximately 80%.

THE MARKET

The umbrella manufacturers, in addition to buying frames from the domestic frame makers and converting such frames to umbrellas, also import bases and umbrellas as well as frames. They finish the imported frames and bases and market the finished products together with finished imported umbrellas and domestic made umbrellas.

The only market that the umbrella frame manufacturer has today is that market represented by the American umbrella manufacturer. In 1954 there were approximately 100 umbrella manufacturers in the United States.

Today there are less than 35 manufacturers—a reduction of approximately 65%.

In 1954 the umbrella frame manufacturers enjoyed markets all over the world. They sold their frames in the Philippines, India, South America, Mexico, Canada and other countries. Now only a small part of the Canadian business is retained—the rest of the foreign market has been lost to Japan and other Far East producers on the basis of much lower prices.

HISTORY OF THE EFFORTS MADE BY THE UMBRELLA FRAME INDUSTRY TO OBTAIN RELIEF FROM RUINOUS IMPORTS OF UMBRELLA FRAMES AND UMBRELLAS, OCTOBER 1954

The Industry presented views in writing to the Committee for Reciprocity Information of the House of Representatives. In this hearing the frame companies urged that the date after which Article 28 of the General Agreement on Tariffs and Trade might be invoked should not be postponed and further that concessions made by the U.S. to various foreign countries with respect to the duties upon umbrella frames and umbrella parts be withdrawn. This effort was not successful.

1957

In 1957 the Industry initiated a proceeding before the U.S. Tariff Commission. A public hearing came on to be heard on July 30th and 31st, 1957 (then designated as Investigation No. 62). On January 14, 1958 the Tariff Commission sub-

mitted its report to the President. The majority found that as a result of tariff concessions for umbrella frames, imports into the U.S. had increased so as to cause serious injury to the domestic industry and recommended relief.

The Commission voted 3 to 2 for relief.

The president withheld action on this recommendations for a considerable time and in March 1958 requested a supplemental report from the Commission on the latest information on the domestic frame industry and how it was currently being affected by imports.

In September, 1958, after the supplemental report was issued, the President declined to follow the Commission's recommendation on the ground that the operating experience of the domestic industry had improved, domestic sales increased and imports had declined.

1961—PETITION TO TARIFF COMMISSION, JOINTLY BY UMBRELLA FRAME AND UMBRELLA MANUFACTURING INDUSTRIES

In 1961 the Tariff Commission instituted an investigation and scheduled hearings upon joint petition of umbrella frame and umbrella industries. At the applicant's request, the investigation was discontinued and the hearings cancelled in September 1961. The request to discontinue was made because necessary information from some of the umbrella manufacturers was not then available. The discontinuance was made "without prejudice" to the right to renew the application.

OCTOBER 28, 1963—FURTHER REQUEST FOR RELIEF

On October 28, 1963 the Umbrella Frame Industry applied for an investigation under Section 225(b) of the Trade Expansion Act with the request that umbrella frames be reserved from Negotiation by the President for the Reduction of Duty or other Import Restriction or the Elimination of Duty.

JANUARY 1964

A new escape clause petition covering umbrellas and frames was filed with the Tariff Commission. This petition was filed under Section 301(2)(1) of the Trade Expansion Act of 1962, whereas the previous applications were under the Trade Agreement Act of 1934 as amended and extended. After the completion of the hearing on this petition the Commission rendered an unanimous decision finding that the case did not satisfy the criteria set forth under the New Act.

APRIL 1964—DECISION ON OCTOBER 28, 1963 PROCEEDINGS

The Tariff Commission announced its findings that conditions in the Industry had not substantially improved since its 1958 investigation. No reduction was made in the tariffs on umbrella frames in the Kennedy Round. Even though umbrellas were not subject to Section 225(b) they also were reserved from tariff reduction in the Kennedy Rounds.

THE TARIFF

The duty on umbrella frames, fixed originally by the Act of 1913 at 35% ad valorem, was increased by the Tariff Act of 1922 to 50% ad valorem and subsequently in 1930 to 60% ad valorem. (Paragraph 342 Tariff Act of 1930, Schedule A, Commodity #6,790,650). Shortly thereafter an investigation by the Tariff Commission resulted in the determination that a duty of 60% would equalize the differences in the cost of production of domestic and foreign umbrella frames. On October 1, 1951 as a consequence of the Gatt Agreement, the duty on umbrellas, which was originally 60% ad valorem in 1951, was reduced to 30%. The duty on umbrellas was reduced from 40% ad valorem to 20%.

As of this date the duty on umbrella frames continues at 30% ad valorem and the duty on umbrellas is 20% ad valorem.

Except for the negative assistance in not further reducing the Tariffs in the Kennedy Round the Umbrella Frame Industry has been unsuccessful in obtaining relief from conditions that have reduced its numbers by 62½%.

What has happened to the umbrella frame industry has also happened to the umbrella manufacturing industry. In 1954 there were in excess of 100 umbrella manufacturers in the United States. Today there are approximately 35. The

shrinkage of both the companies and the employees of the umbrella manufacturing industry is likewise attributable to the ruinous competition of imports.

Before examining causes and effects further it may be well to consider the basic concept of how to present the statistics of imports versus domestic production of umbrella frames and umbrellas and to consider the impact of these statistics on the domestic producers.

SECTION 405(4) OF THE TRADE EXPANSION ACT OF 1962—PRINCIPLE OF "DIRECTLY COMPETITIVE WITH"

In order to properly evaluate the evidence submitted and to be submitted, it will be in order to enunciate the principle that *imported* umbrellas are directly competitive with domestic umbrella frames and it is valid to consider evidence in support of the relief applied with respect to frames and evidence with respect to umbrellas in the light of the language and intent of Section 405(4) of The Trade Expansion Act of 1962.

"An imported article is 'directly competitive with' a domestic article at an earlier or later stage of processing, and a domestic article is 'directly competitive with' an imported article at an earlier or later stage of processing, if the importation of the imported article has an economic effect on producers of the domestic article comparable to the effect of importation on articles in the same stage of processing as the domestic article. For purposes of this paragraph, the unprocessed article is at an earlier stage of processing."

In brief an umbrella frame can only be used in an umbrella and an umbrella is only an umbrella frame with a cover on it. Therefore, in examining the statistics we must look at umbrella frames plus umbrellas imported in order to assess the impact of imports on domestic producers of umbrella frames.

Furthermore, by reason of the disparity in the Tariffs it is economically axiomatic that an importer will bring in finished umbrellas rather than frames because in an umbrella the frame bears a duty of 20% ad valorem while as a frame alone the duty is 30%.

Therefore, let us consider the statistics of umbrella frames and umbrellas applying the doctrine of "directly competitive with" at an earlier or later stage of development laid down in Section 405(4) of the Trade Expansion Act of 1962.

STATISTICS AND EXHIBITS—ANALYSIS

We should like to submit first figures which indicate the impact of imports on the umbrella frame market in the period from 1950 to 1962. These figures represent a compilation of figures submitted by the producers in connection with the 1964 application to the Tariff Commission and import figures taken from various governmental reports.

These figures are submitted as Exhibits, as follows:

Exhibit A—Total umbrella frames used by domestic umbrella manufacturers.

Exhibit B—Impact of imports on the finished umbrella market.

Exhibit C—Impact of imports on the umbrella frame market.

Exhibit D—Average price of umbrella frames per dozen.

Exhibit E—Average price of imported and domestic umbrella frames per dozen—1950 vs. 1962.

In an endeavor to bring the statistics up-to-date, we are annexing Exhibit F and Exhibit G—Import Information Issued by the U.S. Tariff Commission under date of March, 1967.

Exhibit F—Concerns itself with umbrellas and shows U.S. import for consumption by principal sources—1960 to 1966 in dozens and dollars.

Exhibit G—Shows the same information for umbrella frames.

Exhibit H—Shows information derived from the Import Bulletin of the Journal of Commerce comparing imports of umbrellas and frames for the two months of 1966 as compared to the first two months in 1967 and indicates the percentage comparison. This also shows information taken from F.T. 100 U.S. Bureau of Census showing the percentage increases of frames and umbrellas from all sources in 1966 as compared with 1965.

We must reiterate that it is important to consider all of these statistics in the light of the proposition that every umbrella has a frame in it.

Referring to Exhibit A, annexed hereto, the total domestic market for umbrella frames is estimated at the domestic production of finished umbrellas

plus imported frames, less exported frames. In 1962 the total number of umbrella frames used by the domestic umbrella manufacturers was 883,334 dozens, of which 142,828 dozens were imported umbrella frames.

An examination of Exhibit B shows, for the year 1962, the total domestic market of umbrellas to be in the amount of 1,425,859 dozens, of which 550,795 dozens were imported finished umbrellas. The percent of imports to the total market was 38.6%. Note the percentage for 1950 when it was 6.6%.

We now direct your attention to Exhibit C, which dramatically points up the impact of imports on the umbrella frame market. This Exhibit is compiled on the premise that every imported umbrella, as well as every imported frame, results in the loss of the sale of a frame, in each case, to the domestic producer.

Exhibit C, for the year 1962, on a total market of 1,425,859 dozens consisting of domestic frames plus imported frames, plus imported umbrellas, minus exported umbrella frames, minus exported finished umbrellas, shows a percentage of imports to the total market of 48.5%. This should be compared with the percentage in 1950 of 7.5%.

In an endeavor to bring the statistics closer to the present date, we refer to Exhibit F which contains statistics issued by the U.S. Tariff Commission dated March, 1967 for imports of umbrella frames imported from all sources in 1966 in the amount of 103,108 dozens.

Exhibit G shows umbrellas imported in 1966 from all sources reached an all time high of 1,016,728 dozens.

An examination of Exhibits F and G indicate that the quantity of umbrella frames has diminished over the years from 1960 to 1966, whereas the quantity of umbrellas imported has risen from a low in 1961 of 385,482 dozens to a high of 1,016,728 dozens in 1966. (By reason of the disparity in the Tariffs)

There are no existing statistics as to the combined production or sales of the three remaining umbrella frame manufacturers for the year 1967 but an educated guess would be that this would be approximately 600,000 dozens umbrella frames manufactured and sold in the domestic market. Assuming the total domestic consumption of frames for the year 1967 to be the equivalent of the total imports of frames, plus the total imports of umbrellas, plus the total sales of domestic frames, it is estimated that the domestic market is in excess of 2,200,000 dozens frames and umbrellas. Therefore, it is apparent that the domestic manufacturers have approximately 27% of the market. It is astounding—27% of the market and going down (See Exhibit J).

An examination of Exhibit J indicates that for the first quarter of 1968 combined frames and umbrellas imported equal 462,459 dozen compared to same period in 1967 when combined frames and umbrellas imported were 334,297 dozen—an increase of 128,162 or 38%. If this trend continues our share of the market will drop dramatically below the 27% we now have.

This is one painful aspect of the situation. The other very serious consideration is that in order to maintain this small percentage of the market the domestic manufacturer is obliged to sell his product at approximately the same price as the imported counterpart (largely from Japan). Therefore, two very important factors join to seriously prejudice and affect the domestic producer of umbrellas and umbrella frames.

1—Diminished volume

2—Prices that reflect losses

The statistical materials that are submitted herewith point up the dramatic impact of imports. Over the years the tide has been constantly and steadily rising.

In January 1964 the Tariff Commission in unanimously finding that the case for umbrellas and frames did not satisfy the criteria set forth under Section 301 (2) (1) of the Trade Expansion Act of 1962 stated:

"In the instant case, the Commission finds that any increase that may have occurred in imports of umbrellas and of umbrella frames in the most recent years is not attributable in major part to trade-agreement concessions. The concession on umbrellas became effective in 1950 and that on frames in 1951. The concessions tended to stimulate imports in the periods following the effective dates of the concessions and, presumably, since then have operated to maintain imports at higher levels than would have otherwise prevailed. The concessions, however, have become part of the conditions of trade during the past decade or so; the major causes of any increase in the rate of importation in the more recent years, of either umbrellas or umbrella frames, lie elsewhere.

This conclusion is substantiated by the pattern of imports in recent years which indicates that competitive factors in the trade, and not trade-agreement

concessions, have been controlling. The volume of imports of umbrellas has been downward each year since 1959 except for a substantial rise in one year (1962) when the volume did not even closely approach the 1959 high. The volume of imports of frames has been at about the same level with moderate fluctuations since 1957, following a sharp decline from 1956. The volume of imports of frames as such, plus the much larger number incorporated in umbrellas, has followed much the same pattern as the imports of umbrellas. Data for 1964 indicate further declines in the imports of umbrellas and a continuation of the fluctuating but sideward movement in the importation of frames, as frames.

From Exhibit G it would appear that the quantities and the dollar volume of frames (only) between 1960 and 1966 from all countries have remained relatively static—ranging from a high of \$563,541 in 1962 to a low of \$338,872 in 1965 and \$385,504 in 1966. By dozens—1962 showed 142,828 dozen and the low of 103,108 dozen in 1966.

Referring to Exhibit I—eleven months in 1967 showed a low of 113,220 dozen for \$386,413.

Exhibit F which concerns itself with umbrellas, shows an entirely different picture. In 1961 we had a low of imports from all countries of 385,482 dozen and a high of 1,016,728 dozen in 1966. In value 1961 equaled \$2,456,388 and 1966 piled up \$7,629,102. Exhibit I shows eleven (11) months in 1967 with 594,194 dozen valued at \$6,530,193.

The latest F. T. 110 shows for 1967 the following:

Umbrellas, 1,486,000 dozen.

Valued at \$11,403,998.

Frames, 120,000 dozen.

Valued at \$527,918.

Now examine the Tariff Commissions reasoning in 1964 and apply it to the statistics of umbrellas 1960-1967. This then is "the bottoming out" in 1964 of 498,150 dozen which was low except for an "abnormal" rise in 1962 to 550,795 dozen which in 1967 becomes a not insignificant 1,486,000 dozen value in excess of \$10,000,000. What has happened to the domestic frame industry in the process. It has been reduced to three (3) (down from eight (8)). Their share of the frame market was:

	Dozen (estimated)
1965 -----	700,000
1966 -----	650,000
1967 -----	600,000

If in 1964 the Tariff Commission could have foreseen that there would be 1,486,000 dozen imported in 1967 would their decision have been different? We doubt it. Their decision was a rationalization of a preconceived determination. In other words, we couldn't win. The Commission determined that the major causes of the increase in the rate of importation lie elsewhere. It does not say what they are. We submit the major cause is the price differential created by the low labor rates and the tariff concessions. The difference in the landed cost of frames is considerable in some styles and sizes but the spread as far as umbrella bases and umbrellas is much greater. In addition the duty on umbrellas is 20% while the duty on frames is 30%. Hence, in an umbrella or a base, the frame lands at 20% duty. For these reasons the amount of frames imported is small relative to the quantity of umbrellas and bases brought in.

An example of the difference in landed cost is cited hereafter:

	Price per dozen (wholesale)	
	Domestic	Imported (landed price)
Frames:		
20-inch by 10-rib frame on nickel rod	\$4.50	\$3.50
Self-opening frame (men's)	10.50	7.50
17-inch by 8-rib silver frame on nickel rod	4.00	3.15
19-inch by 16-rib silver frame on nickel rod	5.50	4.50
Umbrella prices:		
20-inch by 10-rib ladies' umbrella, nickel rod, nylon cover	18.00	13.00
Self-opening men's umbrella, nickel rod, nylon cover	26.00	17.00
19-inch by 16-rib ladies' umbrella, nickel rod, nylon cover	22.50	15.00

These price differentials are typical and indicate why the quantities of imports are increasing.

The Commission also said that its conclusions were substantiated by the pattern of imports in recent years which indicates that competitive factors in the trade, and not trade-agreement concessions, have been controlling. This is true—domestic producers are not competitive with foreign producers. This is the crux of the problem. Domestic producers pay high wages and fringe benefits, which, when compared with labor cost in Japan and elsewhere in the world, makes the conclusion obvious. One does not play golf against a professional without a proper handicap or go into a ring for a boxing match with one arm tied down. The Commission assigns the fault of the problem to non-competitive factors; but it does not explain what they are or how they come to exist. The root of the evil is low wages and low standard of living.

The reasons assigned for the decision are so weak and ineffectual that the only conclusion one can reach is that the decision was pre-determined and reasons were thereafter sought to justify it.

Imports of umbrella frames and umbrellas continue to increase. The pressures on the remaining three umbrella frame manufacturers are mounting and with increasing costs of labor and material in this country and with mounting overhead the gap between the domestic manufacturers and the foreign manufacturers continually increases so that it is a fair conclusion that the attrition in this industry will continue.

Originally, the principal source of cheap frames and umbrellas was Japan. Now Japan represents about 50% of the imports of frames and umbrellas into the United States.

As wage rates rose in Japan the Japanese manufacturers set up plants in Hong Kong, Taiwan and now S. Korea. In all cases the difference in the wage rates compared to those in the United States is common knowledge.

The political and diplomatic considerations on the international scene and the policies with which our government is concerned are well-known to us. We fully understand, in the broad sense, the necessity for reciprocal trade concessions. However, as a member of one of the small industries vitally and seriously affected, it is hard to reconcile the philosophies of national and international trade with the loss of businesses, which in many instances represent three and four generations of family effort and commitment of wealth.

It also represents a loss of employment to employees who are expert in a limited field and have dedicated their lives to this type of employment.

Our industry shrinks. The U.S. market for umbrellas increases but we get less and less of it. The cost of living in the U.S. rises and our workers seek more money, more benefits, more leisure time but we cannot afford to give it to them. Our industry cannot—any longer, afford research and development to develop new products and new methods. We cannot expend the capital for more automated and sophisticated manufacturing processes to cut costs or make a better product. We are relegated to operating on the periphery of the market scrambling among ourselves for a few crumbs that the foreign importers leave after gorging themselves on the lions share.

THE PROBLEM

The trend clearly indicates that it will be merely a matter of time, and a short time at that, before the domestic frame industry will be completely destroyed and the domestic umbrella industry reduced to a few importers and repairmen.

The question then is is it important for the United States to have a frame industry of any size—or an umbrella industry. The same question may be asked with respect to hundreds of other industries similarly situated. Are we to be content to import all products from foreign countries with which our domestic industries cannot compete?

If the answer is to abandon U.S. industries under such circumstances then do we not face the hazards that monopolies can visit upon the market? With the attitudes that many foreign governments adopt toward cartels, monopolies and subsidies, it is foreseeable that after the domestic industries become completely defunct the low price imports may become the high priced, only source of supply.

COMPARISON OF JAPANESE AND AMERICAN UMBRELLA FRAME AND UMBRELLA INDUSTRIES

In a final effort to put this whole problem into perspective it is interesting to compare the frame and umbrella industries in the U.S. with the same industries in the leading competitive country, Japan.

Japan is a country with approximately 90,000,000 people living in a country the size of California. We have approximately 200,000,000 people in a country 50 times as large.

As of this date the U.S. has three manufacturers of frames producing 600,000 dozen valued at less than \$3,000,000 and less than 35 umbrella manufacturers whose domestic production of umbrellas (based on frame output of 600,000 dozen) is 600,000 dozen valued at less than \$10,000,000.

Quoting from the June 10, 1968 issue of Asian Textile Record published by Textile Research Division of Goken, Osaka, Japan, the following is derived: "Production of umbrella (sic) for the calendar 1968 will follow a crablike course, the Japan Export Umbrella Manufacturers' Association predicts.

The 1967 output is estimated about 49.92 million umbrellas * * * Member companies of the Association throughout the country is 450 * * * 71.6 per cent of the total volume, or 35.76 million umbrellas is sold for local consumption and remaining 28.4 per cent or 14.16 million umbrellas, for export * * *

Sales target for 1968 is set at the same as that of 1967, but the export goal of 7.92 million umbrellas for the first half of this year (*a growth of 10 per cent on the same period of 1967*) is forecast being able to achieve

By the way, the Association estimates the world-wide output of umbrellas for 1967 as below:

Japan is ranked first in list of umbrella turnout followed by Hong Kong * * *.

Share of export sales of Japan is 55% for North America; 27% for Europe; 4% for Africa; 4% for Latin America; 10% for other markets.

Quoting from Asahi Evening News, 1966 at Page 99:

"There are about 70 enterprises specializing in the manufacture of umbrella frames in Japan. The production volume in 1964 was about 3,700,000 dozens of which 600,000 dozens were exported overseas to some 40 countries in the world. * * *

Referring to umbrellas the article goes on:

"* * * in 1965 * * * about 3,600,000 dozens (umbrellas) were produced (export about 850,000 dozens). Figures do not include toy umbrellas." * * *

"At present, the main export destination, the U.S. accounts for almost 50% of the total * * *

* * * they (umbrella makers) are capable of meeting and fulfilling any type of overseas demand. * * *

To summarize the comparison:

	United States	Japan
Number of frame manufacturers.....	3	70
Number of umbrella manufacturers.....	35	450
Number of umbrellas produced (dozen).....	600,000	4,000,000+
Number of frames produced (dozen).....	600,000	4,000,000+

The figures speak for themselves. It would be most difficult to make out a case for relief for the Japanese frame and umbrella industries.

THE SOLUTION

We recognize that quotas, surcharges, higher tariffs, restrictive import regulations and other trade barriers are repugnant to the concepts of international trade. However, it must also be recognized that all trade situations cannot be subjected to the same formulae and control (or lack of control). It is submitted that the case of umbrella frames and umbrellas is an unusual and exceptional case and merits unusual treatment and consideration. It is submitted that in

establishing a pattern of procedure for international trade due allowance must be made for unusual and exceptional cases. An effective means by which the domestic industry, encompassing the manufacture of frames and umbrellas, can be saved is by the establishment of quotas. Reasonable quotas should be established for each exporting country so that sufficient markets are left over for domestic industry. In the alternative, if quotas are not feasible then the same result may be achieved by equalizing competition by means of increased tariffs. This is a case that cries out for recognition. These are industries that merit help to survive. This is a classic case of *res ipsa loquitur* (the matter speaks for itself).

EXHIBIT A

IMPORT IMPACT (IN DOZENS)

Finished umbrellas

Lacking detailed industry and Census data on the domestic production of finished umbrellas, we have estimated the domestic production of finished umbrellas as equal to domestic frames plus imported frames less exported frames.

TOTAL UMBRELLA FRAMES USED BY DOMESTIC FINISHED UMBRELLA MANUFACTURERS 1950-1962 (IN DOZENS)
[Column 1, plus column 2, minus column 3, equals column 4.]

Year	Domestic production of umbrella frames ¹	Imported umbrella frames	Exported umbrella frames ² (estimated)	Total um- brella frames used to make domestic finished umbrellas
	(1)	(2)	(3)	(4)
1962.....	3 788, 006	142, 828	2 47, 500	883, 334
1961.....	3 628, 983	119, 635	2 47, 500	701, 118
1960.....	3 574, 510	114, 375	2 47, 500	641, 385
1959.....	3 558, 276	96, 475	2 47, 500	607, 251
1958.....	3 629, 326	122, 186	2 47, 500	704, 012
1957.....	651, 547	135, 648	45, 400	741, 795
1956.....	715, 080	344, 380	50, 126	1, 009, 234
1955.....	845, 879	59, 530	57, 077	848, 332
1954.....	745, 514	34, 762	63, 053	717, 223
1953.....	(4)	39, 163	52, 000	(4)
1952.....	(4)	16, 091	36, 160	(4)
1951.....	(4)	9, 901	34, 926	(4)
1950.....	894, 183	8, 121	40, 898	861, 406

¹ Consistent with the gross import figures, domestic frame manufacturing data is quoted on a production basis here rather than a sales basis. This should cause no long term distortion. From 1954-57, frame production exceeded sales by 21,000 dozen out of a total of 2,958,000 dozen produced, a variation of less than 1 percent.

² 1958-62 exports estimated as the average of 1950-57 exports.

³ The 1958-62 domestic frame manufacturing figures are for the 3 remaining firms. It is estimated that there was another total of 304,620 frames made during 1958-62 by a 4th frame manufacturer no longer in business and which are not included in this exhibit. Averaging these 304,260 on an annual basis and including them above would not appreciably alter subsequent computations of import impact percentages.

⁴ Not available.

Note: Therefore, against this finished umbrella total, finished umbrella import impact can be measured. F.T. 110 domestic individual figures.

EXHIBIT B

IMPACT OF IMPORTS ON FINISHED UMBRELLA MARKET, 1950-62

[In dozens]

[Col. (1) plus col. (2) minus col. (3) equals col. (4)]

Year	Domestic production of finished umbrellas (based on umbrella frames) ¹	Imported finished umbrellas	Exported finished umbrellas	Total domestic market (domestic manufacturing plus imports minus exports)	Percentage imports to total market
	(1)	(2)	(3)	(4)	(5)
1962.....	883,334	550,795	8,270	1,425,859	38.6
1961.....	701,118	385,482	11,518	1,075,080	35.0
1960.....	641,385	504,479	8,205	1,137,659	44.4
1959.....	607,251	723,385	8,212	1,322,424	55.4
1958.....	704,012	551,435	13,387	1,242,060	44.3
1957.....	741,795	333,353	16,400	1,058,748	31.6
1956.....	1,009,234	299,139	15,500	1,292,873	23.1
1955.....	884,332	190,337	17,900	1,056,769	18.0
1954.....	717,223	140,585	24,600	833,208	16.8
1953.....	(2)	137,842	28,200	(2)	(2)
1952.....	(2)	115,932	22,800	(2)	(2)
1951.....	(2)	114,876	20,300	(2)	(2)
1950.....	861,406	59,094	26,900	893,600	6.6

¹ See notes on previous exhibit "Total Umbrella Frames Used by Domestic Finished Umbrella Manufacturers, 1950-62."² Not available.

Note: F. T. 110 and domestic figures.

EXHIBIT C

Since the trade concessions in 1951, umbrella frame imports reached a peak in 1956 with 344,280 dozen. Though imported frames have declined since 1956, the 1962 level of 142,828 dozen imported frames is a fourteen-fold increase over 1951. Between 1950 and 1962, finished umbrella imports have increased nine-fold offsetting the decline in umbrella frame imports since 1956. We now have an import impact level of 48.5% compared to 7.5% in 1950.

IMPACT OF IMPORTS ON UMBRELLA FRAME MARKET—1950-62 (IN DOZENS)

[Col. (1) plus col. (2) plus col. (3) minus col. (4) minus col. (5) equals col. (6)]

Year	Domestic manufactured umbrella frames (production data)	Imported umbrella frames	Imported finished umbrellas	Exported umbrella frames (estimated)	Exported finished umbrellas	Total domestic market (domestic manufactured plus imports minus exports)	Percent imports to total market
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1962.....	788,006	142,828	550,795	47,500	8,270	1,425,859	48.5
1961.....	628,983	119,635	385,482	47,500	11,518	1,075,080	46.8
1960.....	574,510	114,375	504,479	47,500	8,205	1,137,659	54.1
1959.....	558,276	96,475	723,385	47,500	8,212	1,322,424	62.0
1958.....	629,326	122,186	551,435	47,500	13,387	1,242,060	54.1
1957.....	651,547	135,648	333,353	45,400	16,400	1,058,748	44.3
1956.....	715,080	344,280	299,139	50,126	15,500	1,292,873	50.0
1955.....	845,879	59,530	190,337	57,077	17,900	1,056,769	23.5
1954.....	745,514	34,762	140,585	63,053	24,600	833,208	21.0
1953.....	(1)	39,163	137,842	52,000	28,200	(1)	(1)
1952.....	(1)	16,091	115,932	36,160	22,800	(1)	(1)
1951.....	(1)	9,901	114,876	34,926	20,300	(1)	(1)
1950.....	894,183	8,121	59,094	40,898	26,900	893,600	7.5

¹ Not available.

EXHIBIT D

AVERAGE PRICE OF UMBRELLA FRAMES PER DOZEN

Year	Average price of imports before duty	Average price of imports with present duty (30 percent a.v.)	Average price of imports with original duty (60 percent a.v.)	Average price of domestic frames
1962.....	\$4.00	\$5.20	\$6.40	¹ \$5.10
1961.....	3.50	4.55	5.60	¹ 5.40
1960.....	3.94	5.12	6.30	¹ 5.30
1959.....	4.16	5.41	6.66	¹ 4.82
1958.....	4.06	5.28	6.50	¹ 5.15
1957.....	4.07	5.29	6.51	¹ 5.57
1956.....	3.30	4.29	5.28	¹ 5.58
1955.....	4.82	6.27	7.72	¹ 6.01
1954.....	5.45	7.08	8.71	¹ 6.21
1953.....	6.05	7.87	9.69	(²)
1952.....	7.00	9.10	11.20	(³)
1951.....	5.00	6.50	8.00	(³)
1950.....	4.85	⁴ 7.77	⁴ 7.77	¹ 7.24

¹ Based on production data, which may tend to understate the average price based on sales. Production that goes into inventory should not be considered in the average; this will tend to raise the average selling price. (Source: data accumulated by Lybrand, Ross Bros. & Montgomery, C.P.A., in "Request for Reservation of Frames," dated Nov. 13, 1963.)

² Based on sales (see Tariff Commission Supplementary Report No. 62, dated August 1958).

³ Not available.

⁴ Concession was made in 1951.

Note: The following evidence on umbrella frames shows that the average decline in duty on imports resulting from the 1951 concession has been much more important to improving the competitive position of imports than has the foreigner's own ability to reduce the price of the item before duty.

EXHIBIT E

AVERAGE PRICE OF IMPORTED AND DOMESTIC UMBRELLA FRAMES 1950 VERSUS 1962

Year	Average price of imports before duty	Duty on average import	Average price of imports after duty (col. 1 plus col. 2)	Average price of domestic umbrella frame
	(1)	(2)	(3)	(4)
1950.....	\$4.85	\$2.92	\$7.77	\$7.24
1962.....	4.00	1.20	5.20	5.10
Decline in price.....	.85	1.72	2.57	2.14

EXHIBIT F

UMBRELLAS—U.S. IMPORTS FOR CONSUMPTION BY PRINCIPAL SOURCES, 1960-66

Country	1960	1961	1962	1963	1964	1965 ¹	1966 ¹
Quantity (dozen)							
Japan.....	462,182	359,084	457,822	313,906	309,052	503,823	555,714
Hong Kong.....	29,107	14,675	81,838	139,214	171,509	224,926	443,872
Italy.....	9,263	9,118	9,064	6,502	5,537	7,005	6,382
West Germany.....	2,210	1,832	797	400	502	369	256
United Kingdom.....	855	175	626	254	167	159	938
All other.....	862	598	648	544	² 11,373	³ 7,066	⁴ 9,566
Total.....	504,479	385,482	550,795	460,820	498,150	743,348	1,016,728
Value							
Japan.....	\$2,477,666	\$2,167,997	\$3,696,333	\$2,675,195	\$2,742,314	\$4,541,238	\$5,172,840
Hong Kong.....	77,769	38,012	322,796	595,847	773,006	1,104,770	2,022,255
Italy.....	169,474	190,376	240,384	187,946	197,778	239,157	249,365
West Germany.....	49,652	33,342	40,952	15,586	13,514	18,300	10,869
United Kingdom.....	23,795	10,683	15,928	19,504	11,192	11,434	19,557
All other.....	19,044	15,978	21,234	19,489	² 71,816	³ 116,275	⁴ 154,216
Total.....	2,817,400	2,456,388	4,337,627	3,513,567	3,809,620	6,031,174	7,629,102

¹ Preliminary.² Includes 7,860 dozen umbrellas valued at \$17,859 from France and 2,402 dozen umbrellas valued at \$13,451 from the Republic of Korea.³ Includes 5,335 dozen umbrellas valued at \$40,543 from the Republic of Korea and 1,383 dozen valued at \$53,256 from Canada.⁴ Includes 3,208 dozen umbrellas valued at \$23,891 from the Republic of Korea.

Source: Compiled from official statistics of the U.S. Department of Commerce.

EXHIBIT G

UMBRELLA FRAMES—U.S. IMPORTS FOR CONSUMPTION, BY PRINCIPAL SOURCES, 1960-66

Country	1960	1961	1962	1963	1964	1965 ¹	1966 ¹
Quantity (dozen)							
Japan.....	76,409	88,572	110,251	74,458	82,135	57,941	78,675
Austria.....	26,109	26,269	27,562	22,104	18,939	34,151	14,019
West Germany.....	11,677	4,351	3,325	2,072	2,866	2,841	5,594
United Kingdom.....	180	423	982	669	299	492	460
All other.....			708	9,925	12,135	² 9,929	³ 4,360
Total.....	114,375	119,635	142,828	109,228	116,374	105,354	103,108
Value							
Japan.....	\$230,542	\$251,177	\$374,186	\$245,610	\$219,771	\$153,803	\$217,923
Austria.....	144,091	131,009	135,974	118,802	113,145	105,689	88,529
West Germany.....	72,725	31,889	42,775	20,756	43,172	45,703	58,679
United Kingdom.....	2,084	3,571	6,807	6,806	3,216	4,918	4,053
All other.....			3,799	24,393	25,038	² 21,759	³ 16,320
Total.....	449,442	417,642	563,541	416,367	404,342	338,872	385,504

¹ Preliminary.² Includes 6,500 dozen valued at \$16,420 from the Republic of Korea.³ Includes 3,267 dozen valued at \$7,913 from the Republic of Korea.

Source: Compiled from official statistics of the U.S. Department of Commerce.

EXHIBIT H

	Domestic umbrella production	Imported umbrellas and frames		Domestic umbrella production	Imported umbrellas and frames
1950.....	834,000	67,000	1959.....	606,000	819,000
1951.....	611,834	125,000	1960.....	609,000	618,000
1952.....	793,497	132,000	1961.....	701,000	505,000
1953.....	789,125	177,000	1962.....	814,000	694,000
1954.....	735,000	175,000	1963.....	704,000	570,000
1955.....	868,000	250,000	1964.....	¹ 700,000	² 614,000
1956.....	923,000	643,000	1965.....	¹ 650,000	² 847,000
1957.....	769,000	467,000	1966.....	¹ 600,000	² 1,119,835
1958.....	703,000	673,000	1967.....	¹ 600,000	² 1,606,838

¹ Estimated.² From F.T. 110.

EXHIBIT I

	Dozens	Fob.
Finished umbrellas exported from Japan to United States, 1967:		
January.....	52,342	\$528,757
February.....	64,416	696,779
March.....	128,945	1,385,551
April.....	43,976	464,808
May.....	21,635	221,052
June.....	56,992	630,160
July.....	24,888	294,252
August.....	52,850	600,610
September.....	64,099	739,985
October.....	49,678	591,119
November.....	34,373	377,120
Total.....	594,194	6,530,193
Frames (only) exported from Japan to United States, 1967:		
January.....	5,205	16,027
February.....	7,695	23,744
March.....	19,463	59,021
April.....	6,396	16,570
May.....	9,250	23,320
June.....	19,774	94,547
July.....	3,051	12,035
August.....	4,439	20,280
September.....	16,946	56,163
October.....	16,706	44,700
November.....	4,560	20,007
Total.....	113,120	386,413

EXHIBIT J

F. T. 110 FIGURES FOR UMBRELLAS AND FRAMES IMPORTED FOR 1ST 3 MONTHS OF 1968

	1968 (amounts in dozens)	
	Umbrellas	Frames
January.....	157,676	13,318
February.....	134,664	9,481
March.....	131,783	15,536
Total.....	424,124	38,335

Compared with same period in 1967:

[Amounts in dozens]

	1968	1967
Umbrellas.....	424, 124	309, 527
Frames.....	37, 335	24, 770

Mr. BURKE. Are there any questions?

Mr. BUSH. I have one. This is the kind of an observation that I would like your comment on.

First, I would readily recognize, and I am sure the Chairman would, the severity of the problem you face in terms of these tremendous differentials and everybody's job is important and everybody's livelihood is important and everybody's wellbeing is important. Here is an industry that is going to require, to be competitive, far more than just a percentage adjustment, it seems to me. We are fighting major figures here. The question then comes, and I would like your comment on it because you did recognize the essentiality of reciprocity trade, or relatively free trade, what in your opinion should be the policy of this country as to its obligation to protect every industry if that industry becomes so noncompetitive and, say, there is no relation to defense.

I don't mean to belittle the importance of jobs but I am wondering if at some point the necessity of moving into industries where we are more competitive isn't a valid concept in international trade. The thing that troubles me here is the magnitude and severity of your problem and, if there is any concept of freer trade, it would seem to me that somebody might make the case "Look, this is one area where we are going to regretfully say that there is just no protection that can solve the problem."

Would you make your points on that for the record, sir?

Mr. FINKEL. Yes, thank you. I think the broad question without relating it primarily to our industry is the ground rules in which American manufacturers are obliged to compete with foreign manufacturers. Basically you are confronted with a differential disparity in the wage rates. I think the early theories of tariffs was to equalize these disparities.

In our industry, if we had the tariff relief that we had originally, before it was reduced, I think we could compete with the Japanese and with other countries. It is the fact that the tariffs have been reduced that has put us in an uncompetitive position. The Tariff Commission itself recognizes that. In a proceeding that we had before the Tariff Commission, I think in 1957, the majority of the Tariff Commission recommended that the tariffs be restored to 60 percent for umbrella frames.

Mr. BUSH. The question I wish you would address yourself to is, is it fair to ask we independent umbrella users to pay 60 percent. Is this really a fair thing to ask the American citizen to pay?

Mr. FINKEL. Addressing myself to that question, the American consumer gets no benefit from this at all. This is an unusual situation, the umbrella question. The product that is imported in the greatest number is what is called an umbrella base. An umbrella base is a frame

with a cover on it and without a handle. The umbrella manufacturer who imports these bases puts the handle on the umbrella and sells it to the retailer. Frequently these handles have a "Made in Italy" label so that the umbrella appears to be a high styled expensive umbrella made in Italy. These are mixed in with and frequently sold at a higher price than the American counterpart, so that the importer is the only one that gets the advantage here. The consumer rarely gets the advantage. This is the situation that I don't think would happen with other products but it happens with the umbrella and it is unusual because the umbrella rarely comes in as a finished product.

Mr. BUSH. Then if you are paying more why don't they buy more of our stuff?

Mr. FINKEL. Because the man in the middle is the man that we have to sell to. We are umbrella frame manufacturers and sell to the umbrella manufacturer. The umbrella manufacturer imports a large quantity of his bases or unified umbrellas, puts the handle on and sells it to the retailer.

Mr. BUSH. Maybe we are going after the wrong guy. I don't mean to be argumentative, but it seems to me that if the price to the consumer of the foreign umbrella is higher than ours, maybe the answer lies in this means of distribution or means of ultimate manufacture rather than in asking the American people to pay 60 percent on a given item. I don't want to appear to be unsympathetic to the problems but we also have to buy some of their products and I am wondering about this differential.

Mr. FINKEL. What is your comment on the point that I made, if I may turn the question?

Mr. BUSH. What?

Mr. FINKEL. What is your comment on the point that I made, if I may turn the question? If all of the industry here is destroyed then what protection have we against unconscionable increases in prices from the foreign sources.

Mr. BUSH. I am not sure I would know that but you always have the ingenuity and competitive spirit of a guy willing to go into a business in this country.

Mr. FINKEL. After it has been destroyed?

Mr. BUSH. I am one who relies on the competitive nature of business. I hope your business isn't so protected that if I decided to go into the umbrella business, I couldn't start.

Mr. FINKEL. If you had enough money and time to build the equipment.

Mr. BUSH. I would do that if the market were such that I thought I could make a profit. I am responding to your question. Your question was what if they unconscionably raised prices to a level beyond what it is now. I would jump into the business and so would you.

Mr. FINKEL. Then the reverse would take place and we would have a continually going in and out of business.

Mr. BUSH. That is the free enterprise system that we all believe in. Thank you, Mr. Chairman.

Mr. BURKE. What you are actually saying is that once the American industry is destroyed those who import these products, won't have to contend with even the American competition, and this might result in a rise in prices and they might keep it just high enough to get unconscionable profits.

Mr. FINKEL. Exactly, and may I make one point in connection with that. This refers to the Japanese portion of the industry. They have a trade association that has representatives here and they have their fingers on the pulse of this business here and during our hearings in the Tariff Commission they maneuvered the imports to create statistics to prove their points so that, while the hearings were going on, the imports went down and the minute the decision came out the imports raised.

Mr. BURKE. They are very clever.

Mr. BUSH. I wouldn't doubt this. The only question I would like to put on the record, Mr. Chairman, is that I am wondering basically whether in a handicraft industry we can be as restrictive and continue to get the best deal for the American people as in a more basic industry or a more technologically oriented industry or something of that nature. That is my only point.

Mr. BURKE. I think our witness is pointing out that, once you destroy your competition, then you are able to come in and raise your prices.

Mr. BUSH. I think that is true.

Mr. FINKEL. And this industry doesn't have far to go to be destroyed.

Mr. BURKE. How many years do you think you can last under the present situation?

Mr. FINKEL. I wouldn't look forward to more than another year or two. Everyone is losing money in this business, and has been.

Mr. BUSH. I wasn't debating that.

The figures were appalling. The only thing I would say in rebuttal to this is that if you set out raising of prices you see a massive international cartel, because some Italian guy would start making not just the handle but the rest of it.

Mr. FINKEL. He couldn't begin to compete with the Japanese.

Mr. BUSH. He would begin to compete with them if they kept raising the price beyond a point at which they were competitive. My point is that competition is going to come into the market at some price so that I can't fully subscribe to your view that lacking here there isn't going to be any control of prices from competition.

Mr. BURKE. Mr. Finkel, you made an excellent case here today. We wish to thank you.

This concludes our testimony here today, and our committee now stands adjourned until Monday at 10 a.m., when we will resume hearings on the trade laws.

Mr. FINKEL. Thank you for listening to me, sir.

(The following letters and statements were received, for the record, by the committee:)

POLAN, KATZ & Co., INC.
Baltimore, Md., July 9, 1968.

HON. WILBUR D. MILLS,
Committee on Ways and Means, House of Representatives, Longworth House
Office Building, Washington, D.C.

DEAR SIR: We have received a copy of a brief submitted June 21st, 1968 by Leonard E. Finkel, president of the Umbrella Frame Association of America, in connection with the public hearings held by your committee during June on the subject of Balance of Trade between the United States and Foreign Nations.

While Mr. Finkel in his brief tied in the mutual problem of the umbrella manufacturing end of our industry, it is our feeling that we should also make a statement.

We are the largest manufacturers of umbrellas in the United States. At one time we employed in excess of 400 persons. In recent years our employment level has dropped gradually to 200 persons. We have our main plant in Baltimore, Maryland and a branch plant in Lancaster, Pennsylvania. We have been in business since 1906.

We have been putting our voice into complaints about competition of imports since the early Committee on Reciprocity hearings in 1954. The writer has gone on record at the United States Tariff Commission hearings on various occasions. It is unfortunate that the executive branch of the government did not afford any positive relief when the Tariff Commission had recommended such action.

The umbrella industry was declared essential for the health and welfare of the American people during World War II and specific allocations of steel and materials necessary were made for the purpose of affording the product to the American public during such a national emergency. It now appears that our industry has been thrown to the wolves, so to speak, and our appeals over the years have fallen on deaf ears.

In 1967, it is my understanding that close to eight (8) out of every ten (10) umbrellas sold in this country were not made here. If this were true of a variety of other industries that were considered "more important" more attention may possibly have been paid to the situation. I read just recently that the ladies' footwear industry is tremendously alarmed because approximately 30% of shoes sold in 1967 were of foreign make. This received much notoriety in the press but the plight of almost 80% of the umbrella industry having been taken away by foreign-made merchandise seems to have gained no prominence whatsoever.

The American consumer needs umbrellas. The American umbrella manufacturer is destined to be put out of business because we are fearful that we will not even have suppliers available. The frame manufacturers, the textile suppliers and even the handle-makers are disappearing. We cannot possibly make umbrellas in this country without American-made frames if we were in a state of national emergency. The American public cannot have available umbrellas for protection if there are no longer any makers of the product left in existence.

Many of our competitors have turned to becoming importers of umbrella bases (an umbrella without a handle) and they are merely sitting and gluing a variety of handles on them. Ironically, those that are trafficking in such a product are making probably better profits than if they were making the product themselves. They are importing Italian florentine handles, for example, and are gluing them to a Japanese-made nylon "base" and the American retailer is making at least 100% profit on the cost price in gross profit. The American consumer is not getting the outstanding value that many are led to believe is in existence due to these low priced imports. It is my opinion that the consumer is paying a price which actually is giving in many cases a greater percentage of profit to both the importer and the retailer.

For the first time, this year of 1968 has caused us to break down our resistance and to import more Asiatic-made umbrellas than ever in our history. We are doing this with great reluctance as it has been our policy to make and sell essentially an American-made product even though it may possibly have one or two foreign-made components, such as the handle or a fabric. The more we delve into this foreign type product ourselves, the smaller number of people we will be able to employ. We have already been cutting down hours and our employment level this years because of this.

We have been asked repeatedly by municipal and federal agencies to assist in the employment of individuals, to spend a much greater amount of time and effort and expense to train possible persons for whom it has been difficult to gain employment. With such a situation with which we are faced, as much as we should like to cooperate in such a program, we find the efforts and expense in this type of program too great. Ordinarily we would be among the first to cooperate as we are very mindful of the need for cooperation of business people to assist in this important matter.

We understand very well the sensitivity of relationships with other nations, the need for encouraging others to buy from us so that we have a good balance of trade, the need for dispelling the fear of other nations that we may hoist old fashioned protectionist tariffs, etc. However we cannot understand the attitude that has been prevailing of throwing American industries into almost complete annihilation. People who have been trained, investments that have been made in specialized machinery cannot be turned into other pursuits at the turn of a switch. Besides, we feel that we are entitled to some kind of

protective devices from our government so that the situation could not have degenerated to such an alarming stage.

Certainly, as American citizens and business men we feel we should be entitled to a much larger share than 20% of the umbrellas sold in this country. Our competitors who have "thrown in the sponge" and quit in favor of gluing handles on foreign made umbrellas and have thrown away their American productive capacity because they felt they had no other choice, now find that they are making better profits. But this does not follow that the few American umbrella producers that are left should have the same philosophy. If they did, there would be no more American made umbrellas available to the American consumer and in an emergency there would be none available from abroad, meaning no umbrellas whatsoever for protection.

Mr. Finkel has supplied the statistics in this matter and I am trying to develop in your mind a philosophy that I think would be well to consider. That is simply that there is nothing wrong for the United States to tell its foreign friends that only up to a certain point of the productive capacity of an industry are they entitled to sell to us. Thereafter the quota set would create a penalty of double the prevailing tariff. In other words, foreign nations would be entitled to a quota basis of perhaps 50% and anything that would arrive in this country in excess of this would immediately be penalized to the double tariff restriction. This would not be directed at any one or two nations but would be involved in a total import picture.

If this were done, the frame makers and other suppliers to our industry would know how to plan, would be able to sensibly produce and through skulduggery figure out ways and means of developing possible increases, which would in turn encourage them to remain in business.

If something like this is not done in the near future I am very frankly fearful that the American umbrella industry will be wiped out completely. The American consumer will not benefit and is not benefitting costwise as much as one would imagine. I contend that the importer and the retailer are deriving the greatest benefit. In addition, the consuming public in many instances thinks they are buying an Italian made umbrella because the label on the handle indicates that it was made in Italy when in actual fact the base was made in Japan or in Hong Kong or Taiwan and the label indicating this, if it has not been pulled out, is curled up inside so that it is virtually not noticeable and has thereby "hoodwinked" the purchaser from this standpoint.

I hope you will consider this statement to be included in the printed record of the hearing as we feel that an umbrella maker's statement should be joined with that of the association statement submitted by Mr. Finkel on June 21st of this year.

Respectfully yours,

LAWRENCE R. KATZ.

STATEMENT OF PERRY S. PATTERSON, COUNSEL, NATIONAL PIANO MANUFACTURERS ASSOCIATION

INTRODUCTION

This statement is submitted on behalf of the National Piano Manufacturers Association (NPMA), Chicago, Ill., which represents all the manufacturers of pianos and piano components in the United States.

The manufacturers, individually as well as through the offices of the NPMA, have made major contributions to our culture and its expansion and growth by:

1. Making available on a complementary or non-fee basis throughout the nation quality pianos for concerts, symphonies, operas, and other musical programs;
2. Sponsoring concert artists to encourage public interest in music and to promote the highest quality of artistic performance;
3. Forming and supporting various organizations in support of the arts, such as—

the National Piano Foundation, the sole purpose of which is to improve teaching methods to encourage easier learning and more proficient level of student education and performance,
the American Music Conference, a music industry educational organization devoted to stimulating music activities in schools, communities and homes.

The Imports of Pianos Into the United States are Escalating Alarminglly

Approximately three thousand pianos were imported into the United States in 1961, as compared with the 190,000 pianos sold by NPMA members.

By 1964, three years later, the imports had doubled, while the NPMA shipments remained the same, at about 190,000. By 1966, two years later, imports nearly doubled again, and NPMA sales also increased to 209,000.

Again, in 1967 the imports reached upward, to 15,661, but the NPMA sales dropped alarmingly to 178,000. Thus, from 1961 to 1967 the imports increased by over 12,000 units and NPMA production dropped by 12,000.

Past history shows that a reduction in tariff levels on pianos spurs an increase in imports: in 1959, when the tariff on pianos was reduced from 20% to 17%, imports doubled.

The Kennedy Round resulted in an agreement to reduce the American rate of duty on pianos from 17% to 8.5% in five annual steps. In 1968, the initial two percent reduction was affected, lowering the tariff from 17% to 15%. This reduction has been met by an increase in the tide of piano imports. For January and February 1967, piano imports totaled 1,226 units valued at \$527,202, but, for the corresponding period of 1968, piano imports totaled 2,661 units valued at \$1,090,958—more than double the 1967 figures.

The increase in imports is attributable to the economic aggressiveness of the Japanese who, while exporting less than two thousand pianos to the United States in 1961, exported 14,808 pianos in 1967—an increase of over 700% in only six years. For the first two months of 1968, Japanese pianos imported into the United States have doubled the 1967 figures: for January–February, 1967, 1,150 pianos valued at \$465,523 were imported from Japan but, for January–February 1968, 2,453 pianos valued at \$946,545.

The trend for 1968 is definite and well documented. That trend is alarming. Unless prompt action is taken to counter the effects of the duty reduction, the United States will witness the gradual extinction of its great traditional names in pianos.

Because of the Comparative Wage Scales, the Present United States Tariff on Pianos is no Barrier to Foreign Imports. A Tariff Reduction Would Compound the Injury

The increase in sales in the United States by Japanese piano manufacturers is not simply the product of Japanese marketing. With the prevailing wage rates in Japan a fraction of the rates in the United States, the Japanese are producing an equivalent piano at a fraction of the domestic price.

Piano construction involves an unusually high contribution of manual labor by skilled and experienced craftsmen. It is an art: there is limited room for increased productivity by machines and techniques of mass production. Consequently, the retail price of a piano varies in direct proportion to the cost of the labor devoted to its manufacture.

The average per hour wage rate in the U.S. piano industry is \$2.70 plus more than \$0.50 in average hourly fringe benefits. In Japan the total hourly rate varies from a low of only little more than the fringe benefits paid U.S. workers to a high of only a dollar per hour.

The U.S. piano industry, paying up to five times the Japanese hourly wages, cannot compete effectively with Japanese prices. The difference in labor cost of manufacture creates a \$800 difference in cost of a single grand piano which, when domestically produced, sells at a price between \$2,500 and \$3,000 retail.

The existing 15% duty on pianos falls far short of equalizing the cost of Japanese pianos with U.S. pianos. An examination of the piano market after the tariff reductions in 1959 and in 1967 leads inevitably to the conclusion that future imports will be significantly increased as the duty on pianos drops steadily toward 8.5% in accordance with the Kennedy Round agreements.

The Pattern of Rapidly Increasing Imports Primarily From Japan in the Slowly Increasing Domestic Market Is Injuring Domestic Manufacturers

The increase in imports from 1961 to 1967 matches the decrease in NPMA sales. There is no foreseeable end to this trend unless the piano industry is given statutory relief.

It is possible that not all the NPMA sales decrease is directly attributable to import increase. But the fact remains that domestic manufacturers are suffering; the foreign manufacturers are gaining. As we have demonstrated, the fault lies not in inefficiency, profit-taking, or greed, but in the high wage burden accepted by the U.S. manufacturer.

Every imported piano sold in the U.S. affects, not only the economy of the U.S., but also a little bit of the art and the craftsmanship of piano making. If the present trend continues, one by one domestic manufacturers will close their doors

and young people and new corporations will be discouraged from entering the industry. The present trend will remove the traditional great American names in pianos and stifle the flow of new blood into the industry.

The impact of decreased sales and decreased production in pianos injures the total U.S. economy but is particularly severe on the geographical areas involved. The average piano firm is relatively small, employing between 30 and 500 employees. The manufacturing facilities, distributed throughout the U.S., are principally located in small communities, such as Huguim, Washington; Granite Falls, North Carolina; Ivoryton, Connecticut; Buffon, Indiana; Springfield, Ohio; South Haven, Michigan; Oregon, Illinois; Lafayette, Tennessee; Conway, Arkansas. When unemployment strikes small towns like these, it hits hard and permanently. The unemployed and the young people simply move away not to return.

The Piano Industry Appeals to This Committee to Solve the Problem of Major Domestic Concern By Enacting A Reasonable Import Quota on Pianos

The NPMA suggests a compromise between a tariff wall around the domestic piano industry and the present threat of industry decimation. This compromise is consistent with the Committee's endeavor to focus on ways to further expand trade among industrialized and developing countries.

The compromise involves the enactment of a reasonably developed import quota on pianos which will permit imports to take a pro rata share of the domestic market and any increase in domestic consumption which occurs. A flexible quota, such as we sponsor, would preserve the domestic industry as well as benefit the foreign manufacturers.

The proposal is not directly simply against Japan, since we foresee other countries with low-wage labor attempting to penetrate the U.S. piano market from time to time. The chance of any foreign retaliation is minimal since in no country is the exporting of pianos a matter of national concern.

A draft of the NPMA proposal is attached for your review.

* * * * *

As an alternative to special import quota legislation for the piano manufacturing industry, the NPMA supports enactment of the "Fair International Trade Act of 1968." Several Congressmen have introduced this Bill during this Congress. This Bill affords regulation of imports to produce an orderly development of the domestic market for products, a significant portion of which, according to a percentage formula in the Bill, are imports. The percentage formula in the Bill is a workable tool to select markets in need of such control. Subsection 5(a) of the Bill states:

If the Tariff Commission finds as a result of the facts incorporated in the record of its hearing that imports of the article or product, or group of closely related articles or products that produce or tend to produce a combined competitive impact upon the like or directly competitive domestic article or product, have—

increased the share of domestic consumption supplied by them by 100 per centum or more since 1960, if in the most recent calendar year as much as 7½ per centum of domestic consumption was supplied by imports, but not more than 10 per centum:

... the Tariff Commission shall certify to the President that the industry producing the like or similar competitive article or product, or group of closely related articles or products that produce or tend to produce a combined competitive impact, is at a serious competitive disadvantage in relation to imports, and shall certify a ceiling to be applicable to such imports.

As importation of pianos has increased by 520% from 1961 (approximately 3,000 pianos) to 1967 (approximately 15,600 pianos) and as imports in 1967 constituted 7.7% (15,600 imports in a domestic market of 203,500 pianos), the piano industry complies with the formula in the Bill and would be entitled to protection under the Bill. While permitting foreign manufacturers to gain a fair share of the expansion of American domestic markets, this omnibus bill satisfies the needs of the American piano industry.

* * * * *

In conclusion, we appreciate the opportunity to present our views to the Committee on Ways and Means of the House of Representatives and volunteer our willingness to collect and supply additional industry data at the Committee's request.

90th CONGRESS
1st Session

H. R. _____

IN THE HOUSE OF REPRESENTATIVES OF THE UNITED STATES

_____, 1968

Mr. _____ (for himself, Mr. _____)

introduced the following bill; which was read twice and referred
to the Committee on Ways and Means.

A BILL

To provide for orderly trade in manufactured products, agricultural
commodities and forestry products, and mineral products and
fishery products.

1 BE IT ENACTED BY THE SENATE AND HOUSE OF REPRESENTATIVES OF THE UNITED STATES OF AMERICA IN CONGRESS
2
3 ASSEMBLED, That this Act may be cited as the "Orderly Trade Act
4 of 1968."

5 SEC. 2.(a) The Congress finds that in any line of commerce
6 in which domestic employment and productive capacity have been
7 maintained at levels adequate to supply all or a major part of the
8 needs of the United States market, the failure of existing import

1 duties to exert a significant regulatory effect on imports of goods
2 like or competitive with domestic products, as shown by (1) the
3 importation of such goods in amounts equivalent to 10 per centum
4 or more of domestic consumption in lines of commerce in which
5 domestic production formerly supplied the entire needs of the
6 market, or in amounts equivalent to an increase of 50 per centum
7 in the share of the domestic market accounted for by imports during
8 the most recent five-year period for which data are available in
9 lines of commerce in which domestic production accounted for
10 less than all but for a major part of consumption during such five-
11 year period, or by (2) an increase in imports at a rate averaging
12 10 per centum per year or more during such five-year period, or
13 by (3) the importation of such goods at landed costs more than 10
14 per centum below the price at which the like or competitive domestic
15 articles are normally sold in the usual wholesale quantities in the
16 principal markets of the United States, causes market disruption,
17 burdens commerce, leads to unemployment or underemployment of
18 workers in the affected domestic industry, and tends to cause economic
19 waste of capital investment in productive facilities in the industry,
20 and of essential community resources in the localities in which the
21 productive facilities of such industries, or the homes of their
22 employees, are located.

23 (b) It is hereby declared to be the policy of this Act, through
24 the exercise by Congress of its power to regulate commerce among

1 the several States and with foreign nations, to provide for orderly
2 trade in the markets of the United States through the regulation of
3 imports of goods in such manner as will enable domestic products
4 and products of foreign origin to share equitably in the future
5 changes in the level of demand in the United States market in
6 accordance with their respective shares of the market during a
7 recent representative period, and thus to contribute to the economic
8 well-being of workers and the stability of their communities in the
9 United States while affording enduring opportunities to foreign nations
10 and their workers to benefit from mutually profitable trade relations
11 with the United States.

12 SEC. 3.(a) Upon application of the representative of any
13 employee organization in a domestic industry, or of any firm,
14 group of firms, or industry organization, or of any farmers'
15 organization, or of any community organization, the Secretary of
16 Commerce, as to manufactured products, the Secretary of
17 Agriculture, as to agricultural commodities and forestry products,
18 and the Secretary of the Interior, as to mineral products and
19 fishery products, shall promptly make an investigation and make
20 a report thereon not later than four months after the application is
21 made, to determine whether any article or group of articles com-
22 prising any significant product category in any line of commerce
23 in the United States is being imported into the United States under
24 such circumstances as to satisfy the criteria specified in Section 2
25 (a)(1), (2), or (3) of this Act.

1 (b) In the case of any such investigation, the Secretary shall
2 give reasonable public notice thereof and afford reasonable
3 opportunity for interested parties to submit views concerning
4 the matters referred to in Section 2(a)(1), (2), and (3) of this Act.

5 (c) The Secretary shall promptly report his findings in any
6 such investigation to the President, and shall cause a summary
7 thereof to be published in the Federal Register.

8 (d) Upon receipt of a report from the Secretary containing a
9 finding that any one of the criteria set forth in Section 2(a)(1), (2),
10 and (3) of this Act is satisfied, the President shall promptly issue a
11 proclamation limiting the total quantity of the article or articles which
12 are the subject of the Secretary's finding which may be entered, or
13 withdrawn from warehouse, for consumption in any calendar
14 year to the average annual quantity entered, or withdrawn from
15 warehouse, for consumption during the most recent three calendar
16 years for which data are available. The proclamation shall limit
17 the quantities of such article or articles which may be entered, or with-
18 drawn from warehouse, for consumption during the balance of the
19 calendar year in which the proclamation is issued to that propor-
20 tionate per centum share of the average annual imports of such
21 article or articles for the three-year period referred to in the pre-
22 ceding sentence which the number of days remaining in the calendar
23 year bears to the full year.

1 (e) Subsequent to the first full calendar year during which his
2 proclamation is effective, the President may by further proclama-
3 tion increase or decrease the quantity of the article or articles
4 which are the subject of such initial proclamation which may be
5 entered, or withdrawn from warehouse, for consumption in each
6 ensuing calendar year by an amount proportionate to the increase
7 or decrease (if more than 5 per centum) in the total United States
8 consumption of such article or articles during the preceding
9 calendar year in comparison with the average annual consumption
10 for the three-year period referred to in subsection (d) of this section,
11 as found and reported by the Secretary.

12 SEC. 4. The Secretary of Commerce, as to manufactured
13 products, the Secretary of Agriculture, as to agricultural com-
14 modities and forestry products, and the Secretary of the Interior,
15 as to mineral products and fishery products, shall determine and
16 allocate the allowable quantities of the article or articles which
17 are the subject of a Presidential proclamation which may be entered,
18 or withdrawn from warehouse, for consumption among supplying
19 countries by category of product on the basis of the shares such
20 countries supplied by category of product to the United States market
21 during a representative period; PROVIDED, that the Secretary shall
22 give due account to special factors which have affected or may affect
23 the trade in any category of such products. The Secretary shall
24 certify such allocations to the Secretary of the Treasury.

1 SEC. 5. The President is authorized to enter into trade
2 agreements with foreign countries or instrumentalities thereof
3 to provide for orderly trade in the article or articles which are
4 the subject of any proclamation under such quantitative limitations as
5 shall carry out the policy of this Act and avoid the market disruption
6 and other consequences mentioned in Section 2 of this Act without
7 regard to the historical share of the market rule specified in
8 Section 2(b) of this Act. Notwithstanding the provisions of sub-
9 sections (d) and (e) of Section 3 of this Act, the President by
10 proclamation may increase, decrease, or otherwise limit the
11 quantity of the article or articles specified in a proclamation issued
12 pursuant to Section 3 of the Act which may be entered, or withdrawn
13 from warehouse, for consumption from foreign countries or instru-
14 mentalities thereof which are parties to such trade agreements, as
15 he determines to be required or appropriate to carry out any such
16 trade agreement.

17 SEC. 6. All determinations by the President and the
18 Secretaries of Commerce, Agriculture, and Interior under this
19 Act shall be final.

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., July 12, 1968.

HON. WILBUR MILLS,
*Chairman, Committee on Ways and Means,
House of Representatives.*

DEAR MR. CHAIRMAN: I would like to bring to the attention of the committee the problem of the domestic pipe organ industry regarding an imbalance of exports/imports in recent years.

Mr. Franklin Mitchell, Vice-President of the Reuter Organ Company in Lawrence, Kansas sums up the concern of the industry in the following statement:

"All domestic pipe organ builders are fully aware of the fact that our product represents an extremely small percentage of the gross national product. Further, we are aware that certain of the imports reflect a certain "snob" appeal for those purchasers who believe that such imports represent an aesthetically superior product. This matter is an intangible and cannot be proved or disproved and is subject only to opinion. It must be classed broadly as a sociological rather than an economical problem. We also are proud of the fact that each of the major domestic manufacturers is competing well against the imported pipe organ in spite of price advantages enjoyed by the imports. Therefore, our only hope is that a reasonable tariff be maintained in imported pipe organs in order that the domestically produced pipe organs can remain competitive pricewise.

"Of major concern and yet a concern that will remain unresolved, is that one major import from Canada far exceeds the collective exports to Canada of all major builders. The matter really boils down finally to one of a better balance of imports and exports, and even though the pipe organ industry represents a small percentage of this total, many small percentages collectively can have a considerable effect upon this problem."

In my opinion, Mr. Mitchell makes a most reasonable request and I urge the committee to take his views into consideration.

Sincerely,

LARRY WINN, Jr.,
Member of Congress.

STATEMENT OF MR. BARRY LEVY, COUNSEL, ON BEHALF OF TOY MANUFACTURERS OF AMERICA, INC.

Toy Manufacturers of America, Inc., New York, N.Y., represents over 325 of the nation's 1300 toy companies as the official trade association of the toy industry. These 325 firms represent approximately 80-85% of the total toy production in the United States.

The Toy Manufacturers of America have a record of close cooperation with the various agencies of the Federal Government. In connection with the current investigation relating to the future of United States foreign trade policy, the Association has conducted a survey of its members in order to present accurate and current industry information, which is summarized below.

EAST-WEST TRADE

The Association strongly opposes any legislation at this time which will encourage or liberalize East-West Trade relations. This opposition includes, but is not limited to, any bills which would empower the President to negotiate lower tariffs with Eastern European countries, and any measures which would liberalize export control and Export-Import Bank Credit Guarantees to Eastern Europe.

DOCUMENTATION

An almost universal complaint of the Associations' members actively engaged in international trade relates to the complex and burdensome documentation requirements of the United States and its foreign trading partners. In addition to simplifying and reducing required import and export documentation (including but not limited to commercial invoices, special customs invoices, special certificates, licenses, packing lists, certificates of origin, consumption entries, warehouse entries, bonds, owners declarations, powers of attorney), the Association strongly favors international simplification and standardization of as

many common forms as is possible. Such action would contribute significantly towards the removal of one of the more unattractive features to international trade.

DISCRIMINATORY PRACTICES

Japan is and has been the chief supplier to domestic manufacturers of toy companies and completed toy items. Under regulations promulgated and enforced by the Ministry of International Trade and Industry, Japanese exporters are prohibited from extending credit to American importers (goods may not be shipped until the exporter has received payment in advance). The Japanese Government does, however, at the same time permit importers from other nations to obtain favorable delayed payment terms. Prompt and effective measures should be initiated to eliminate this discriminatory practice.

OTHER NONTARIFF BARRIERS

In March of 1964, the Toy Manufacturers of America, Inc. (then known as the Toy Manufacturers of the U.S.A.), appeared and filed briefs with the United States Tariff Commission and the Trade Information Committee in connection with Investigation TEA 221(b). It indicated at that time the dire need for realistic international patent, copyright and trademark protection. Huge sums are expended annually by the domestic toy industry in research and development. The domestic toy industry has suffered severely as the direct result of the foreign manufacturers' adeptness in accurately and rapidly copying America's best selling toys for exportation to the United States. The authenticity of these foreign copies, and the extent to which this practice is and has been followed, is of common knowledge. The need for realistic international accords with respect to design and patent protection is particularly acute in the toy industry. The damage suffered by the domestic industry as a result of foreign made copies is further compounded by the fact that domestic manufacturers expend well in excess of \$100,000,000 per annum in order to stimulate a demand for their toys, by way of radio and television advertising. Foreign manufacturers not only by-pass research and development costs but they capitalize on a demand generated by domestic advertising. The practice of copying America's best-selling toys also eliminates some of the greatest financial risks inherent in the toy business in that foreign manufacturers copying "sure sellers" are not plagued by poor selling items which become a lingering drain on profits. They do not maintain inventories and produce goods only in the fulfillment of firm orders. Over-production by domestic manufacturers resulting from this practice (copying U.S. toys) has resulted in substantial losses to many U.S. toy companies. Equitable and effective accords are sorely needed in this area.

EXPORT PROMOTION

The Association also favors export tax incentives and progressive government market development programs. With respect to export promotions, the Association strongly endorses the government trade show programs and favors broadening these programs (whether they be wholly or partially subsidized by the government).

ADJUSTMENT ASSISTANCE

Subchapter III of the Trade Expansion Act of 1962, 19 U.S.C.A. section 1901 etc., entitled "Tariff Adjustment and Other Adjustment Assistance" has been a source of great concern to the toy industry, particularly in view of the fact that the twenty petitions heretofore submitted pursuant to these provisions have been rejected by the U.S. Tariff Commission.

Although no toy companies or groups of workers from toy companies have sought relief pursuant to Subchapter III of the Trade Expansion Act, many toy companies have suffered adversely as a direct result of increased imports. There is a strong possibility, in view of the 50% "Kennedy Round" tariff reductions applicable to most imported toys, that any number of domestic manufacturers will need and will seek the financial, tax and technical assistance contemplated by Congress when it enacted Subchapter III of the Trade Expansion Act of 1962.

Whether the fault be placed with the language of the statute itself or with the Tariff Commission's interpretation of Subchapter III, it is clear that injured workers or firms have not been able to obtain any federal assistance whatsoever under the tariff adjustment program. Although the adjustment assistance bene-

fits available under the program appear to be satisfactory it is apparent that the procedures and criteria established by the program are unsatisfactory, with the result that the objective of the program is virtually unattainable. The Association urges that measures be taken which will make Subchapter III, *supra*, the operative and meaningful enactment it was intended to be.

Should your Committee be in need of any further industry information, kindly communicate with Walter Armatys, the Executive Secretary, 200 Fifth Avenue, New York, New York, (212) OR 5-1141.

CANDLE MANUFACTURERS ASSOCIATION,
Newcastle, Maine, June 25, 1968.

HON. WILBUR MILLS,
Chairman, House Ways and Means Committee,
House of Representatives,
Washington, D.C.

MY DEAR SIR: We respectfully ask the Ways and Means Committee to consider carefully the following concerning the import penetration of candles:

Year	Value of shipments	Value of imports	Percent of shipments
1966.....	\$20,058,540	\$3,067,489	15.29
1956.....	12,067,964	338,009	2.80
Increase.....	7,990,576	2,729,480	
Percent increase.....	66.2	751.7	

The Census Value of Shipments covers all types of candles, decorative and religious. Imports, with minor exceptions, are all decorative candles. We have made the necessary correction in the value of shipments.

Furthermore, the import dollars should be increased for a true comparison since the Census dollars represent invoice value to the customer while import dollars are dockside costs. When these are converted into invoice value to the retailer or distributor the mark-up would be on the order of 70% to 100% or more.

The manufacturing of candles, employing labor of low skills, has grown from the home craftsman of Colonial Days to the important industry of today having governmental priority during war times. This industry is opposed to the suggestion of making financial help available under trade adjustment assistance. To do so is simply to use the money of the tax payer to subsidize those hurt by the imports.

Import penetration of candles has more than doubled during each of the past five year periods since 1945. Action must be taken before the saturation point is reached. If this industry is given the same chance on quotas and tariffs that are considered for each of the big five—steel, glass, electronics, footwear and meats—we will survive and ask no more.

Very truly yours,

H. R. PARKER, *Secretary.*

KURT S. ADLER, INC.,
New York, N.Y., May 29, 1968.

COMMITTEE ON WAYS AND MEANS,
U.S. House of Representatives,
Longworth House Office Building,
Washington, D.C.
(Attention of Hon. Wilbur D. Mills).

DEAR SIR: With reference to your announcement to the effect that public hearings will be held beginning June 4 concerning matters affecting United States Trade Balances as well as matters concerning American Trade Policies and Tariff Policies I wish to draw to your attention the United States Trade

Policies with regard to Czechoslovakia in particular and with regard to the Eastern Bloc in general.

The antiquated approach of maintaining a cold war posture with regards to trade is unrealistic in the present political and economical world structure. The United States is the only country in the world trying to impose restrictions on trade between the Western world and the Eastern Bloc by denying most favored nation treatment to imports from all Eastern European countries except Yugoslavia and Poland.

Aside from the fact that many of the countries of the Eastern Bloc are much more liberal than Poland, this policy is leading us nowhere except to alienate trading partners in the East. The East European countries are dealing with all the West European countries with a minimum amount of restrictions. American Economic Policy is self-defeating. It denies us profitable trade opportunities and alienates these countries politically.

The situation in Czechoslovakia has materially changed during the last few months. Nothing has been done so far on the part of the United States to recognize the changed picture. We are of the opinion that the American policy on this subject has been misguided throughout these past few years and the failure of Congress to enact legislation suggested by the President of the United States has been most detrimental to the interest of our country. The situation in Czechoslovakia certainly calls for an immediate change of policy.

Why not make a dramatic gesture towards Czechoslovakia during the next few weeks and re-instate to Czechoslovakia the most favored nation treatment of its goods and then why not extend the same privileges to the rest of the Eastern Bloc?

Your committee in this respect can serve a most useful function. The continued adherence to the present policy can be most damaging.

Sincerely yours,

KURT S. ADLER, *President.*

(Whereupon, at 12:50 p.m., the committee was adjourned, to reconvene at 10 a.m. Monday, June 24, 1968.)

FOREIGN TRADE AND TARIFF PROPOSALS

MONDAY, JUNE 24, 1968

HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
Washington, D.C.

The committee met at 10 a.m., pursuant to notice, in the committee room, Longworth House Office Building, Hon. Wilbur D. Mills (chairman of the committee) presiding.

The CHAIRMAN. The committee will please be in order.

Our first witness this morning is our colleague from Mississippi, Mr. Abernethy. You are recognized, sir.

STATEMENT OF HON. THOMAS G. ABERNETHY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MISSISSIPPI

Mr. ABERNETHY. Mr. Chairman, I wish to state my emphatic support for H.R. 9475, a bill similar to one I have introduced, H.R. 9330.

This legislation is designed to curb the ever-increasing inflow of cheap foreign meats into the United States to the detriment of the domestic cattle industry. It has the backing of the Mississippi Cattlemen's Association, whose views have been submitted to you.

In supporting this bill, I am aware of the State Department's apparent fear that we might take action which would be disturbing to our allies, but I am more concerned with the economic state of health of the American livestock producers. You can be sure that most of these countries have some restrictive measures to protect their own growers.

My State of Mississippi, Mr. Chairman, is now the leading cow-calf State east of the Mississippi River and is ninth in the entire Nation. Mississippi calves move out of the State to two sets of buyers—to grain farmers wanting them for feed lots and to grassland cattlemen wanting the stock for additional grazing.

The 1964 import law has played havoc with this established two-way marketing system. Foreign meats produced with low-wage labor and on lands which represent only a bare fraction of the capital investment required of American livestock men constitute ruinous competition to the U.S. grass-fed beef which is boned and moved on to the consumer in various processed forms.

This unfair competition to the domestic beef grower, who faces continually mounting operating costs, naturally is reflected in a decreased demand for calves. This adversely affects the economy of Mississippi and other cow-calf States as well as the rangeland areas, and to a lesser extent the economy of the Nation as a whole.

Passage of this pending legislation would plug loopholes which have made the 1964 Import Act not only impractical but virtually unworkable. Certainly it has been ineffective so far as providing protection to the U.S. livestock industry is involved. Action by this committee and the Congress has become even more urgently needed since the Kennedy round conferences in Geneva early this year opened the way for still more shipments of foreign meats into the United States.

It is of little comfort or use to the domestic industry to say that these foreign processed meats are of cheaper grades and are not highly competitive with American-raised beef. They count in the total demand of American consumers for meat, and the U.S. grower is left holding the sack. He takes the cut.

All of these processed imported meats, Mr. Chairman, should be considered in totaling up the amount to be allowed into this country before quotas are triggered. I strongly endorse provisions of the pending legislation to bring this about, and to require the Defense Department meat purchases abroad for the U.S. servicemen stationed overseas likewise be included in calculating the quota-free shipments.

Again I urge that the committee approve H.R. 9475 or similar legislation.

Thank you, Mr. Chairman.

The CHAIRMAN. Are there any questions, if not, then thank you Mr. Abernethy, for sharing your views with us.

Mr. ABERNETHY. Thank you, Mr. Chairman.

The CHAIRMAN. The Honorable Olin E. Teague of Texas is our next witness. Welcome sir, it is good to have you.

STATEMENT OF HON. OLIN E. TEAGUE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. TEAGUE. Mr. Chairman, I wish to express my appreciation to you and your committee for holding hearings on my bill, H.R. 9219, and H.R. 9475 a similar bill introduced by the chairman, and related bills which propose to revise the quota control system on the importation of certain meat and meat products.

There is no industry in America which is so fundamental to the economic stability of the Nation as is the beef cattle business. Beef cattle are raised in substantial numbers in every State of the Union. I recently saw a figure published by the Department of Agriculture estimating that the Nation's beef breeding herd is valued in excess of \$10 billion. Beef cattle raising has historically been the bulwark of the agricultural free enterprise system and has functioned for 200 years without interference or control by the Federal Government except for brief war periods. It has provided the American public with dependable supplies of high quality meat at cheap prices matched nowhere else in the world.

This great and important industry is in serious financial trouble. I will not take the time of the committee to document in great detail this fact that is so well known by everyone. An article which I saw yesterday in the Wall Street Journal tells the story just as effectively as it would be told by complicated charts and tables. The article was entitled "Farm Expenses Steady During June But Revenue Slipped." The subtitle of the article was "Agriculture Department Reports Par-

ity Ratio Was 73." The article went on to detail a 1 percent decline in the overall index of prices received by farmers and pointed out that the index of prices paid by farmers was up 4 percent from June 1967. I know of no other industry or business activity other than farming where the prices are lower today than they were 20 years ago and this is in the face of rising production costs of about 40 percent.

The Department of Agriculture documents the predicament of farm and ranch operators in another way. For a good many years now the Department has been conducting annual studies of the costs and returns of various types of commercial farms and ranches throughout the United States. This report is published annually and is entitled "Farm Costs and Returns" (Department of Agriculture Bulletin No. 230), by the Economic Research Service of the U.S. Department of Agriculture. It includes production costs and returns on cattle ranches—Northern Plains; cattle ranches—Intermountain region; and cattle ranches—Southwest region. Every economic detail is provided in these cost and return studies including land in the ranches, crops harvested, livestock on hand, labor, ranch capital, cash receipts, equipment inventory, and other such pertinent matters. Data is provided showing that the production unit per hour of man labor is increasing, but despite this, the studies at cattle ranches on the Northern Plains show that after a charge for capital at current interest rates are made, the return per hour's labor for the operator and his family was 59 cents an hour during the last year reported. The studies on ranches in the Intermountain region are slightly more favorable. In this area the rate per hour for the operator and his family was \$1.11 an hour. In the Southwest region the rate per hour for the operator and his family's labor was minus \$1.67 an hour.

In other words, the returns from the ranching operations were not sufficient to pay current interest rates and the minimum wage for the operator's labor. I would like to emphasize that these studies are not for marginal operations. They are substantial operations. The Northern Plains ranches studied averaged 4,510 acres, 182 head of cattle with total ranch capital invested of \$100,470; the cattle ranches in the Intermountain region studied averaged 1,780 acres with 306 head of cattle and total ranch capital invested averaged \$100,630; the Southwest ranches studied averaged 11,600 acres, with an average of 231 head of cattle and ranch capital invested \$205,420. In all cases these ranches were operated with a very minimal amount of labor, a very modest investment of equipment and time, the production indexes indicated a rising efficiency. Despite this, the ranch operator and his family did not even earn the minimum wage set by law.

The question, of course, arises as to how these establishments stay in business. Statistics maintained by the Department of Agriculture indicate that the farm debt has risen tremendously in the last few years. In other words, there is a great deal of borrowing against the value of the land and there is an excessive depreciation of equipment and assets. It should be made clear that the spokesmen of the beef cattle industry are not seeking Government subsidies or price supports.

The legislation under consideration would make a modest revision in the beef import quota legislation enacted in 1964. Specifically, it would accomplish the following purposes:

1. Eliminate the 10 percent override on quotas.

2. Utilize a more realistic base period.
3. Utilize quarterly quotas instead of annual quotas.
4. Include canned, cooked, and cured meats in the quotas.
5. Include military offshore purchases in the quotas.

Enactment of this legislation would create a more orderly quota system under which foreign producers and domestic producers could depend. It would result in only a modest rollback of the total amount of imports which this country could receive. American cattlemen are not seeking to exclude foreign beef. They are willing to share their market. American cattlemen are not trying to obtain a substantial increase in beef prices because this would be inconsistent with their programs for increased domestic and foreign consumption. They do desire and must have a price structure which will permit a modest profit. American cattlemen have embarked on a voluntary control program to reduce domestic output and they are entitled to cooperation in developing a more orderly program for control on imports.

The CHAIRMAN. Thank you, Mr. Teague, for sharing your view with us this morning.

Our next witness is from Oklahoma, the Honorable Tom Steed. Mr. Steed, we appreciate your being with us this morning and you are recognized.

STATEMENT OF HON. TOM STEED, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OKLAHOMA

Mr. STEED. Mr. Chairman, I appreciate the opportunity of making this statement before you and your subcommittee today on the need for further action on two problems substantially affecting our domestic economy and prosperity, those of beef imports and dairy imports.

The general review of the tariff and imports question your committee is conducting is of great benefit in focusing attention on these problems and I commend your action in undertaking this intricate and significant task at this time.

As you know, the beef cattle industry is the largest single source of agricultural income in our country. The vast majority of States is significantly involved in it economically. From the standpoint of national prosperity its vital nature is self-evident.

In 1964, I was one of the cosponsors of Public Law 482 of the 88th Congress, now the basic legislation in the beef imports field. As you will recall, this legislation represented the most effective formula we were able to get, with your help, in the face of objections by the administration. It has served to establish the principle of maintaining economic conditions that will allow our domestic beef cattle industry to operate with a reasonable chance of success.

In practice, all laws reveal inequities and areas of potential improvement. This one is no exception, and several key changes should be undertaken. In my opinion, these are best embodied in the measure of which you are the chief sponsor, H.R. 9475, which I am proud to cosponsor in H.R. 9725.

I will take no more time than to summarize the five principal improvements that will make the beef imports limitations more practical under the terms of the bill:

1. The quota should be an exact, known figure. The 10-percent override provisions have proved inexact and contribute to confusion.

2. The quota should be allocated on a quarterly rather than an annual basis. This would help to stabilize matters and would minimize radical up-and-down gyrations in supplies. Such a policy would be more competent from the standpoint of all concerned.

3. The base period for quotas should be changed from 1959-63, at present in use, to 1958-62; 1963 was an abnormally high import year, and the 1958-62 base period would be fairer and more representative.

4. The imports to be covered should be broadened to include canned, cooked or cured items. In 1964 it was believed by many that these items, then only minor parts of total meat imports, would remain so. That has not been the case. With new developments it has become only too clear that canned, cooked, or cured items must be covered as well as fresh, chilled, or frozen meat.

5. Offshore purchases by our Armed Forces should be considered in calculating the quota. This is not to imply any restriction on the military from purchasing abroad when that is the most economical and competent way to proceed, but such purchases should be included in the overall quota figure.

The domestic cattle industry must be able to foresee some stability in its operating conditions or capital will take flight to other fields, a phenomenon we have seen all too often in recent years as the result of the insurge of various imports.

This need not involve any major price impact. A 6-percent profit is usually considered a reasonable one, and to achieve this figure, prices would have to be only modestly above those of today.

We have now seen the present law in existence for more than 31½ years. Foreign countries meanwhile have continued extensive export drives zeroed in specifically on the United States. Experience shows these additional guidelines are necessary and wise to assure the survival of our domestic industry and give it a fair chance.

Dairy imports constitute a critical problem, one on which legislative action is urgently needed. The fact that approximately half the Members of Congress have introduced bills on this subject speaks for itself.

Since our bills were introduced at the beginning of this Congress, the administration has acted more than once administratively to put some limit on the mounting tide of dairy products, which is taking first one form and then another as various regulations are adopted. The latest action places temporary quotas on condensed and evaporated milk and creams.

This comes on top of a situation where dairy imports already had reached 500 percent of their average figure for the period 1947-62.

Few dispute the gravity of the situation for the industry. The Department of Agriculture is to be praised for its administrative moves to ease the situation. But I feel strongly that an expression of specific guidelines by Congress is needed at once. A matter like this should have the basis of the stability of law rather than the uncertainty of administrative decree.

The bill of which I am joint sponsor, H.R. 9214, which is identical to that of Mr. Watts, H.R. 6030, and those of several other members of the committee will provide this basis.

You are already familiar with the recent alarming developments in the dairy imports field. The dairy business is a subject with which I gained some familiarity when serving for several years as chairman of the Dairy Subcommittee of the House Small Business Committee. We held hearings throughout the country on the state of the industry. It already faced vertical integration and other serious economic problems at that time, and that was before the real onset of the imports tide.

This industry faces economic disaster unless an effective and reliable lid is imposed on the imports.

I appreciate the attention the committee is giving to these and similar problems, and I hope we can make progress toward a legislative solution.

The CHAIRMAN. We appreciate your bringing to us your thoughts, Mr. Steed.

The next witness is also from Oklahoma, our colleague, Mr. Belcher. You are recognized and you may proceed as you see fit.

STATEMENT OF HON. PAGE BELCHER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OKLAHOMA

Mr. BELCHER. Mr. Chairman, I want to thank this committee for the consideration it is giving to the matter of imports which daily seems to be a more serious problem for an increasing number of industries in the United States. I am grateful for the opportunity to express to you my special concern over the growing problem of beef imports.

Bills presently pending before this committee and the Senate Committee on Finance seek modifications in the provisions of Public Law 88-482 which are absolutely essential to the health and future of our domestic cattle industry. In fact, so well has the need for these modifications been documented and demonstrated in the past 18 months that I am somewhat at a loss to know what I can say to this committee that would be both new and helpful.

During the hearings before the Senate Finance Committee last fall the major provisions of S. 1588 and a number of identical House bills were discussed and the need for them well and succinctly outlined by Senator Roman L. Hruska in testimony which can be found beginning on page 710 of those hearings. The distressed condition of the American livestock producer was illuminated in greater detail by the executive secretary-treasurer of the National Livestock Feeders Association, beginning on page 750 of that hearing record and by the executive vice president of the American National Cattlemen's Association whose testimony appears beginning on page 764. My own statement to the Senate Finance Committee appears, beginning on page 782.

Mr. Chairman, the situation described at that time has not materially changed. If anything, it has grown worse and the American cattleman cannot wait much longer for this Congress to make the modifications in Public Law 88-482.

I do not wish to unnecessarily burden the record of this hearing with repetitious detail. I have read a draft of the statement which will

be presented by the president of the American National Cattlemen's Association and believe it expresses well the substance of the changes sought in the existing law, the need for such changes and the depressing future which faces the cattle industry if these adjustments are not made promptly.

Therefore, I wish only to reiterate a few brief excerpts from the statement which I submitted to the Senate Finance Committee last fall. I said at that time:

Unless imports are more strictly limited and controlled, the domestic producer of cattle and other livestock for meat is faced with only two alternatives. Either he must continue to expect and receive inadequate prices for his products or he must quit the business. The farmer is caught both coming and going. If he reduces production in the hope of improving his price, foreign imports rush in to fill the gap, and both his price and his income suffer. If he continues to increase production, he is accused of ignoring the law of supply and demand and told that his own overproduction is the cause of the painfully inadequate prices about which he understandably complains.

Gentlemen, if the continued existence of this situation is a deliberate national policy, I submit it is grossly unfair to the producer, deceiving of the American consumer, disastrously unwise and, indeed, dangerous in terms of national security. It asks the producer to market his product for less than it costs to produce. It deludes the consumer with artificially low prices now and the likelihood that when the domestic producer is finally driven out of business the price of imported meat will skyrocket. And, it threatens the United States with future dependence upon foreign nations for an adequate food supply.

As I said in my statement last fall:

Perhaps it is not a serious matter that we should some day soon find ourselves suddenly dependent upon foreign producers for major food commodities * * * I believe that it is a serious matter. And if it is, and if we wish to avoid such a day in our future, I am hard put on the basis of existing evidence to find any solution that does not include meaningful tightening of our import quota laws.

I would hope that this committee would not wish to see repeated in the area of meat imports the sorry spectacle which we have recently witnessed with respect to "loophole" importations of dairy products to the admitted detriment of the domestic dairy industry.

I, therefore, sincerely commend to this committee the pending measures authorizing appropriate adjustments in Public Law 88-482 with the hope that, in your wisdom, you may see fit to consider them promptly and favorably.

Thank you.

The CHAIRMAN. Thank you, Mr. Belcher. Are there any questions?

The next witness, the Honorable G. Elliott Hagan, is from the State of Georgia. We appreciate having you with us and you are recognized.

STATEMENT OF HON. G. ELLIOTT HAGAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF GEORGIA

Mr. HAGAN. I wish to come to you today in regard to the problem of excessive meat imports into this country. It is clear that meat imports have now reached the point where domestic livestock producers are in an untenable position of having to compete with foreign producers. Therefore, certain revisions in our present quota system are urgently needed.

Total red meat imports into this country jumped from about a billion pounds in 1960 to 1.8 billion pounds in 1967—an increase of 67 percent. The most dramatic increase has been in beef imports. In 1960 beef imports were equivalent to about 4.9 percent of domestic production. By 1967 these imports were equivalent to 6.3 percent of production. Imports are expected to be even higher in 1968, and no downturn is in sight in the foreseeable future. There is no question that these imports have had, and will continue to have, direct impact on prices received by domestic producers for livestock.

Because we now have record supplies of domestically produced meats and at the same time are experiencing balance-of-payments problems, it would be a good time to curb the level of meat imports. Reducing meat imports into this country would have little effect on the volume of agricultural products exported from the United States, since most of the meat exporting countries are nearly self-sufficient in food and fiber and buy very little from us. At the same time, quota provisions in our present meat import law (Public Law 88-482), which was passed by Congress in 1964, are very liberal when compared to meat import policies of the other major importing countries.

To cope with this growing problem, I want to lend my support to your bill (H.R. 9475) which would modify the 1964 meat import law by (1) lowering the base quota of imports by 20 percent, (2) eliminating the 10 percent override for triggering quotas, (3) dividing the annual quota into four equal quarterly quotas, and (4) authorizing the imposition of quotas on other meats when determined by the President to be needed to prevent unwarranted increases in imports.

The CHAIRMAN. Are there any questions, if not, then thank you Mr. Hagan, for sharing your views with us.

Mr. HAGAN. Thank you, Mr. Chairman.

The CHAIRMAN. The Honorable Dave Martin, of Nebraska, is our next witness. Come forward, sir, you are recognized.

STATEMENT OF HON. DAVE MARTIN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEBRASKA

Mr. MARTIN. Mr. Chairman and members of the Ways and Means Committee, I appreciate the opportunity to appear before you this morning in support of legislation to put further restrictions on imports of beef.

The present law, which was enacted in 1964, does not adequately protect the industry and as you are well aware, imports of beef have risen at an alarming rate over the last 4 years.

The present law sets a quota based on the average imports of beef, veal, and mutton during the years 1959 through 1963 but allows for 110 percent of this figure to be imported before controls on imports may be triggered. The base quota under the law for 1965 was 725 million pounds, or approximately 797 million pounds under the 110-percent allowance. Since imports may increase percentagewise, the same as beef production in the United States, the 1968 quota is now 1,045 million pounds.

Imports have been constantly increasing each year, with a 27-percent increase in 1966 over 1965, and a 10-percent increase in 1967 over 1966. During the first 4 months of 1968 we have again had a substantial increase over 1967. Under the present law canned or prepared

meats are not included in this quota and imports in this category approximated 120 million pounds last year with a substantial increase occurring each year.

In my bill, H.R. 8293, which I introduced April 10, 1967, I included canned and prepared meats within the basic quota. Furthermore, I eliminate the 110 percent before restrictions on imports are triggered and I make mandatory upon the President the cutting off of imports rather than discretionary as under the present law when 100 percent of the quota is reached.

Knowledgeable cattlemen, who have made recent trips to Australia and New Zealand, have informed me that Australia can double their beef production within a very short period of time and they have their eye on the American market. Some prominent American citizens have invested in cattle operations in Australia. It is alleged that these people feel they have sufficient influence in the United States to prohibit the adoption of any additional laws which would tighten up on imports of beef.

Imports of beef, according to charts put out by the Department of Agriculture, and with which you are familiar, show a definite relationship to the price of cattle in the United States. The cattlemen are the last free and completely independent segment of our American economy. They do not want Government controls nor price supports. I feel very strongly that they are entitled to protection from foreign imports by our Government. It is time, Mr. Chairman, that we give first consideration to American industry and to the American taxpayers rather than consideration of our image in the eyes of foreign countries.

My bill is a modest one as to what it will accomplish, as it would cut back on import quotas approximately 220 million pounds below the present law. This is based on eliminating the 110-percent provision plus including the approximately 120 million pounds of canned and prepared meats imported into this country last year.

I commend you, Mr. Chairman, and your committee, for holding hearings on this important matter which is of such great concern to our American economy. I trust that you will report out, promptly, legislation to further curtail the imports of beef.

I thank you for your attention and the time you have given me.

The CHAIRMAN. Thank you, Mr. Martin, for sharing your views with us.

Mr. MARTIN. Thank you, Mr. Chairman, it has been a pleasure.

The CHAIRMAN. Mr. Talcott. Mr. Talcott is our colleague from California. It is certainly nice to have you with us today, please proceed.

STATEMENT OF HON. BURT L. TALCOTT, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. TALCOTT. Mr. Chairman and members of the committee, I am very pleased to have this privilege to appear before your committee today. I come here in support of my bill, H.R. 9130, and your bill H.R. 9475, which would amend the Meat Import Act of 1964.

The 12th District in California, which I represent, is a very productive diversified agricultural area. Lettuce, celery, cotton, and straw-

berries are some of the agricultural commodities raised. Castroville is the "Artichoke Capital" of the world, raising 98 percent of the domestic U.S. supply. However, by far the most important single agricultural commodity raised in my district is beef.

This may not remain true for long. The cattlemen in my district are immersed in a severe adverse economic situation. Over the past several years, the cattle industry has been operating on nothing more than the appreciated value of its land. The U.S. Department of Agriculture figures prove that the farm debt is at an all-time high. No business can continue to operate for long without a net profit.

The cattlemen are attempting to solve their own problems within the framework of the free market system. The local cattlemen's associations, in cooperation with the California Cattlemen's Association and the American National Cattlemen's Association, are voluntarily attempting to balance supplies of beef with effective demand. The main thrust of their program is designed to balance the tonnage of beef produced to achieve a goal that has been eluding them for so many years—a reasonable net profit.

The cattlemen want to achieve their goal of net profit in the best tradition of their industry without direct Government assistance. However, they find that this is going to be extremely difficult to achieve with tremendous quantities of fresh, chilled and frozen imports arriving on our shores from other nations of the world. A State like California, and my district in particular, in a port-of-entry status, suffers even greater consequences from this tremendous competition than do many of the States further inland.

The cattlemen do not seek to ban all imports. They are attempting only to achieve a degree of reasonableness and adjustment to a statute already on the books—the Meat Import Act of 1964. This very act has tended to become a pattern for other commodities to follow because it is not protectionist in the true sense of the word. To the contrary, it guarantees reasonable access to the U.S. market for the exporting nations of the world.

The legislation which the chairman of this committee and I introduced would, we feel, achieve much for the consumers and the domestic cattle industry because it would bring the import situation more into line with what is being attempted nationally by the cattlemen themselves—a balanced, constant supply.

Many misleading and untrue statements have been made about the effect of cutting back imports to the United States. Charges that appear in some syndicated columns would lead one to believe that the price of hamburger is going to skyrocket because the supplies of lean, boneless beef from foreign countries would be regulated.

This is simply not accurate. To the contrary, the cattlemen and meatpackers want to continue to produce the finest quality, most wholesome beef available anywhere on the face of the earth at the most reasonable prices to the consuming public. They can continue to do this on a long-range basis only if their business is placed on a sound economic basis. As a matter of fact, should their economic situation not improve, the consumers of this Nation will suffer the consequences of a shortage of domestically produced beef complicated by the whims of exporting nations. These exporters hold no basic alle-

giance to the United States but merely wish to achieve their selfish ends by selling to the currently highest bidder. If the American consumers become dependent on foreign meat supplies, it is very possible beef prices may be forced up or the United States could be deprived of a meat supply.

If the U.S. beef-producing industry is lost through insolvency, or through the unfair competition of cheap foreign imports, the loss would result in a serious detriment to the nutritional requirements of our citizens during normal peacetimes. Further, our consumers would be subjected to the possibility of improperly inspected meat being inadvertently exported to the United States. Also in case of an international emergency or the failure of the cheap beef-producing countries to furnish adequate quantities of meat, by reason of national disaster or political decision, or otherwise, our beef-producing industry could not be reinstituted overnight or within years.

We have many sound, compelling reasons for making certain that our beef-producing industry is permitted to remain strong, productive, and profitable.

With these thoughts in mind, we hope that you will give speedy and favorable action to H.R. 9475 and H.R. 9130 so that the cattlemen of our Nation can continue to move forward to stabilize our future supply of meat.

Mr. CHAIRMAN. Mr. Talcott, thank you for your very fine statement.

The next witness is our colleague from Hawaii, Mr. Matsunaga. You are recognized, sir.

STATEMENT OF HON. SPARK M. MATSUNAGA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF HAWAII

Mr. MATSUNAGA. Mr. Chairman and members of the committee, I thank you for this opportunity of appearing before you and expressing my views on a particular aspect of tariff and trade proposals which are the subject of these hearings. My subject today deals with the Meat Import Act of 1964, its impact upon the cattle industry in Hawaii and other States, and proposed amendments to the 1964 meat import law.

While the sugar and pineapple industries dominate the economy of Hawaii, its cattle industry, which accounts for more than \$10 million per annum, is considered indispensable to the Island State's welfare. Because of its insularity, Hawaii must develop and expand its intrastate sources of food supply to avoid possible adverse effects of isolation arising in an emergency. The experience of World War II has emphasized this need.

Paradoxically, while the problem of Hawaii's geographical location has, on the one hand, pointed to the urgent need for increased intrastate beef production, it has, on the other hand, facilitated peacetime importation of competing foreign beef from Australia and New Zealand.

The enactment of the Meat Import Act of 1964 has not provided the necessary encouragement to Hawaii's cattlemen. Statistics clearly explain why: In 1957, of our State market supply of beef and veal, beef imports into Hawaii from Australia and New Zealand totaled 11 percent or 4.666 million pounds, carcass weight. In 1967, 10 years

later, such imports stood at 30 percent or 15.327 million pounds, carcass weight. Although the 1967 import figure is less than the high of 18.304 million pounds of foreign beef imports in 1965, the year after the Meat Import Act was enacted, the slight decrease has not provided Hawaii cattlemen much relief from the damaging effects the dumping and erratic shipments of foreign beef have had on the price structure in Hawaii.

The rising percentage of antipodal beef imports into the Hawaii market does not tell the whole story. There is a marked difference in the quality and price of locally produced beef and foreign beef. Hawaii cattlemen have strived untiringly to produce a quality beef product through grain feeding in feedlots. This they have done while land, labor, and other operational costs have spiraled to new heights. It is clear in the case of the imported beef, which is generally of inferior quality, that it is produced under circumstances where production costs are considerably lower than those for U.S. beef. This of course means unfair competition to Hawaii's cattlemen.

From the viewpoint of the consumers in Hawaii, the importation of cheap foreign beef may initially appear to be a good thing, but there is no guarantee of adequate inspection of such beef for the protection of the health of American consumers. Slaughterhouses throughout the United States now face the requirement of meeting health and sanitation standards under the Wholesome Meat Act of 1967. The stated purpose of that law can never be wholly achieved until foreign packers are also required to meet the same high standards. Failure to impose such requirements on foreign meatpackers would result in the protection of the affluent American whose table is never graced by anything except high grade domestic beef, and the withholding of such protection for the low-income American who is a regular consumer of low-grade foreign beef.

For the protection of the Hawaiian consumer, as well as of Hawaii's cattle industry, therefore, it is recommended that packers of imported foreign beef be required to meet health and sanitation requirements at least equal to U.S. standards. This is not a case of equal protection under the law in the classic legal sense, but a case of enacting equal laws for the protection of all. It is also urged that legislation be enacted to prohibit dumping of excess supplies of foreign beef in ports of entry, such as Honolulu, and to effectuate a more equitable distribution throughout the United States.

These recommendations and supporting statistical information are very well documented in a letter and the accompanying enclosures that I recently received from Robert L. Hind, Jr., president, Hawaii Cattlemen's Council, Inc. Because I am confident that these documents will be helpful to the committee in its further review of this aspect of our foreign trade, I submit copies of Mr. Hind's letter of June 14, 1968, and enclosures, and ask that they be printed in the hearing record as a supplement to my statement.

Thank you very much.

(The documents referred to follow:)

HAWAII CATTLEMEN'S COUNCIL, INC.,
Honolulu, Hawaii, June 14, 1968.

HON. SPARK M. MATSUNAGA,
House of Representatives,
Washington, D.C.

DEAR REPRESENTATIVE MATSUNAGA: Thank you for your letter of June 6, 1968 relative to amendments to the Meat Import Act of 1964.

I was happy to note that you will present our case before the House Committee on Ways and Means in conjunction with its current hearings on the full spectrum of foreign trade. Enclosed are copies of Tables 1 and 2 of data previously forwarded, but with revised figures. Figures for 1967 on the original tables sent to you were based on Hawaii, 10 months; Mainland, 9 months; and New Zealand-Australia, 9 months with projected estimates for the balance of the year. We have since been able to obtain complete figures for 1967 as you will note on the attached sheet.

You will note that foreign beef imports actually dropped off from a high of 18,304,000 pounds in 1965 to 15,327,000 pounds in 1967, a drop of 2,140,000 pounds. This slight decrease hardly grants us much relief from the devastating effects of the dumping and erratic shipments of foreign beef have on our price structure in Hawaii.

Again, we feel the only way for Hawaii to gain any relief would be through a port of entry quota system or by setting quotas based on one-half the average of imports over the last five years.

With slaughterhouses across the nation now faced with meeting health and sanitation standards "at least equal" to federal standards under the Wholesome Meat Act of 1967, we feel very strongly that foreign packers be required to do likewise and that such standards be rigidly enforced before such meat enters the country.

Once again, may I express the sincere appreciation of all of our members for your concern for the welfare of our industry and solicit your support for HR 9475 which is presently before Congress. Mahalo and Aloha.

Sincerely,

ROBERT L. HIND, Jr.
President.

HAWAII CATTLEMEN'S COUNCIL, INC.,
Honolulu, Hawaii.

Whereas, ports of entry continue to receive more than their equitable share of their total meat demands from foreign imports. One typical port state receives 30% of its state market supply from foreign sources, and

Whereas, other interior states are receiving a much lower percentage of their total production, while port states are feeling the devastating effects of these foreign imports, this high percentage having a detrimental effect on price structure, and

Whereas, Public Law 88-482 without a port of entry clause does not alleviate the situation in port states, and this same law sets trigger points so high as to make its enforcement impractical, and

Whereas, foreign packers are not required to meet stringent sanitation and health standards imposed on United States packers,

Be it resolved, that Congress grant area relief to ports hard hit by foreign beef imports by reducing the total poundage received by these ports to one-half the average received over the last five years, and

Be it further resolved, that Congress seek modification of the existing public law, to lower trigger points, insert a port of entry quota clause, and seek legislation requiring foreign packers to meet United States health and sanitation laws, and

Be it further resolved, that copies of this resolution be transmitted to the President and the Secretary of Agriculture of the United States, all members of the House Ways and Means Committee, Hawaii's Congressional delegation, the President of the American National Cattlemen's Association, and the Chairman of the Hawaii State Department of Agriculture.

Adopted, May 15, 1968.

ROBERT L. HIND, Jr.
President.

THE FACTS & FIGURES OF THE HAWAIIAN CATTLE INDUSTRY

GENERAL INFORMATION

The State of Hawaii is made up of a group of nine islands centered at about 157W and 21N at the edge of the tropics. The total land area within these islands is 4,105,000 acres. Only six of the islands are of economic importance. Approximately $\frac{1}{2}$, or 350,000 acres of the total area, is considered arable lands suitable for crop production. Approximately $\frac{1}{4}$, or 1,085,000 acres is utilized for grazing production. At the last report, there were 422 "commercial" beef cattle enterprises listed in the State. (A commercial beef cattle enterprise comprises of 20 or more head of cattle.)

Climatic conditions and rainfall vary widely within the State. Rainfall varies from as little as 10 inches per year in leeward areas, to as much as 200 to 300 inches in the windward areas. Mt. Waialeale on the island of Kauai has recorded in excess of 650 inches of rain in a year.

The island of Hawaii ranks as the most important beef cattle production area, with approximately 55% of the total State production. The other islands in order of rank are Maui, Oahu, Kauai, and Molokai. The island of Oahu produces about 86% of the dairy beef in the State, with relatively small amounts produced on the other islands.

There have been substantial increases in market requirements for beef and veal within the State during the past ten years. These increased demands are created both by a rapidly increasing population (551,537 civilian population in 1957 to 759,582 civilians in 1967) and also by substantial increases in the per capita consumption of beef and veal (from 78.2 pounds per capita in 1957 to well over 85 pounds in 1967). This consumption is expected to increase to 105 pounds by 1975.

Hawaiian production of beef has steadily increased during this period, reaching a peak of more than 30 million pounds in 1966. Hawaii has also turned increasingly to pen feeding of cattle to improve and increase production. In 1959, 4,103 cattle were processed through feedlots and in 1965, 16,000 head of cattle were fed. In 1967 approximately 30,000 head of cattle are expected to be processed through feedlots in the islands—the largest being Hawaii Meat Company's newly expanded facility at Barbers Point on the island of Oahu which has a capacity of over 13,000 head of cattle.

Federal grading of beef has also expanded as a means of quality improvement. In 1960 when federal grading first came to the islands, 12,317 head were offered for grading. In the fiscal year, 1966-1967, 31,297 head were federally graded.

Imports of fed beef from the U.S. Mainland decreased from 1954 to 1959, and thereafter increased; but has declined again to 30,500,000 pounds, or 49.4% of the State's market in 1966.

The most significant changes in the Hawaiian market have been shown by imports of low-cost foreign beef. These imports have increased by more than 1000% in the past ten years, from a total of 1.538 million pounds of carcass equivalent to 16.694 million pounds. These imports now represent about 30% of the total State supply of beef and more than 35% of the Honolulu supply, which is the major market in the State.

The rapidly increasing imports of beef, and particularly the imports of low-cost foreign beef, has created serious problems for the Hawaiian beef industry as well as the industry nationally. Hawaii being the closest and most lucrative port of entry to the United States continues to receive large shipments of Antipodal beef.

Hawaii's beef industry has a long, colorful and traditional history. It adds over \$10 million annually to the State's economy and represents 22% of all sales of diversified agricultural products.

TABLE 1.—HONOLULU MARKET SUPPLY OF BEEF AND VEAL
[Weight in thousands of pounds]

Year	Hawaii		Mainland ¹		New Zealand-Australia ²		Total
	Carcass weight	Percent of total	Carcass weight	Percent of total	Carcass weight	Percent of total	
1954.....	10,906	43	13,399	53	938	4	25,24 ³
1955.....	13,277	46	13,291	46	2,250	8	28,818
1956.....	13,904	43	15,039	47	3,084	10	32,027
1957.....	15,073	41	17,142	46	4,666	13	36,881
1958.....	16,967	42	15,973	39	7,701	19	40,641
1959.....	16,895	44	10,301	27	11,116	29	38,312
1960.....	16,543	42	10,730	27	12,327	31	39,600
1961.....	16,414	39	11,663	27	14,247	34	42,324
1962.....	16,729	41	10,206	25	14,163	34	41,098
1963.....	17,258	41	12,532	30	12,052	29	41,842
1964.....	16,953	35	13,533	28	17,467	37	47,953
1965.....	16,982	33	15,822	31	18,304	36	51,109
1966.....	20,328	40	15,504	30	15,436	30	51,268
1967.....	22,449	43	14,785	27	15,327	30	52,561

¹ Includes beef for USDA school lunch program.

² Converted to carcass equivalent from import data on boned frozen beef at \$1.37. Includes small amount from Canada.

TABLE 2.—STATE MARKET SUPPLY OF BEEF AND VEAL
[Weight in thousands of pounds]

Year	Hawaii		Mainland ¹		New Zealand-Australia ²		Total
	Carcass weight	Percent of total	Carcass weight	Percent of total	Carcass weight	Percent of total	
1954.....	17,851	54	14,037	43	938	3	32,826
1955.....	20,445	56	13,738	38	2,250	6	36,433
1956.....	21,426	53	15,919	39	3,084	8	40,429
1957.....	22,788	54	14,768	35	4,666	11	42,132
1958.....	23,970	57	10,457	25	7,701	18	42,128
1959.....	24,749	53	10,838	23	11,116	24	46,703
1960.....	25,001	51	11,423	24	12,327	25	48,751
1961.....	25,690	49	12,254	24	14,247	27	52,191
1962.....	24,345	50	10,517	21	14,163	29	49,025
1963.....	26,282	51	12,775	25	12,052	24	51,109
1964.....	26,242	46	13,904	24	17,467	30	57,613
1965.....	25,968	43	16,242	27	18,304	30	60,514
1966.....	29,228	48	15,967	26	15,436	26	60,631
1967 ³	32,243	50	15,169	24	16,362	26	63,774

¹ Includes beef for USDA lunch program.

² Converted to carcass equipment from import data on boned frozen beef at \$1.37.

³ Estimated based on: Hawaii, 10 months; Mainland, 9 months; New Zealand-Australia, 9 months.

TABLE 3.—CATEGORY OF DOMESTIC BEEF PRODUCTION (NUMBER OF HEAD)

	1959	1960	1961	1962	1963	1964	1965	1966
Pen fed cattle.....	4,103	4,984	7,782	9,194	15,000	16,000	16,000	22,000
Grass fed cattle.....	39,697	37,596	38,218	36,906	30,500	30,200	30,300	30,700
Dairy cattle.....	3,290	3,420	3,000	2,900	3,500	3,800	3,700	4,300
Total.....	47,080	46,000	49,000	49,000	49,000	50,000	50,000	57,000
Pen fed percent Grass fed....	10.3	13.3	20.4	24.9	49.2	53.0	52.8	71.7

TABLE 4.—HAWAII'S PER CAPITA CONSUMPTION OF RED MEATS AND POULTRY
[In pounds per capita]¹

Year	Pork	Beef and veal ²	Lamb and mutton	Poultry meat ³	Total red meats and poultry
1957.....	29.4	78.2	2.2	21.5	131.4
1958.....	28.0	75.2	2.3	21.6	127.1
1959.....	28.6	80.4	2.4	22.0	133.4
1960.....	28.1	81.9	2.2	22.9	135.1
1961.....	29.5	85.1	2.1	24.7	141.4
1962.....	29.1	77.1	1.9	22.9	131.0
1963.....	30.0	77.9	1.5	25.0	134.4
1964.....	32.4	85.4	1.8	25.2	144.8
1965.....	31.1	86.2	1.4	26.1	144.8
1966.....	28.3	84.9	1.1	25.6	139.9

¹ All per capita estimates based on civilian population (de facto) as published by the department of health.

² From table 6, New Zealand-Australian boned beef and veal converted to carcass weight equivalent, at 1.45 times its weight.

³ Includes turkey imported from U.S. mainland.

Source: Statistics of Hawaiian Agriculture 1957-65, Hawaii Crop and Livestock Reporting Service, Hawaii State Department of Agriculture.

TABLE 5.—FEDERALLY GRADED BEEF IN HAWAII

[Data for fiscal years. Weight in thousands]

	1961-62		1962-63		1963-64	
	Number of head	Weight	Number of head	Weight	Number of head	Weight
U.S. Prime.....	17	16	96	65	89	56
U.S. Choice.....	4,287	2,204	2,681	1,624	5,841	3,497
U.S. Good.....	7,250	3,894	6,015	3,560	8,976	5,328
U.S. Standard.....	3,607	1,994	3,054	1,647	3,402	1,979
U.S. Commercial.....	825	532	219	134	81	52
U.S. Utility.....	5	5	1,763	912	2,670	1,369
U.S. Cutter.....	1	-----	311	134	592	256
U.S. Canner.....	1	-----	163	62	181	72
Total.....	15,993	8,645	14,302	8,138	21,832	12,609

	1964-65		1965-66		1966-67	
	Number of head	Weight	Number of head	Weight	Number of head	Weight
U.S. Prime.....	80	47	52	30	57	35
U.S. Choice.....	6,945	3,821	10,474	5,745	13,567	7,695
U.S. Good.....	7,151	3,905	8,584	4,682	9,698	5,453
U.S. Standard.....	1,914	980	991	694	634	321
U.S. Commercial.....	1,497	796	1,699	1,010	1,743	1,046
U.S. Utility.....	3,073	1,572	4,472	2,425	4,125	2,118
U.S. Cutter.....	315	129	466	187	890	357
U.S. Canner.....	168	65	329	128	583	234
Total.....	21,143	11,315	27,067	14,901	31,297	17,259

Source: Federal meat grader, State department of agriculture.

TABLE 6.—HAWAII'S PER CAPITA CONSUMPTION OF BEEF BY ORIGIN ¹

[In pounds]

Year	Total per capita	Hawaii	Mainland	New Zealand-Australia
1957.....	78.3	42.3	27.3	8.7
1958.....	75.2	42.8	18.7	13.1
1959.....	80.4	42.7	18.6	19.7
1960.....	81.9	42.0	19.2	20.7
1961.....	85.1	41.9	20.0	23.2
1962.....	77.1	38.3	16.5	22.3
1963.....	77.9	40.0	19.5	18.4
1964.....	85.4	38.9	20.6	25.9
1965.....	86.2	37.0	23.1	26.1
1966.....	84.9	40.9	22.4	21.6

¹ Derived from data in table 2 and population estimates.

The CHAIRMAN. Are there any questions, if not, then thank you Mr. Matsunaga, for sharing your views with us.

Mr. MATSUNAGA. It has been a pleasure to appear before your fine committee, sir.

The CHAIRMAN. Thank you. Next we have the Honorable Speedy O. Long, of Louisiana. You are recognized.

STATEMENT OF HON. SPEEDY O. LONG, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF LOUISIANA

Mr. LONG. Mr. Chairman and members of the committee, I am here today to speak to you on behalf and in support of H.R. 11033 and H.R. 10318, measures designed to strengthen the depressed prices received by American farmers for cattle and other slaughter animals and for dairy products.

I introduced H.R. 11033, a bill to revise the quota control system on the importation of certain meat and meat products, as a companion measure to legislation introduced by your distinguished chairman and others in an effort to alleviate conditions which are depressing farm prices. A few days later I introduced H.R. 10318, a bill to regulate imports of milk and dairy products, to place this sector of the agricultural industry on a better financial footing.

The meat import bill, H.R. 11033, would decrease the total allowable imports of meats from the present 725,400,000 pounds per calendar year to a safer figure of 585,500,000, and would change the base period for computing imports to the years 1958 through 1962, a more realistic period.

While consistent with existing trade policies, both of these features, as I understand them, will effectively restrict the amount of imported meat and increase demand and strengthen domestic prices of cattle and other slaughter animals.

Cattlemen and other stockmen across the country are wrestling with recurring low prices which result from an excessive tonnage of imported meat on the domestic market, according to all reliable reports which I have received. Furthermore, I can say from firsthand observation and experience that cattlemen in Louisiana, and particularly in my district, are being hard pressed by low prices.

I believe this meat import bill will be a reasonable cure for the ills currently besetting the livestock industry, particularly since it calls for substantial reductions in imports and seeks to prevent sudden flooding of the American market. I have been told that the change in the base period alone will roll back the trigger level by some 20 percent. Further reductions in the total meat imports and counting defense department purchases against the total quota should effectively bolster our farm meat prices.

For the security of the Nation and the maintenance of stable prices, the United States requires a strong, healthy and stable livestock industry. It will not serve the people's welfare to allow our farmers to suffer in the name of free trade or any other concept. We should not deny to stockmen or to the American consumer the advantages of competition, nor should we deny the meat industry in the United States the right to fair competition.

The dairy import bill, H.R. 10318, also seeks to bolster farm prices, by imposing a ceiling on dairy imports no greater than the average annual imports for the 5 calendar years 1961 through 1965. Furthermore, the Secretary of Agriculture would be authorized to make these estimates on a quarterly basis, in an effort to prevent sudden flooding of the market.

This bill is necessary, in my opinion, Mr. Chairman, because of apparent loopholes in existing law, which have permitted lately the flooding of the domestic dairy products market and the continued weakening of farm prices. It is evident when we consider the condition of the farmer that more reasonable quotas must be placed on imported dairy products. According to my sources, income spent on food is expected to continue to drop in the Nation, while at the same time, farm production costs continue at a record high. A proper balance will, I think, be restored by this bill.

Mr. Chairman, I believe that the level of imports under H.R. 10318 and its flexibility of control are consistent with a reasonable trade policy. It also meets the demands for a dependable domestic supply of dairy products.

Moreover, we have today the opportunity with these and companion bills to take really effective action to give financial stability to a group of American citizens who do not now participate in the Nation's general prosperity. Unless we act now still more jobs, principally in our rural areas, will vanish and still more of our rural citizens will be stripped of their self-reliance and self-respect, along with their ability to make their livings. I think we should take action now to prevent still more poverty and hard-core joblessness of which we hear so much in these times, if for no other reason than the obvious economy of prevention.

For these reasons, Mr. Chairman, I ask the committee's serious consideration of H.R. 10318 and H.R. 11033, the meat and dairy import bills, and for a favorable report to the House of Representatives.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Long.

Mr. Denney, our colleague from Nebraska. Please come forward, Mr. Denney; it is good to have you with us this morning.

**STATEMENT OF HON. ROBERT V. DENNEY, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF NEBRASKA**

Mr. DENNEY. Mr. Chairman, members of the committee. On May 3, 1967, Mr. Scherle and I introduced H.R. 9616, a bill to revise the quota control system on the importation of certain meat and meat products. I know, Mr. Chairman, that you and several other gentlemen have introduced similar legislation. H.R. 9616 is also similar to S. 1588, introduced by Senator Hruska of the other body.

H.R. 9616 would eliminate the extra 10 percent of imports now permitted before the quotas become effective. Similarly, the quota would be imposed based upon the actual imports rather than estimates by the Secretary of Agriculture, and it would be applied quarterly rather than annually. Also, offshore purchases of meat by the Defense Department for use by our troops abroad or otherwise would be charged against the applicable quota.

Under present law, the base quota was derived from the average annual imports for the years 1959-63. However, 1963 was the highest year on record and resulted in a base quota of 725 million pounds. This bill would use the years 1958-62 as the base years, with the resulting base quota being 585.5 million pounds.

H.R. 9616 would also include prepared and preserved beef, veal, and mutton within the quota, without increasing the base quota. Finally, it would authorize quotas on pork and lamb when imports of these items are tending to interfere with the purposes of the Meat Import Act.

Mr. Chairman, the Meat Import Act of 1964 has been ineffective in providing any real relief for the meat producers because it allows for too many exemptions and does not adequately protect our livestock industry. With the parity ratio at about 74, which is the lowest since 1933, and with the price per hundredweight for cattle being the same as 20 years ago, whereas the cost of production is so much greater, I think the committee knows that any assist to agriculture will be helpful indeed.

H.R. 9616 is a fair and reasonable bill, a bill designed to stabilize the role of imports in our meat supply, to protect our domestic industry without doing harm to our foreign suppliers.

The livestock industry is the most widespread of all our farm industries in this country, and also the largest in terms of value of output. The prosperity of the livestock industry is also of fundamental importance to the continued well-being of producers of feed crops for sale.

I hope this committee will approach this problem recognizing the historic role of agriculture in this country, the new problems that beset the farmer in this era, and the pressures which have made it most difficult to preserve a healthy rural economy and society. To stem the unhealthy tide of migration away from the farms, to give the livestock man at least a small assist in his effort to maintain the healthy rural economy and rural society of the past, we ask that the House Ways and Means Committee help strengthen the import quota system in the manner provided by H.R. 9616.

The CHAIRMAN. We appreciate your bringing us your thoughts, Mr. Denney.

Our next witness is Senator Clifford P. Hansen, of Wyoming. Welcome, Senator, you are recognized.

STATEMENT OF HON. CLIFFORD P. HANSEN, A U.S. SENATOR FROM THE STATE OF WYOMING

Senator HANSEN. I welcome this opportunity to present a statement in favor of legislation to impose quotas on the import of meat and certain meat products. I represent a State that is heavily dependent upon the vitality and the well-being of the livestock industry. In Wyoming livestock and agriculture are the second biggest income producers.

THE CASE FOR MEAT IMPORT RESTRICTIONS

We are told of the rising prosperity of the Nation, of the fact that the gross national product is at record high levels. Not so often it is mentioned that the income of the farmer has lagged behind. While others have enjoyed rising standards of living, the farmer and livestock producer have been left out. While cost of living soars, the price of agricultural products has remained constant, and in some instances has declined.

Domestic industries have increasingly sought the intervention of the Congress in recent years against the disruptive effects of rapidly increasing imports, and they have called attention to the balance-of-payments consequences to the Nation of the trends of increasing imports and declining exports. The situation of these industries, including several of the Nation's basic industries, may indicate that in the administration of the customs, tariffs, and trade agreements laws of the United States, there has been a lack of balance and a one-sidedness in judgment which has reduced the protective effects of our domestic customs, tariff, and trade agreements legislation for domestic industries while exaggerating or "liberalizing" the administration of these law for the benefit of importers of foreign-produced goods. Certain domestic industries, like the livestock business, will not survive unless they are protected from excessive imports which glut American markets.

The main function of foreign trade should be to supply materials and products unavailable at home. However, U.S. imports have tended more and more to be goods with a high labor content, manufactured by cheap labor abroad. Imports of this sort help foreign economies, but take away American jobs.

During the past 4 years, while the trend in meat prices has gone down, meat imports have steadily increased. There is no question that the import volume is the largest single factor in the sagging effect on price levels in the cattle industry.

The U.S. Department of Agriculture in its May 1968 edition of the Livestock and Meat Situation said:

Imports of red meat totaled 1,352 million pounds product weight in 1967. This was equivalent to 1,841 million pounds of carcass weight—7 percent above 1966 but 10 percent below the record volume of imports in 1963.

On page 23 of the same edition, the Department of Agriculture said:

Imports of meat subject to restriction by quota totaled 895 million pounds (product weight) in 1967. This was about 9 percent larger than in 1966, but was below the quota level for the year.

The following tables will give a better idea of the steady increase of imports and the apparent standstill of our exports:

TABLE 1.—MEAT AND MEAT PRODUCTS—BEEF AND VEAL
VALUE OF IMPORTS AND EXPORTS IN UNITED STATES, 1965-67
[In millions of dollars]

	1965	1966	1967
Imports for consumption.....	241. 7	353. 9	403. 9
Exports.....	22. 6	17. 8	20. 2

TABLE 2.—U.S. IMPORTS AND EXPORTS OF BEEF AND VEAL IN RELATION TO DOMESTIC PRODUCTION, 1965-67
[In millions of pounds]

	Domestic production	Exports	Imports
1965.....	19, 719	53. 9	941. 8
1966.....	20, 604	39. 1	1, 204. 2
1967.....	20, 977	42. 2	1, 327. 7

TABLE 3.—PERCENTAGE OF U.S. PRODUCTION

	1965	1966	1967
Imports.....	4. 8	5. 8	6. 3
Exports.....	. 3	. 2	. 2

Note: Information in tables found in Department of Agriculture May 1968 edition of the "Livestock and Meat Situation," pp. 24 and 29.

The matter of meat imports fits within the category of a shortcoming in the applicable statutes in our international trade structure. In 1963, staff experts of the Department of Agriculture carried out an analytical study of the effect of imports on the United States price. The conclusion at that time was that for each increase in imports amounting to 180 million pounds of beef—carcass weight equivalent, including live cattle—the domestic price on choice steers would be knocked down about 30 cents a hundred. Any cutback in that volume resulting from a tighter application of quotas would have had an effect in proportion to the size of the cutback.

The present law, Public Law 88-842, outlining procedures for reviewing the meat import situation specifies conditions for proclaiming import quotas for certain meats, primarily fresh or frozen beef and veal. The import quota level is related to the level of domestic production of these meats. The law provides that if estimated imports of fresh, chilled, or frozen cattle meat and meat of goats and sheep other than lamb equal or exceed 110 percent of the adjusted base quota for that year, the President is required to invoke a quota on imports of these meats. The adjusted base quota for 1968 is 950.3 million pounds—product weight. The amount of estimated imports which would trigger its imposition is 110 percent of the adjusted base quota, or 1,045.3 million pounds.

The formula by which the quota is derived is discretionary and too liberal. It has not solved the problem of depressed farm prices and it does not sufficiently discourage imports.

The base quota for a year is derived from adjusting the base of 725.4 million pounds specified in the law—approximately the 1959-63

average annual imports of these meats—by the percentage of increase or decrease since 1959-63 in domestic commercial production of these meats. In using the year 1963 in the average, the Department of Agriculture made the quota as high as possible. Thus the quota is not actually representative of a normal cycle of 5 years. Something must be done to provide a more accurate quota to prevent it from disrupting the market as it is at the present time. Canned, cured, and cooked meats are specifically exempted from the law. The quantity of these items, however, in our American market affects the price the farmer gets for his products. They should be included in the quota also.

Beginning in 1966, the United States balance of trade took a startling change: for the first time in recent history, our trade went into the red. The United States is now importing more goods than it exports. Until recently, the Commerce Department figures suggested that the United States has a trade surplus. But the truth is, a realistic accounting reduces the actual total of exports by 10 percent. The Commerce Department deliberately includes exports authorized under governmentally subsidized programs, such as Public Law 480 shipments of food. No reputable business accounting method would include free samples in reports of yearly sales. The Department reports import values on the basis of free-on-board (f.o.b.)—that is, the cost of goods when put on shipboard at a foreign port. Nearly every other country in the world realistically includes the insurance and freight charges that must be paid when the ship reaches the domestic port. When imports are figured on a true cost-insurance-freight basis (c.i.f.) the costs go at least 10 percent higher.

This discrepancy in the method of figuring imports is another example of the need for a strict, defined piece of legislation which would set a uniform basis for estimating import values as well as setting a specific, unadjustable limit on the amount of imports allowed.

Whenever any effort is made to provide reasonable protection against imports for the U.S. cattle industry, invariably we are met with the cry of alarm that nothing must be done, because it might endanger our export markets. The fact is, that we cannot compete, pricewise, with Australian or Argentine beef in the foreign markets of the world. Since 1966, our volume of exports has gone down, not up, and it was not very great to begin with. The home market, on the other hand, has been good to us. The foreign market has not. It does not make sense in a planet where half of the people are hungry and two-thirds need higher protein diets, to be shipping large quantities of meat into the one country where meat is already in such oversupply that markets are depressed and the producers are going broke. We must update the limitations in order to alleviate an already bad situation.

Careful steps must be taken through the passage of specific legislation, to introduce a meaningful relation between domestic and foreign production in order to eliminate the excessive amount of imports into the country and to protect the cattlemen.

Thank you.

The CHAIRMAN. Thank you, Senator Hansen. Are there any questions?

If there are no questions then our next witness is the Honorable Thomas S. Kleppe, of North Dakota. You are recognized, sir.

**STATEMENT OF HON. THOMAS S. KLEPPE, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF NORTH DAKOTA**

MR. KLEPPE. Mr. Chairman, I appreciate this opportunity to present my views on a subject of vital concern to the Nation's multibillion-dollar cattle industry: the impact of heavy importations of foreign meat on our livestock economy.

North Dakota is a major livestock-producing State, with approximately 2.3 million head of cattle, valued at \$362 million. In the district which I represent, North Dakota's Second, cattle and wheat are the two principal sources of income for farmers and ranchers. In fact, the total economy of the district rests largely upon these two commodities and the prices which they bring. With wheat selling at only 52 percent of parity and cattle at 80 percent, the effects of these low prices are adversely felt throughout the business community.

While I recognize that the heavy importation of foreign meats in recent years is not the only factor which has depressed domestic cattle prices, it is a significant one. I strongly support the position of the American National Cattlemen's Association on meat imports, as expressed by its spokesmen before this committee earlier. I think they are right in asking not for a virtual embargo on meat imports but for a significant reduction.

The cattle industry is making a major effort to control domestic cattle numbers, with a view toward bringing supply and demand into better balance. This goal could be achieved more quickly and effectively with a reduced volume of competitive imports. Certainly it is not in the best interests of this Nation to become too heavily dependent upon foreign sources for meat and meat products.

Foreign trade must be a two-way street if it is to flourish and expand. The record of recent years indicates the United States is giving greater trade concessions on farm commodities produced in other countries than it is receiving on its own agricultural exports. As an example, the United States today has less access to European markets than it had in 1962 when the Trade Expansion Act was approved. The protectionist trend in the Common Market countries has been accelerated, rather than diminished. The system of variable levies there sharply restricts U.S. exports of most farm commodities.

I think this is regrettable. But so long as other countries raise artificial barriers against U.S. farm products, the United States must take a new look at the situation, in its own self-interest.

There is another important matter involved here. This concerns the alarming and perhaps worsening U.S. balance-of-payments position. The United States suffered its second foreign trade deficit of the year in May—in the amount of \$32.2 million. The March trade deficit was \$157.7 million.

It is imperative that this Nation achieve a favorable balance in its commercial trade with other countries as an offset to the huge dollar payments which go abroad in the form of foreign aid, overseas military costs, foreign investment and tourism. The integrity of the dollar cannot be maintained if the United States continues to run balance-of-payments deficits of the magnitude incurred last year—\$3.6 billion.

It seems to me that this Nation must reexamine its trade policies affecting not only agricultural commodities but other goods, as well. The present precarious position of the dollar underscores this need emphatically. I do not believe we can any longer delay decisive action in this area.

The CHAIRMAN. Thank you, Mr. Kleppe, for sharing your views with us.

Our next witness this morning is Mr. House, president of the American Cattlemen's Association.

Mr. Everett, do you want to present these witnesses to the committee?

**STATEMENT OF HON. ROBERT A. EVERETT, A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF TENNESSEE**

Mr. EVERETT. Thank you, Mr. Chairman. It is a privilege to introduce my good constituent and friend of this committee of many years, the Honorable Dick Carrothers, of Paris, who will present the witnesses today. Mr. Carrothers. Thank you.

The CHAIRMAN. Mr. Carrothers, you are recognized.

**STATEMENT OF BILL HOUSE, PRESIDENT, AMERICAN NATIONAL
CATTLEMEN'S ASSOCIATION; ACCOMPANIED BY BROOKS J.
KEOGH, R. B. CARROTHERS, ROMEO SHORT, AND C. W. McMILLAN,
EXECUTIVE VICE PRESIDENT**

Mr. CARROTHERS. It has been my privilege and my pleasure to appear before this committee several different times and we are here today in the interest of the beef cattle industry and these gentlemen who are with me are all cattlemen and I would like to introduce them to the committee and explain that we are trying to bring the facts we want you to have to the committee with the least possible confusion and time consumption.

The various State livestock associations are all affiliated with the American Cattlemen's Association. Mr. Bill House here is the president of the American National Cattlemen's Association, Mr. Romeo Short is president of the Arkansas Cattlemen's Association. Mr. McMillan is the executive vice president of the association. And I expect you know Mr. Brooks Keogh from North Dakota, a past president of the American National Cattlemen's Association, who was president when the 1964 bill was passed.

I will now turn this over to our president and thank you, Mr. Chairman, for the privilege of introducing all of these gentlemen.

Mr. HOUSE. Thank you, Mr. Chairman. I thought this morning you would like to hear a little bit about the beef industry in the United States. We sell \$10 billion worth of products and it is the largest beef industry in the world because it has so many facets no other country has. Our production runs about 106 pounds per person in the United States; 15, 20 years ago it was 60 pounds.

I would like to make it clear right at the start that the beef industry in the United States has always moved its production up in some manner or other whenever there was now demand for it at a cost-plus figure.

When I say cost plus I mean at cost and very little else. It is an industry that has kept up with the expanding population. It has kept up with the demand for beef in the United States and we still today are able to expand the business to produce any kind of beef they want in the United States and in any amounts and at a reasonable price.

We think we are one of the few countries where that can be done within the country and I want it understood that we are in a position today to produce all the beef that is being consumed, and at any given point, if Congress decided they would prefer the domestic meat industry to supply the entire amount of all kinds, I can assure you that we can do it.

Our financial condition in the beef business at this point is such that we are just about operating on a cost basis, both producer and the people that feed the cattle, and this is one of our problems because it is history now but American agriculture hasn't had a price rise in 20 years.

Quite often when the price of grain drops and the people who produce grain get in trouble they expect the cattle industry to pull them out of it and we are rapidly moving into one of those periods again and we have figures showing that we are entering a dangerous period when we will again be expected to pull out other sectors of the industry and rescue them from their own overproduction in the United States.

In fact we are sure they are. When I left home wheat was selling in Kansas at \$1.15 a bushel. It is the lowest in 26 years, and we know that a lot of those folks are going to want to convert that and we wish we had a market for it in the United States, but at this point the American Cattlemen's Association has surveyed the situation very carefully and we have had to ask our own people within the last year to hold up production and tonnage 5 percent just to see if we could get on a cost-plus basis.

There has been a little response in the market as we have carefully worked along, but I want it understood again that we are having to cut back in the United States just to get on a cost-plus basis here, so any opportunity given us by Congress we will take and we will produce whatever they want.

Now, there has been a good deal of discussion about whether or not we can produce the kind of beef that is imported. I happen to be a producer of cows and calves. I am one of the gentlemen in the United States that can furnish the kind of beef they want exactly. All they have to do is give me a cost-plus on an American basis and I will see that they get plenty of cow beef, plenty of bull beef, and my friends in the like business can do that 100 percent.

One of our problems is that we have to keep cows too long in this country and try to get too many calves out even when we would prefer to sell them because of the labor problem. The expense of labor, the shortage of labor, in the cattle country has been expanded greatly recently until we find the whole family, even the women, doing more work than they ought to do, so I want to make it plain that the imported beef does compete directly with what I produce and I also want it understood that 25 percent of a fed animal goes into direct competition, ground, with all the imported beef.

I just returned from Australia and New Zealand and one of the things that I wanted to see was, they being the two major suppliers along with Ireland, accounting for 80 percent of the imported beef, were they shipping the same kind of beef that I produce and the answer is absolutely yes.

I went to their markets. I went to their packinghouses. I went to their ranches. They are selling old cows. They are selling old bulls. They are selling steers or heifers that don't happen to be fit for the feed lots and more than that, the same as in the United States, about a third of this beef is having to come from the dairy industry.

Down there and up here when they get through with the milk cows she goes into ground beef and it is good ground beef and that is the basis for our production here for a lot of them.

We have half as many dairy cows in the United States as we have beef cows so the dairy industry is just as interested in trying to convert their beef from their cows that they are discarding into a profit as we are in the cow-calf operations throughout the United States.

Now, the next thing I would like to discuss with you is the trade policy in the United States, because I realize, although our bill is a separate bill and the H.R. 9475 bill that is under discussion on the quotas is a separate bill, the trade policy of the United States is being discussed and no one is going to pass it over that is in these hearings.

There are some observations I would like to make. Some of them are quite personal in opinion. But the trade policy of the United States has developed down through the years and sometimes we are importing products that we could produce here.

This is the part that I would like to bring into question. The things we have had to have from outside, fine, but why do we import products that we can produce here? Everybody knows that the production is the key to employment. It is the key to being sure that you have it forever when you produce it within your own country.

It is more stable and in this case it is completely reasonable in price. The only reason that they can import beef of any kind into the United States is because, first, we have a tremendous local tax load to carry in the beef industry. I pay a local tax per unit on my cow-calf operation in my own county direct to my treasury for schools and county operation of \$17.50 per cow unit per year, and I can go to Australia and raise that calf for less than that and I don't want anybody to say that I am inefficient or a poor cowman when I have to start with a \$17.50 cost to support my community in the United States that they don't even know about.

We have a second problem and this second problem runs throughout industry that produces in the United States and that is the labor problem. We have built in our country a completely protected labor core. The American labor movement is built on complete protection from the outside with immigration quotas, with protection from job loss, social security, pension funds, and when the people talk about free trade they are only talking about the producer.

They are exposing many to it, but not labor. In the beef business we agree with the American labor movement. We want to see every man in the United States just as prosperous as he can be and we do not want to subject American labor to the level of costs and labor payments in the rest of the world because like people are not purchasers of beef in other countries.

If you keep the wage scale low they don't eat beef. It is an item that comes when people's per capita income goes up and the beef business and the American labor movement today are in the same groove exactly. We want it maintained and protected. We want the per capita income here high, and I would like to remind you that in Australia, say, they can probably bone their beef for one-fourth of what you can in the United States and this gives them a tremendous advantage, and I don't blame the people that make it available or the people that buy, but what they are doing is circumventing the laws on American labor that are on the books and that were put there by the Congress of the United States and I think if they are going to stand then I think the people that produce in the United States, that makes those jobs, that support our communities and that support the American labor movement as it is today, should be protected in a reasonable way.

I think you have approached it and Congress has approached it in a reasonable manner in many cases, and I think you have in our case, and we are quite anxious that you take a new look at us, but I don't see how the American labor movement can tolerate the movement of production to cheaper labor countries and I would like to make this one point in closing this particular part.

I feel that American labor should join us in this because if you have free trade and really free trade the jobs are eventually all going to move to the country that has the lowest labor cost. Technology is available everywhere, the same technology, the same machines today. We have one other problem that worries me.

We talk about the balance of trade and, as you know, today the trade we have is only about 4 percent of the gross national product. It has been overemphasized in value considerably, and to balance that and make it worse, they don't have a balanced trade really.

It is all deteriorating because of the increased labor costs in the United States, taxation, and a huge defense budget. And so we are losing our position and we are going to have to turn around and re-examine the whole thing.

I am quite anxious that this committee take a look and make up their minds what they want produced in the United States and make it possible to do so.

The second thing that worries me is in the testimony of the Secretary of Commerce. I looked the exports over very carefully and we are exporting capital goods. We are importing consumer goods.

Now, a nation that follows this trail very long eventually loses the capacity to produce. They sell it to somebody else and their consumer goods have been consumed and gone and you are simply committing economic suicide.

I am reminded of the old Bible story and I feel it is quite appropriate at this point to say that when you sell producer goods, capital goods to other countries, give them the know-how, and trade it for consumer goods, you have sold your birthright for a mess of pottage and I think this Nation is going to have to take a turn around.

They are going to have to take a new look at the whole thing or all production will leave the United States, and we are especially involved since we in the beef business are right in the middle of it.

There is another problem that I think should be considered. The capital goods that we send to the importing nations that send beef up

here are primarily heavy equipment, and airplanes, and could well be used in the beef business in the United States today.

If we were turned loose and picked up the 6 percent that is being imported we would buy bulldozers. We would buy airplanes to seed the country and to fertilize the country from the air where it is too rough to do it on the ground.

We have millions of acres in the Southeast starting in Tennessee and Kentucky and running clear to the coast from Florida to Texas that are exactly the same kind of country that is being developed in Australia to send beef up here, and they are doing it at our expense and the development is there and it should be in this country because this country can do the same thing.

Now we have the problem of cost and I think that if protected in a reasonable manner, if this bill was cleaned up a little that we have on the books, with H.R. 9475, we could expect a reasonable future in the beef business.

We could buy more U.S. equipment and we could use it to expand the business in the Southeast, which is particularly subject to development at this point in the beef business, but we can't do it if we aren't protected and as long as we have to pay the bills of American labor, the huge defense budget, and local taxation to keep our communities, I don't see how we can go on, and that is the basis for our application at this point to do about four things.

We are quite anxious that the 10-percent override be canceled out that we have permitted above quotas because this was the original intent of Congress.

We have another problem. The year 1963 was in the base. It was an extremely heavy, unusual year of importation of beef. We would like to have it stricken and we would like to have the flow of beef evened out.

We have a chart that shows that a lot of the imported beef hits this country just as we start to market our cows in Texas and it moves through to Montana and the flow of imported beef hits us at exactly the same time that we are trying to market old cows and supply the same type of beef to the American market.

The question of price has come up, how much would this bill raise the price, and I think the representative of the White House, Miss Betty Furness, made the most accurate statement seen when she says that prices would go up about 2 or 3 cents a pound here perhaps.

That is exactly the way I estimate it. I might approach it in a different manner but I would like to remind you that we haven't had a price rise in 20 years, that 2 or 3 cents a pound wouldn't amount to more than we are raising our own Federal wages at this time under Executive order—5 percent—and I feel that the American farmer and rancher is entitled to some improvement in prices if he is going to live in this country.

It worries me no end that all our young people are talking about going to Australia. We are losing some of the finest, most aggressive young men in the business to other countries and the only market they have is the United States. They have found no way yet to send a sizable amount to Western Europe because they won't accept it, or to Japan because they won't accept it.

Everyone has quotas. Everybody retaliates and already have retaliated. This thing has been discussed a long time but the truth of the matter is that the barriers are already up for American beef around the world and also for Australia beef except here.

I don't think they are going to find a market but I think that it is time for us to start protecting the country here that has had so much trouble.

In closing I want to say one thing. There have been some statements that the old Smoot-Hawley tariff caused a lot of our troubles in the thirties. I was a boy in 1929 and trying to get started in the cattle business and it wiped me out. It took everything and I started over at that point.

When they talk about the Smoot-Hawley legislation hurting things back in that period I can tell you that the world was a wreck already, and it was a disaster program trying to get out of a problem that had already been created. I can't see any point to worrying about that act when I know that we are approaching gradually the same type of economic situation American agriculture had in 1928.

We have gone year by year borrowing more money, prices going lower, until it is almost identical in 1968 with 1928.

Now, whether 1929 will roll around and 1930 I don't know, but a lot of people in our business think that the stage is set. We would hope to avoid it. We hope Congress moves and helps correct American agriculture's problem before we hit that time.

We would like the full statement to be included in the hearing record. I have tried to do this extemporaneously because I wanted to explain some points and I also would be delighted if I am subjected, or any of my colleagues are subjected, to questions.

Thank you, Mr. Chairman.

The CHAIRMAN. We thank you, Mr. House, and without objection your full statement will appear in the record at this point.

(Mr. House's prepared statement follows:)

STATEMENT OF BILL HOUSE, PRESIDENT, AMERICAN NATIONAL CATTLEMEN'S ASSOCIATION

My name is Bill House, a rancher from Cedar Vale, Kansas. I am President of the American National Cattlemen's Association, headquartered in Denver, Colorado, and representing, since 1898, thousands of individual beef cattle producers, feeders and breeders and more than 150 associated state, regional or national livestock organizations.

We welcome this opportunity to discuss with the Committee the difficulties the vast beef cattle industry of the United States has had with excessive imports of meat as the industry strives valiantly to stabilize domestic production at levels acceptable to consumers and contributing to the economies of the communities, states and nation we serve.

BEEF PRODUCTION IMPORTANT TO ALL AMERICA

We think it essential that the Committee keep in mind the importance of the domestic beef cattle industry to the overall economy and further that domestic production can assist in correcting the recent deficit in the balance of trade. Because cows are so common and easily ignored in the passing scenery of Modern America, we often overlook that the sales of cattle and calves in recent years have topped \$10 billion. This makes it the largest single source of agricultural income, exceeding several of the other major, "basic" crops combined. The valuation of the nation's beef cattle herd, conservatively estimated by the U.S. Department of Agriculture on January 1, 1968, at \$16 billion, is a substantial portion of our basic national production resource.

Further, 35 of our 50 states have more than one million head of cattle and 29 of our states realize (in 1967) more than \$100 million in annual sales of cattle and calves. This is not just a "Cow Country" problem, a Western problem or a Midwestern problem—the industry has so burgeoned in recent years to make beef production a major factor throughout the nation.

OVEREXPANSION ENCOURAGED

In fact, one of the major difficulties experienced by the beef cattle industry in recent years is that our own government—accompanied by a chorus of enthusiasm from local chambers of commerce, colleges, agricultural supply industries, etc.—has encouraged expansion of beef cattle production on acres diverted from . . . or deserted by . . . other crops. Our domestic beef production since 1960, for instance has increased 35 percent . . . while our human population increased only about eight percent. This encouragement for more and more, seemingly ignored the expansion in, or condition of, the world beef trade which was gearing, meanwhile, for the "American Market".

That the two paths were clashing was recognized in 1964 when the Congress of the United States passed overwhelmingly, over vigorous Administration objection, PL 88-482 to establish, for the first time for a major domestic commodity, quantitative limitations on meat imports.

The reasons for passage of that law still stand and are further enforced by conditions within the domestic industry and developments in foreign lands too obvious and well known to be repeated here.

PUBLIC LAW 88-482 SOUND BASIC LAW

However, the very urgency in 1964 for establishment of quotas on selected meat imports is the reason for returning to Congress now. The concept of the legislation was new. It was alien to the thinking of so-called "free-trade" advocates. It was beyond the experience anyone had had with such imports. And the political exigencies of our world policy were so vague that several "loopholes" were built into the 1964 law.

We also had too little experience in the "ground rules" of world meat trade. It is apparent that there can not be true balanced foreign trade unless nation's have purchasing power or the power to produce wanted goods. However, we are not fully cognizant of just how fast and deliberately the "ground rules" can be changed, too often to the detriment of a nation such as ours which seems to feel that everybody always will play fair. "Free" trade is a two way street, but up to this point, it seems that the United States has only traversed in one direction . . . we have given while the other nations have remained rather static in their trade policies, many becoming even more protectionistic in just this short time.

We agree with Secretary of Agriculture Orville Freeman's remarks in Des Moines, February 15, 1968, when he told several hundred Midwestern farmers that "Orderly trading calls for reasonable protection of our agriculture—not protectionism. There's a big difference. Reasonable protection allows trade to flow. It permits comparative advantage to function with relative freedom for the good of all. Protectionism, by completely shielding inefficient producers from competition, stifles trade. The U.S. beef quota law illustrates what I mean by 'reasonable protection'."

NEED NEW "GROUND RULES"

That is exactly what the basic law does, yet after nearly 41 months of experience, we now appeal to Congress for a general tightening-up of PL 88-482 in line with experience and with what can be expected to happen in the future if the law is allowed to stand as it is. The principle behind the law itself is not in question; and certainly Congress recognizes this with the multitude of parallel measures introduced only to help "tidy" it up!

There are several major areas recognized by the industry and Congress as needing changes to avoid intentional or accidental damage under the current law. However, all revolve around these major points.

STABILITY ESSENTIAL

1. The domestic beef cattle industry much achieve stability and profitability on a broad scale. Otherwise fiscal facts-of-life or waning enthusiasm will lead to a general exodus from the production of beef. This is as real and as disastrous as

the recent mass desertion from dairying has been to important areas of the nation and economy.

Individuals will not put in the hours, labor or risk needed to raise beef cattle, no more than will risk-capital enter the field, if the well-known low returns, or lack of returns, from such investment and enterprise continue. It is argued that such disillusionment is not valid because cattle numbers continue to grow, feedlots to be built. What is overlooked is that farmers and ranchers in all states find no way, under normal circumstances, to meet their increasing taxes and other costs except by constant expansion. The fact that this is self-defeating is being dramatically recognized throughout the country in an almost universal acceptance of concepts of some form of "supply-control." These range from ANCA's own recommendation for a voluntary cutback of 5 percent in beef *tonnage* last year (and its corollary 1968 suggestion that cow herds not be increased at least until 1972) to the rigid production or marketing controls advocated by other agricultural groups.

ANCA economists—and realistic stockmen, bankers and independent observers—have calculated that a reasonable (6%) profit on investment and return for labor, risk, etc., can be achieved at somewhere around 40¢ per pound for 400-lb. calves and 32¢ for finished 1,000-lb. steers. These price levels are modestly above those being received today, so it is impossible to justify a jump from currently advertised hamburger at 45¢ a pound to 99¢, as has been suggested might happen in the propaganda of importers.

Prices of beef products can change dramatically, of course, because of temporary changes in supply. This is unfair to consumers and producers alike; neither can budget or plan ahead. Accompanying graphs and tables clearly illustrate the difficulty the livestock industry has in making intelligent plans for the future.

SEAPORT AREAS HIT HARD

Another difficulty experienced by the industry is illustrated by the plight of the livestock industries in Hawaii and other states with major seaports. In 1963, for instance, 12,052,000 pounds of foreign beef were shipped into Hawaii. It jumped to 18,304,000 pounds in 1965 and has maintained a steady high level since. Last year imports represented 26 percent of the 50th State's total beef market, a situation completely detrimental and demoralizing to adequate planning for meeting the state's future meat needs.

Other states adjacent to major meat receiving ports also suffer from market demoralization because of excessive and sporadic inshipments, particularly when the amounts vary so widely from time to time. An additional effort must be made to bring relief to the livestock industries so quickly and directly hit by imports in states having major ports of entry.

FOREIGN MEAT INDUSTRIES AIMING AT UNITED STATES

2. Foreign nations, often with infusions of U.S. capital from government and private sources, are being encouraged, or are themselves becoming enthused, about building their domestic cattle industries toward an export trade, mainly to the United States. This is so obvious that the Committee need not be burdened with further documentation. American stockmen are fully aware, by the way, that many countries have had to invoke "meatless" days for their own consumers so they could have meat for export!

PL 88-482 is a prime example of how Congress recognized that the stability of a domestic industry had to be protected against rapacious thrusts from foreign OR domestic interests which had little concern for the health of the USA livestock industry or the stability of our total supply of such a basic commodity as meat.

PACKERS NOT SEEKING DOMESTIC LEAN BEEF

3. Much of the problem over meat imports came about because U.S. meat packers discovered a neat way several years ago to shift their labor costs to foreign shores. The cost of skilled labor, particularly of carcass boners, was rising rapidly in the domestic meat industry. No longer was it profitable or feasible for packers to seek out "two-way" animals which could go directly to dry lot feeding of grains or to slaughter from pasture. These cattle had furnished much of this nation's supply of lean beef for manufacturing into weiners and other sausages, soups, etc., or blending with fat from grain-finished animals, or for

the increasingly popular "hamburger". It was cheaper to buy this kind of meat on the World Market. Some establishments ceased boning altogether and let their skilled employees resign, retire or disappear by attrition. Not only has the nation suffered an almost irreparable loss in this area of skill, but the action forced the livestock industry into a whole new pattern of operation.

The cattle formerly going to slaughter from pasture are now going into feed-lots for further finishing on grains into the kinds of beef already abundantly available as steaks and roasts. This further contributes to the production of fat which must then be blended with lean, manufacturing beef so that it becomes economically useful. Which, of course, means a desire for more imported lean beef. Yet, this cycle could easily be interrupted and reversed by legislated discouragement of major dependence on sporadic imports of lean beef. This could encourage domestic packers to actively bid on the vast numbers of "two-way" cattle which are and can be produced on this Nation's range and pasture lands suitable for no other use.

There are five major points included in HR 9475 and other similar measures to "tidy up" PL 88-482:

1. *Eliminate "Override" on Quotas.* No one could foresee the impact of delayed or speeded-up ship movements, the vagaries of statistical reporting through various departments of government, or the later revisions in statistics caused by the amounts of meat condemned or refused entry upon arrival here. Thus the import quota law allowed a 10% "flex", or override, over the actual quota before further shipments were curtailed. This has been far too lenient. The new legislation seeks to have the quota invoked on the exact amount established for that year or period. No longer can other nations aim at, say, 101%, 106.5% or 109.999% of a quota. They will have to gear their exports to an exact, known figure, which should help to stabilize their output and our own domestic industry's growth.

2. *More Realistic Base Period.* Another area needing change is that of the base period for figuring imports. The law calls for the import levels during 1959 through 1963 to be used as the base. This includes the *abnormally* high import year of 1963 and does not, then, recognize the more realistic, long-term, average offered by a 1958-1962 base period. We have not, of course, been required to invoke a quota since the law went into effect on January 1, 1965, simply because the base period was so generous as to make a quota meaningless to most exporting nations—their level of output was more normally geared to something near the averages for 1958-1962.

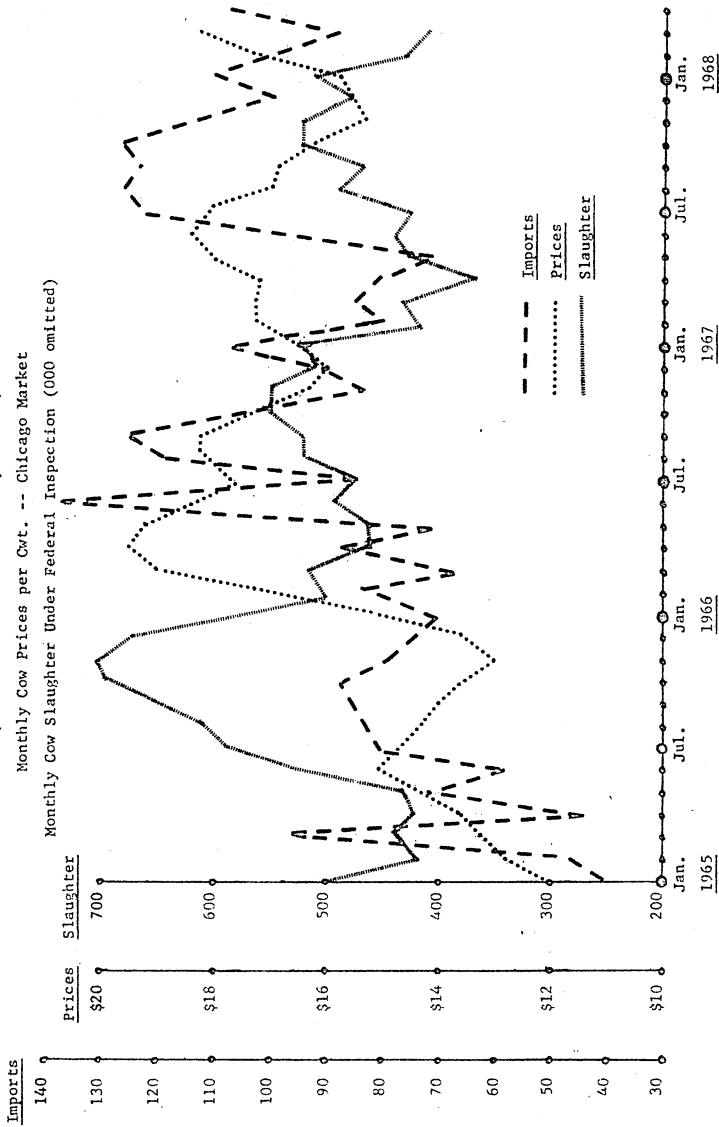
3. *Quarterly Quotas.* A yearly quota also seems necessary simply because of inexperience. However, the accompanying graph and tables clearly illustrate that few if any exporting nations are gearing their shipments to the time of light supplies of our manufacturing beef, in this case represented by domestic cow slaughter, and to avoid the traditional, seasonal marketing patterns for domestic cattle. Therefore, a quota allocated by quarters is almost mandatory to help the exporters—and the importers—police themselves. Most of the meat shipped to the United States is frozen; another few days in storage should make little difference. Further, balanced shipments throughout the year would tend to help stabilize the income of stockmen, here and abroad, while avoiding the ups and downs in supplies here which seemingly confuse consumers a great deal.

4. *Include Canned, Cooked and Cured Meats.* One of the most serious loopholes to be closed is that only fresh, chilled or frozen beef, veal, mutton and goat are included in PL 88-482. Congress reasoned in 1964 that the canned, cooked or cured imports were minor parts of total meat imports. However, Congress has since learned how ingenious some nations become, particularly regarding Colby Cheese and other dairy products, in avoiding the intent of our laws. There is nothing in PL 88-482 which would deter a nation from cooking, canning or curing its excess exports, above and beyond its quota allotments, and shipping them to us with a completely straight face.

5. *Include Military Offshore Purchases.* Another feature of H.R. 9475 that makes good sense is that of requiring, under certain circumstances, that offshore meat purchases of our Armed Forces be included in the amounts considered toward the quota. Domestic military purchases, of course, must be made of domestically produced and humanely slaughtered and inspected meat, just as each of the inter-state transactions must be, for public protection. We do not suggest in any way that the military effort in any area be hampered, but we do insist that any foreign meat purchases by our military be counted against the total quota. After all, that meat was being diverted from some nation's

CHART NO. 1

COMPARISON OF: 1/
 Monthly Meat Imports Subject to P.L. 88-482
 (mil. lbs. -- carcass wt. equivalent)
 Monthly Cow Prices per Cwt. -- Chicago Market
 Monthly Cow Slaughter Under Federal Inspection (000 omitted)



1/ Prepared by the American National Cattlemen's Association, Denver, Colorado, May, 1968.

domestic demand, depriving their own disadvantaged, at the expense of a market for U.S. produced meat, returns from which could assist in building up local, rural communities . . . and the citizens who depend upon that revenue.

VIGOR OF DOMESTIC CATTLE INDUSTRY PARAMOUNT

Americans must soon decide whether it is more important to provide a profit for a few U.S. meat importers, escaping most local taxes and the hiring of American labor, or that it must preserve the vigor and well-being of the domestic cattle industry and the millions who depend upon it.

The need for reasonable protection for our basic, domestic meat supply has not changed. What is needed are changes in our ground rules to enable the domestic industry to more precisely predict and plan for the future. We can never become dependent upon meat supplies from other shores. We therefore must limit and regulate the exporters—and our own thoughtless importers—to serving us what we need, rather than giving them a free rein to send what they want, when they want, where they want or how.

TABLE 1.—MONTHLY BEEF AND VEAL IMPORTS ¹

[Pounds, in millions, carcass weight equivalent]

Month	1965 (pounds)	1966 (pounds)	Percent change	1967 (pounds)	Percent change	1968 (pounds)	Percent change
January.....	41,767	79,790	+91	113,622	+42	121,719	+7
February.....	53,659	87,314	+63	88,010	+1	108,773	+24
March.....	100,029	68,364	-32	93,092	+36	95,110	+2
April.....	52,637	88,918	+69	84,573	-5	-----	-----
May.....	84,604	72,380	-14	77,956	-8	-----	-----
June.....	73,843	139,981	+90	104,102	-26	-----	-----
July.....	89,793	92,633	+3	134,790	+46	-----	-----
August.....	95,667	131,957	+38	137,075	+4	-----	-----
September.....	97,107	137,849	+42	140,676	+2	-----	-----
October.....	98,828	126,349	+28	140,191	+11	-----	-----
November.....	88,438	98,848	+12	121,731	+23	-----	-----
December.....	84,192	99,403	+18	105,441	+6	-----	-----
Total.....	960,564	1,223,786	+27	1,341,259	+10	-----	-----

¹ Prepared by the American National Cattlemen's Association, Denver, Colo., May, 1968. (Includes fresh, frozen, pickled cured, prepared, or preserved and beef sausage.)

TABLE 2.—BEEF AND VEAL IMPORTS

[In millions of pounds]

Product and year	Imports by country of origin and product weight										Total imports			
	Canada	Mexico	Argentina	Brazil	Denmark	West Germany	Poland	Nether-lands	Ireland	Australia	New Zealand	All other	Product weight	Carcass weight equivalent
Beef and veal: ¹														
1962	19.4	59.3	55.9	17.2	7.7	0.4	0.4	0.1	70.7	441.7	213.6	81.1	967.5	1,440
1963	17.2	73.0	87.4	10.9	6.1	.2	1.1	.1	72.9	517.0	235.7	100.8	1,122.4	1,677
1964	28.8	48.9	54.4	10.4	.1	(2)	.1	(2)	20.1	377.1	168.1	92.4	800.4	1,085
1965	71.4	46.3	54.8	24.7	.2	.1	.1	.1	7.8	307.4	103.6	84.6	701.1	1,042
1966	57.2	57.1	80.5	18.3	.1	(2)	.1	(2)	38.4	404.1	145.0	92.4	893.3	1,204
1967 ³	26.7	47.8	108.3	9.6	.1	(3)	(2)	(2)	80.6	425.6	170.9	103.4	979.0	1,328

¹ Includes quantities of other canned, prepared, or preserved meat n.e.s., assumed to be mostly beef.² Data are preliminary.³ Not available.

The CHAIRMAN. Are there any questions of Mr. House? Mr. Ullman.

Mr. ULLMAN. Mr. House, you made a very articulate statement and we appreciate hearing your views. I would like to commend the Cattlemen's Association for its program of a voluntary cutback. I think that you have demonstrated that you are trying to get, on a voluntary basis, to the heart of your problem and I think you have been quite effective in doing it.

Mr. House, it is your position that Public Law 88-482 was a good, sound, basic law, is that correct?

Mr. HOUSE. That is correct. We have operated under it and we think that it is on the right road.

Mr. ULLMAN. It was my pleasure to work with Mr. Keogh, and Mr. Carrothers, and the others in the industry in accomplishing that law. It was, as you well know, a tough, hard battle. It was breaking new ground. The experience that you had is that it has been effective but now needs some modification, is that right?

Mr. HOUSE. That is correct. One modification we seek is to even out the flow so that we can plan our business more effectively. We find a small variation in our business affects us disastrously at given times and we have to be very careful in planning our business ahead for the long run and we would like to have shipments smoothed out.

You realize that both quarterly reports and holding the thing down so that no more than one-fourth of a year's supply can come in in any quarter and also getting rid of the 10-percent override would both help us plan our business and help our voluntary program no end because we could do a lot better planning in our business and try to meet the demands a lot better if we knew exactly what was going to come in under this law.

Mr. ULLMAN. Have you listed your recommendations pretty much in the order of priority as you see them? I notice your first point is the elimination of the override on quotas.

You think this is probably the most central part of your package?

Mr. HOUSE. It worries us because there is a 10-percent gap and we never know whether it is going to come or isn't going to come, and it has been used a time or two already and it keeps us upset all the time. The others are listed from pages 7 through 9.

Mr. ULLMAN. Yes, You have as the second a more realistic base period and you are eliminating 1963 from the base.

Mr. HOUSE. We would like to eliminate it because it was extraordinary.

Mr. ULLMAN. And then the quarterly quota provision. Then No. 4 would be including canned, cooked and cured meats and No. 5 would be military offshore purchases. Those are pretty much in order of priority as you see them?

Mr. HOUSE. Yes, I would say they were. There might be some opinion to the contrary but I would say basically that is correct, that they are in the order of what we need in order to properly plan our own business.

Mr. ULLMAN. Well, I just want to conclude by saying that I know a lot of ranchers personally in my area. I know the problems that they are having and I know that this is just one of a whole series of problems but it is one that keeps plaguing us year after year. You

are attempting to solve some of the other problems yourself in your voluntary cutback program.

We have marketing problems, as you well know. There is very little relationship between the price you get for cattle and the price of beef in the marketplace but there are a lot of reasons for that too.

I am very much interested in finding some way, and there is no easy answer, of getting better bargaining power in the marketplace for the cattle producer. I think it is a very basic industry. I think it is true you operate in every State in the Union. Is that right?

MR. HOUSE. That is correct. We operate in every State in the Union and 35 States have over a million cattle within the State, so we have 35 States that are materially affected economically by the cattle business and we have operators in all States in the Union.

MR. ULLMAN. In my district, which is larger than any State east of the Mississippi River, we have always produced a lot of cattle but I noticed in recent years there has been a great increase in production in the Eastern and Southern States.

Which is the largest cattle producer now?

MR. HOUSE. The largest cattle producing State is Texas, almost twice the production there as any other State.

MR. ULLMAN. And then what would some of the others be?

MR. HOUSE. Then you drop into Iowa, a heavy feeding State, and you drop into Kansas and Nebraska and in the central midwest where there is both production of cows and calves and heavy feeding. Then you go to California where they have had a lot of feeding and some production and about on that basis.

Then you back off into the Southeast and you have some real heavy States in Louisiana, Mississippi, and Alabama, and it is moving into Georgia and of course Florida has a lot of cattle.

MR. ULLMAN. If you eliminated the feeders probably the South would rank much higher in basic production, wouldn't it?

MR. HOUSE. Definitely the South is subject to development further in the cattle business and in the beef producing business, more so I would say than my area or yours.

MR. LANDRUM. Would you yield?

MR. ULLMAN. Yes.

MR. LANDRUM. I didn't catch that last statement. Please repeat it, if you will, Mr. House.

MR. HOUSE. The Southeast is more subject to further development in the cattle business than perhaps the Midwest or the Far West. We feel that the great opportunity for the future and for future development is in cow herds in the Southeast and perhaps eventually even feeding of cattle.

MR. ULLMAN. Thank you very much.

The CHAIRMAN. Any further questions? Mr. Betts.

MR. BETTS. Mr. House, I want to personally compliment you on your statement. I think it is very effective and I think you raised some points quite well that haven't been touched on too much, labor protection from immigration, but particularly I wanted to direct your attention to some questions that our colleague, Mr. Battin of Montana, left for me to ask you.

He had to go back to Montana on some important business and asked if I would submit a couple of questions to you for the record.

'As you know Mr. Battin is very much interested in the cattle business.

Mr. HOUSE. Yes.

Mr. BETTS. He asked me if I would present these questions to you.

First, what effect does the importation of low quality boneless beef have on the price levels of U.S.-produced fed beef? He points out that importers claim there is no effect on our price levels because the qualities are different and they need lean beef to blend with fat.

We say that beef is beef, whatever the quality, so imports are directly competitive and do depress domestic cattle prices.

Would you care to comment on that?

Mr. HOUSE. Yes, I would. That has been a misleading statement and I realize that the people that don't understand the beef business make some statements from time to time and do it honestly, but 25 percent of a choice steer is sold ground.

You see, we are the only place in the world, the only country in the world, that developed a ground beef business. You can travel in Europe and England and those places and go to Australia and New Zealand and they won't offer you ground beef.

We developed that market. It is peculiar to the United States and it developed into a great market because it has a tremendously high value as food and it gives all the people in the United States an opportunity to eat beef which other countries don't have, so I want it made plain that it competes directly with fed beef and is directly competitive with the dairy interests and the beef producing interests with their own cows that have been discarded after production life is over, and I don't want to let that stand and have people think for a minute that one type of beef doesn't compete with another because it does.

It is all on the market at the same time. You can go take your choice and we are real proud of the hamburger market in the United States because we developed it and it is very difficult to buy hamburger anywhere else in the world except a few little shops that specialize and talk about the U.S. hamburger, and why they don't do it I don't know.

In fact that worries me. Why don't other nations develop their own markets and feed their own people as well as we feed ours?

Mr. BETTS. The second question was I understand that the American National Cattlemen's Association has a voluntary program to improve beef prices.

What is the nature of this program and what effect does imported beef have upon the success of your program to improve cattle prices?

Mr. HOUSE. We have two programs going. One is a guidelines approach that tries to help our people plan for the future, and necessarily we try to incorporate into this all the information we can get to help a cowman plan because in a cow-calf program you have to plan from 5 to 10 years ahead of time so we have this guidelines program going and we are coming out with a monthly review of the world beef situation and what we can expect in the United States and trying to keep it from producing when people don't want it, and the minute there is any indication that they want more beef in the United States we want to be in a position to say now turn loose and go.

We have a second program for the cattlefeeders and it has been at this time to hold up on the tonnage 5 percent. We also have a cattle

facts program which will be initiated this fall trying to give our people the best marketing information in the feedlots that they can possibly have.

We think it will be equal to the information that purchasers have. We hope it will be, and in that manner we will better be able to market our cattle, but I think you should know that unfortunately we have had to ask your people not to increase cow herds for 4 years to cut the tonnage and the feedlots 5 percent in order to hold production in check, and people are responding to some extent.

Now, cheap grain will tempt people to feed more cattle and we have a real problem trying to face the cheap grain problem.

Mr. BETTS. Thank you.

The CHAIRMAN. Any further questions?

If not, we thank you again for coming to the committee. You have been very helpful to us.

Mr. HOUSE. Thank you.

(The following letter was received by the committee:)

AMERICAN NATIONAL CATTLEMEN'S ASSOCIATION,
Denver, Colo., July 9, 1968.

HON. WILBUR D. MILLS,
Chairman, House Ways and Means Committee,
House Office Building, Washington, D.C.

DEAR MR. MILLS: Mr. Bill House, President of the American National Cattlemen's Association, presented testimony to the Ways and Means Committee on June 24, 1968, in support of H.R. 9475.

As a follow-up, we felt it would be helpful to you to have a brief explanation of the proposed amendments to the Meat Import Act of 1964 (Public Law 88-482), so enclosed is a summary of them for your information.

If we can be of further assistance to you, please let us know. Meanwhile, we hope that the Ways and Means Committee will take early favorable action to report H.R. 9475. Thank you.

Cordially,

C. W. McMILLAN,
Executive Vice President.

Brief explanation of amendments to the Meat Import Act of 1964 (PL 88-482) as contained in H.R. 9475 and S. 1588 and related bills

1. *Eliminate the 10 percent "over-ride" on quotas*

The present law has a "trigger point" which is 10 percent above the actual quota level. We feel that the "trigger point" should be the quota in order to close an obvious loophole inasmuch as importers could bring in as much as 109.999 percent of the quota without "triggering" the quota. This also would provide an opportunity for better planning on the part of importers and the exporting nations should they mis-calculate. A sharp scale back on their part would be needed if the quotas were imposed and they had to fall 10 percent below the present "trigger" level.

2. *Adjust the base period years to 1958-62 from the 1959-63 base as contained in the law*

This would eliminate the very high import year of 1963 and establish a much more realistic base from which to apply the factor establishing any quotas. If this were done, the quota would be based upon approximately 6 percent of U.S. production, rather than 6.7 percent or an adjusted base of approximately 20 percent under the law as written.

3. *Quarterly quotas*

Sharp fluctuations exist in imports coming into the United States. This graphically is illustrated in the accompanying chart. If quarterly quotas were obtained, this would mean a much more stable level of imports coming into the United States. This also would mean that the imports arriving in greater quantities

in the third quarter would not fall directly upon the heavy season of cow marketings existing in the United States during the same period. The coincidence of the opposite seasons from the United States in New Zealand and Australia is a complicating factor which we think points up the need for quarterly quotas.

4. Canned, cooked and cured meats should be included in the quotas

We feel that an obvious loophole exists here because the identification under the TSUS schedules can be circumvented by placing a fresh or frozen product in an air-tight container so as to bring it in outside the quota of fresh, chilled or frozen. In 1967, canned, cooked, and cured meats accounted for 189.7 million pounds (carcass weight) which equates into approximately 1.0 percent of U.S. production. Through April, 1968, the latest period for which figures are available, imports of canned, cooked and cured beef, veal and mutton are running at 71.7 million pounds (carcass weight) or approximately 38 percent ahead of the same period of 1967.

5. Off-shore purchases for the military should be included as a part of the quota

The "Buy America" Act states that food and other items for the military purchased through appropriated funds should be purchased in the United States. There is an exemption for the purchase of some items in combat zones. This was illustrated by a contract on the part of the military to buy 10 million pounds of lamb from New Zealand and Australia in 1967. Although, to our knowledge, no beef has been purchased for the troops in combat zones, we feel that because of the "Buy America" Act, in case there are any purchases of foreign beef, it should be counted as imports, thus counted toward the quota.

The CHAIRMAN. Mr. Lundquist. Mr. Lundquist, if you will identify yourself for our record we will be glad to recognize you, sir.

STATEMENT OF JAMES H. LUNDQUIST, COUNSEL, MEAT IMPORTERS' COUNCIL, INC.; ACCOMPANIED BY JOHN E. WARD AND MARVIN T. GIBSON

Mr. LUNDQUIST. I will, Mr. Chairman. Mr. Chairman and distinguished members of the Committee on Ways and Means, my name is James Lundquist. I am a partner in the law firm of Barnes, Richardson & Colburn and I appear this morning on behalf of the Meat Importers' Council, which is a trade organization composed of 71 concerns whose membership represents in excess of 85 percent of all fresh frozen beef imports into the United States.

With me today are Mr. John Ward, president of the Tupman Thurlow Co., of New York City, and Mr. Marvin T. Gibson, former senior vice president and now director-consultant of Interational Packers Ltd., of Chicago.

The CHAIRMAN. We are glad to have you with us this morning, Mr. Lundquist, and those at the table with you. You are recognized, sir.

Mr. LUNDQUIST. At the outset let me state that our members constitute an integral part of the U.S. meat industry. As major exporters of U.S. meat products, we are concerned about the plight of the cattleman, the farmer, and especially, the consumer. It is believed that reasonable consumer prices can be maintained at the same time judicious raising, feeding, and manufacturing procedures enable prudent cattlemen and businessmen to increase returns based on an ever-expanding and more affluent American consuming public.

If I may leave my statement for a moment, I would like to say that the Meat Importers' Council supports those provisions of H.R. 17551 which are designed to bring about an extension of this country's liberal trade agreement policy and negotiating authority.

However, the Meat Importers' Council is opposed to all quota proposals for meat imports. We urge that no changes be made in the existing quota system which has proved to be perfectly workable and is a sensible control over the meat trade.

The bulk of U.S. beef production is used to produce high-fat content steaks, roasts, and similar table cuts. To market such products, American cattle and large numbers of imported live cattle, are fed on a concentrated grain diet immediately prior to slaughter.

Conversely, imported fresh, chilled, and frozen beef, already subject to the 1964 quota statute, contains only about 10 percent fat content. Such meat is basically used for manufacturing purposes and does not compete with grain-fed beef. It does, however, provide a product which supports prices paid for grain-fed beef trimmings.

Because of the sharp decline in the U.S. cow production, which formerly provided a major manufacturing source, such meat must be imported in greater volume. Availability of U.S. manufacturing beef has been reduced from 42 percent of total supply in 1954 to about 22 percent in 1967. Higher milk yield, the longer productive life of dairy cattle, and improved animal husbandry result in lower availability of such meats. Beef cows are culled less frequently in order to produce additional calves for eventual use in obtaining table beef.

Fed cattle prices are firm with higher prices reflecting increased demand expected to continue this year. Choice steers at Chicago in February averaged more than \$3 above a year ago. At the same time, U.S. Department of Agriculture reports forecast an increase in the slaughter of fed cattle while 1967 cow slaughter in federally inspected plants is expected to reflect a decline of about 10 percent. Cow slaughter again this year is expected to decrease while the number of dairy cows on farms continues to diminish.

A principal outlet for imported boneless beef is in the production of hamburger and ground beef. Such products are manufactured by processors and retailers in combination with fat trimmings from domestic carcasses.

These trimmings are not salable as steaks, roasts, other table cuts. These trimmings mixed with lean meat, whether it is imported or domestic, support overall price structures and, at the same time, allow Mrs. Housewife to purchase tasty, wholesome meat at low prices. Hamburger has become a basic American food product and finds its major market in low-income areas.

If I may leave the text again, Mr. Chairman, I would like to suggest that a stop at any drive-in restaurant or snack shop or school or college cafeteria will absolutely verify that tomorrow's leaders, the students of today, with increasing care and understanding, understand the nuances of pressure groups versus the needs of the multitudes. They cannot withstand another unnecessary bite out of their hard-won feed and sustenance allowances. The student food is the hot dog. It is the hamburger.

Because the same may be said of the senior citizen living on social security and fixed income pensions, your action on meat quota bills I submit may turn out to be the most far-reaching trade policy decision of this Congress.

Curtaiment of the supply of lean meat shipped predominantly from Australia, New Zealand, and Ireland will precipitate shortages

and raise retail prices, without any affirmative effect on the imbalance in prices for steers as alleged by cattlemen.

On this basis alone the pending meat quota bills should be rejected.

Reports that meat imports rise and fall unpredictably and drive down all red meat prices in the United States are incorrect. We do not believe that the so-called peaks and valleys occur just with imports. They occur everywhere as is demonstrated by the fact that total U.S. supplies and total U.S. commercial beef production necessarily rise in response to high demand. This is particularly true in consumption of hamburger, frankfurters, and similar products during the outdoor cooking season which extends from about May to September in the North and Northeast and from April to November in the South and west coast areas.

Accepting the fact that the volume of all meat supplied, including imports, experiences ups and downs, such movements are not meaningful if they are (a) predictable, and (b) have no negative effect on prices.

A review of official USDA reports shows that peaks and valleys which exist in the meat industry are generally predictable, do not have any negative effect on prices, and cannot be related to imported meat. Imported manufacturing meat and domestic cow meat do not affect prime meat pricing. The average prices paid for choice steers since the effective date of the present quota system, Public Law 88-482, were \$23.12 in 1964, \$26.19 in 1965, \$26.29 in 1966 and in 1967, \$26.04 per hundredweight. Monthly reports for 1968 indicate the following significant trends: January, \$26.76; February, \$27.34; March, \$27.75; April, \$27.49, for an average so far this year of \$27.34 per hundredweight. In the case of manufacturing meat, average utility grade live prices were: 1964, \$13.74; 1965, \$14.46; 1966, \$18.02; 1967, down slightly to \$17.52 per hundredweight; and during the period January through April of this year: \$16.35, \$17.98, \$19.09; and in April, a 10-year high of \$19.88 per hundredweight, for a 4-month 1968 average of \$18.32 per hundredweight.

It is I believe fair to assume that any damage to the cattlemen and feeders resulting from fluctuations in domestic supply and imports—predictable though they are—should be reflected in price structure. But what has happened since 1964? Choice steer prices, on an annual average, have risen by 12.7 percent since 1964 while prices for utility grade manufacturing beef, directly competitive with imports, have gone up 27 percent. It cannot be said that imports have destroyed any real chance for profits.

Since peaks and valleys have been raised as the "bogeyman" let's take a look at imports during the first 3 months of this year, at which time average prices for choice and manufacturing meats were reaching high levels within the existing quota system. During the period January to March 1968, fresh frozen bone-in and boneless beef imports were 193.3 million pounds, as opposed to about 181.2 million pounds during the same period in 1967. But average prices for all beef reached near record levels.

Again I would like to leave my text. Our brief will document the fact that the highest peaks in meat availability and the deepest valleys in beef supplies occur in domestic production, not imports.

Furthermore, such domestic conditions do most emphatically affect U.S. price structures for all beef. On the other hand, fluctuations in fresh frozen beef imports cannot have any significant effect on market prices at the time of entry through our ports because in 90 cases out of 100 that meat was sold, yes, priced and sold, prior to the time it left the country of origin and in fact over 60 days or more leadtime is required to bring manufacturing beef into this country.

Such meat is not generally exported prior to an actual sale. Allegations that peaks in the form of several meat refrigerated ships arriving at U.S. ports at one time disrupt this market are in our opinion pure bunk.

If indeed there is any hardship due to imports, which I doubt, perhaps the cattlemen should consider another factor, such as increased imports of live cattle.

MIC members are doing their very best to assure that imports relate only to domestic demand and not to any external force. We have, over the past year and, in fact, ever since the import quotas and the Tariff Commission investigation, cooperated by controlling import supplies to moderate all shipments on a supply and demand basis. We know that the fate of our entire meat industry determines the fate of the meat import segment of that same industry.

But what about the U.S. cattleman?

There is presently no absolute quantitative restriction on imports of live cattle, and we do not support one. However, live cattle imports have consistently accounted for 2 percent to 3 percent of U.S. consumption. Since 1960, imports have averaged over 900,000 head annually. The vast majority of these fall into the 200-699 pound range suitable as "stockers" or "feeders" to be placed on market feedlots and to compete directly with the produce of American cattlemen. The Tariff Commission estimates that three-fourths of the animals weighing between 200-699 pounds are placed on feedlots. Apparently certain interests have no objection to these types of imports, from which they profit.

Since enactment of Public Law 88-482 in 1964, live cattle imports from Canada and Mexico have risen. According to Bureau of Census Reports, live cattle imports in March 1968 were up to 98,689 head from 60,233 during March 1967—a whopping increase of 64 percent. Comparing the period January to March, 1967-68, the figures were up 39.5 percent from 160,251 to 224,122 head. With this situation one might ask: What are importer-feeders doing to help the cattlemen? It may be that the importation of live cattle helps keep some feeders going strong, but by increasing the supply of cattle on feed, without increasing the return at the ranch, what benefit do U.S. cattle raisers find in an exploding output at the feedlot since any such increases on the number of cattle are from outside the U.S.A. We submit this is no benefit to raisers, least of all to the cattle farmer.

The Meat Importers Council also opposes any attempt to place imports on specific allotment under Public Law 88-482 or any other law. We have demonstrated that alleged price and supply problems blamed on so-called unpredictable peaks and valleys are without basis in fact. To further restrict import levels, or enforce periodic limita-

tions within the quota, would only create an artificial market with the consumer being the one who would suffer. If domestic manufacturers, for example, were required to slaughter only a specific number of head each month, or quarterly period, and imports were required to enter for consumption, specific amounts for storage in costly and largely unavailable storage space, without regard to supply and demand, the cost would skyrocket down the line; however, ranch and farm profits we submit would remain untouched by the exercise. Administrative burdens created by such a proposal would raise Government inspection and customs clearance costs needed to police the market. Storage and handling costs would drive up the costs to manufacturers to the point where low-income families might be prompted to turn to meat food substitutes. Would the resulting surplus of high-cost, high-storage cost meat help anyone? Of course not.

Again I would like to step aside from the text and say that the Meat Importers Council endorses the conclusions reached by the President's Special Assistant for Consumer Affairs, Miss Betty Furness, which were presented to this committee on June 10.

New or modified meat quotas will be paid for by the consumers, poor, middle class, and rich, and lamentably I believe in that order.

Dependable supplies of manufacturing beef have helped stabilize average retail prices paid by consumers for hamburger meat, frankfurters and sausage products, while prices paid for round steak and roasts continue to rise. Any further restrictions on total supplies of manufacturing meat might raise retail prices by 20 to 50 percent and thereby as we have said, deprive consumers of reasonably priced basic meat food products. A new quota would be inflationary and contrary to the national interest.

We believe that special interests can no longer afford positions which do not take into account the needs of the entire American community. To put tighter annual restrictions on imports or to compartmentalize heretofore normal business and farm cycles would be disastrous.

For all of the foregoing reasons it is respectfully urged that Congress should reject the additional restrictions on meat imports contemplated by H.R. 9475, H.R. 9903, and similar proposals.

Mr. Chairman, I wonder if this brief that was prepared could appear in the record following this oral presentation.

Mr. ULLMAN (presiding). Without objection it will be made a part of the record at this point.

(The brief referred to follows:)

BRIEF OF THE MEAT IMPORTERS' COUNCIL, INC.

INTRODUCTION

The Meat Importers' Council, Inc. of New York, New York (hereinafter called the MIC), is a nationwide trade association chartered under the laws of the State of New York. Membership includes 71 organizations accounting for more than 85 per cent of fresh chilled or frozen beef, veal and mutton imports. Members from affiliated industries include meat and food processors, brokers, port authorities, warehousemen, truckmen, and steamship companies, all of whom have a vital interest in meat and meat food products, particularly imports. A number of our members export substantial quantities of U.S. meat products.

This brief is submitted to register MIC opposition to H.R. 9475, H.R. 9903, and other bills which would place additional restrictions on imported meat.

Since this industry began operating under a quota system in 1964 (Public Law 88-482), it has been concerned with the problems of maintaining adequate supplies of meat and meat products while attempting to maintain an orderly United States market. Meat importers engage in keen competition dictated by ordinary market demands, and constitute an integral part of the United States meat industry.

The existing quota system assures that imported meats covered by Public Law 88-482 cannot exceed a small percentage of total domestic supply. The record shows that the present law is adequate and workable. Domestic cattlemen, feeders, packers

and meat food product manufacturers cannot attribute alleged industry problems to import volume.

A full and complete review of facts surrounding U.S. production, imports of fresh chilled and frozen meats, importation of live cattle, indiscriminate feeding practices, and the continuing needs of the consuming public, will prove that the present quota is adequate and that additional artificial barriers to free trade in meat products would be contrary to the national interest.

I

IMPORTED FRESH FROZEN BEEF
DOES NOT DISPLACE OR COMPETE
WITH DOMESTIC, GRAIN-FED MEAT

Allegations that imported fresh chilled and frozen manufacturing meat forms a basic threat to the United States cattle raisers, feeders and farmers, are clearly incorrect. Beef, by far the largest volume import, represents a small but very necessary portion of the total United States supply of meat. ^{1/} While almost all imported beef is used for manufacturing purposes, most domestic beef is grain-fed and uneconomical for manufacturing use. ^{2/}

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- 1/ In its presentation to the Senate Finance Committee October 20, 1967, the MIC submitted a table illustrating the total supply of meat and poultry in the United States from 1950 to 1966. This exhibit, indicating trends up to and including the full year 1967, is attached hereto as Appendix I.
- 2/ Of all meats imported into this country, beef is by far the largest volume item. Public Law 88-482 (the present quota law) covers fresh, chilled or frozen beef, veal, mutton and goat. In 1967 the total quantity of these meats imported equalled 894,863,994 lbs., of which 826,336,809 lbs. was beef. Virtually all of this beef was of the lean, grass-fed variety with a fat content of only around 10% as compared to a fat content of around 25% in domestic, grain-fed cattle. (Poundages are official Bureau of Census figures.)

Table beef, classified as "Prime", "Choice", and "Good", consists of high quality cuts generally sold for use without processing.^{3/} The steers that eventually are used for table beef are fed on a concentrated diet designed to produce the tender, high-fat content meat generally associated with American high-quality cuts. Feeding occurs after American cattle raisers have shipped the animals to feedlots, generally at a weight of between 300 and 500 pounds. American cattlemen have concentrated on fed animals in order to obtain the highest gross return.

Manufacturing meat is not as tender as grain-fed meat and is much lower in fat content. Insufficient quantities of manufacturing beef are available in the United States which, of course, accounts for the growing volume of imported grass-fed beef, which is comparable to American "Utility", "Cutter", or "Canner" grades. These grades are used to manufacture processed foods and meat products such as hamburger, frankfurters, luncheon meats, and various sausages. Domestic lean beef and imported manufacturing beef may be used interchangeably by most producers and packers. Since United States cattle are generally fed and

^{3/} The official grades for slaughter cattle and for beef are (in descending order of suitability for table beef) Prime, Choice, Good, Standard, Commercial, Utility, Cutter and Canner. (United States Tariff Commission, TC Publication 128. June 1964, p. 6.) In Australia, the principal supplier of fresh frozen grass-fed beef, comparable classifications are 1st, 2d and 3d qualities. See statement of William Warwick Stenning, U.S. Senate Hearings, October 20, 1967, attached hereto as Appendix VI.

because the domestic cow and bull population is insufficient to fulfill the needs of manufacturers, imported lean, fresh frozen meats are essential to our economy.

Beef Consumption at All-Time High Level

Beef consumption in the United States has risen to an all-time high, with per capita consumption of domestic fed beef up to 71 pounds out of total 1967 beef supply of 106.1 pounds per capita. Of the 106.1 pounds, 100.4 pounds were attributable to domestic production. In 1966 the per capita supply of fed beef was only 66 pounds. Conversely, the total domestic supply of processing beef, including imports, declined from 16.2 pounds to 14.6 pounds per capita, a decrease of about 10% (Appendix II).

Clearly, then, the domestic cattle raiser and feeder should be in a better position to make profits unless this increased supply was brought about by other factors such as indiscriminate feeding practices. With total U.S. supplies of all beef and veal up to 21.8 billion pounds in 1967 (Appendix I) and per capita consumption of fed beef up to 71 pounds, while the total supply of processing beef declined, there is no reason for any further artificial restriction of the market through import quotas.

Prices Paid for All Grades of Beef Are Higher

The vast majority of importers and domestic users have long maintained that fresh frozen beef from abroad does not compete with United States products of higher grade. Imports do,

however, compete directly with domestic cow and bull beef, generally classified as manufacturing grade meat.

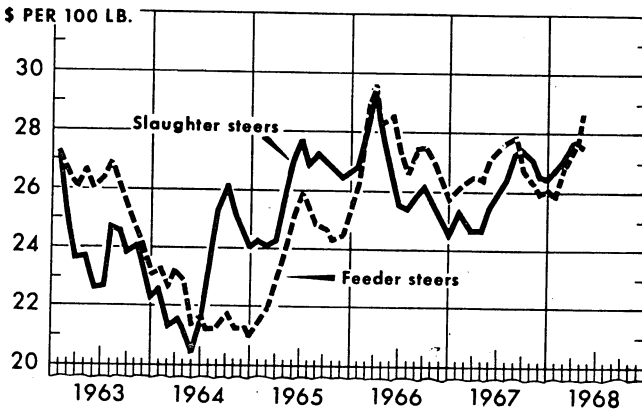
Examination of the current price structure in the United States, by grade rather than origin, shows a clear pattern of increased potential prosperity for all involved. United States Department of Agriculture reports of average utility grade prices at Chicago (Appendix III) show that the market in which imports compete is extremely healthy. In 1954, during which period there were virtually no imports, the average price per hundredweight was \$11.46. In 1957, the year in which fresh frozen meat imports began to grow, prices rose to \$13.61 and continued to rise throughout the 60's to a 1967 average of \$17.52. During the first four months of 1968 the average price paid for utility grade live steers at Chicago was \$18.32 per hundredweight.

The old argument that all sales of red meat deprive U.S. cattlemen and feeders of sales of choice prime beef and diminish their ability to work profitably, is illusory and totally unsupported by fact. Average prices for choice steers have followed fairly steady upward patterns while per capita consumption has increased sharply.

Average prices for choice steers during the years Public Law 88-482 has been in effect ranged from \$23.12 to \$26.04 per hundredweight on an annual average. Monthly reports for this year show an average for the first four months up to \$27.34

per hundredweight. The following chart shows prices for choice slaughter steers and feeder stock during the period 1963 - first four months 1968. The price patterns prove that imported meat does not injure the domestic meat producer.

TABLE 1
Steer Prices



SOURCE: U.S. Department of Agriculture
(Slaughter steer prices-Choice at
Chicago and Feeder Steers-Choice
550-750 lbs. at Kansas City)

II

UNITED STATES SUPPLIES AND CONSUMER
DEMAND FACTORS CONTROL IMPORT VOLUME

The production of meat is subject to many of the same external forces which affect agricultural commodities generally. Such factors as drought, unseasonably warm or cold weather, and other conditions, affect the ability of the farmer or rancher to deliver his cattle. The same is true of imports. It has been alleged that import fluctuations have a detrimental effect on the cattleman and feeder. It has also been averred that imports alone cause major problems. Such charges are incorrect.

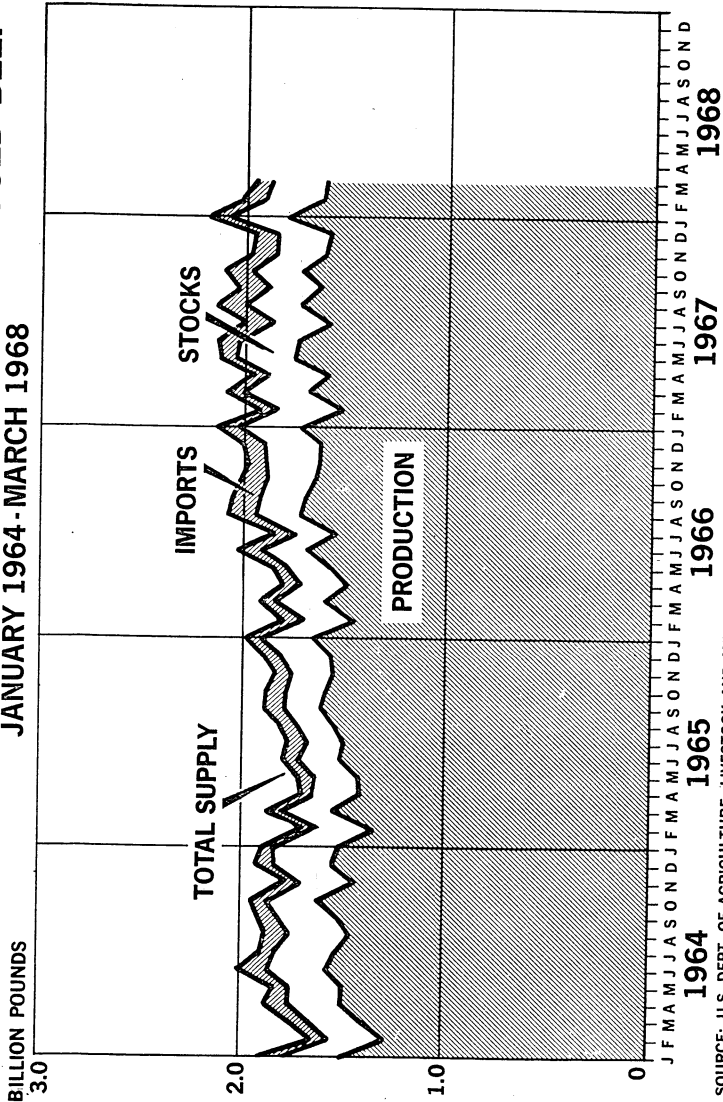
No one contends that variations in month-to-month imports are totally non-existent, but they do not approach the level of significance alleged and do not have any negative effect on total domestic supplies and prices. Peaks and valleys in total domestic supply, reflecting seasonal patterns and market trends, are ever present, as demonstrated by the following Table 2. Note that domestic production is the major factor. While stocks remain fairly consistent, imports, which of course do vary from time to time, merely follow the general pattern in the industry.

Import Share of U.S. Market Is More Stable
Than Domestic Supplies

Imports are small when compared to domestic production. Variations in the volume of domestic production are frequently four to five times greater than moderate fluctuations in the volume of imports. Demand for meat dictates the level of

TABLE 2

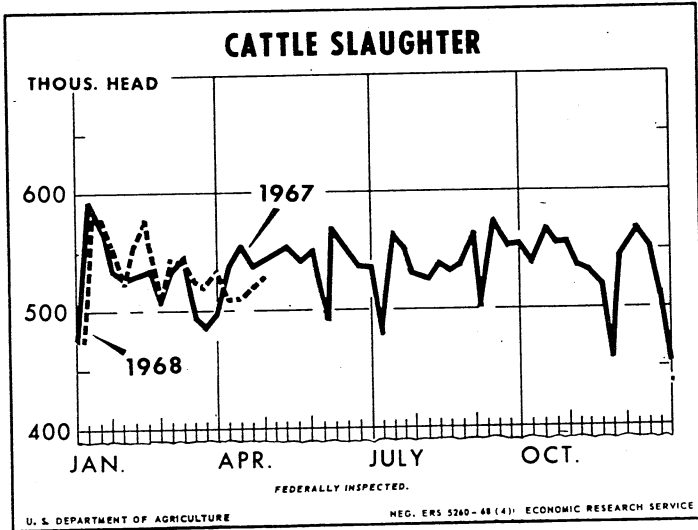
TOTAL SUPPLY OF U.S. COMMERCIALY PRODUCED BEEF **JANUARY 1964-MARCH 1968**



SOURCE: U.S. DEPT. OF AGRICULTURE, LIVESTOCK AND MEAT SITUATION

slaughter. The following USDA table indicates that cattle slaughter itself, if charted on a month-to-month basis, will show peaks and valleys.

TABLE 3



Import impact can only be measured in the context of total U.S. supply. Tables 2 and 3 reflect U.S. production of commercial beef. In 1967, import share of total supply ranged from a high of 6.8% of total supply to a low of approximately 3.5%. In terms of impact, this is a variation of only 1.65%

from the average of peak and valley. In 1964 the equivalent figure was 1.6%; in 1965, 1.35%; and in 1966, 1.65%. Table 2 clearly shows that the peaks and valleys in U.S. commercial beef supply are principally the product of peaks and valleys in U.S. domestic production. Such import variations as do occur are overshadowed in significance by these domestic variations.

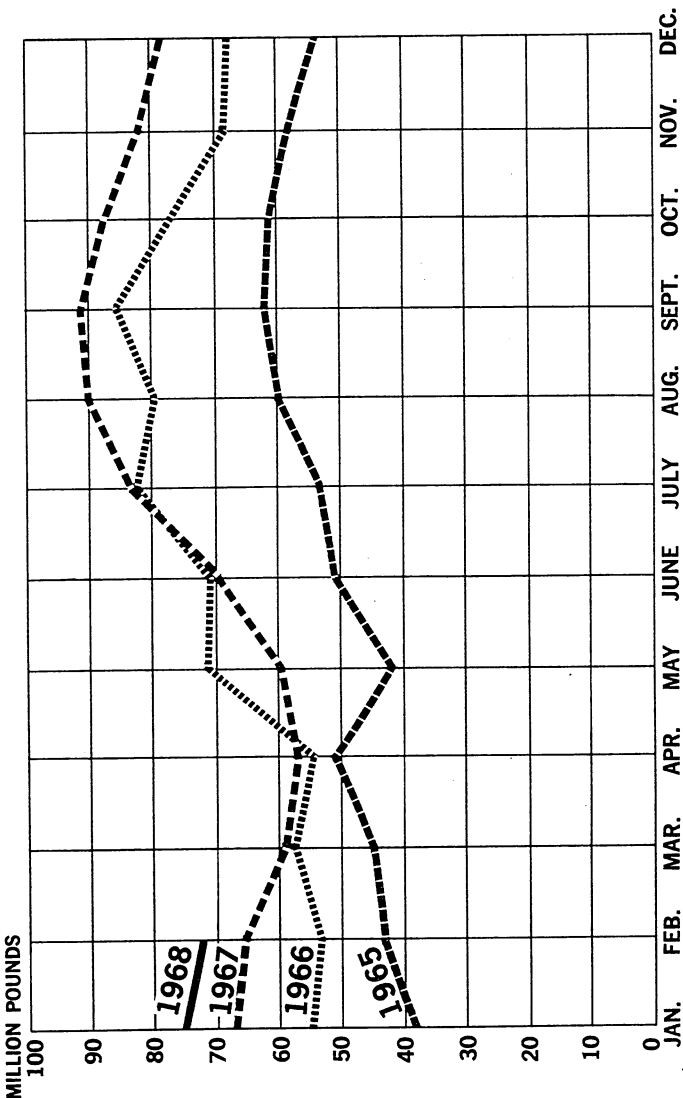
Some increases or decreases in import volume from month to month are unavoidable. Just as domestic cattlemen are subject to unpredictable forces such as weather, production in other parts of the country, consumer preferences, etc., the importer is subject to these and other variables, including delays in loading operations in supplying nations, storms at sea, strikes by longshoremen, and others, which, of necessity, cause movements in import supply. But, as Table 2 clearly shows, these variations are so small in relation to total U.S. supply as to be negligible. They are not unpredictable and follow a clear, annual, pattern, as shown in Table 4.

Import Patterns Result from U.S. Demand

Month-to-month imports are shown in Table 4 as a 3-month moving average. The moving average brushes away the insignificant peaks and valleys attributable to the aforementioned external factors, and allow the underlying predictable pattern to be seen more clearly.

TABLE 4

MEAT SUBJECT TO IMPORT RESTRICTION UNDER PUBLIC LAW 88-482
3-MONTH MOVING AVERAGE 1965-'67



SOURCE: CALCULATED FROM U.S. DEPT. OF AGRICULTURE, LIVESTOCK AND MEAT SITUATION

In each year, including 1967, imports follow increasing demand during the peak season ending roughly in August or September. Thereafter, during the final months of the year, volume decreases substantially. This annual trend is matched by similar movements in domestic production (See Table 2). However, major fluctuations in domestic production and supplies within a given year occur more often. Comparing three full years under the import quota law, imports have been more predictable than domestic supplies.

Trends charted on Table 4 are purely the result of demand. Since imports are used in manufacturing hamburgers, hot dogs and other convenience foods, it is reasonable that demand is highest during the summer and fall months when vacations occur and outdoor eating is at its height.

It has been established that peaks and valleys exist in domestic supply, that the variations in imports are small compared to variations in total supply, and that import highs and lows are generally predictable. Another factor is most significant. More than 90% of all imported fresh frozen meat is sold to United States customers prior to date of shipment from the exporting country. The impact of two or three vessels arriving in the United States on one day, even if not originally scheduled to arrive simultaneously, is therefore minimal. The exact date of arrival is a meaningless statistic in terms of impact.

Profits in any industry, and especially in livestock raising and meat production, must be related to a sound market

and reasonable production techniques. Indiscriminate placement of cattle on feed to take advantage of the seemingly most profitable table beef market, increased supplies and reduced profits. Imports have had little, if any, effect on this business. If prices are an indicator, then the meat business is, or should be, in a healthy state. With per capita consumption up, population up, and prices for both grain-fed and manufacturing meat at 10-year highs, profits should be attainable. If they are not, no reasonable basis exists for blaming imports. The domestic industry can solve these problems without tampering with the existing quota law.

III

LIVE CATTLE IMPORTS MUST BE
CONSIDERED AS PART OF U.S. CATTLE-
MEN'S OVERPRODUCTION PROBLEMS

Cattlemen and feeders want to talk about fresh frozen meat imports while not wanting to review crescive imports of live cattle entering our country from Canada and Mexico. These animals are basically destined for feedlot and ultimate use as grain-fed table beef. We have documented that imports of manufacturing meat compete in a market where volume is high and prices paid for both U.S. and imported products are steadily rising. Also, choice beef and steer prices are moderately higher and should ultimately, under prudent business practices, result in profits to the feeders. The importation of live cattle, for concentrated feeding, is a matter for careful consideration before stampeding toward new quota restrictions on fresh frozen meat imports.

1968 Live Cattle Imports Up Sharply

Bureau of Census reports on current live cattle imports show that short-term supplies are increasing. Since 1960 imports have averaged about 900,000 head per year. Most of these animals are 200 to 699 pound cattle, suitable as stockers and feeders, and compete with U.S.-raised cattle for space in American feedlots. In March 1968 such imports were up 64% over the same period of 1967 from 60,233 to 98,689 head. Comparing the first

quarter of 1967 with this year shows that imported live cattle rose 39.5% to 224,112 head from 160,251 head. Although price information is not readily available, it is fair to assume that whatever was paid to Mexican and Canadian ranchers for these cattle represented money that, regardless of the reason, did not go to sustain the U.S. cattleman's economy.

The United States Tariff Commission has estimated that live cattle account for two to three per cent of apparent U.S. consumption and that about three-fourths of all cattle imported weighing between 200 and 700 pounds are destined for placement on feedlots.^{4/} United States Department of Agriculture reports of live cattle imports show that, during the year 1967, 705,000 head of cattle were imported in the under 700-pound range. Other USDA estimates^{5/} show that meat equivalent of live cattle imports is husky and indeed must be considered as a factor in any intelligent approach to any quotas on the industry.

^{4/} Summaries of Trade and Tariff Information, Volume 1, Animals and Meats, TC Publication 250, 1968.

^{5/} U.S. Imports of Cattle and Beef Compared with U.S. Production, By Years, 1954-66, Tabulated by United States Department of Agriculture. See Import Quotas Legislation, Hearings Before the Committee on Finance, Etc., Part II, October 1967, p. 721.

TABLE 5

Meat animal imports: Number of cattle imported,
United States, 1954 to date ¹

Year	Cattle						
	700 pounds and over			Under 700 pounds			Total
	cows for:			Under	200 to		
	dairy	Other	Total	200	699	Total	
purposes:			pounds	pounds			
- Head -							
1954	17,633	46,798	64,431	2,872	3,377	6,249	70,680
1955	26,676	73,696	100,372	3,795	191,849	195,644	296,016
1956	24,364	14,038	38,402	4,419	97,984	102,403	140,805
1957	19,342	230,272	249,614	18,400	434,901	453,301	702,915
1958	20,841	311,724	332,565	16,811	776,837	793,648	1,126,213
1959	16,600	135,956	152,556	31,775	503,725	535,500	688,056
1960	20,618	80,496	101,114	33,852	509,584	543,436	644,550
1961	25,018	125,070	150,088	37,260	835,451	872,711	1,022,799
1962	15,515	108,937	124,452	66,240	1,041,564	1,107,804	1,232,256
1963	11,876	69,163	81,039	63,739	688,938	752,677	833,716
1964	13,963	47,657	61,620	63,876	403,375	467,251	528,871
1965	15,266	150,603	165,869	80,991	863,771	944,762	1,110,631
1966	21,472	105,380	126,852	126,494	828,128	954,622	1,081,474
1967 ²	12,948	21,920	34,868	97,738	607,842	705,580	740,444

¹ Imports for consumption. Imports from Virgin Islands not included

² Data are preliminary.

Meat animal imports: Number of cattle imported,
United States by months 1964 - 67

Year	Jan.	Feb.	Mar.	Apr.	May	June
1964	56,753	54,178	50,604	70,264	42,005	11,416
1965	37,696	48,480	55,569	80,510	83,469	62,155
1966	100,338	76,324	113,603	90,600	91,534	49,369
1967 ¹	57,985	40,551	59,293	79,270	63,540	29,951

Year	July	Aug.	Sept.	Oct.	Nov.	Dec.
1964	9,899	9,010	18,937	44,076	74,157	87,570
1965	51,546	55,084	73,626	102,048	232,839	227,609
1966	27,578	43,095	56,387	95,460	168,728	168,458
1967 ¹	17,953	29,810	33,539	61,421	129,211	137,924

¹ Data are preliminary

SOURCE: United States Department of Agriculture

Overproduction Problems May Be Aggravated
by Live Cattle Imports

In May 1968, the United States Department of Agriculture reported that, as of the end of the first quarter of 1968, 10.7 million cattle and calves were on feed in 32 of the major livestock producing states. This, according to the report, is 200,000 head more than a year earlier, indicating a 2% increase in cattle on feed.^{6/}

Major Problem of Overproduction Worsened
by Live Cattle Imports

The number of cattle on farms has risen sharply and current reported beef cattle inventory is also increasing.

The oversupply of fed beef may be expected to bring about a continued soft market unless those directly involved in U.S. production slow down their race to bring animals to feed. As has been stated, increased cattle population and sharply increased imports of live cattle will result in oversupply of such animals. Cattlemen concede that their major problem is one of overproduction

6/ Livestock and Meat Situation, United States Department of Agriculture, May, 1968.

7/ John H. Guthrie, President, American National Cattlemen's Association, June, 1967 issue of Feedlot magazine. See also the lead editorial on page 23 in the May 6, 1967 issue of the National Provisioner, one of many sources reporting a campaign launched on April 21, 1967 by the American National Cattlemen's Association (Market Development Committee) to establish an "industry-inspired guideline" aimed at cutting the national supply of beef by at least 5%. The editorial characterized the issue facing the cattlemen as "How the beef industry can get out from under the surfeiting abundance that threatens to bury it unless supply is brought into line with effective demand."

TABLE 6

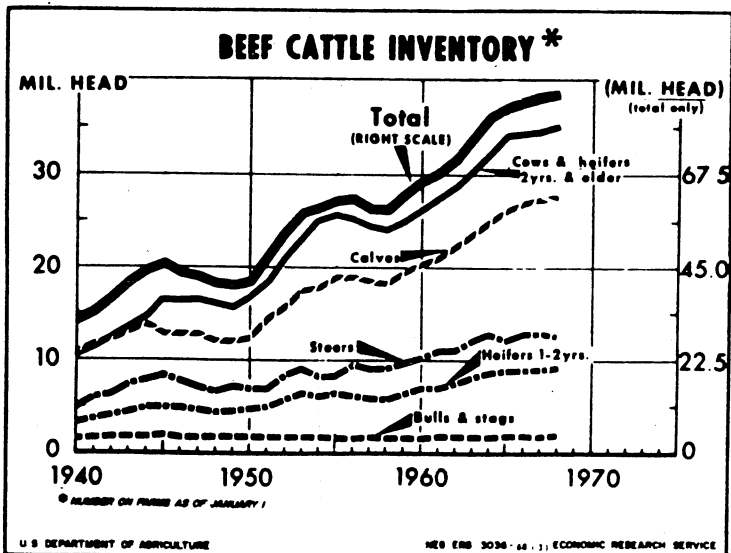
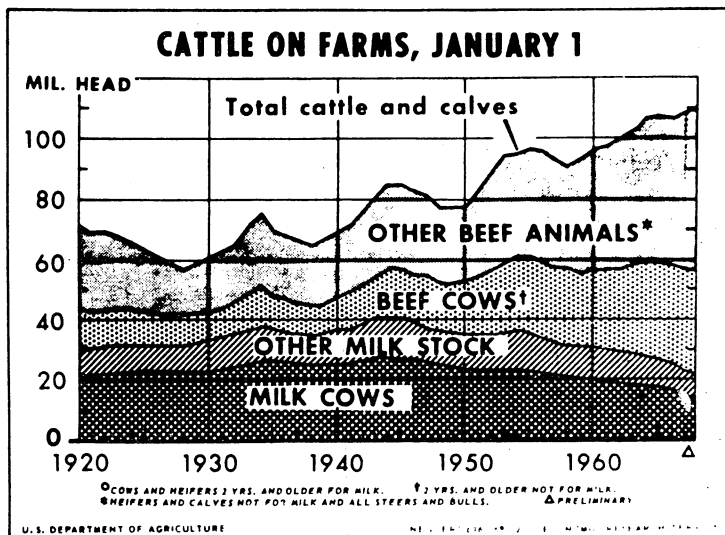


TABLE 7



IV

ERRATIC U.S. MANUFACTURING MEAT
SUPPLY IS PARTIALLY REMEDIED BY
DEPENDABLE IMPORTS

More than 90% of all meat imports are sold by the American importer to users prior to exportation from country of origin. Domestic manufacturers and other users, relying on commercial and official estimates of meat available from U.S. production, forecast their needs and place orders based on supply and demand in the United States. In the case of meat being exported from Australia and New Zealand, a lead time of approximately 60 days between date of order and date of delivery is required. Subject to variables such as inclement weather and delays at ports of entry, our manufacturing industry can, with great accuracy, predict where and when imports may be expected. There is no mystery about imports, but in the case of domestic production, erratic supplies cause no end of trouble.

The sharp rise in per capita consumption of manufacturing beef from 15.7 pounds in 1964, the first year of existing quota systems, to approximately 17.2 pounds in 1966, the last year for which full reports are available,^{8/} while U.S. available supplies of such meat dropped, verifies the need for imports as a stabilizing factor. Prior to 1957 meat imports were infinitesimal. In 1958, imports were twelve times as large as in 1956. It is clear that this dramatic increase in imports was caused by the sharp decline in domestic manufacturing beef supply in 1958.

8/ See Appendix IV.

Despite increased imports, total manufacturing beef supply was markedly smaller in 1958 than in 1957, causing a sharp increase in prices for Utility and Cutter grade cattle. During the same period, despite the rapid increase in imports, average Choice steer prices rose from \$23.83 in 1957 to \$27.42 in 1958. This price increase was the result of the fact that domestic table beef supply dropped in 1957 and 1958.

In 1963 and 1964 domestic table beef supply jumped sharply upward, driving steer prices down correspondingly. In 1963, the year imports reached an all-time high, domestic manufacturing meat supplies reached the lowest point in recent history. Despite the size of imports in 1963, combined imported and domestic manufacturing beef supply was lower than in 1962!

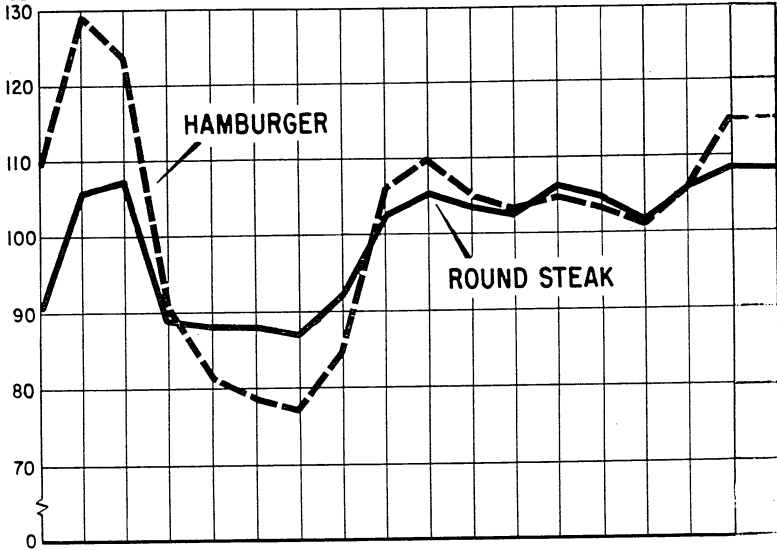
The increase of imports to a small but important level during the past decade has been in response to demand created by continuing short supply of domestic manufacturing meats. There has been no alternative but to import supplemental quantities of meat to fulfill the needs of American consumers. Recognition of this problem and others affecting the raising of cattle and production of meat by major segments of the industry is witnessed by a recent "Prospectus for the Meat Industry" issued by the Senior Vice President of one of America's large meat companies which is a major importer-exporter of meat products (See Appendix VII).

Corporate action based on long range forecasts and the ability to produce high quality steers on the same basis as

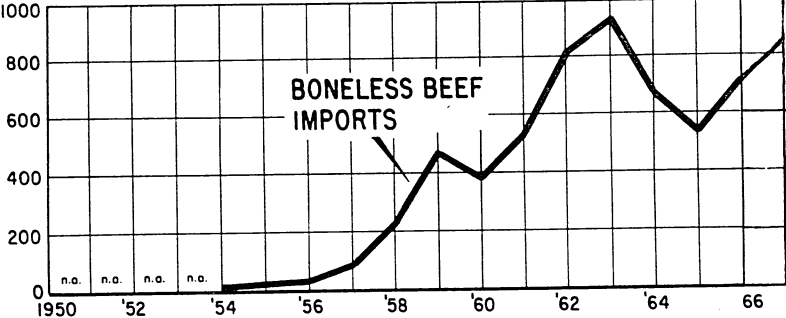
TABLE 8

INDICES OF AVERAGE RETAIL PRICES OF SELECTED MEAT PRODUCTS AND U.S. IMPORTS OF BONELESS BEEF

PERCENT (1957-59=100)



MILLION POUNDS



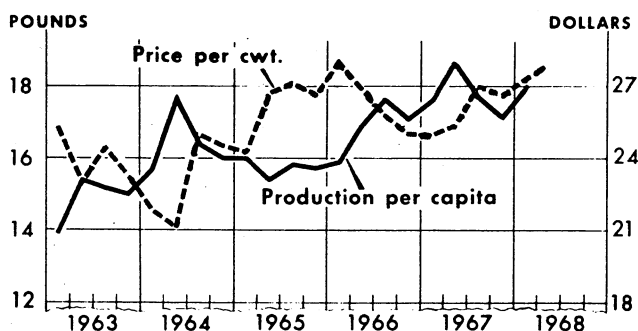
Source: Official Statistics of the U.S. Departments of Commerce and Labor.

imports, i.e., in amounts equal to demand, would cure the current price weakness for high quality U.S. steers. With the consumer as ultimate beneficiary, our entire industry should gear production to satisfy the demand both for grain-fed products and lean meat foods. Without imports to even-out the erratic domestic production and meet the steadily rising demand for lean meat, there would be recurring inflationary price cycles.

Steer and heifer production and prices continue to follow historic trends. Domestic table beef supply fell in 1962 and 1965 and in each of those years average steer prices rose. No similar correlation between imports can be drawn. Viewing current production and price structure as reported by the USDA, there is an indication that prices now are rising in a parallel fashion with increased production of such beef. (See Table 9.)

TABLE 9

STEER & HEIFER BEEF PRODUCTION & PRICES*



* Prices based on Federally inspected carcass weight, Chicago and Kansas City.

SOURCE: U. S. Department of Agriculture

V

NEW QUOTA CONTROLS WILL PRECIPITATE
AN INFLATIONARY CYCLE IN DIRECT CON-
FLICT WITH THE BEST INTERESTS OF
AMERICAN CONSUMERS

The rising value to the American family in meat products is directly related to a free availability of manufacturing grade beef on which production of hamburgers, frankfurters, luncheon meats and other staple meat food products depends. If normal channels of manufacturing meat supply are artificially limited to certain levels by import quotas, the consumer, predominantly those from lower income families, will suffer most. Imported lean manufacturing beef is necessary to a continuation of modestly-priced basic food products. Of all beef imported into the United States, more than half is estimated to be destined for use in the manufacture of hamburger or ground meat.^{9/}

Imported Meat Supports Overall
Prime Beef Price Structure

A major factor in American "prime beef" production is maximum utilization of fat trimmings from grain-fed beef in combination with lean manufacturing beef, to make hamburger and

9/ United States Tariff Commission Report on Beef and Beef Products, June 1964, TC Publication 128, p. 31, concluded that about 58% of imported beef in 1963 was destined for the manufacture of hamburger.

ground beef. The relationship between imported beef and hamburger, and the manner in which domestic high-value beef producers rely upon imports to utilize fat which would otherwise be wasted, is shown by the following excerpt from the U.S. Tariff Commission's 1964 Report:

The fat content of hamburger generally ranges from 25 to 35 percent. To obtain hamburger containing 25 percent fat, the butcher may grind together 60 pounds of imported boneless beef (fat content 10 percent) with 12 pounds of 100-percent fat trimmings from Choice steaks or roasts. For hamburger containing 30 percent fat, he may combine 40 pounds of rough Choice trimmings containing 60 percent fat with 60 pounds of imported boneless beef. In the foregoing examples, domestic boneless beef from Canner and Cutter cows may be substituted for the imported product, with adjustments being made for the slightly higher fat content of the domestic product (generally closer to 15 percent than 10 percent). 10/

When retailers, chain stores and processors buy a beef carcass, the price they can afford to pay is directly dependent upon maximum utilization of all portions. If such purchasers cannot upgrade fatty trimmings by combining them with leaner meats to make processed products, the trimmings must be sold to the tallow renderer. 11/

American cattlemen and feeders concede that they are in a cost-price squeeze due, in part, to an oversupply of grain-fed beef. This position will only deteriorate further if the

10/ Ibid., p. 32.

11/ "Beef trimmings", containing both fat and lean, with fat content ranging from 30% to 60%, account for about 23% of the average grain-fed carcass. 100% pure fat trimmings account for about an additional 11% of the carcass.

TABLE 10

Average Retail Price Comparisons of Selected Manufacturing Beef Products and Table Cuts

<u>Year</u>	<u>Hamburger</u> <u>(¢/lb)</u>	<u>Frankfurters</u> <u>(¢/lb)</u>	<u>Bologna</u> <u>(¢/lb)</u>	<u>Salami</u> <u>(¢/lb)</u>	<u>Round Steak</u> <u>(¢/lb)</u>	<u>Rib Roast</u> <u>(¢/lb)</u>
1957	42.0	56.5			93.6	73.8
1958	52.9	64.8			104.2	81.5
1959	54.9	64.0			107.3	82.7
1960	52.4	62.3			105.5	81.7
1961	51.2	63.1			103.5	80.7
1962	52.1	63.3			107.8	84.1
1963	51.3	63.2			106.4	83.7
1964	49.5	62.1	81.6	1.00	103.9	82.8
1965	50.8	66.2	85.2	1.03	108.4	89.7
1966	54.2	72.3	95	1.13	110.7	93.2
1967	54.6	70.0	94.0	1.13	110.3	94.0
July '67	53.9	70.9	99	1.13	109.8	94.1
Jan. '68	55.0	70.5	94.4	1.14	113.2	98.2
Feb. '68	55.1	70.0	94.6	1.13	114.3	97.1
Mar. '68	55.1	70.6	94.8	1.13	113.5	97.3

Source: U.S. Department of Labor, Bureau of Labor Statistics.

large percentage of fat and trimmings from average grain-fed animals must be sold to the tallow renderer at approximately five cents a pound. If supermarkets and other retailers can sell these combined trimmings to the public as hamburger for 55.1 cents a pound, or 70.6 cents a pound as frankfurters, American cattlemen receive a higher return than otherwise would be the case. (See Table 10, showing average retail prices.) The basic stockyard price for grain-fed beef is dependent on a full utilization of the carcass and trimmings.

Low Income Consumers Rely On
Low-Cost Hamburger

Table 11 shows estimated hamburger consumption in 1963, 1966, and 1967, broken down to show the sources from which the hamburger was produced. In 1967, it is estimated that 3.1 pounds of imported lean manufacturing beef per capita were consumed in the form of hamburgers. This means that, of the total 3.9 pounds of domestic fed beef fat trimmings per capita combined with lean beef to produce hamburger, about 2 lbs. per capita are allocable to combination with imported lean manufacturing beef. Imported lean manufacturing meat is estimated to have accounted for over 13% of all hamburger consumed since 1966.

Hamburger is a basic American meat food product. About 32-1/2% of all beef consumption during 1967 was in the form of hamburger, up from 30.8% in 1963. It is, therefore, reasonable to assume that elimination or curtailment of imported manufacturing

TABLE 11

Estimated Hamburger Consumption in 1963, 1966 and 1967
(By Source of Product)

	1963		1966		1967	
	Pounds per Capita	Quantity Mil. of Lbs.	Pounds per Capita	Quantity Mil. of Lbs.	Pounds per Capita	Quantity Mil. of Lbs.
Sources of Hamburger Production:						
1. Hamburger Produced from Domestic Beef Trimnings Only	21.2	3,950	24.0	4,645	25.2	4,930
2. Hamburger from Combined Fat Trimnings and Lean Manufac- turing Beef						
. Domestic Fed Beef Fat Trimnings. . .	3.0	560	3.6	715	3.9	768
. Domestic Lean Cow/Bull Beef.	1.3	245	3.4	642	3.4	665
. Imported Lean Beef	3.8	707	2.8	543	3.1	602
Subtotal	8.1	1,512	9.8	1,900	10.4	2,035
Total Hamburger Consumption.	29.3	5,462	33.8	6,545	35.6	6,965
Percent of Total Beef Consumption Per Capita . . .	30.8%		32.9%		33.5%	

Sources:
1963 from Exhibit No. 20 presented at Tariff Commission Hearing 332-44 on Beef and Beef Products.
1966 and 1967 computed by Theracon, Inc.

NOTE: In the preparation of this Table, it has been assumed that all lean manufacturing beef used to make hamburger was combined with 100% fat trimmings as opposed to high fat content beef trimmings.

grade beef would cause a sharp rise in the price of hamburger to the consumer. ^{12/}

It is impossible to make any exact prediction concerning consumer prices. Price increases would clearly be substantial on almost all manufactured meat products because a reduction in imports would constitute an artificial factor in total supply. Regulated supplies and rising demand would force prices up.

Inflation is a major cause of concern throughout the United States. The cattlemen have stated that it is one of their most pressing problems. Apparently, however, inflation facing the American housewife is placed in a different category.

Overproduction of fed cattle resulting in oversupplies of grain-fed beef and the related depression in net return to the rancher, cannot be separated from the national interest. However, this chronic problem bears no relation to imports of lower grades of beef. If lean beef supplies are curtailed through an additional system of import quotas, processed meat products will become more expensive and in some instances will be priced out of the market. A diversion of consumers to meat substitutes would hurt all red meat production.

^{12/} Prior to Senate Hearings on quota proposals in October 1967, the Meat Importers' Council, Inc. undertook a survey to determine, to the extent possible, the potential effect on consumer prices of a new quota system similar to that provided for in S. 1588. The terms of S. 1588 were submitted to meat processors and retailers, including large national chain stores. Many of these concerns referred the matter to their own marketing staffs. Based on the response received, the Meat Importers' Council has concluded that hamburger prices would go up by at least 20%, and possibly by as much as 50% within a year.

Imports stabilize total U.S. supply of manufacturing meat and thereby stabilize prices to consumers. Average retail prices for hamburger have risen to 55.1 cents per pound in March of 1968, while frankfurter prices have risen only .6¢ to 70.6¢ per pound.

In the case of grain-fed beef, prices show a short-term pattern which must give the consuming public cause to tremble. Average retail prices last year for round steak were estimated to be slightly over \$1.10 per pound. In March of this year that price was up to \$1.135, while rib roast average prices last year of approximately 94¢ per pound rose in March to about 97.3¢ per pound. Although these prices (all set forth in Table 10) are based on monthly reports rather than annual averages, they demonstrate the "peaks and valleys" confronting housewives. The stabilizing influence of imports after 1957 helped manufactured meat food products experience more stable price patterns. The consumer benefits from regular supplemental supplies of lean manufacturing meat.

"Hamburger is the college student's lifeline" very accurately reflects why this wholesome and low-priced American meat product has grown in importance. At no time has consumption of hamburger in the United States been higher. With the advent of drive-ins, short-order restaurants, outdoor cooking and similar modern living conveniences, per capita consumption of hamburger rose from 29.3 pounds in 1963 to 35.6 pounds in 1967. Estimates of hamburger consumption indicate a rise in total

quantity from 5.4 billion pounds in 1963 to almost 7 billion in 1967 (see Table 11).

Any upward price movement for hamburger resulting from restricted supplies of raw material, would affect those who can least afford to pay the price of inflation. The following "Letter to the Editor", written by a university student, bears witness to the sensitivity of this sector of the American public to legislation which eventually would unnecessarily prejudice them:

THE WASHINGTON POST

Monday, June 3, 1968

Letters to the Editor

Meat Quota Bill

I am a junior at the University of Maryland and I am currently taking a foods course. It has come to my attention that Senator Hruska (R.-Neb.), "the champion of Nebraskan cattlemen," is attempting to pass a meat quota bill. (Washington Post, "The Washington Merry-Go-Round," May 11). This bill would raise the price of the cheaper brands of meat, such as hamburger and frankfurters, to the outrageous price of 99 cents a pound. The National Restaurant Association warns that this bill would increase by 30 to 50 per cent the cost of hamburger to the consumer. Granted that Nebraska corn-fed beef is a premium product, but hamburger is ground from utility cuts and it is 23 per cent fat. Hamburger has been termed as poor people's food and it is also the college student's lifeline. Some of the poor of our Nation were given their first taste of American

13/ The Washington Post column referred to in the letter is attached as Appendix V.

hamburger in the opening meal at Resurrection City. At 50 cents a pound, it is difficult for some to enjoy ground beef; at 99 cents it would be virtually impossible. I wish that Senator Hruska would reconsider the effects that such a bill would cause. To the poor who live on greens and cornbread, hamburger is a luxury. If a meat quota bill is so important, why not raise the price of the more expensive cuts of meat? The rich people are not starving or undernourished. An increased price in the better cuts of meat would not have as detrimental an effect on the rich as an increase in hamburger would have on the less fortunate of our Nation.

JANE REYNOLDS DEAN
College Park [Maryland]

Meat entering the United States under P.L. 88-482, predominantly manufacturing beef, makes up a very small percentage of total U.S. supply. It can never be expected to reach a level where new non-tariff barriers would be necessary or desirable. Cattlemen and raisers, who already enjoy the ultimate form of tariff and non-tariff protection, should not be granted any additional advantage.

CONCLUSION

The cattlemen and feeders fail to make a case for additional meat import quota protection. Prices for live cattle are steadily rising. Retail and wholesale returns for meat and meat food products are up. Demand has increased regularly to record levels. Total supply is at an all-time high. Imports, a normal part of total supply, cannot be blamed for losses properly attributable to indiscriminate feeding and raising procedures.

Any new, artificial barriers to imports, disrupting current balances of supply and demand, would severely penalize the consumer by increasing costs unnecessarily, thereby raising retail prices. No one would profit under such conditions.

For the foregoing reasons the Meat Importers' Council, Inc. strongly opposes H.R. 9475 and any similar legislative proposals. Unnecessary and undesirable meat import quota controls would limit consumer choice of meat food products, injure cattlemen, have no favorable effect on feeders, and would conflict with American trade policies. It is imperative that all segments of our meat industry recognize that restrictions on imports of manufacturing meats would penalize those consumers who can least afford to pay more for staple food products, or contribute to the support of special interests.

Accordingly, it is urged that the Committee on Ways and Means and Congress reject meat import quotas as contrary to our national interests.

Respectfully submitted,

MEAT IMPORTERS COUNCIL, INC.
New York, New York

By *James A. Lundquist*
Counsel.

MEAT IMPORTERS' COUNCIL INC.
MEMBERSHIP ROSTER

ALBERTI FOODS INC.
36 S. Washington Street
Hinsdale, Illinois 60521

ALLIED PACKERS CO. LTD.
100 Old York Road
Jenkintown, Pennsylvania 19046

AMERICAN CONSUMER INDUSTRIES, INC.
375 Park Avenue
New York, New York 10022

AMTRACO COMMODITY CORPORATION
2 Broadway
New York, New York 10004

C. F. ANDERSON MARKETS, INC.
420 South Avenue
Whitman, Massachusetts 02382

AUSTRACAN (USA) INC.
855 Avenue of the Americas
New York, New York 10001

BALFOUR, GUTHRIE & CO. LTD.
225 California Street
San Francisco, California 94111

B.N.S. INTERNATIONAL SALES CORP.
52 Broadway
New York, New York 10004

BOOTH AMERICAN SHIPPING CO.
17 Battery Place
New York, New York

BOOTH COLD STORAGE DIVISION
CONSOLIDATED FOODS CORPORATION
2 North Riverside Plaza
Chicago, Illinois 60606

THOS. BORTHWICK & SONS (USA) LTD.
61 Broadway
New York, New York 10006

BOUKOURIS & CO. LTD.
80 Broad Street
New York, New York 10004

BERNARD BOWMAN CORPORATION
122 East 42nd Street
New York, New York 10017

CANADA PACKERS
25 Broadway
New York, New York 10004

CAPRI IMPORTERS & TRADING ENTER-
PRISES INC.
3273 Hubbard Street
Detroit, Michigan 48210

CENTRAL BEEF COMPANY
255 Southhampton Street
Roxbury, Massachusetts 02119

CHARLESTON OVERSEAS FORWARDERS INC.
406 Peoples Building
P.O. Box 860
Charleston, South Carolina 29402

CHICAGO DRESSED BEEF COMPANY
256 Franklin Street
Worcester, Massachusetts 01604

COLUMBUS LINE, INC.
26 Broadway
New York, New York 10004

A. J. CUNNINGHAM PACKING CORPORATION
88 Newmarket Square
Boston, Massachusetts

DALGETY (USA) INC.
5901 N. Cicero Avenue
Chicago, Illinois 60646

N. J. DEFONTE CO., INC.
11 Broadway
New York, New York 10004

EUGENE A. DERBA & CO. INC.
130 Newmarket Square
Boston, Massachusetts 02118

B. DeYOUNG CO. INC.
1437 Gulf-To-Bay Blvd.
Clearwater, Florida 33515

ELLERMAN & BUCKNALL STEAMSHIP
CO., LTD.
26 Beaver Street
New York, New York 10004

A. J. ELLIOTT MOTOR TRANS. INC.
Room 8, Commonwealth Pier
Pier No. 5
Boston, Massachusetts 02210

ERB STRAPPING CO. INC.
695 Washington Street
New York, New York 10014

FARRELL LINES INC.
1 Whitehall Street
New York, New York 10004

FURNESS, WITHY & CO. INC.
34 Whitehall Street
New York, New York 10004

GARCIA & DIAZ, INC.
25 Broadway
New York, New York 10004

GULF FLORIDA TERMINAL CO,
Thirteenth & York Street
Tampa, Florida

GURENTZ INTERNATIONAL CORPORATION
200 South Craig Street
Pittsburgh, Pennsylvania 15213

HARBORSIDE TERMINAL CO. INC.
34 Exchange Place
Jersey City, New Jersey 07302

HILL-N-DALE MEAT CO,
P.O. Box 61
Downingtown, Pennsylvania 19335

INTERCONTINENTAL MEAT TRADERS INC.
228 North La Salle Street
Chicago, Illinois 60601

IPL, INC.
26 Broadway
New York, New York 10004

KRESS-DOBKIN CO. INC.
Parkway Center; P.O. Box 8539
Pittsburgh, Pennsylvania 15220

LEVBAK TRADING COMPANY, INC.
200 21st Avenue, P.O. Box 3252
Seattle, Washington

LOCAL & WESTERN SHIPPERS OF TEXAS INC
2131 Republic Natl. Bank Tower Bldg.
Dallas, Texas 75201

LONG TRANSPORTAION CO.
3445 Paterson Plank Road
North Bergen, New Jersey

MANZ LINE JOINT SERVICE
26 Beaver Street
New York, New York 10004

MARTIN PACKING COMPANY
49 Plane Street
Newark, New Jersey 07102

MEAT IMPORTERS INC.
6986 N.W. 36th Avenue
Miami, Florida

MEAT TRADERS OF CALIFORNIA
9015 Wilshire Blvd.
Beverly Hills, California 90211

A. J. MILLS & CO. INC.
342 Madison Avenue
New York, New York 10017

MILWAUKEE IMPORT CO. INC.
2900 Fourth Avenue South
Seattle, Washington 98134

MURPHY, COOK TERMINAL CORPORATION
506 Bourse Building
Philadelphia, Pennsylvania 19106

OVIMPEX INC.
11 Park Place
New York, New York 10007

PACKERS PROVISION COMPANY
1256 Old Skokie Road
Highland Park, Illinois 60035

PENNSYLVANIA REFRIGERATED TER-
MINALS INC.
Delaware & Oregon Avenues
Philadelphia, Pennsylvania 19148

PORT LABELING CORP.
424 Hudson Street
New York, New York 10014

PORT LINE LTD.
25 Broadway
New York, New York 10004

PORT NEWARK REFRIGERATED WAREHOUSE
Building 125
Tyler & Mohawk Streets
Port, Newark, New Jersey

G. A. PORTELLO & CO., INC.
2095 Jerrold Avenue
San Francisco, California 94124

EMMET PURCELL & ASSOCIATES
593 Market Street
San Francisco, California 94105

QUICK FRY STEAK CO. INC.
P.O. Box 237
Villanova, Pennsylvania 19085

QUINCY MARKET COLD STORAGE &
WAREHOUSE CO.
178 Atlantic Avenue
Boston, Massachusetts 02110

S. & W. IMPORTS INC.
3725 South Halstead Street
Chicago, Illinois 60609

B. SCHWARTZ & COMPANY
2055 West Pershing Road
Chicago, Illinois 60609

MYRON SNYDER INC.
332 Newbury Street
Boston, Massachusetts 02115

SOUTH CAROLINA STATE PORTS AUTHORITY
P.O. Box 827
Charleston, South Carolina 29402

JOHN E. STARNE CO.
120 South La Salle Street
Room 1104
Chicago, Illinois 60603

JOHN THALLON & CO. INC.
50 Broad Street
New York, New York 10004

THE MANHATTAN REFRIGERATING CO.
525 West Street
New York, New York 10014

THE TUPMAN THURLOW CO. INC.
155 East 44th Street
New York, New York 10017

TOBIN PACKING CO. INC.
900 Maple Street
Rochester, New York 14611

TOPEL INC.
408 W. 14th Street
New York, New York 10014

TRUGMAN-NASH INC.
105 Hudson Street
New York, New York 10013

UNION TERMINAL COLD STORAGE CO. INC.
12th & Provost Streets
Jersey City, New Jersey

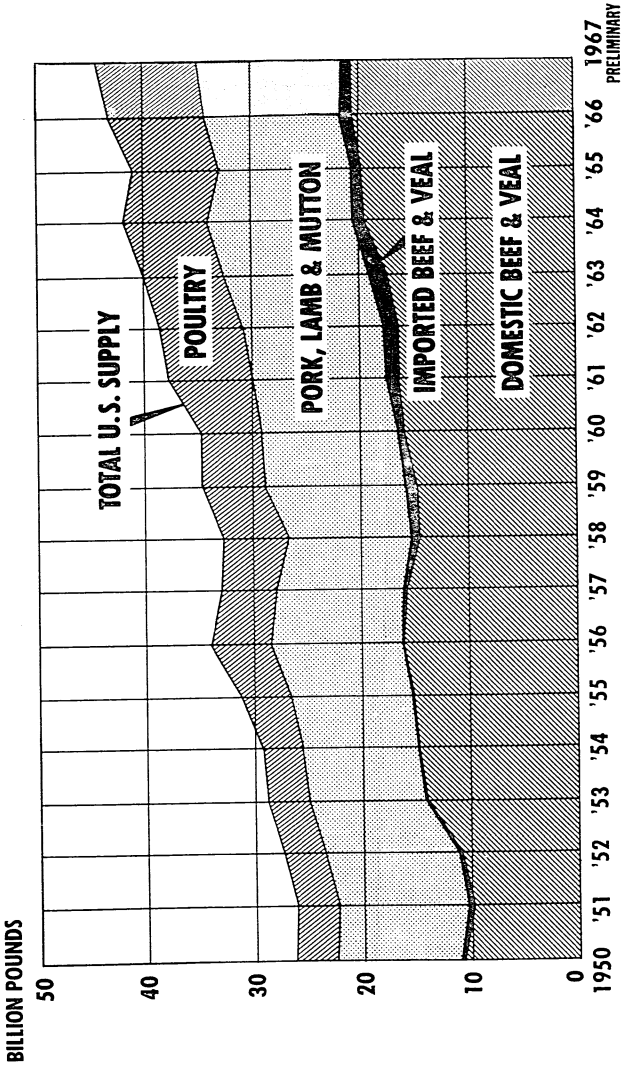
YORK INTERNATIONAL EXCHANGE CORPORATION
60 East 42nd Street
New York, New York 10017

ZIEL & CO. INC.
230 California Street
San Francisco, California 94111

APPENDIX I

UNITED STATES SUPPLY OF MEAT AND POULTRY ^{1/}

1950 - 1967



^{1/}U.S. Production, plus imports of beef, veal, pork, lamb, mutton, and poultry; includes processed products, military purchases and exports.

Source: Official statistics of the U.S. Department of Agriculture and Commerce.

APPENDIX II

Per Capita Beef Consumption by Source of Supply

Year	Total Supply (1)	Domestic Fed Beef Supply (2)	Other Table Beef			Processing Supply		
			Domestic (3)	Imported (4)	Total (5)	Domestic (6)	Imported (7)	Total (8)
----Pounds per capita----								
1954	80.1	33.3	33.5	*	33.5	13.2	0.1	13.3
1955	82.0	37.2	30.6	*	30.6	14.0	0.2	14.2
1956	85.4	39.3	32.3	*	32.3	13.6	0.2	13.8
1957	84.6	38.5	33.0	.1	33.1	12.3	0.7	13.0
1958	80.5	39.3	29.7	.4	30.1	8.1	2.0	11.1
1959	81.4	41.7	28.5	.5	29.0	7.3	3.4	10.7
1960	85.2	45.8	28.4	.5	28.9	7.9	2.6	10.5
1961	88.0	49.0	27.7	.7	28.4	7.0	3.6	10.6
1962	88.8	53.8	21.2	.8	22.0	7.2	5.8	13.0
1963	94.3	55.7	24.9	.9	25.8	6.3	6.5	12.8
1964	99.7	60.7	25.4	.3	25.7	8.7	4.6	13.3
1965	99.3	60.0	23.4	.4	23.8	11.9	3.6	15.5
1966	104.0	66.0	21.4	.4	21.8	11.4	4.8	16.2
1967p	106.1	71.0	20.1	.4	20.5	9.3	5.3	14.6

* Less than 0.05 pounds.

p - preliminary

Sources:

Col. 1. USDA Publications.

Col. 2, 3 and 6. Computed from USDA published statistics.

Col. 4 and 7. Computed from USDC published statistics.

Col. 5 and 8. Additions of columns 3 and 4 and columns 6 and 7 respectively.

Note: The meat equivalent of live animals imported for further feeding are included in columns 2 and 3. Boneless beef converted to carcass equivalent.

APPENDIX III

Live Prices for Domestic Fed and Manufacturing Beef and Per Capita Consumption

Year	Domestic Con-	Average Price	Total	Domestic Con-	Total Manufac-	Average Live Prices	
	sumption Table Beef Supply	Choice Steers (\$ per cwt)		Imports (\$ per cwt)		sumption Manu- facturing Supply	turing Supply (Domestic & Imports)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
- - - Pounds per capita - - -							
1954	66.8	24.56	.1	13.2	13.3	11.45	9.50
1955	67.8	23.15	.2	14.0	14.2	11.52	10.00
1956	71.6	22.30	.2	13.5	13.8	11.37	10.00
1957	71.5	23.63	.8	12.3	13.0	13.51	12.06
1958	69.0	27.42	2.4	8.1	11.1	18.41	15.54
1959	70.2	27.83	3.9	7.3	10.7	17.79	15.27
1960	74.2	26.24	3.1	7.9	10.5	15.68	15.00
1961	75.7	24.55	4.3	7.0	10.6	15.65	15.12
1962	75.0	27.57	5.5	7.2	13.0	15.50	14.72
1963	80.6	23.96	7.4	5.3	12.8	15.10	14.06
1964	86.1	23.12	4.9	8.7	13.3	13.74	12.91
1965	83.4	26.19	4.0	11.9	15.5	14.46	13.42
1966	87.0	25.29	5.2	11.4	16.2	18.02	17.29
1967 ^p	91.1	25.04	5.7	9.3	14.5	17.52	16.75
Jan. '68		25.87				16.35	15.56
Feb. '68		27.34				17.98	17.18
Mar. '68		27.75				19.09	17.95
Apr. '68		27.49				19.88	18.41

p = preliminary

Sources: Cols. 1, 3, 4 and 5 computed from Appendix II.
 Cols. 2, 6 and 7 from Chicago livestock quotations.

APPENDIX IV

Source of Beef Raw Material for Manufacturing Consumption

Year	Domestic Beef			Imported Boneless Beef (4)	Total Manufacturing Consumption (5)
	Boning Cattle (1)	Other ^{1/} Sources (2)	Total ^{1/} (3)		
1. Per Capita Consumption (pounds per capita)					
1954	13.2	(2.5)	10.7	.1	10.8
1955	14.0	(3.2)	10.8	.2	11.0
1956	13.6	(1.2)	12.4	.2	12.6
1957	12.3	(.7)	11.6	.7	12.3
1958	8.1	2.9	11.0	2.0	13.0
1959	7.3	2.6	9.9	3.4	13.3
1960	7.9	3.8	11.7	2.6	14.3
1961	7.0	3.4	10.4	3.6	14.0
1962	7.2	1.1	8.3	5.8	14.1
1963	6.3	1.5	7.8	6.5	14.3
1964	8.7	2.4	11.1	4.6	15.7
1965	11.9	.5	12.4	3.6	16.0
1966p	11.4	1.0	12.4	4.8	17.2
2. Carcass Weight (millions of pounds) ^{2/}					
1954	2,102	(390)	1,712	13	1,725
1955	2,269	(506)	1,763	29	1,792
1956	2,246	(190)	2,056	37	2,093
1957	2,065	(105)	1,960	112	2,072
1958	1,395	477	1,872	353	2,225
1959	1,280	449	1,729	596	2,325
1960	1,398	659	2,057	461	2,518
1961	1,253	622	1,875	649	2,524
1962	1,328	213	1,541	1,054	2,595
1963	1,173	245	1,418	1,223	2,641
1964	1,656	403	2,059	873	2,932
1965	2,289	52	2,341	698	3,039
1966p	2,210	126	2,336	937	3,273

Source: Calculated from U.S.D.A. and U.S. Dept. of Comm. Statistics

p - preliminary

^{1/} Domestic Supply of boning cattle exceeded consumption 1954 to 1957. Since 1958 deficit supplied from fatty trimmings from the preparation of primal cuts or portion controlled steaks, roasts, etc., plus the production of boneless beef from utility grade cattle.

^{2/} All statistics converted, where appropriate to carcass equivalent.

DREW PEARSON and JACK ANDERSON

The Washington Merry-Go-RoundTHE WASHINGTON POST *Saturday, May 11, 1968***B11**

Quota Bill to Raise Hamburger Price

Housewives don't know it, but a meat quota bill, which will boost the price of hamburger to 99 cents a pound, is now lurking in the wings of the Senate. It will be rushed out for quick passage when Sen. Roman Hruska, Republican champion of Nebraska cattlemen, figures the public is distracted by something else.

The meat quota bill is part of a high-tariff cabal of logrolling Senators who are out to put quotas on textiles, meat, steel, oil, shoes and various other consumer products. It was significant that when the textile quota bill came up in March, Western cattle Senators voted for it. It was part of the price-raising deal. Western cattle Senators have no political interest in textile mills in New England, South Carolina, Georgia and Alabama. However, they had a secret deal with Senators from these textile states to vote for a meat quota, if the Western Senators would vote for textiles.

Actually meat quotas would affect only the cheaper brands of meat used by poor citizens, such as hamburger, frankfurters, corned beef and chopped beef. Thus, while the Poor People's March is converging on Washington and while both the Johnson Administration and farsighted business leaders are trying to lift the level of the economy of big cities, cattle Senators are preparing to sneak through a bill boosting the price of the poor man's food.

Warns the National Restaurant Association: "The result of this bill would be to increase the cost of hamburgers to the consumer by 30 per cent to 50 per cent."

Boasts Sen. Hruska, author of the bill: "American beef is a premium product, delectable to the taste but not cheap to the pocketbook."

Hruska's cattlemen admit that practically all American beef is corn fed for the quality market which wants roasts, T-bone steaks and sirloin. The cheaper grades of beef are imported from Australia, New Zealand, and canned corned beef from Argentina, Brazil, Uruguay, and Paraguay.

One-Way Trade

Thus, while the United States is urging Australia and New Zealand to give more support for Vietnam and while we are trying to promote the Alliance for Progress with South America, Sen. Hruska wants to cut off meat imports from these friends and allies.

Australia now buys \$891 million of U.S. goods—far more in machinery and automobiles than it sells the United States in meat. Argentina buys \$230 million worth annually, and New Zealand, \$89 million.

Secret strategy of the cattlemen Senators is to sneak the meat quota bill onto another piece of legislation as an amendment, in the same way the textile quota bill was slipped onto the excise tax bill

for automobiles, telephones, etc. Sen. Hruska knows that a meat quota bill could not stand on its own merits and must be a rider on another vital piece of legislation.

Mastermind of the textile quota bill is Sen. Ernest Hollings (D-S.C.). Mastermind of the steel quota bill is Sen. Vance Hartke (D-Ind.). Mastermind of the oil quota bill is Sen. Russell Long (D-La.). Working together they control a sizable block of votes.

NOTE: The steel and textile industries, which are lobbying for import quotas, recently announced their profit figures for the first quarter of this year. Profits had gone up 40 per cent in steel over the same period in 1967 and 30 per cent in textiles, compared with the first quarter in 1967. Yet lobbyists for these industries informed Congress that they needed quotas because they were on the brink of ruin.

APPENDIX VI

SUMMARY

This Memorandum is filed in the firm and sincere belief that the present quota proposals under consideration by the Committee on Finance will serve to disrupt world trade in meat.

In the past when programs advocating quota or other restrictions on imported fresh frozen meats have been undertaken by domestic livestock producer interests, the adequacy of inspection, hygiene and sanitation standards for the construction of meat establishments in the exporting countries has been questioned.

Such allegations with respect to fresh frozen meats, which, as can be readily ascertained by a perusal of published import statistics, comprise mainly meats from Australia and from New Zealand and Ireland, are untrue.

In point of fact, the procedures and standards for establishments which are adopted in these exporting countries are at least equal to those required by the United States.

My name is William Warwick Stenning. I am a Member of the Royal College of Veterinary Surgeons and a Member of the Royal Society of Health.

After more than thirty years professional experience in the service of the Governments of Northern Ireland, the United Kingdom of Great Britain, the Commonwealth of Australia, and with the Australian Meat Board, I am fully conversant with the most advanced techniques for the ante- and post-mortem inspection of all classes of food animals and with the most sanitary and hygienic procedures for the dressing of carcasses and the chilling, boning, packaging, freezing and storage of meat, and its transportation by land and sea.

I am filing this Memorandum in the firm belief that meat imported from Australia, New Zealand, Ireland, and establishments in other countries approved by U.S.D.A., has been treated in overseas establishments which are structurally equivalent to comparable federally registered establishments in the United States and are operated with the same regard for skill, hygiene and sanitation which obtains in federally inspected meat plants in the United States.

It is quite natural for an importing country to be very much interested in the standards adopted in exporting countries, and it is to this end that foreign establishments, in order to export their product, require the approval of the United States Department of Agriculture and are thereafter subjected to close and careful snap inspections by its officers. Notwithstanding the stringent controls and procedures applied abroad as well as international controls of freezing units on vessels carrying shipments to the point of discharge in the United States, the United States carries forward a continuous system of inspection at the point of entry, where only after sampling in accordance with a statistically determined plan and inspection of samples in the defrosted state, is fresh frozen imported meat permitted entry into the United States.

Since 1963 I have represented the Australian Meat Board in North America, where I have travelled widely in the United States and have visited and witnessed the operations in a representative range of federally inspected meat establishments.

During May, June and July, 1967, I inspected a number of meat establishments in every part of Australia which together are responsible for more than eighty-five percent of Australia's meat exports to the United States and elsewhere.

In July, 1967, I attended the Eighteenth Meeting of the World Veterinary Association, and the Annual Meeting of the World Association of Veterinary Food Hygienists, in Paris, France.

Based upon my personal observation of meat establishments and procedures employed therein throughout the world, and based also on my recent visitation to meat establishments within the United States, I respectfully submit that fresh frozen meat which has been, or will be, imported from Australia, New Zealand, Ireland, and other countries wherein establishments have been approved by the U.S. Department of Agriculture, is in every respect comparable to domestic products and that the tests and other safeguards applied thereto are equivalent to those employed with respect to federally approved U.S. establishments.

APPENDIX VII

Chicago, Illinois
June 5, 1968

PROSPECTUS FOR THE MEAT INDUSTRY

By

Marvin T. Gibson,
Director-Consultant, IPL Inc.

The fundamental changes in progress in the livestock and meat business both in the USA and in the world markets encourage us to be optimistic that the elements are available for a successful operation by our companies.

The livestock pattern in the USA, Canada and Mexico has changed materially in the past 15 years in the following manner:

- a) The grasslands, including the government owned lands available to the cattlemen, are being used more productively for the increased cow herds for breeding instead of being used to grow out steers for sale as 'two-way beef'. The beef cow herds in the USA have increased from 20,050,000 head in 1954 to 35,300,000 in 1967.
- b) The numbers of cattle on feed have increased from 5,370,000 in 1954 to 11,125,000 in 1967.

The consumption of beef has increased from 12,743,000,000 lbs. in 1954, of which 5,225,000,000 lbs. was fed beef, to 20,674,000,000 lbs. in 1967, of which 13,850,000,000 lbs. was fed beef. The increase in beef production was 62% over this period while the fed beef increase was 167% and this was accomplished with an increase in live prices of choice cattle from \$24.66 in 1954 to \$27.34 in February, 1968.

On the other hand, to accomplish an increase in poultry production from 4,260,000,000 lbs. in 1954 to 8,760,000,000 lbs. in 1967, the price change was from 59¢ a lb. to 25¢ a lb. In other words, beef increased 167% in volume with an increase in price of 11% in contrast to a reduction of 58% in price for the poultry volume increase. This is a graphic demonstration of the great popularity of beef to the American consumer. This is a factor that should be kept in mind at all times and the industry should be very careful to protect its favorable position at all times.

The beef business is becoming a specialized, one product business with the feeding operation being concentrated in a few efficient large units geared to preparing the meat to meet the consumers' demands as to timing, quality and quantity and at low operating expenses. The small individually operated unit can only compete when geared to serve particular specialized markets.

-2-

In 1954, 75% of the feeding was in the hands of relatively small individually operated feed lots whereas today 60% of the fed cattle are turned out by 1% of the operators.

The large packing houses formerly concentrated on the Mississippi River to slaughter and freeze the grass fed beef coming off the ranges before winter became obsolescent and the domestic beef business has changed from being one of small cattle producers and small feeders, large packing houses with extensive storage plants and small retail butchers to one of being large cattle raisers and feeders, small processing plants geared to the feed lots and large chain store retailers.

The other phase of the meat business that has taken a secondary position in the economic planning of the American livestock producers is the manufacturing meat industry which has been affected by the following factors:

- (1) The dairy herds have shrunk from 36,161,000 head in 1954 to 22,923,000 in 1967.
- (2) The availability of manufacturing meat has been reduced from 42% of the total supply in 1954 to 22% in 1967.
- (3) Prices for domestic cattle of manufacturing grades were \$9.60 per CWT in 1954 and \$16.74 in August, 1967.
- (4) The consumer taste for tender, full meat steaks and roasts with all excess fat removed has left an increasing portion of the feed lot beef as fat and trimmings that are mixed with lean meat for hamburger, sausages and processed meats but even this has not fully met the demand for this type of meat as evidenced by the change in cow prices.
- (5) The time pattern for production of domestic manufacturing beef does not coincide with the seasons of maximum demand. The meat is available in the spring and fall while the demand is greatest in the summer.

All of these factors have worked to make a vacuum in the supplies of the kind of meats we have in greatest supply in our plans in both Australasia and in South America and the trend is steadily toward an even stronger demand for these meats in the future.

-3-

As for the future of the livestock and meat industry, the population predicted for 1980 is 240,000,000 and to provide any increase in per capita consumption of beef would require at least a 20% increase in feeder cattle and that means more cows and calves on the already well stocked grass-lands as every piece of beef starts as a cow and calf on grass. The decision for the future is not going to be whether to keep cows on the grass to raise calves for the feed lot versus growing out steers on this grass for two-way beef, but will be whether to devote a large bulk of the crop land in the USA to the production of grain for livestock feed or must such land be used to produce grain for direct use as human food.

Grazing land in the world is limited. One-third of the world's surface is land and two-thirds water. Of the 34,000 million acres of land (1) crops occupy 3,600 million acres (2) grassland, forest grazing and arable fallow lands occupy 8,800 million acres of which about 85% is natural grassland subject to natural variations in rainfall and 15% is improved pasture which can be irrigated and fertilized.

It seems evident that sufficient grassland will not be available to produce future beef requirements and any material change in the picture would involve substantial changes in current values of the products now being produced on the land.

The consumer spends a rather fixed amount of the disposable family income for food. At the present time this is about 18-1/2% in the USA and over the past 14 years an increasing share of this has been for beef and of the beef dollar an increasing portion has been for fed beef and the problem to be faced in the near future is whether that share of the income will continue to be spent for beef and if so, what form that will take and where it will come from.

The picture has never been brighter for the American cattlemen and the course their business takes will depend on the way they handle the opportunity that is before them at this time. They have the resources and the ability to work out the best beef business the country has ever had but to do this they will have to think and act progressively.

Our company has the proper kind of cattle available, the physical facilities to process the meat, knowledge of the market requirements and an increasing demand for our products in this market, so we have the basic elements to meet the demands of the consumers and to make a valuable contribution to the expansion of this total meat business provided our associates in this country recognize that we are a real part of the industry as a whole and we should work together to make the entire industry a reality of commerce - jobs, prosperity and a business that gives satisfaction to our customer, the consumer.

MTG:mec

Mr. LUNDQUIST. Thank you, sir.

Mr. ULLMAN. Does that complete your testimony?

Mr. LUNDQUIST. That concludes my testimony.

Mr. ULLMAN. Are there any questions?

If not, we thank you very much for appearing before the committee.

Mr. LUNDQUIST. Thank you.

Mr. ULLMAN. Mr. Phelps. We are happy to have you before the committee, Mr. Phelps. Please identify yourself for the record, and with the knowledge that your full statement will appear in the record, proceed as you see fit.

STATEMENT OF DON F. MAGDANZ, EXECUTIVE SECRETARY, NATIONAL LIVESTOCK FEEDERS ASSOCIATION

Mr. MAGDANZ. Thank you, Mr. Chairman. If I may correct the record, unfortunately, Mr. Phelps could not be here today and he sends his regrets. He was unavoidably detained as late as yesterday afternoon at 4 o'clock, so I am here alone and I am Don Magdanz, the executive secretary of the National Livestock Feeders Association.

Mr. ULLMAN. Yes. Excuse me. I should have taken a better look with my glasses on. I would have recognized you, Mr. Magdanz.

Mr. MAGDANZ. That is perfectly all right. You will note, Mr. Chairman, that our statement is quite long. We do not intend to impose on the committee with the entire document in this presentation.

I would, however, with your permission like to present the first part of it, about one-third, and make a few remarks about the balance which we hope will be filed in the record.

Mr. ULLMAN. Thank you. Without objection the balance of your full statement will appear in the record following your oral statement.

Mr. MAGDANZ. On behalf of the National Livestock Feeders Association, I do express our sincere appreciation to the chairman and the entire Committee on Ways and Means for an opportunity to present our views, comments, and arguments in support of modification of the present meat import quota law.

The National Livestock Feeders Association is a voluntary non-profit, nonpolitical trade organization sustained entirely by membership dues. Those who belong are engaged in the business of feeding and finishing livestock—cattle, hogs, and lambs—for the slaughter market, and they have associated themselves in order to determine policy and speak for the feeding industry. Though membership does exist in over 20 States, it is most prominent in the vast livestock feeding area of the North Central and Plains States.

In the discussion that follows, we shall address ourselves to the matter of more restrictive quotas on certain meat products which are covered, to a degree at least, under existing law. In so doing, we wholeheartedly support the provisions and approach contained in H.R. 9475 by the chairman, and identical bills introduced by many other Members of the House of Representatives including, particularly, those Members on this committee.

We pay our high compliments to all who have joined in this pending legislation for recognizing a very serious problem faced by livestock people, which group represents a huge segment of the overall agricultural industry in the United States.

STATEMENT OF INTEREST

Most typically, those people represented by the National Livestock Feeders Association own the livestock they grow or finish in the production phase of supplying red meat for American consumers. They purchase feedlot replacement animals in the framework of a competitive market, and sell them under the same market conditions in which supply—domestic production, imports, and supplies of competing or substitute products—and the type of flow of this supply, is a most important determinant of price.

Livestock feeding is a high-risk business and the business risks inherent in such an operation are assumed by the livestock feeders themselves. It follows, therefore, that they are not only vitally interested in, but their financial well being depends upon the maintenance of a balance between meat supplies and the consumer demand in the United States at prices that are sufficiently favorable to produce a living and reasonable profit.

At numerous times in years past, profits in the livestock industry have not been reasonable and, in fact, severe losses have been sustained by those engaged. Since imports represent a percentage of that supply which is a most important price determinant, and they contribute to further fluctuation in that supply, we have a primary concern with the volume of allowable imports which come into our market and compete with the domestic production.

The situation might be less unreasonable if we had equal opportunities for the sale of our domestic production abroad, or if the countries now shipping large quantities of meat to the United States had unrestricted access to all other major trading nations, but equal opportunities do not exist in either of these cases.

MERIT OF REASONABLE PROTECTION FOR DOMESTIC INDUSTRY

Without question a grave injustice is being rendered to all who raise their voices in opposition to past and existing foreign trade policies of the United States. Often labeled as "protectionists", such persons, firms and groups have been severely criticized, on occasion, by some Government officials, by many in academic institutions, by certain professional writers, and have been accused of being "isolationists."

The true facts of the case are that many who are labeled as being "protectionists", because of their support of domestic interests, are not "isolationists" in any sense of the word; but rather, are dedicated to expanding world trade. They have not abandoned free trade as a goal in a fair and truly competitive world marketplace; but they realize that such marketplace conditions do not exist, despite what we are told. They are seeking a truly reciprocal arrangement with foreign nations which means nothing more than the establishment of the same rules of conduct for both sides.

With respect to red meat and meat products, a reciprocal arrangement requires that the United States provide reasonable protection for its domestic industry because that is what most other major trading nations continue to do, and we see no evidence of relaxation on their part. To us it is imperative that the United States establish its position similar to that maintained by foreign nations and thus provide a

common ground from which future negotiations might well proceed.

In a speech delivered in Des Moines, Iowa, earlier this year, Secretary of Agriculture Orville L. Freeman said:¹

Over the years we've sought "orderly trading" in the international arena, just as we seek "orderly marketing" in the domestic area. Orderly trading calls for reasonable protection of our agriculture—not protectionism. There's a big difference. Reasonable protection allows trade to flow. It permits comparative advantage to function with relative freedom for the good of all. Protectionism, by completely shielding inefficient producers from competition, stifles trade.

The United States beef quota law illustrates what I mean by reasonable protection.

The Secretary went on to say:

In the early 1960's our only market protection on beef was a modest duty. Other countries, however, were becoming more protectionist. The EEC was perfecting its variable levies. The United Kingdom had a domestic support system that made it less profitable for exporters to sell there than in the United States. Japan had strict quotas. Quantities of fresh, chilled, and frozen beef and veal were coming to the United States from exporters who found it impossible—or much less profitable—to sell elsewhere.

Mr. Freeman then added:

Heavy imports of these products in 1963 led to enactment of the meat import law of 1964. This quota law shares our growing beef market with foreign producers, yet keeps the United States from being a beef dumping ground for the rest of the world.

In our opinion, this amounts to a strong case for quotas on meat and meat products. The present Public Law 88-4829 provides machinery for the imposition of quotas on fresh, chilled, and frozen beef, veal and mutton, if imports are estimated to reach a specified percentage of our domestic production. However, with the complete failure of the Kennedy round of negotiations in the area of meat and meat products, we submit the necessity of modifying and strengthening this law, and slightly reducing the allowable volume that can be imported in direct competition with domestic industry.

Before proceeding with our case for reasonable quotas on meat and meat products, please allow me to expand on the failure of the Kennedy round and the restrictions on imports of meat and meat products still employed by major trading nations.

FAILURE FOR AGRICULTURE IN THE KENNEDY ROUND

Officials in the executive branch of our Government have sought diligently to carve out some gains for U.S. agriculture from the Kennedy round of GATT negotiations, rather than to flatly admit that the American farmer will still not be accorded reciprocal treatment, to any greater degree than in the past, as a result of these negotiations.

In testimony before this very committee at the beginning of these hearings on June 4, Cabinet members attempted to make a strong case against reasonable quotas which were often referred to as import restrictions. Such measures were discredited in numerous ways, and we were told they would cause untold damage to our position in the world markets. We were told further, that the imposition of quotas would not only be met by heavy retaliation against our exports, but also that our action would not be legal.

¹ Address by Secretary of Agriculture Orville L. Freeman to the National Farm Institute, Des Moines, Iowa, Feb. 15, 1968, pp. 11 and 12.

These are strange arguments to us, particularly as they relate to meat and meat products. We find it hard to understand how anyone, least of all our own Government officials, can sincerely tell us we must not consider reasonable protection for domestic industry when that is exactly what many other trading nations are doing. They don't always call their nontariff trade barriers quotas, but the numerous restrictions they employ have the same effect, and may be even more damaging because we can't always be sure exactly what they are going to be.

If it is illegal for the United States under GATT to establish reasonable quotas which continue to allow foreign nations access to our markets, why is it not illegal for these same foreign nations to restrict imports under a multitude of barriers, some of which, and at times, allow no access at all?

It is claimed that during the Kennedy round the United States received concessions on items of interest to agriculture valued at \$866 million, cost, insurance, and freight basis, and gave concessions valued at \$860 million, cost, insurance, and freight basis.² Of special concern to the National Livestock Feeders Association is the additional pressure on domestic producers which will result from the tariff concessions granted by the United States on canned beef, fresh pork, lamb, certain prepared meat products and meat extract, wool, hides and skins, and the binding of duties on canned hams at 3 cents per pound. In most cases, the United States cut tariffs in half on the meat and other animal products mentioned above; and there cuts are for real since the United States employs no other barriers against them.³

On paper, the United States did receive some minimal concessions, but what these will amount to in actual practice is doubtful, since the countries involved, with the possible exception of Canada, can still restrict said exports from this country by means other than duties.

Even before the Kennedy round results could be analyzed, the EEC established an export subsidy on canned hams amounting to about 25 cents per pound, in face of the U.S. agreement not to increase the minimal import duty of 3 cents per pound. This is a concrete example of how much stock can be put in the dollar value placed on claimed concessions to U.S. agricultural products, from the standpoint of "real world" results.

It is clear that the United States came out on the "short end of the stick" in the negotiations involving livestock and meat products, and the domestic feeders, ranchers, and related industries face the consequences of increased imports with no assurance of reciprocal treatment.

Following the negotiations, it was reported by the Foreign Agricultural Service that:⁴

One of the major disappointments in the Kennedy round for the United States was the failure of the participants to negotiate better access for fresh, chilled, and frozen beef into major world markets such as the EEC. Although the United States does not have a large export interest in this kind of beef, freer access to other world markets is important for the U.S. livestock industry. Closed markets for beef elsewhere mean greater pressure from foreign suppliers on the U.S. market.

² "Report on Agricultural Trade Negotiations of Kennedy Round," FAS-M-193, FAS, USDA, September 1967.

³ "Report on U.S. Negotiations, 1964-67 Trade Conference," vol. II, pt. I, Office of Special Representative for Trade Negotiations.

⁴ Foreign Agriculture, weekly magazine of the U.S. Department of Agriculture, Foreign Agricultural Service, Oct. 9, 1967.

Beyond this, in the words of the Honorable William S. Roth, Special Representative for Trade Negotiations, "there were nontariff barriers that were not touched in the Kennedy round." Mr. Roth included such devices as state trading, border taxes, arbitrary customs valuation, "buy national" laws and practices, and discriminatory internal taxes, and remarked that there were a host of others.⁵

And, indeed, there were a host of other nontariff barriers utilized by other nations against exports from the United States, and from other countries. In addition to the ones listed by Mr. Roth, there are quotas, import licenses, import certificates, gate price systems, health restrictions, outright import prohibitions, minimum price controls, and others.

These barriers have been a major cause of discrimination against our exports, resulting in nonreciprocal treatment for U.S. livestock and meat industry, regardless of paper concessions spelled out in officially negotiated agreements.

Can the EEC still utilize its system of variable levies? The answer is "Yes." Can foreign nations still impede, or completely wall out, U.S. exports by using a multitude of nontariff barriers? The answer is obviously "Yes," again.

A study of the reports setting forth the results of the Kennedy round, with respect to agriculture, bears out the fact that other countries are still free to exercise all of the above-named trade restrictions against U.S. agricultural exports.

How can there be any realistic conclusions drawn on the value of concessions when foreign nations are still in a position to change their "ground rules" of trade whenever it suits their interests? The United States is simply not guaranteed access to many markets, regardless of "paper" tariff concessions.

U.S. officials fail to paint the true picture for the Congress and the public. Nearly every other country in the world, through some kind of control on imports, takes only those products, and in the volume, that they want and/or need. They do not feel any obligation to throw their borders open to take any product in whatever volume some other country wishes to ship to its ports of entry. The United States is practically the only country which builds and carries out its trade policy on such an ivory tower, impractical foundation. Other nations handle foreign trade on a strictly business-like basis, not in the framework of good will gestures, or in an attempt to set an example that hopefully the rest of the world will follow.

We continue to be warned by Government officials that moves to depart from these good will gestures in order to reasonably protect domestic industry will provoke extensive retaliation by foreign nations. Contrary to impressions left of automatic mass retaliation, any move to retaliate must come on an individual country-by-country basis (except for group action by the EEC, for example). Furthermore, other countries are already providing a very high and effective degree of protection for their domestic agriculture and industries; and they obviously do not give much second thought to retaliation on the part of the United States when putting their protective measures into practice or in maintaining them.

⁵ Report of agricultural trade negotiations of Kennedy Round, FAS-M-193, FAS, USDA, September 1967.

In our opinion, retaliation warnings by our executive officials are grossly overrated and are like ghosts in haunted houses * * * used only in an attempt to scare domestic agriculture and business into meekly following the course of basing trade policy on international relations instead of on sound business principles.

These and other circumstances are what prompted the National Livestock Feeders Association and others to seek more realistic quotas and restraints on certain meat products being imported by the United States. We believe that such reasonable protection under world trading conditions is absolutely vital for the economic well-being of the domestic livestock business.

Thus we wholeheartedly support the provisions contained in H.R. 9475 introduced in the House of Representatives, and of S. 1588 introduced in the U.S. Senate.

IMPORT PROTECTION AND IMPORT RESTRICTIONS EMPLOYED BY FOREIGN NATIONS

Reference has been made repeatedly to tariff and nontariff barriers which exist in many foreign countries, and are devices employed to restrict imports and even rule them out entirely. A summary of trade restrictions used by other countries against meats, meat animals, and meat products as of June 1968, is not available, but we do have accurate information as of January 1968.

In order to illustrate and support the arguments which have been made, we are providing the most recent data available in order to demonstrate clearly the distinct disadvantage facing the U.S. livestock industry in the foreign trade arena. The information follows, country by country, with the understanding there may be some changes which more current reports will reveal.⁶

In the statement, as you will note, we have summarized these restrictions and I will not enumerate them in the interest of saving time.

We would of course appreciate having them appear in the record and our statement appear in the record from this point on and we will merely make a few remarks about each section as it follows. (See p. 3273.)

However, as I mentioned, we have listed these import restrictions country by country. We listed the Economic European Community, the Argentine, Australia, Austria, Brazil, Chile, Greece, Ireland, Japan, Mexico, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, and the United Kingdom.

Similar information on trading restrictions imposed by lesser trading Nations is available but it seems unnecessary to include all countries in this section. We believe the foregoing substantiates the points we are making. Most major trading Nations employ high tariffs, a variety of nontariff barriers, or a combination of restrictions to control imports of meat and meat products.

Yet we are being told the United States must not resort to any reasonable protection of a similar nature because we will severely damage world trade and invite extensive retaliation.

Then in the succeeding chapters of this presentation we present our arguments in favor of reasonable protection to the domestic industry

⁶ Source : Compiled by the NLFA from information supplied by the Foreign Agricultural Service, U.S. Department of Agriculture.

and the necessity for modification of the existing statute, Public Law 88-482. Modifications sought do not amount to drastic changes and, we emphasize, access would still be provided into our domestic market for meat and meat products.

In these remaining sections we trace the history of imports prior to 1964 and through 1967. The information is supported by tables and charts that are attached to the statement.

We submit that the establishment and imposition of quotas offers the only practical means of necessary restrictions.

In addition to expanding our ample domestic supply of beef and veal, the value of products now being imported is relatively lower than the products of like quality produced in the United States, and here we have provided the information running back through 1967 and up to date, or practically up to date, in 1968, listing the value of imported beef as compared to the value of comparable domestically produced beef, and we find ranges in this difference that run as high as \$8 per hundredweight.

Furthermore, we do believe that we refute the argument that the quality of imported beef does not compete directly with beef prices. Then we have reviewed briefly those specific modifications in the present law which would be accomplished by H.R. 9475 and support the reasons for these modifications.

I see no reason to go through all of these modifications since the committee is well acquainted with them and the details as well as the provisions.

So in the closing section, Mr. Chairman, we call attention to some of the circumstances of domestic production which have prevailed and created problems for the industry, and then we explain what the industry is doing to alleviate these problems.

Finally, we point out how large volumes of imported meat products work directly against those industry efforts and accentuate the problems we are trying to correct. We are trying to work toward more regular production and feeding, both cattle and hogs, far more orderly marketing on the part of domestic producers, certain restraints in production, and particularly in the area of fed beef where we have conducted a very intensive campaign toward litter slaughter weights which hopefully will hold production of beef in check.

Volume and irregularity of imports do tend to work in conflict with these efforts and we have explained this in our final section of the statement. We believe the reasons and arguments that are contained in the statement that we have presented and are asking to be filed fully justify a definite change in the foreign trade policies of the United States, whereby domestic industry is accorded consideration at least similar to that enjoyed by industries in foreign nations.

We do feel definitely we have substantiated the need for modifying the present meat import quota law of 1964 and making changes that are vital to the well-being of our livestock growing and feeding businesses.

Again we are grateful for the opportunity to make this presentation. We respectfully hope that the committee and the Congress will honor the recommendations that have been made and will take favorable action as quickly as possible on the provisions contained in H.R.

9475, and I thank you very much, Mr. Chairman, for the privilege of appearing.

The CHAIRMAN. We thank you, Mr. Magdanz for bringing to us the views of the National Livestock Feeders Association.

Are there any questions of Mr. Magdanz?

We thank you, sir, very much. Your statement will be in the record. (The balance of Mr. Magdanz' statement follows:)

European Economic Community.—The Common Markets' Imports of fresh, chilled, or frozen meats and meat products, including canned products, are controlled by external tariffs, quotas, import certificates, import licenses, minimum import prices, variable and supplementary levies. Also, all meat items are subject to various regulations and requirements pertaining to public health, animal health regulations, veterinary restrictions, sanitary requirements, labeling and food additives.

The EEC now has a common agricultural policy (CAP) for pigmeat which became effective on July 1, 1967. A single market for beef and veal was scheduled to come into effect on April 1, 1968, but as yet has not. There is no common agricultural policy for lamb and mutton, but transitional steps are scheduled to begin on July 1, 1968, leading eventually to a single market for lamb and mutton. During the transitional period, certain restrictions on mutton and lamb imports will continue to be imposed by the individual member countries. France has import quotas for sheep and a minimum price system for mutton and lamb imports. West Germany controls imports of lamb and mutton through tender announcements: whereas, the Benelux countries have liberalized their imports of lamb and mutton.

All meat items imported into the EEC are subject to import licenses, except Italy which requires a license on only pork items and frozen beef. A mandatory import certificate is required plus the deposit of a surety bond before an import license is issued for all pork items and frozen beef. Imports of all meat items are still subject to the individual member countries' regulations and requirements pertaining to sanitary, veterinary labeling and food additive requirements.

The variable import levies are fixed by a Commission at weekly intervals for both beef and veal. The levy is the difference between the calculated import price and the guide price. The import price for beef is a computed weighted average of price quotations for representative markets in Denmark, The United Kingdom, Ireland, and Australia plus customs duty and a standard cost for transportation.

Argentina.—Prohibits imports of U.S. sheep and cattle, except those animals which originate in areas which have been free of Blue Tongue disease for the previous year. Blue Tongue is a disease of sheep, but cattle may carry the causative virus.

Australia.—Prohibits imports of cattle and sheep from the United States and from other countries where Blue Tongue is present. Their animal disease regulations virtually prohibit meat imports from any country, except New Zealand. Imports of cattle hides are prohibited from "foot and mouth" disease countries and are also restricted by a very prohibitive tariff.

Austria.—Virtually excludes imports of U.S. meat and meat products through use of import tenders which are issued on short notice and for short duration. High tariffs on most livestock and meat items also make U.S. imports prohibitively expensive. Imports of pork and pork variety meats from the United States are prohibited by veterinary regulations.

Brazil.—Places lard and other pork products in a "special" import category. Imports of these items must be made with dollars purchased at a premium at auctions. This premium, plus the tariff duties, make the cost of U.S. products prohibitive.

Chile.—Discourages entry of most U.S. livestock products by means of import deposit requirements and high import taxes.

Greece.—Levies a consumption tax of 15 cents per pound of tallow used in the manufacture of candles. This tax is not applicable to other industrial uses for tallow. Imports of tallow, lard, sausage casings, and variety meats are controlled by fund allocations. For most products large import deposits are required as well, and imports are obtained under bilateral agreements.

Ireland.—Generally restricts entry of all livestock and meat products by requiring import licenses. Sausage casings are controlled by licenses and are under

strict veterinary control. Import tariffs are also high. Lard import duties are unusually high.

Japan.—Restricts imports of pork, canned beef, and sausages by a fund allocation system. High tariffs on most of these items also restrict trade.

Mexico.—Restricts entry of U.S. livestock and meat products by requiring import permits and the use of high duties. If these controls were lifted, U.S. exports would rise sharply. At present, only variety meats, hides, skins, and lard are permitted to enter in large quantities; sales of these commodities are smaller than they would be were trade unrestricted.

New Zealand.—Prohibits imports of most meats and other packinghouse products. Since it as a large exporter of these items, imports probably would be small, anyway. Individual licenses are required to import tallow, hides and skins. Imports of pork from the United States are prohibited because of hog cholera.

Norway.—Restricts imports of most meat products. Those of certain types of animal greases other than tallow and lard are permitted under license. Entry of sausage casings, pigskins, cattle hides, and sheep and lamb skins are not restricted. Imports of U.S. pork are not permitted because of the presence of hog cholera in the United States.

Portugal.—Restricts entry of U.S. meat products by use of import controls and high tariffs.

Spain.—All meat imports are purchased by the National Supply Commission. This agency controls the amount brought into the country and its origin. Tallow, casings, and cattle hides are imported by private individuals in unlimited amounts which are subject to reasonable tariffs.

Sweden.—Controls imports of most meats and meat products by licenses and import levies. A special tax on horsemeat, beef, and pork is applied to equalize prices of meats purchased from overseas sources with those domestically produced. Veterinary controls prevent the entry of frozen pork and pork variety meats from the United States. Processed and canned meats are not under veterinary controls but are subject to a 73 percent ad valorem duty (22 cents per pound).

Switzerland.—Imposes a minimum price system in order to keep imported livestock and meat products at the same level as domestically produced products. Meats and livestock are also State traded. Entry of most meat products is subject to import licenses. Foreign products are subject to custom duties, import taxes, and veterinary inspection fees.

The United Kingdom.—Places most livestock products in a most uncompetitive position because of the Commonwealth Preferential Tariff System. Under this system, products entering the United Kingdom from Commonwealth countries are subject to little duty or none. Products from other countries, including the United States, are subject to sizable duties. For example, on cattle hides and tallow from the United States buyers must pay a 10 percent duty, while those products from the Commonwealth enter duty-free. The U.K. tariffs on beef variety meats and on sausages from the United States are each 20 percent ad valorem; there is no duty on these items from Commonwealth suppliers.

Similar information on trading restrictions imposed by lesser trading nations is available, but it seemed unnecessary to include all countries in this section. We believe the foregoing clearly substantiates the points we are making. Most major trading nations employ high tariffs, a variety of non-tariff barriers, or a combination of restrictions, to control imports of meat and meat products. Yet we are being told the United States must not resort to any reasonable protection of a similar nature because we will severely damage world trade and invite extensive retaliation.

THE CASE FOR REASONABLE IMPORT CONTROL OF MEAT AND MEAT PRODUCTS

In the succeeding chapters of this presentation, we present our arguments in favor of reasonable protection of the domestic livestock industry, and the necessity for modification in the existing statute, Public Law 88-4829. Modifications sought do not amount to drastic changes and, we emphasize, access would still be provided into our domestic market for meat and meat products.

All too often in years past, profits in the livestock industry have not been reasonable; and, in fact, severe losses have been sustained by those engaged. Since imports represent a percentage of that supply which is a most important price determinant, and they contribute to further fluctuation in that supply, we

have a primary concern with the volume of allowable imports which come into our market and compete with the domestic production. The situation might be less unreasonable if we had equal opportunities for the sale of our domestic production abroad, but such equal opportunity does not exist, as has been vividly pointed out, with respect to most domestically produced livestock, meat and meat products.

The members of the National Livestock Feeders Association became alarmed over imports of beef, veal, and mutton in 1958 when the volume reached 636,397,000 pounds, product weight, which figure amounted to 250% of the 249,447,000 pounds, received in 1957. (See Table I.) The volume increased still more in 1959 and, in that year, we filed an application with the United States Tariff Commission for what was then known as an "Escape Clause" investigation. The application was subsequently withdrawn because conclusions reached by the Tariff Commission in the interim made it rather obvious an unfavorable decision would be forthcoming with respect to beef and veal.

Imports of these products declined from 769,697,000 pounds in 1959, to 549,911,000 pounds in 1960, and then began an upward trend again reaching the peak level of 1,185,286,000 pounds in 1963, according to figures published in the Livestock-Meat-Wool Market News and by the Foreign Agricultural Service, U.S. Department of Agriculture. Converted to carcass weight equivalent, the 1963 figure represented approximately 10% of our domestic production, coming at a time when live cattle prices were at disastrous levels and severe losses were sustained by those in the cattle production and feeding business.

By 1964, the industry was grossly upset and could see no other alternative than legislative restrictions in the form of quotas established by law. As you know, the Congress of the United States shared this intense alarm and passed legislation which became known as Public Law 88-482. This law was passed under conditions of tremendous opposition from the Executive Branch of our government not dissimilar to that being exercised now and, in the final analysis, it was necessary to make some unwanted compromises from our original position in order to be sure the measure would be signed into law.

As Table I shows, imports of beef, veal and mutton were reduced some in 1964 and 1965 to 834,707,000 and 731,166,000 pounds, respectively, but rose again in 1966 to 953,823,000 pounds and to 1,033,304,000 pounds in 1967.

It goes without saying that the law was less than desired by the people in the industry and by the majority of both Houses in the Congress. Nevertheless, we were willing to accept it temporarily as were Members in the Senate and in the House, with the feeling it might be reviewed in due time and its deficiencies corrected.

It is obvious that a great many members of the United States Congress share in the feeling that these deficiencies do exist, and are anxious to conduct a review. Evidence of this, of course, is the large number of the members who have joined in the introduction of pending legislation.

QUOTAS OFFER ONLY MEANS OF RESTRAINT

We submit that the establishment and imposition of quotas offers the only practical means of necessary restrictions. In addition to expanding our ample domestic supply of beef and veal, the value of products now being imported is relatively lower than products of like quality produced in the United States.

To substantiate the statement that imported beef is offered in our market at lower values, we refer you to Table II wherein we have listed, on numerous dates throughout 1967 and early 1968, comparative wholesale prices of domestic and imported cow beef as well as comparative prices of domestic and imported bull beef. The prices are carlot wholesale figures and have been reported in the National Provisioner. Two columns in the table give the differences in the prices for domestic and imported beef. These differences are significant, the highest figure listed in 1967 being \$7.50 per cwt., and in 1968 the figure ran as high as \$8.50 per cwt. It must be taken into account that ocean freight, insurance, and U.S. duties have already been paid on the imported meat and it is still offered in our market at lower figures.

With respect for the time of the committee, we do not believe it necessary to engage in a long and detailed explanation supporting the impact and adverse effects that imports have on our domestic price level. This was well established during and prior to 1964 through extensive presentations to the United States Tariff Commission beginning April 28, 1964, and the hearings in March of that

same year conducted by the Senate Committee on Finance. The necessity of some protection was acknowledged by the Congress in its passage of Public Law 88-482 and we compliment the Members of the Congress for this recognition.

It should be sufficient to briefly review here that livestock prices are primarily supply oriented. This is true in the short run as well as over a period of years.

Regardless of attempts to "cloud" the issue, imports do add materially to the overall tonnage of meat supplies, and beef, veal, and mutton in particular. The arguments that imports do not affect fed beef prices, and thus fed cattle prices, to any degree, because such meats are used primarily in the manufacture of processed products, is absolutely without foundation. Those proponents of such erroneous arguments do give substantial weight to supplies of competing meats, such as pork, poultry, fish, and the like, when discussing the factors influencing beef prices.

It is a fact, of course, that when a family is eating chicken, lamb, pork, turkey, etc., it is not eating beef and veal. The same logic applies to the vast array of processed meats and meat products. In other words, when a family is eating one of these, it is not at the same time consuming fresh beef.

The same may be said for the impact that more processed and manufactured products from imported beef and veal has upon the price level of domestic pork and hogs, as well as lamb. In fact, we might say that domestic red meat products are their own closest competitors regardless of the form in which they are marketed.

Attempts are often made to draw a fine line between the factors which affect the fed market, for instance, and the so-called cow or processing type market, and treat these as two separate and distinct markets so far as price is concerned. Although it is undoubtedly true that the degree of competition diminishes as we move towards the extremes of the scale (Choice or Prime fed beef on the one end and Canner beef on the other), there continues to be definite competition between the two extremes.

Additional tonnage of meat products moving into the domestic market arena and supplied by imports serves to increase this competition and hold price levels down. We submit, also, that the impact of imports on the domestic price level is greater than just the supply because of the lower prices at which the same quality of imported product can be offered in the market. This means that price injury resulting from imports is greater than the actual volume would indicate and thus makes quotas even more significant and necessary.

SPECIFIC MODIFICATIONS SOUGHT IN PRESENT LAW

In succeeding paragraphs, we would like to review briefly those specific modifications in the present law which would be accomplished by H.R. 9475, and to support the reasons for these modifications.

The imposition of quotas under PL 88-482 are dependent upon advance estimates, required to be made by the Secretary of Agriculture, in the volume of imports that may be received in the year ahead. While this estimate can be, and has been, modified on a quarterly schedule, and even though they are made in good conscience and as accurately as possible, we submit the merit of setting specific quotas on the products involved by determinations set out in the law. This would eliminate the speculation surrounding the volume of imports allowed each year and provide information to the industry on a fairly exact volume that would be accepted.

We are now operating under provisions for quotas based on the average imports in the five years 1959-1963. This five-year average includes the two highest years of record—1962 and 1963. While the industry and most members of the Congress have never sought the elimination of imports, and we do not do so now, we contend that the base years of 1959-1963 allow for a level of imports that is simply too high. Therefore, we strongly urge that this basing period be changed to the average level of imports in 1958-1962, which in our opinion, would be a more realistic figure and still allow access of foreign nations to our American market with a volume equivalent to a percentage of our domestic production.

On another point, the imposition of quotas under existing statute cannot become effective unless it is estimated by the Secretary, that the volume of imports for the year will exceed the quota level by 10% or more. This provision is commonly referred to as the "ten percent override". It simply means that exporting countries could actually send us up to 10% over the quota and said quotas would not be imposed unless it was estimated that a little more than

the 10% was due to arrive. The elimination of this extra volume seems entirely justified since we now really provide for allowable imports up to 110% of the quota.

Quotas on the products covered by present law are on an annual basis only, thus allowing for rather wide fluctuation in the tonnage that may be allowed from month to month. Table III attached and covering the years 1964, 1965, 1966, 1967, show the fluctuations which have taken place in each of these years. In addition, Charts I through IV graphically illustrate the pronounced irregularity of the imports of beef, veal and mutton.

We seek quarterly quotas amounting to a volume equal to one-fourth of an annual figure which will be a step toward modifying the swings which have occurred and probably would continue in future years. Such a requirement is absolutely necessary under the framework of industry efforts towards stabilization of supplies on which I will elaborate later in this presentation.

Present law makes provisions for quotas on only beef, veal and mutton that is in the categories of fresh, chilled and frozen. Without question, these are the imported products, the volume of which has risen phenomenally beginning in 1958 and reached high percentages of domestic production. Not to go unnoticed, however, is the fact that imports of lamb and pork have also risen rather consistently since 1957. By 1966, imports of lamb reached 14,884,000 pounds, and imports of pork totaled 298,349,000 pounds, both figures given in product weight. You are referred to Tables IV and V that are part of this presentation wherein we have listed the imported figures for each year from 1957 through 1967.

While existing statute does not provide for quotas on pork and lamb, neither does it provide for limitations on cooked, cured and canned beef, veal and mutton. Though not a drastic increase, imports of these latter products have risen some since 1964 and, unless precautions are taken, could increase to a degree that is much more pronounced.

The Charts I through IV illustrate both total imports of beef, veal and mutton, as well as the volume covered by the 1964 law. The volume between the two charted lines, which largely amounts to cooked, cured and canned products, is generally widening, reflecting some increase in these types of products.

Pending legislation would establish quotas on the Tariff items of fresh, chilled and frozen beef, veal and mutton. It does not establish, and we do not suggest, specific quotas for pork and lamb as well as cooked, cured and canned products. We do recommend, however, and feel necessary, the provisions contained in H.R. 9475 that would authorize the President to limit, by proclamation, the total quantity of products other than fresh, chilled and frozen beef, veal and mutton, if it is necessary to prevent unwarranted increases in the quantity of such articles imported into the United States. These limitations would be in the form of what are commonly referred to as discretionary quotas. Such authority would provide the means for preventing exporters to the United States from changing the form or containers or products and thus circumventing the law.

Beyond these provisions, H.R. 9475 and companion legislation would require that products having quantitative limitations, but procured with appropriated funds by the Department of Defense from foreign sources, would be included in the volume allowed by the quotas.

IMPORTS DEFEAT INDUSTRY EFFORTS AT STABILIZATION

In this closing section, we would like to call attention to some of the circumstances in domestic production which have prevailed and created problems for the industry, and then to explain what the industry is doing to alleviate these problems. Finally, we will point out how large volumes of imported meat products work directly against these industry efforts and accentuate the problems we are trying to correct.

The historical records of domestic production of red meat animals show rather definite swings, and in years past the peaks and valleys have occurred with reasonable regularity. Nearly everyone is acquainted with the so-called cattle cycle which used to run its course in a fairly consistent number of years.

These cycles of production, however, have been tending to level off which simply means that the peaks and valleys of production have become less pronounced. As a result of various circumstances, the domestic industry is moving to stabilize production of red meat animals and be more consistent on a generally upward trend in the volume of meat provided in an expanding market.

This is a healthy development, considered to be of great benefit to those engaged in the production and feeding business and, at the same time, a more regular supply of food is being made available to consumers. More and more cattle feeders are feeding cattle in all months of the year and tend to maintain a rather stable number in their lots. This is in contrast to a situation years ago when many cattle feeders would buy only one or two shipments of cattle a year and after they were finished, their lots would be empty for a period of time.

Likewise, swine production has tended to be more nearly stable throughout a year. Formerly we had a rather huge spring pig crop reaching the market in heavy volume during the fall and winter, with a much lesser crop in the fall arriving at the market in lower numbers in the following spring and summer. We still have a larger pig crop in the first two quarters than in the last two quarters of a year, but we no longer have the great differences that existed years ago. There are many swine producers who are farrowing sows at regular intervals of four months, three months, and two months, and some have their operation geared to farrowing every month in the year.

At least some credit for more stabilization can be claimed by livestock organizations for their recognition of problems arising from irregular production and their consistent recommendations that production be stabilized as much as possible. For quite a number of years, the National Livestock Feeders Association has urged its members and others in the industry to feed cattle more consistently throughout the year and has pointed out the very definite advantages of this type of operation. At the same time, we have engaged in campaigns encouraging the orderly and regular marketing of fed animals, not only from week to week throughout each year, but from day to day throughout the week. We are happy to note there has evidently been considerable response to those recommendations and to these campaigns.

At the same time, this Association has been intensely engaged in programs encouraging swine producers to voluntarily farrow sows at more intervals throughout each year, and thus spread out the nation's pig crop as evenly as possible. Hogs generally reach market weight from five to seven months after they are born and thus the farrowing pattern rather definitely dictates the market availability. Again, we can point with some pride to the developments and feel we can claim some credit for them.

Along with these programs just explained which have been conducted by the National Livestock Feeders Association, we have also encouraged the marketing of cattle at lighter and more uniform weights. This for the purpose of holding domestic beef production to a volume that will be accepted in the market at prices more favorable to feeders and producers and more equitable in relation to costs and prices of other commodities in this economy.

Early in 1967, when the fed cattle market was seriously depressed and rather severe losses were again being sustained by cattle feeders, this Association intensified its campaign on the weight problem. Average weights of slaughter steers were running much too high and, during the second week of January, the average weight of all steers sold at seven major markets was 1,160 lbs. Again, there has been definite response to such a campaign and by the week ending October 2, the average weight of all steers at these same markets, was 1,108 pounds. In the continuance of this educational effort, we hope it will be possible to hold average weights at, or below, present levels, and thus contribute to the more favorable price level for fed steers and heifers which we are seeking and are so necessary.

Other organizations representing cattle growers are engaged in similar activities with respect to the production of cattle in an attempt to stabilize numbers and thus contribute to the solution of the problems we have when domestic supplies of beef may exceed what the market will absorb at favorable prices. They encourage the sale of feeder cattle at younger ages and lighter weights so the cattle feeder can finish the animals to the grade desired before they can reach an excessive slaughter weight. We join in these campaigns as well, but as an organization of livestock feeders, we emphasize more the matter of orderly and regular marketing of slaughter cattle and the average slaughter weight, because this is the particular area of our member's operations.

All of these are in the nature of self-help programs being conducted by this Association and others in an attempt, through voluntary cooperation and realizations, to improve the financial climate for livestock people. While we feel we can point to some measure of success up to this time, and expect to be even more successful in the future, we certainly cannot depend on such cooperation from foreign nations with respect to products exported to the United States. These

imports not only add to our tonnage, but are able to undersell the same kind and quality of domestic products, thus exerting a two-pronged price depressing impact. In so doing, they counteract the very things we are trying to accomplish for the benefit of American producers.

Furthermore, imports enter the United States with considerable variation in volume from month to month, and thus tend to defeat the pattern of production and stabilization which we are trying to attain. Again we refer you to Charts I through IV showing the monthly imports of beef, veal, and mutton in the years 1964 through 1967. The top line in each chart traces total imports of beef, veal, and mutton in these months and years, whereas, the lower line shows the categories of these products covered by existing law. The lower line in the chart for 1964 represents the products that would have been covered had the law existed in that year.

We call attention to the rather wide swings in the volume of products received from month to month. The highest figure for products covered by the 1964 law is 100.2 million pounds during June of 1966, and the lowest figure is 28.2 million pounds in the month of January, 1965. In addition to the impact these imports have on our entire meat market, the irregularity of the receipts contributes to instability and varied tonnage in the total supply available. We wonder, therefore, how we can expect to achieve the goals we seek unless we at the same time can modify the volume of outside products entering our market and establish limitations on a quarterly basis that will tend to even out the flow that may be allowed.

These are the reasons and the arguments for tightening the existing quotas, providing for the establishment of quotas in the law and on a quarterly basis, and granting authority for discretionary quotas on those products not covered by the present law should there be unwarranted increases in the quantity.

CONCLUSION

We believe the reasons and arguments contained in these sections and paragraphs fully justify a definite change in the foreign trade policies of the United States whereby domestic industry is accorded consideration at least similar to that enjoyed by industries in foreign nations. We feel definitely we have substantiated the need for modifying the present meat import quota law of 1964 and making changes that are vital to the well-being of our livestock growing and feeding businesses.

Again, we are grateful for the opportunity to make this presentation. We respectfully hope that this Committee and the Congress will honor the recommendations that have been made, and will take favorable action as quickly as possible on the provisions contained in H.R. 9475.

TABLE I.—TOTAL BEEF, VEAL, AND MUTTON—U.S. IMPORTS (PRODUCT WEIGHT, 1957-67)

Year	Million pounds	Year—Continued	Million pounds
1957	249, 447	1963	1, 185, 286
1958	636, 397	1964	834, 707
1959	769, 697	1965	731, 166
1960	549, 911	1966	953, 823
1961	734, 040	1967	1, 033, 304
1962	1, 032, 505		

[In millions of pounds]

Month	1964	1965	1966	1967
January	96. 970	31. 438	60. 263	87. 211
February	53. 901	39. 740	68. 794	68. 484
March	77. 094	75. 820	56. 323	71. 988
April	69. 367	40. 189	70. 996	66. 800
May	55. 699	63. 541	59. 877	60. 961
June	105. 568	56. 299	112. 230	80. 665
July	53. 676	68. 684	72. 189	101. 232
August	88. 080	73. 870	101. 303	104. 179
September	58. 441	74. 872	104. 742	108. 069
October	54. 130	76. 236	95. 912	105. 957
November	60. 840	66. 960	75. 163	95. 617
December	60. 941	63. 517	76. 031	82. 141
Total	834. 707	731. 166	953. 823	1, 033. 304

Sources: Foreign Agricultural Service and Livestock-Meat-Wool Market News, U.S. Department of Agriculture.

TABLE II.—CARLOT WHOLESALE BONELESS BEEF PRICES

[Per hundredweight]

Year	Cow beef			Bull beef		
	Domestic	Imported	Difference	Domestic	Imported	Difference
1967						
Jan. 2.....	\$53.00	\$47.88	\$5.12	\$53.50	\$51.00	\$2.50
Jan. 16.....	53.00	49.00	4.00	54.00	51.00	3.00
Feb. 3.....	52.75	48.75	4.00	53.00	51.00	2.00
Feb. 15.....	53.00	48.25	4.75	53.50	50.50	3.00
Mar. 1.....	52.50	47.38	5.12	53.00	49.50	4.00
Mar. 15.....	52.00	47.18	4.82	54.00	49.50	4.50
Apr. 3.....	52.50	47.88	4.62	54.00	50.00	4.00
Apr. 14.....	52.50	48.00	4.50	54.00	50.50	3.50
May 1.....	53.00	47.75	5.25	54.00	50.50	3.50
May 15.....	53.00	47.00	6.00	54.00	50.50	3.50
June 1.....	53.00	46.63	6.37	54.00	50.25	3.75
June 15.....	53.00	47.17	5.83	54.00	50.50	3.50
July 3.....	53.50	47.00	6.50	54.00	50.50	3.50
July 14.....	54.50	47.00	7.50	55.75	51.25	4.50
Aug. 1.....	52.50	46.75	5.75	52.50	51.50	1.00
Aug. 15.....	53.50	46.75	6.75	53.50	51.50	2.00
Sept. 1.....	52.50	46.50	6.00	52.75	52.00	.75
Sept. 15.....	52.00	47.25	4.75	52.75	52.25	.50
Oct. 2.....	52.00	47.50	4.50	52.50	52.50	.00
Oct. 16.....	51.00	47.50	3.50	52.50	51.50	1.00
Nov. 1.....	50.00	46.25	3.75	52.00	50.50	1.50
Nov. 15.....	49.50	46.00	3.50	51.50	50.00	1.50
Dec. 1.....	50.50	45.75	4.75	52.75	50.00	2.75
Dec. 15.....	50.50	46.25	4.25	52.75	49.75	3.00
1968						
Jan. 2.....	51.50	46.63	4.87	53.00	49.75	3.25
Jan. 15.....	51.00	46.75	4.25	53.50	50.00	3.50
Feb. 1.....	51.00	46.38	4.62	53.50	49.75	3.75
Feb. 15.....	51.50	46.38	5.12	53.50	49.75	3.75
Mar. 1.....	54.50	46.38	8.12	55.00	49.75	5.25
Mar. 15.....	55.00	46.50	8.50	55.00	49.75	5.25
Apr. 1.....	55.00	46.88	8.12	55.50	50.00	5.50
Apr. 15.....	55.25	47.25	8.00	55.50	50.00	5.50
May 1.....	55.50	48.38	7.12	56.00	51.50	4.50
May 15.....	55.50	48.75	6.75	55.50	51.75	3.75

Source: Reported in "National Provisioner."

TABLE III.—BEEF, VEAL, AND MUTTON—U.S. IMPORTS COVERED BY 1964 LAW (PRODUCT WEIGHT, 1964¹ TO 1967)

[Million pounds, by months]

Month	1964 ¹	1965	1966	1967
January.....	87.2	28.2	51.4	77.4
February.....	44.9	34.5	60.3	58.5
March.....	68.9	68.7	49.4	61.9
April.....	61.3	32.4	63.3	58.8
May.....	51.1	52.3	52.0	51.5
June.....	98.1	41.9	100.2	68.6
July.....	43.8	58.5	61.4	88.7
August.....	79.4	59.9	87.1	92.2
September.....	49.7	62.2	91.5	89.7
October.....	46.3	64.4	79.7	91.8
November.....	55.8	57.2	61.1	82.3
December.....	53.3	53.7	66.0	72.4
Total.....	639.8	613.9	823.4	894.8

¹ Law not in effect in 1964. Figures represent volume of product that would have been covered had the law applied.

Source: Livestock and Meat Products Division, Foreign Agricultural Service, U.S. Department of Agriculture.

TABLE IV.—LAMB—U.S. IMPORTS (PRODUCT WEIGHT, 1957-67)

Year:	Million pounds	Year—Continued	Million pounds
1957.....	1.796	1963.....	18.924
1958.....	6.802	1964.....	10.438
1959.....	9.455	1965.....	12.539
1960.....	12.434	1966.....	14.884
1961.....	10.940	1967.....	12.267
1962.....	13.138		

[In millions of pounds]

Month	1964	1965	1966	1967
January.....	1.864	0.026	1.698	0.819
February.....	1.075	.476	1.264	.591
March.....	.770	1.816	1.644	.987
April.....	.399	.646	2.423	.972
May.....	.781	2.069	1.354	.810
June.....	1.335	.604	1.742	.516
July.....	1.181	1.200	1.210	.890
August.....	.653	.976	.754	.520
September.....	.748	.849	.631	1.502
October.....	.538	1.038	1.136	1.595
November.....	.341	1.823	.409	1.316
December.....	.753	1.016	.619	1.749
Total.....	10.438	12.539	14.884	12.267

Source: Foreign Agricultural Service and Livestock, Meat, Wool Market News, U.S. Department of Agriculture.

TABLE V.—PORK—U.S. IMPORTS (PRODUCT WEIGHT, 1957-67)

Year:	Million pounds	Year—Continued	Million pounds
1957.....	133.0	1963.....	210.5
1958.....	182.7	1964.....	210.5
1959.....	174.9	1965.....	262.3
1960.....	171.3	1966.....	298.3
1961.....	172.8	1967.....	306.9
1962.....	203.8		

[In millions of pounds]

Month	1964	1965	1966	1967
January.....	16.749	7.413	25.533	22.669
February.....	16.023	20.986	26.504	26.734
March.....	19.676	26.774	31.498	31.745
April.....	16.330	27.712	29.056	23.846
May.....	17.691	18.633	22.447	25.254
June.....	16.979	22.068	25.829	27.775
July.....	17.825	20.521	21.958	25.551
August.....	15.894	21.035	17.787	24.461
September.....	17.892	23.078	22.037	21.135
October.....	18.073	22.9.6	26.293	23.120
November.....	16.852	20.693	24.242	22.778
December.....	20.640	30.390	25.165	31.834
Total.....	210.524	262.269	298.349	306.902

Source: Foreign Agricultural Service and Livestock, Meat, Wool Market News, U.S. Department of Agriculture.

TABLE VI.—BEEF AND VEAL—U.S. TOTAL COMMERCIAL PRODUCTION (CARCASS WEIGHT, 1958-67)

Year:	Million pounds	Year—Continued	Million pounds
1958.....	14, 086	1963.....	16, 896
1959.....	14, 162	1964.....	18, 965
1960.....	15, 399	1965.....	19, 261
1961.....	15, 890	1966.....	20, 355
1962.....	15, 867	1967.....	20, 746

[In millions of pounds]

Month	1964	1965	1966	1967
January.....	1, 589	1, 618	1, 734	1, 795
February.....	1, 365	1, 434	1, 537	1, 598
March.....	1, 483	1, 648	1, 685	1, 759
April.....	1, 583	1, 496	1, 576	1, 653
May.....	1, 577	1, 497	1, 649	1, 820
June.....	1, 661	1, 604	1, 770	1, 809
July.....	1, 626	1, 597	1, 627	1, 662
August.....	1, 561	1, 652	1, 815	1, 807
September.....	1, 627	1, 714	1, 790	1, 714
October.....	1, 720	1, 691	1, 744	1, 799
November.....	1, 536	1, 653	1, 722	1, 682
December.....	1, 637	1, 657	1, 706	1, 648
Total.....	18, 965	19, 261	20, 355	20, 746

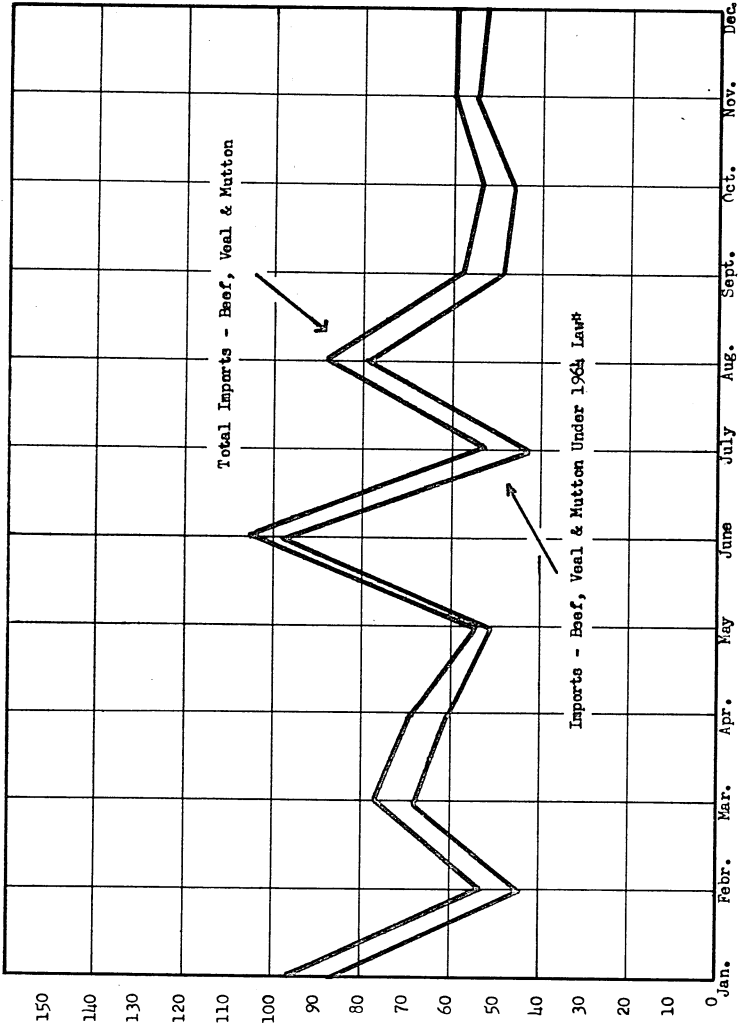
Source: Livestock and Meat Statistics, Statistical Bulletin No. 333, and Monthly Livestock Slaughter Report, Statistical Reporting Service, U.S. Department of Agriculture.

CHART I

BEEF, VEAL & MUTTON - Total U. S. Imports and Imports Under 1964 Law*

1964

Mill. Lbs.



*Volume that would have been covered had law been in effect.

CHART II

BEEF, VEAL & MUTTON - Total U. S. Imports and Imports Under 1964 Law

1965

Mil. Lbs.

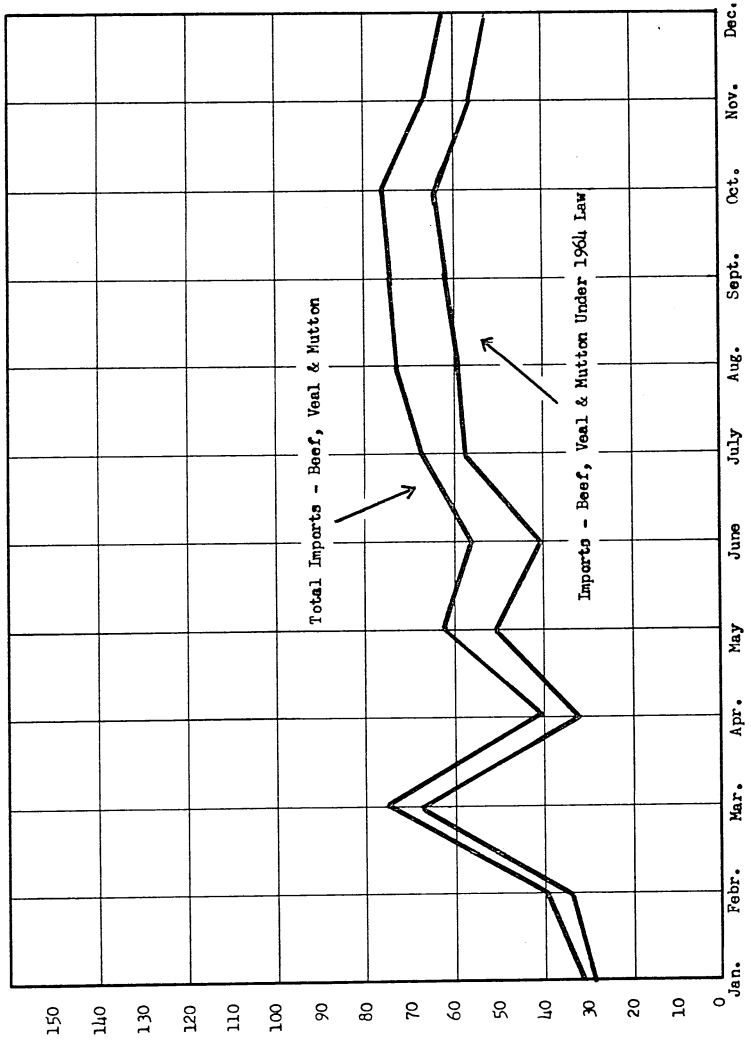


CHART III

BEEF, VEAL & MUTTON - Total U. S. Imports and Imports Under 1964 Law

1966

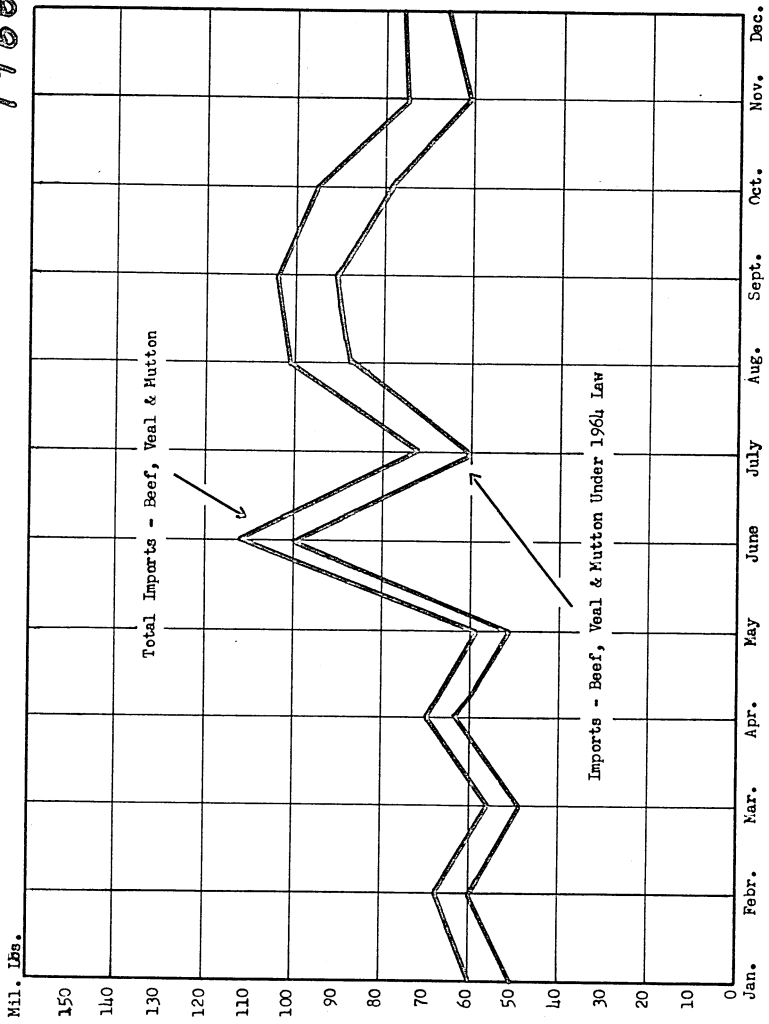
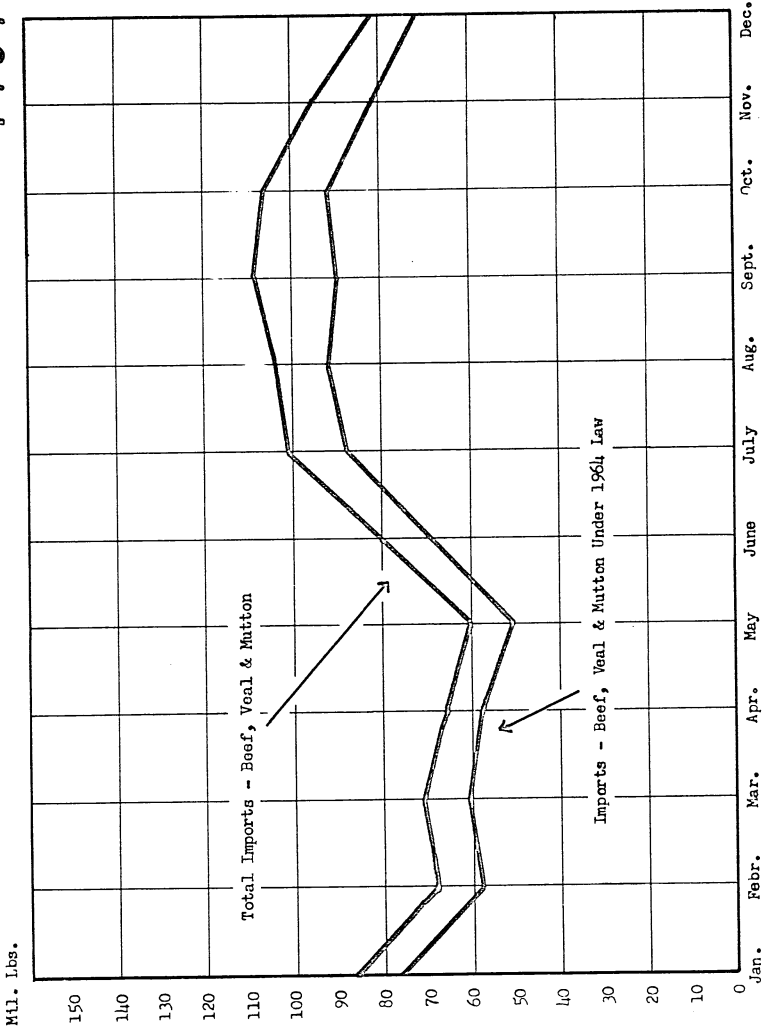


CHART IV

BEEF, VEAL & MUTTON - Total U. S. Imports and
Imports Under 1964 Law

1967



Mr. MAGDANZ. Thank you, sir.

The CHAIRMAN. Mr. Kern. Mr. Kern, if you will identify yourself for our record we will be glad to recognize you, sir.

STATEMENT OF GEORGE KERN, MEAT TRADE INSTITUTE OF NEW YORK AND EASTERN MEAT PACKERS ASSOCIATION, INC.

Mr. KERN. Mr. Chairman, members of the committee, my name is George W. Kern and I am president of George Kern, Inc., a New York meat processsing firm established in 1891. I have personally been in the meat processing business for 50 years. My company produces processed meat in excess of \$4 million per year of which beef accounts for about 25 percent of the volume.

I have been authorized to appear today on behalf of the Meat Trade Institute of New York City and the Eastern Meat Packers Association, Inc., with offices in Washington, D.C.

The Meat Trade Institute of New York is comprised of a membership that includes meat processors who account for the major portion of sausage produced in the metropolitan area of New York. The Eastern Meat Packers Association is composed of meat processors and sorters in the northeastern area of the United States and these two trade associations represent about 60 companies with approximately 6,000 to 7,000 employees.

My statement reflects the views of both of these organizations. We are opposed to the restriction of imported beef, particularly the processing type which comes to this country from bull and cow carcasses. It helps fill a deficiency which has been brought about in the past two decades by scientific and efficient animal husbandry.

In 1920 our dairy cow census was 21.4 million, in 1967, the year closed, 14.6 million, one-third less. This latter is the lowest number of dairy cows we have had in the United States in 48 years.

Due to artificial insemination I approximate our dairy bulls are far less in the same period. The supply of dairy cows and bulls in the past 20 years has averaged 2.9 billion pounds and has not increased.

In contrast, total table beef production since 1948 has increased 150 percent and represented in 1967, 91.1 pounds per capita. Imported processing beef that came into this country in 1967 was equivalent to 5.3 pounds per person. Domestic supply was 9.3 per person.

Incidentally, imported table beef in the years 1965, 1966, and 1967 was 0.4 or about $6\frac{1}{2}$ ounces per capita annual consumption. Thus it would appear the American cattle raiser is well protected by existing law, sought and obtained.

Imported processing beef has come to this country since about 1958 and in my company we have found this beef to be good quality, runs 90 percent lean with high protein value. It is a valuable source for hamburger processors as well as sausage manufacturers. Sausage consumed annually has doubled in the United States in the past 20 years with per capita consumption going from 16.22 in 1947 to 24 pounds in 1967. It is generally conceded that more hamburgers are consumed today in America than frankfurters and importing processing beef is highly essential in both.

In the manufacturing of hamburgers the trimmings from table beef cuts are generally so fat they must be mixed with lean meat to come

into Federal compliance of 70 percent lean. Here it is a boon to processors to use imported processing beef and also keep down costs at the same time.

Hamburger consumed is 33.5 percent of total beef consumed. The figures of processing beef show that in years of short domestic supply there is an increase in imported processing beef. In 1965 per capita supply of domestic processed beef was 11.9 while imported was 3.6 per capita.

However, in 1963 the figures almost balanced with 6.3 domestic and 6.5 imported. These figures apply to all processing meat used. Any restriction to importing processing beef will also add to the cost of the average family weekly food bill.

According to the U.S. Department of Labor, Bureau of Labor Statistics, hamburger retailed at 52.9 cents per pound in 1958. In the first quarter of this year it retailed at 55.1 cents per pound and that is the highest price in the past 10 years.

In this period the price increase has been 4.1 percent. Comparative figures show frankfurters increased 8.7 percent and rib roasts 19.4. The average consumer spends 26.5 percent of the food dollar for meat and 25 percent of this is ground beef, frankfurters, and luncheon meats.

In closing, the restriction of imported beef in our opinion will not only increase costs of comminuted meat products but will also lower the quality.

Thank you.

The CHAIRMAN. Thank you, Mr. Kern. Are there any questions?

If not, we thank, you sir.

Mr. Marsh, you have been before the committee in the past but for purposes of this record will you again identify yourself, please.

STATEMENT OF EDWIN E. MARSH, EXECUTIVE SECRETARY, NATIONAL WOOL GROWERS ASSOCIATION

Mr. MARSH. Yes, sir. Mr. Mills and members of the committee, I am Edwin E. Marsh, executive secretary of the National Wool Growers Association, Salt Lake City, Utah.

In order to conform to the time limitation given me today I will summarize my testimony but will appreciate having the complete written statement in the record.

The CHAIRMAN. Without objection your entire statement will appear in the record.

Would you like to have it following your summary?

Mr. MARSH. Yes, if that is satisfactory.

The CHAIRMAN. All right. It will appear that way in the record.

Mr. MARSH. Mr. Chairman, our organization strongly endorses the principles of your bill, H.R. 9475, to revise quotas on meat imports. When the meat import quota bill was in conference between the two Houses in 1964 one of the changes made was to establish an overall annual quota of 725,400,000 pounds of beef, veal, and mutton instead of setting a quota on each specie of meat as in the bill which the Senate had passed.

In order to help control any adverse effects on either the domestic sheep industry or the domestic cattle industry we would urge that

H.R. 9475 be amended to set quotas by species on the average volume of imports for the base period 1958 to 1962.

I go into that in a little more detail in my written statement, Mr. Chairman.

Another change made by the conference in 1964 was to strike lamb meat from any quota provisions. In the 1964 bill passed by a substantial majority in the Senate, a quarterly quota on imported lamb had been established in the amount of 3,200,000 pounds.

In the first quarter of this year that quota was exceeded by 217,000 pounds.

Lamb imports are not only on the increase this year but they are a problem in that retailers in our larger cities frequently use imported frozen lamb as a fire sale item. This can and frequently does have a detrimental effect on the price of fresh domestic lamb.

Examples of fire sale tactics by chainstores are shown individually in recent newspaper advertisements, three of which I would like if possible to have reproduced in the hearing record, Mr. Chairman.

The CHAIRMAN. We don't ordinarily do that but without objection we will for you, Mr. Marsh, as a part of your entire story to us.

Mr. MARSH. Thank you. In these ads New Zealand leg of lamb is advertised at 78 and 79 cents per pound while fresh domestic leg of lamb in the same area during the same period was selling at 99 cents to \$1.09 per pound.

In these ads New Zealand loin lamb chops are advertised at 89 and 99 cents per pound compared to domestic at \$1.69 to \$1.79.

As a result we are advised that three major chains have cut back sharply on domestic carcass purchases and have substituted New Zealand lamb.

New Zealand frozen lamb is generally recognized as frequently not meeting quite as good acceptance as fresh chilled domestic lamb. However, the price differential is not 90 cents per pound or even 20 cents per pound. Furthermore, some meat merchandisers predict the day is not far off when frozen lamb will be readily accepted by the housewife. When imports force down the retail price of domestic lamb you can be sure the reduction is immediately felt by the domestic producer. It always has been.

Officials of the New Zealand Meat Producers Board at a meeting last fall with officials of our organization admitted they had no control over the retail price of New Zealand lamb in this country. It is quite obvious the absurdly low tariff duty of 3½ cents per pound on frozen lamb would come nowhere near meeting increased production and wage costs in this country.

However, even though the duty has been so extremely low, New Zealand and Australian producers are now to be given an even further price advantage in competing with domestic lamb by an additional 51 percent reduction in that duty, negotiated in the Kennedy round.

This is certainly not discouraging imports. In fact, for the first quarter of this year lamb imports increased 42½ percent compared to the same period a year ago. Obviously, unless this tariff duty can be increased to at least 20 cents per pound, quotas provide the only effective means of holding imports at reasonable levels and protecting the domestic market for lamb.

Mutton imports likewise increased 53.9 percent in the first quarter of this year. In fact, on the basis used for setting the overall quota in the present meat import law, the quarterly average for mutton would be 12.9 million pounds. Mutton imports exceeded this amount in the first quarter of this year by almost 50 percent. It would therefore appear that an overall quota is almost meaningless and that to be of any value quotas must be set on a specie basis.

While we realize that this bill gives the administration authority to impose quotas on lamb in order to prevent unwarranted increases, past experience would indicate the administration is not likely to exercise its authority to establish quotas unless required to do so by law.

In view of this, we would like to see the same type of quotas arrangement provided on lamb in H.R. 9475 as on other species and as was provided in the original bill passed by a substantial majority of the Senate in 1964.

In summarizing our position on H.R. 9475, we endorse the bill and urge that it be amended to provide quotas by species and to provide reasonable import quotas on lamb. We also strongly endorse H.R. 11578 which you have introduced, Mr. Chairman, to set reasonable quotas on importation of textile articles.

Mr. Morton Darman of the National Association of Wool Manufacturers spoke on our behalf last week so I will not burden the committee with any further testimony at this time except to say that we strongly endorse the position he presented.

In closing I would like to state briefly that we oppose H.R. 17551, the proposed Trade Expansion Act of 1968. We feel that the administration does not need further tariff cutting authority when we already have a serious imbalance of trade. Australia is again pushing for a further reduction in the duty on raw wool. Passage of H.R. 17551 could result in a duty reduction on wool to the detriment of our domestic wool industry.

Mr. Chairman, that completes the summary of my testimony. I appreciate the opportunity of being heard.

(The statement and newspaper advertisements referred to follow:)

STATEMENT OF EDWIN E. MARSH, EXECUTIVE SECRETARY-TREASURER, NATIONAL WOOL GROWERS ASSOCIATION

Mr. Chairman and members of the committee, this statement is presented on behalf of the National Wool Growers Association, which has its principal membership in a 22-state area where 86 percent of the nation's sheep, lambs and wool are produced. The Association was organized 103 years ago and is recognized as the spokesman for the sheep farmers and ranchers of the United States. The two specific import commodities that our testimony will cover are meat and textiles.

H.R. 9475—IMPORT QUOTAS ON MEAT

Our organization strongly endorses the principles of H.R. 9475, introduced by the Chairman of this Committee, to revise the quota-control system on the importation of certain meat and meat products. The present law covering quotas on meat imports, Public Law 88-482, was prepared rather hastily in a conference between the two Houses. It was a compromise which many House and Senate members were reluctant to accept but did approve only because they knew the Administration did not want a meat import quota bill and because they felt this was the only type of bill that the Administration would accept.

One of the changes which was adopted by the conference in 1964 was to set up an over-all annual quota of 725,400,000 pounds of beef, veal and mutton, instead of setting a quota on each specie of meat, as in the Senate-passed bill.

Under this change, imports of mutton could be increased if there was a surplus in Australia, for example, simply by decreasing imports of beef. The cattle industry of this nation could likewise suffer economic injury under this law if mutton imports were decreased and beef imports were increased. In order to help control any adverse effects on either the domestic sheep industry or the domestic cattle industry which can occur through increases of one specie, we urge that H.R. 9475 be amended to set quotas *by species* on the basis of the average volume of imports for the base period of 1958-62.

Another change which was made by the conference in 1964 was to strike lamb meat from any quota provisions. In the 1964 bill passed by a substantial majority in the Senate, a quarterly quota on imported lamb had been established in the amount of 3,200,000 pounds. In the first quarter of this year that quota was exceeded by 217,000 pounds.

Lamb imports are not only on the increase but they continue to be a problem in that retailers in our larger cities, which are price-basing points, frequently use imported frozen lamb as a "fire sale" item. This can and frequently does have a detrimental effect on the price of fresh, domestic lamb.

Examples of fire-sale tactics are shown vividly in recent newspaper advertisements. For example, one chain in Louisville, Kentucky, this past month advertised leg of lamb at 79 cents per pound. While a check showed this was New Zealand frozen lamb, the ad did not so indicate. A spot-check of prices in Louisville at the same time showed fresh domestic legs of lamb selling at \$1.09 per pound. This and two other chain store ads which we would like to have reproduced in the hearing record show New Zealand lamb at the following prices compared to domestic prices in the same area and during the same period:

	New Zealand (per pound)	Domestic (per pound)
Leg of lamb.....	\$0.78 and \$0.79	\$0.99 to \$1.09
Loin lamb chops.....	.89 and .99	1.69 to 1.79
Lamb rib chops.....	.79	1.39 to 1.59
Lamb shoulder chops.....	.65	.89 to .93

New Zealand lamb sold here is, of course, frozen. While it is generally recognized that frozen lamb presently does not meet as good acceptance as fresh lamb, the price differential is certainly not 90 cents per pound, 80 cents per pound or even 20 cents per pound. Furthermore, some meat merchandisers predict that the day is not far off when frozen lamb will be readily accepted by the housewife. When imports force down the retail price of domestic lamb, you can be sure the reduction is immediately felt by the domestic producer. It always has been. Furthermore, the producer is at the bottom of the totem pole and has no place to pass on price reductions.

Officials of the New Zealand Meat Producers Board, at a meeting last fall with officials of the National Wool Growers Association, admitted they had no control over the retail price of imported lamb in this country.

One of the purposes of an import duty has been to compensate for increased cost of production in this country. It is quite obvious that the absurdly low tariff duty of 3.5 cents per pound on imported fresh, chilled or frozen lamb, would come nowhere near meeting increased production and wage costs in this country. However, in spite of the fact that the tariff duty has been at this extremely low level during recent years, New Zealand producers will now be given an even further price advantage in competing with domestic lamb by an additional 51 per cent reduction in that duty, negotiated in the recent Kennedy round. That will certainly do nothing to discourage imports. In fact, for the first quarter of this year imports of lamb increased 42.5 per cent, compared to the same period a year ago, from 2,397,000 pounds in the first three months of 1967, to 3,417,000 pounds in the first three months of 1968. Suppliers report that heavy shipments of New Zealand lamb may be expected in the near future at all our distribution points. Obviously with such an extremely low tariff duty, quotas provide the only effective means of holding imports at reasonable levels.

Mutton imports increased from 12,567,000 pounds to 19,322,000 pounds in the first quarter of this year compared to the same period a year ago, an increase of 53.9 per cent. In fact, on the basis used for setting the overall quota in the present meat import law, based on average imports for the five years, 1959-1963,

the quarterly average for mutton would be 12.9 million pounds. Therefore, mutton imports exceeded this amount in the first quarter of this year by 6.4 million pounds or almost 50 percent. It appears that the present law is almost meaningless. To be of any value, quotas must be set on a specie basis.

We appreciate the fact that H.R. 9475 authorizes the Administration to impose quotas on lamb and other meats not covered by quotas "to prevent unwarranted increases" in these meats. However, past experience would indicate that the Administration is not likely to exercise its authority to impose quotas unless required to do so by law. In view of this and the circumstances I have outlined, we would like to see the same type of quota arrangement provided on lamb as on other species, and as was provided in the original bill passed by a substantial majority of the Senate in 1964.

In summarizing our position on H.R. 9475, we endorse the bill strongly and urge that it be amended as follows:

1. Providing quotas by species of meat as in the 1964 Senate-passed bill.
2. Providing reasonable import quotas for lamb meat as in the 1964 Senate-passed bill.

H.R. 11578—IMPORT QUOTAS ON TEXTILES

We also strongly endorse H.R. 11578, introduced by Chairman Mills, to impose quotas on importation of certain textile articles. Our particular concern is, of course, the heavy expansion of imports of wool textiles. These imports have caused considerable contraction of domestic mills which are the only customers for domestic wool. However, in the interest of conserving hearing time, as requested by the Committee when these hearings were announced we will simply say at this point that we strongly endorse the testimony presented to this Committee last week on behalf of the National Association of Wool Manufacturers and other textile associations in support of H.R. 11578.

H.R. 17551—PROPOSED "TRADE EXPANSION ACT OF 1968"

We oppose H.R. 17551 to renew authority to cut tariff duties up to 50 percent.

We maintain that the Administration does not need and should not be granted further tariff cutting authority when we already have a serious imbalance of trade. U.S. commercial trade (excluding agriculture) ran a deficit of \$641 million in 1967, adding to our balance of payments problem.

We understand that the Australian Prime Minister, when he recently conferred with President Johnson, renewed the request for a further reduction in the U.S. tariff duty on raw wool. Passage of H.R. 17551 would, of course, permit a slash in this duty, to the detriment of our domestic wool industry.

For 10 straight years the United States has spent, loaned and given away abroad far more than it has earned from its trade and investment overseas. In our present financial crisis, when the country apparently needs higher taxes and less Federal spending, we should certainly go very slow in granting authority to make further reductions in tariff duties that we have been cutting for the past 34 years. We strongly oppose enactment of H.R. 17551.

67¢
\$9.99
69¢

Cornish Hens ... Cans of 18 Pkg. \$1.59
Center & End Slices
1/4 Smoked Ham ... Lb. 75¢
Jiffy Entree
Turkey n' Gravy ... Pkg. 99¢

MEAN, VALUE-PRICED
Smo. Picnics
Lb. 39¢
Sliced and Tied Lb. 45¢

V DUYS
RIDGE
CON
9¢
... Lb. 69¢
... 2 Lb. \$1.37
... Lb. 49¢
... Lb. 89¢
... Lb. 55¢
... Lb. 89¢
... Lb. 89¢
... Lb. \$1.39
... Lb. 69¢

LAMB
FREEZER READY
FROZEN
Leg 0' Lamb
Lb. 78¢
Shoulder Roast ... Lb. 69¢
Shoulder Chops ... Lb. 89¢
Loin Chops ... Lb. \$1.69
Patties ... Lb. 69¢
Rib Chops ... Lb. \$1.59
Smoked Pork Chops ... Lb. 99¢
Hygrade Cottage Ham ... Lb. 89¢

GROCERY
#01 50 with one Pkg. TOTAL CHEESE (ANY BRAND) 1/2 Doz. or 1 Doz. of Swiss Cheese
#02 50 with one 12 oz. 14oz. or 16oz. REAL KILL TASTY KILLER
#03 100 with \$1.50 or more KROGER FROZEN VEGETABLES
#04 50 with two Pkg. KEEPER BUNS 8 OZ. or 12 OZ.
#05 50 with two Pkg. COUNTRY OVEN COOKIES
#06 25 with one Pkg. KROGER or PILLSBURY 12oz. CREAM, MILLS
#07 25 with one Pkg. KEEPER, TASTY or KROGER'S CHEESE
#08 25 with one Pint Bottle KROGER LIQUID DRESSING
MEAT
#09 50 with two Pkg. FRYER PARTS or CUT OF MEAT
#90 50 with one Pkg. Jamie Jewell CHICKEN NOBLET, DICED CHICKEN or CHICKEN FILLETS
#91 50 with 1/2 Lb. or 3 Lb. HORMEL CANNED HAM
#92 50 with any Pkg. LAMB or YEAH
#93 50 with two Pkg. LUNCHEONS KROGER or OSCAR MEATS
#94 25 with any Pkg. SLICED BACON
25 with one Pkg. COUNTRY CLUB or MEATS MEATS

Price for domestic lamb, Cincinnati, same date:

Leg, 99 cents per pound

(cuts shown in ad, other than leg, are domestic lamb)

#99 45 FRESH TOMATOES with each 3-Lb. Bag KEB or WHITE CABBAGE
#100 25 with each tray of FLOREX & VEGETABLE BEDDING PLANTS
#101 25 with each BEDDING PLANT
#102 25
TOTAL COUPONS REDEEMED
VALUABLE COUPON
50¢ OFF!
With Coupon and Purchase of 5-Lb. Hamhock or Ham
CANNED HAM
or 3-Lb. Can Hormel
SPICED LUNCHEON MEAT
Expires Sat. night, May 18, 1968

THE COURIER-JOURNAL, LOUISVILLE, KENTUCKY - May 13, 1968
 THE COURIER-JOURNAL, LOUISVILLE, KY.

MONDAY MORNING, MAY 13, 1968



"SHOP THESE DANDY FIRST-OF-THE-WEEK
 SPECIALS . . . NOBODY SAVES YOU MORE THAN
WINN-DIXIE!!!

3-lb. Family Pack or Larger

W-D BRAND LEAN

GROUND

BEEF Lb.

46

o Lesser Quantities.....Lb. **49¢**

Meat Department Specials!

One-Quarter Pork Loin

Sliced for Chops.....Lb. **69¢**

Pinky.....12-Oz. **39¢**

Wieners.....Pkg. **59¢**

Fresh Ground Beef.....Lb. **59¢**

Fryer Parts.....Lb. **59¢**

Tender & Delicious
Leg O' Lamb.....Lb. **79¢**

Tender & Delicious Lamb
Shoulder.....Lb. **45¢**

Tender & Delicious Lamb
Sliced Shoulder.....Lb. **55¢**

Tender & Delicious Lamb
Rib Chops.....Lb. **79¢**

Tender & Delicious Lamb
Loin Chops.....Lb. **99¢**

Tender & Delicious
Shoulder Chops.....Lb. **65¢**

Tender & Delicious



Prices for domestic lamb in Louisville,
 same date:

Leg	\$1.09 per pound
Rib Chops	1.59 " "
Loin Chops	1.69 " "
Shoulder Chops	89 to 93 cents per pound

Special of the Week

Extra Lean Virginia Brand

SLICED

50¢

New Zealand Lamb

Quartered Legs or Breasts

Lb.

39¢

Fresh Fryer Legs Lb 55c



Plain or with Garlic

Long Bologna

Any
Size
Place

Lb. 49¢

U.S. Government Inspected

Smoked Picnics

Whole
Lb.

39¢

Sliced
Lb.

43¢

Sliced Beef Liver Lb 39¢

New Zealand Lamb Loin Chops Lb 89¢

New Zealand Lamb Rib Chops Lb 79¢

Oscar Mayer Wieners All Meat or All Beef Lb 79¢

Whole Hog Sausage Lb 69¢

Comparable domestic lamb prices,
same area and same date:

Loin Chops \$1.79 per pound

Rib Chops 1.39 " "

Guaranteed Good Groceries. All

A&P French Style

Green Beans

5 15 1/2-oz.
Cans 89¢

Case of 24 Cans \$3.99

A&P Cream Style or

Whole Kernel Corn

4 1-lb.
1-oz.
Cans 89¢

Case of 24 Cans \$4.99

A&P Gr

Apple

5 1-lb.
Cans

Case of 24

A&P or Cold Stream

Pink Salmon 1-lb. Can 69¢

A&P Brand

Light Chunk Tuna ... 3 6 1/2-oz. Cans 51¢

Mustard or Oil

Sardines 8 3 1/4-oz. Cans 99¢

Chicken of the Sea

Light Chunk Tuna ... 2 6 1/2-oz. Cans 69¢

Ann Page

Kidney Beans ... 2 1-lb. Cans 35¢

A&P

Instant Coffee 10-oz. Jar 99¢

Our Own Loose

Orange Pekoe Tea 8-oz 59¢

Ann Page

Margarine Corn Oil ... 3 1-lb. Pkgs. 89¢

White Beauty

Shortening 3 1-lb. Can 59¢

Reg. or Drip A&P

Vac-Pack Coffee 2 1-lb. Cans \$1.20

Ann Page Assorted

Jelly Eggs

Six Varieties Ann Page

Chocolates

Ann Page

Vegetable Soup

A&P Virginia

Salted Peanuts

Ann Page Smooth or Crunch

Dessert Butter

Ad of A. & P. Stores in the Daily News, Huntingdon and Mount Union,
Pennsylvania, March 6, 1968

The CHAIRMAN. We thank you for bringing your testimony to the committee.

Any questions? Mr. Ullman.

Mr. ULLMAN. Mr. Marsh, it is true that—I think my memory is correct—in the 1964 quota bill, lamb was included in the version that passed the Senate but was stricken in conference, is that right?

Mr. MARSH. Yes.

Mr. ULLMAN. I am trying to figure out what the reason was that it was stricken. I think it probably was that percentagewise lamb imports in comparison to domestic production were not as high as in other species such as beef and mutton. If that is true then what is the problem on imports as far as domestic producers are concerned?

Mr. MARSH. Mr. Ullman, while lamb imports in comparison to domestic production of lamb, percentagewise, are not as large as in some other species of meat imports, the effect of these imports has a much larger impact than the percentage would indicate they should have.

That is because frozen lamb carcasses and cuts of lamb can come here from New Zealand and Australia with a duty of less than 3½ cents a pound, and eventually it is going to be cut to 1.7 cents per pound, and with this low tariff and substantially lower production costs in New Zealand and Australia the lamb cuts can be retailed here from 20 cents to as high as 90 cents per pound under the current retail prices of the same fresh domestic lamb cuts.

When a quantity of New Zealand lamb comes, for example, to the Port of New York and is retailed in New York City, which is an important price basing point for lamb in a number of areas, retailed I should say at fire-sale prices, it does cause retailers to resist prices for domestic lamb.

Once we get a combination of these low prices with a bigger volume of imports the domestic lamb producer may have to go out of business.

Mr. ULLMAN. Obviously, domestic lamb prices couldn't possibly be reduced to meet that kind of competition. What is the solution to your problem?

Mr. MARSH. I would say that one solution would be to, if we could, increase the tariff to about 20 cents per pound. I don't think that would keep any lamb out of here and I don't think it would stop any plans to increase lamb imports. I think the other solution would be to add lamb to the quota provisions of the bill under consideration, H.R. 9475, and see that lamb and other meats have their quotas set separately on a specie basis.

That isn't the perfect solution but at least it would hold the cut-throat competition in line by holding the volume to a point where we could still have a market for domestic lamb at prices for which it has to be sold at the retail level in order to meet domestic costs of production.

Mr. ULLMAN. I have before me a chart showing the ratio of imports to production and consumption. There has not been a significant change since 1964 in the ratio of imports, is that right?

Mr. MARSH. Not a substantial change; no. For the first quarter of this year lamb imports are running about 2.7 percent of domestic lamb production.

Mr. ULLMAN. You are seeing some increases now and it is your fear that if tariff-cutting authority did extend to this area it might significantly affect imports; is that right?

Mr. MARSH. The tariff has already been cut, Mr. Ullman. It was cut in the Kennedy round by about 51 percent.

Mr. ULLMAN. And has this affected imports?

Mr. MARSH. The cut just went into effect January 1 and it was, of course, very small this year. It is to be cut in five equal installments so I don't think we could determine yet, although lamb imports for the first quarter of this year did increase substantially compared to the same quarter a year ago.

Mr. ULLMAN. Thank you. Thank you, Mr. Chairman.

The CHAIRMAN. Any further questions? If not, Mr. Marsh, again we thank you.

Mr. MARSH. Thank you, Mr. Mills.

The CHAIRMAN. Mr. Adams. As I recall, Mr. Adams, you have been before the committee in the past but for purposes of this record will you again identify yourself?

STATEMENT OF JOHN QUINCY ADAMS, CHAIRMAN, COORDINATING COMMITTEE, FOOD INDUSTRIES OF NEW YORK, INC.

Mr. ADAMS. Certainly, Mr. Chairman. Mr. Chairman, distinguished members of the Committee on Ways and Means, ladies and gentlemen, my name is John Q. Adams. I am president of the Manhattan Refrigerating Co. of New York City and also president of Union Terminal Cold Storage Co., Inc., Jersey City, N.J. I have been in the cold storage business almost 50 years and appear today as chairman of the Coordinating Committee of the Food Industries of New York, Inc. I also appear for the Cold Storage Warehouse Association of the Port of New York, Inc. We wish to register opposition to quotas on certain food products, particularly imported meats.

The coordinating committee is a broad-based group. Most of its over 50 members are themselves large trade associations connected in one way or another with the preparation or distribution of food in the New York area. Our group encompasses just about every facet of the food industry in the largest of all of our metropolitan areas in the country. Typical of our members are frozen food associations, spice associations, fish and seafood associations, merchants associations, butter, egg, and cheese associations, warehousemen's associations, dairy association, food and vegetable associations, as well as meat and poultry purveyors to hotels, restaurants, and institutions.

Incidentally, there was some mention made about the American labor movement. Our coordinating committee represents over a million union members. The total number of family members of those unions is about 9 million people in the New York City area. The total food industry complex in the New York City area represents a capital investment of approximately \$5 billion, with the number of employees exceeding 100,000. This entire establishment would suffer from import quotas on meat.

By virtue of my familiarity with the problems that confront all of these types of businesses, I think I can at least attempt to see the food industry in perspective as a whole.

As I have stated, my appearance here today is to register our opposition to any of the many bills now pending before the House of Representatives which would restrict the importation of meat

or meat products. These bills are, in my opinion, unnecessary and unwarranted.

The American consumer today is in the fortunate position of having a tremendous choice of merchandise. With specific reference to food products, no nation in the world boasts either such variety in its stores or such quality in the foods on sale there.

Manufacturing this food and transporting it—getting it to the right place when it is required—is a tremendous and complicated endeavor. Maintaining food availability requires a constant balance of many forces. American consumers are fortunate in being able to purchase a wide variety of high protein, nutritious, low-fat content manufactured meat products. In large metropolitan areas, such as my own, many consumers depend upon products such as frankfurters, sausages, and ground beef, as food staples. Imported meat serves an indispensable role in supplying manufacturing meats for the many U.S. concerns that make these necessary, low-cost food products.

As you gentlemen may well know, the New York City area has the largest proportion of low-income citizens in the country and these people, and the stores that supply them with food, depend on these less-expensive meat products. It would be a crime to deprive the several millions of these, mostly minority groups, of their regular diet. It is well known in industry circles how much higher the price on these important less-expensive meat products would go, if there should be any further curtailment of available supplies of this type meat. I notice someone said about 2 or 3 cents a pound. That is ridiculous.

The less-expensive meat foods we are talking about are, without question, the year-round, daily diet foods of the poor, the old, and the infirm—the blacks, Puerto Ricans, and other Spanish-speaking people, as well as all recent immigrants. These are the people that need your help.

Over the last decade, suitable manufacturing meat from domestic sources has become scarce. Though I claim no complete knowledge of the beef cattle business, I am told this is because of the decline in dairy cow numbers, the failure of an increase in bull numbers, increased longevity on the part of beef cows—in short, because our sources for the manufacturing meat are either declining or not keeping pace with the tremendous upsurge in demand for such products.

Over these last 10 years, meat processors have come more and more to depend on imported beef from Australia and New Zealand to supplement what is frequently an erratic and insufficient domestic supply. They may enter into contracts for the purchase of imported meat well ahead of actual delivery and this gives them a form of insurance without which prices would vary erratically.

But while the meat processors and retail stores depend on a free availability of imported meat, it is the consumers who would be hurt the most without it. In the lower income areas around the New York metropolitan area, for example, these manufactured products are mainstays. With our present concern with poverty, with hunger, malnutrition, and even starvation in the United States, it would be tragic to inflict yet another blow upon such people by the enactment of new quota proposals on imported meats.

In times of calamity, whether natural or man made, people must have food. The Coordinating Committee of the Food Industries, Inc.,

does its best to plan for such occurrences to see to it that provisions are made to assure that food will be available. For example, at the moment we have set up procedures for supplying food on a large scale in the event of serious rioting this summer in the metropolitan area. Such activities are made possible principally because of the generosity of companies willing to donate food resources, transportation facilities, and their own time if necessary for the good of our community.

In appearing here today to oppose restriction of imported meats, I am performing the same sort of function. I cannot stress too strongly the dependence of certain parts of our society upon imported meat.

I submit that to cut off its supply in full or in part would be a grave mistake.

Thank you.

The CHAIRMAN. Thank you, Mr. Adams. Did you want the list of your committee members attached to your statement placed in the record?

Mr. ADAMS. Yes, thank you, Mr. Chairman.

MEMBERS OF COORDINATING COMMITTEE OF THE FOOD INDUSTRIES, INC.

American Spice Trade Association, Inc.
 American Fish Purveyors, Inc.
 Association of Food Distributors, Inc.
 Board of Trade of the Wholesale Seafood Merchants, Inc.
 Bronx Terminal Merchants Association, Inc.
 Brooklyn & South Brooklyn Retail Meat & Food Dealers, Inc.
 Butter & Egg Merchants Association, Inc.
 Cheese Importers Association of America, Inc.
 Cold Storage Warehouseman's Association of the Port of New York
 Credit Executives Association, Inc.
 Dairymen's League Co-Operative Association, Inc.
 Eastern District Meat & Food Retailers Association, Inc.
 Eastern Frosted Food Association, Inc.
 The Fishery Council
 Food Industry Alliance, Inc.
 Fruit & Produce Trade Association
 Fulton Fish Market Association, Inc.
 Fulton Market Fish Mongers Association
 Gotham Restaurant Bakers Association, Inc.
 Greater New York Association of Meat & Poultry Dealers, Inc.
 Greater New York Wholesale Grocers Association
 Grocery Manufacturers of America
 Honey Industry Council of America
 Hotel Association of New York City, Inc.
 Jersey Fruit Co-Operative Association, Inc.
 Long Island Duck Farmers Co-Operative, Inc.
 Marketmen's Association of the Port of New York, Inc.
 Meat Purveyors Association of New York, Inc.
 M. I. C.
 Meat Trade Institute
 Middle Atlantic Fisheries Association
 National American Wholesale Grocers
 National Frozen Food Association
 National Prepared Frozen Food Processors Association
 New Jersey Food Merchants Association
 New York Association of Flower Distributors
 New York Branch of United Fruit & Vegetable Association, Inc.
 New York Fruit & Produce Purveyors Association
 New York Mercantile Exchange
 New York Preserves Association, Inc.
 New York State Food Merchants Association, Inc.
 New York Bronx Retail Meat & Food Dealers, Inc.

New York Wholesale Fish Dealers Association, Inc.
 Northeast Poultry Producers Council, Inc.
 The Olive Oil Association of America, Inc.
 Poultry & Egg National Board
 Provision Manufacturers Association
 Restaurant League of New York, Inc.
 United Food Board of Trade, Inc.
 United Fruit Buyers Association, Inc.
 National Longshoremen's Union
 Teamsters Union

The CHAIRMAN. Are there any questions? If not, we thank you, sir.
 (The following letters and statements were received for the record by the committee:)

STATEMENT OF HON. CLARENCE J. BROWN, JR., A REPRESENTATIVE IN CONGRESS
 FROM THE STATE OF OHIO

Mr. Chairman: I would like to call the attention of the members of the House Ways and Means Committee to the plight of the farmer and the situation with which he is faced regarding the excess import of certain meat and meat products.

The farmer in this great Nation is a long way from enjoying the traditional American right of unencumbered participation in the free enterprise system. An example of inequitable treatment of farmers by the present Administration becomes apparent in the handling of import controls on meat and meat products.

For the first five months of 1968, meat imports subject to quota rose by 44 million pounds to 352 million pounds as compared to a first five months total for 1967 of 308 million pounds—a total increase of 14% this year over last.

Along with other members of the House, I have introduced legislation to revise the quota-control system on the importation of certain meat and meat products. Basically my proposal would establish new guidelines on the importation of meat and meat products. The quota would be based on the five-year period of 1958–1962 and would set the annual base at 585,500,000 pounds compared with the present base of 765,000,000. The quotas would be imposed quarterly instead of annually and would be established by law instead of by the Secretary of Agriculture. Provision is also made for the executive branch to impose quotas on the importation of other meat products such as canned and cured beef, fresh lamb and pork not already included in quotas under the present law. In addition, the bill stipulates that offshore purchases of meat by the Department of Defense for the use of our troops abroad or at home shall be charged against the quota applicable to such meat.

This measure has attracted wide support in both houses of Congress because it is a step in the direction of strengthening the meat producing sector of our economy.

At a time when the American farmer faces serious economic challenges the Meat Import Act of 1964 (Public Law 88–482) is entirely ineffective in giving any real relief for meat producers in this country.

I urge the members of your Committee, in the recommendations which you make as a result of your recent hearings on trade and tariff proposals, to place the problem of excess meat imports high on the agenda so that an equitable policy on the importation of meat and meat products may be established.

The economic strength of our Nation's agricultural industry could be at stake. Any analysis of the history of our Nation's economy and the great impact of the agricultural segment of that economy on the total economy will demonstrate graphically the influence the health of agriculture has on our entire Nation. While the numbers of people engaged in agriculture may have shrunk in recent years, the impact of agriculture on our economy is still great. We dare not let our entire economy be dragged down by collapse of our agriculture because of foreign imports.

DEPARTMENT OF STATE,
Washington, D.C., July 10, 1968.

HON. WILBUR D. MILLS,
*Chairman, Committee on Ways and Means,
House of Representatives,
Washington, D.C.*

DEAR MR. CHAIRMAN: The Department of State has received from the Australian Embassy a statement of the views of the Australian Meat Board concerning the United States market for meat. The Embassy has requested that the statement be transmitted to the Committee on Ways and Means for its consideration for possible inclusion in the record of the current hearings on tariff and trade proposals.

I am, therefore, pleased to forward three copies of the enclosed statement for your consideration.

Sincerely yours,

WILLIAM B. MACOMBER, JR.,
Assistant Secretary for Congressional Relations.

Enclosure:

STATEMENT BY THE AUSTRALIAN MEAT BOARD

(Statement submitted on behalf of Australian Meat Board by W. W. Stenning, North American Representative, Australian Meat Board, the Cunard Building, New York, N.Y.)

The Australian Meat Board

The Australian Meat Board is constituted under the Meat Industry Act 1964 and comprises five members representing livestock producers of Australia, two members representing meat packers and exporters, one representative of the Commonwealth Government and an independent Chairman.

Board finances are obtained from a levy on cattle, sheep and lands at point of slaughter. This revenue is mainly used for the development of markets both in Australia and overseas. Over recent years, the Board has allocated a considerable sum for the promotion of lamb and for consumer education in regard to meat generally in Australia, this being primarily aimed at increasing Australian meat consumption.

The functions of the Australian Meat Board

The various functions of the Australian Meat Board can be summarized as safeguarding the long-term interests of the Australian Meat Industry and to this end, it has constantly worked in conjunction with the Australian Government to ensure that Australian meat is marketed overseas in an orderly manner and in such a way as not to harm the interests of producers in importing countries.

The Board has representatives located in New York, London and Tokyo and is constantly seeking ways of stepping up meat exports to markets other than North America. In Europe and Asia, the Board has arranged a number of displays of Australian meat and has encouraged consumers in those areas to purchase greater quantities of Australian meat products. Australia has significantly increased its beef sales to Japan over recent years.

Although the Australian meat industry places considerable importance on its overseas outlets, most of our meat production is consumed on the domestic market. Over one half of our beef and veal is consumed in this country while the respective figures for mutton and lamb, are 60% and 93%.

Australia, nevertheless, depends on meat exports as a major source of its foreign exchange earnings, meat being the leading Australian export after wool and wheat.

Structure of Australian meat industry

The Australian livestock and meat industries in their operations are similar to those of U.S.A., being based on a private enterprise system. It is left to the individual livestock producer to decide what kind of stock to raise, when they are ready for market and where and to whom they will be sold. A similar position exists with meatworks, packing houses and meat trading companies.

Importance to Australia of U.S.A. market

Australia is, by a wide margin, the major overseas supplier of meat to the United States, providing more than half of all U.S. import of frozen manufacturing beef and mutton. Meat accounts for some 45% of Australia's total exports to the United States; thus the trade is of great importance, not only to the cattle and sheep industries, but also to the Australian economy and our capability for development and defence.

The U.S. Market is of vital importance to the Australian cattle industry and of major importance to our sheep industry. More than 75% of our beef and veal exports and over 30% of our mutton exports are now taken by the United States. To appreciate the full significance of this to the cattle and sheep industries, it should be realised that some 45% of our total production of beef and some 40% of our production of mutton is exported. Any further restriction of access to the United States market would have a severe direct effect on these industries.

It would be difficult to overstress the importance of cattle and sheep in the Australian rural economy. They are, of special significance in the more remote inland and northern areas of Australia where they have been the basis for economic development.

The Growth of the U.S. market has meant a great deal to the development of the industry. For producers it has enabled them to improve herds, increase efficiency and accelerate property development. This is especially so in the northern areas which are heavily dependent on exports and which, under extensive range conditions, produce lower quality beef which is very suitable for American requirements. On the slaughtering side, there has been a substantial increase in the number of meatworks, especially in the north. Moreover Australian meatworks have geared their operations to supply boneless meat of the type and form which the U.S. processors have required. Large sums of money have been invested to achieve this purpose.

The U.S.A. need for imported meat

The development of Australian export of frozen boneless manufacturing meat to the United States has occurred in response to a definite shortage of manufacturing type meat in the U.S. This shortfall in U.S. production of manufacturing meat has reflected the increasing concentration of U.S. producers on the production of better quality feed lot beef, from grain fed animals.

Imports are almost wholly of meat for use in processing and so not compete with the bulk of U.S. beef production which is quality beef produced from grain fed animals. Indeed, imports have been complementary to, rather than competitive with, domestic production. Australian beef exported to the U.S. is frozen boneless lean beef produced from range fed animals. It is virtually all used in the processing industry where it is mixed with fat trimmings from domestic fed beef carcasses and used for hamburger meat, sausage, etc.

Over 85% of all Australian exports of meat to the United States are beef and veal, nearly all of which is used in the processing industry.

Frozen boneless mutton accounts for nearly all the balance. Exports of lamb to the United States, are relatively small (less than 3 million lb. in 1967) and those of canned cooked or cured meat are negligible.

For some years the American cattle producers have claimed that meat imports—and in particular beef imports—are having a detrimental affect on the U.S. cattle industry. This claim, however, does not appear to be borne out by the facts. It is not intended to develop this argument in this paper since the relationship between meat imports and domestic production has been analysed in depth in the submission of the Meat Importers' Council and no useful purpose would be served by repetition.

Orderly marketing of Australian meat in the United States

While it does not believe that imports have been the cause of the difficulties faced by the United States cattle industry, the Australian Meat Board has recognised the sensitivity of U.S. producers to meat imports and from the commencement of this trade many years ago, has actively sought to ensure that Australian exports do not disrupt the U.S. Meat market.

The Australian Meat Board has maintained close supervision of the development of the meat trade with the United States. In order to ensure that Australian meat is marketed in an orderly manner the Board has permitted exports only to approved importers in the U.S. and has stationed a representative in

New York to oversight the trade. To remove any possibility of direct competition between Australian meat and domestically produced table beef the Board has, on its own initiative, prohibited the export of fresh or chilled meat to the U.S. and has restricted, to insignificant quantities, exports of meat prepared for direct consumption.

The Australian industry and the Australian Government have always been ready to consult with the United States and to co-operate to ensure that our exports do not damage the U.S. cattle industry. In 1964 Australia voluntarily agreed to limit its meat exports to the U.S. and only to increase exports in accordance with a predetermined growth factor. The quantities involved for 1964 represented a cut back of 6 per cent on our 1963 performance.

Notwithstanding this Agreement (and similar agreements with New Zealand, Ireland and Mexico) exporting countries have, since 1965, been faced with the continuous threat of quotas under PL88-482.

The Meat Board also has taken positive action in regard to the pattern of shipments from Australia to the U.S.A. Arrivals of Australian meat in the U.S., reflecting our southern hemisphere production season, normally tend to be at their highest levels during the July-September period. This would appear to match rather well with the seasonal pattern of U.S. production of manufacturing beef which is highest in October/January, and with the pattern of U.S. demand. Nevertheless, in response to concern expressed by U.S. cattle producers, the Australian Meat Board has obtained the active co-operation of exporters and sought that of importers, shipowners and end users, to secure a more even flow of arrivals over 1968.

The development of markets for Australian meat outside U.S.A.

While the continued availability of the United States market is of prime importance to the Australian meat industry, the Meat Board and exporters have been making strenuous efforts to develop new markets.

Results so far are encouraging. Meat exports to Japan and Okinawa during 1967 at 100.3 million lb. were 200 percent above the 1963 level and since 1964 Japan has been Australia's main outlet for mutton. Increases in exports to Canada, the Middle East and other smaller markets have been also significant. It is anticipated that the continuing development of such markets will be of increasing importance as Australian production expands.

The development of world trade in meat is greatly hampered by high trade barriers erected in many traditional importing countries and Australia has constantly endeavoured through bilateral and multilateral discussions to secure the removal or reduction of these barriers. At the 24th Session of G.A.T.T. in November 1967 Australia strongly supported the establishment of the G.A.T.T. Committee on Agriculture which will examine the problems confronting international trade in meat and establish a framework for future negotiations aimed at securing freer access to world markets. Prospects for success in these and other endeavours would be hampered greatly if the United States—the major trading nation of the world—were further to restrict access to its market.

Trading relations between U.S.A. and Australia

In 1967, U.S.A. exported to Australia \$US889 million worth of goods, whereas it imported only \$US406 million from Australia, almost one-half of which was Australian meat exports. Any development which adversely affected meat exports could significantly reduce Australia's ability to maintain its current rate of imports.

The Australian economy provides an excellent market for U.S.A. exporters of machinery, aircraft (both commercial and military) and other transport equipment as well as such diverse products as chemicals, textile fibres, paper, lumber, fertilizers, tobacco, plastic materials and scientific equipment. In the last decade Australia has been one of America's most rapidly growing markets and its third largest buyer of defence goods; but over this same period, Australia's trade deficit with the United States has been of the order of \$US2,500 million.

Based on Australian statistics the Australian market for U.S. commodities during recent years has grown faster than the U.S. market for Australian goods, and the balance of trade has moved steadily in U.S. favour. Imports of United States goods represented 173% of Australian exports to U.S.A. in 1963, 208% in 1966 and 217% in 1967 (year ended June).

As evidence of the increasing commercial ties between the two countries, it is significant that a major U.S.A. Shipping Line is proceeding with plans to

develop a large scale container shipping service from Australia to U.S.A. The transport of refrigerated cargoes, mainly Australian frozen meat, in the north-bound trade, forms an important part of the line's plans.

Summary:

- (1) The United States economy needs imported meat particularly for manufacturing purposes.
- (2) Australia is an important market for U.S. products and has a growing adverse trade balance with United States.
- (3) Meat is the major item in Australian exports to the United States and hence of great importance to the Australian economy.
- (4) The U.S. market is important to the Australian livestock and meat packing industry.
- (5) Australian policies have recognised the need for orderly development of the market.

Sydney: June 17, 1968.

DEPARTMENT OF STATE,
July 11, 1968.

HON. WILBUR D. MILLS,
*Chairman, Committee on Ways and Means,
House of Representatives,
Washington, D.C.*

DEAR MR. CHAIRMAN: The Department of State has received from the New Zealand Embassy statements prepared by the New Zealand Meat Producers' Board. The Embassy has requested that the two statements be transmitted to the Committee on Ways and Means for its consideration or possible inclusion in the record of the recently concluded hearings on tariff and trade proposals. In forwarding these statements to the Department, the Embassy has noted that the New Zealand Government endorses and supports the views expressed in the two statements.

I am, therefore, pleased to forward three copies of the enclosed statements for your consideration.

Sincerely,

WILLIAM B. MACOMBER, JR.
Assistant Secretary for Congressional Relations.

STATEMENT OF THE NEW ZEALAND MEAT PRODUCERS BOARD

The New Zealand Meat Producers Board is the elected representative body for the livestock farmers of New Zealand. Since exports of meat provide the major portion of the income of our farmers and, indeed, of the overseas receipts of the country, we are deeply concerned with the maintenance of significant outlets for our products in world markets. The United States has been, for many years, an important market for New Zealand meat. The Board, therefore, has followed with deep concern the proposals which have been advanced in the United States Congress in the past year, proposing further restrictions on the importation of meat.

New Zealand is a small country. Our area is somewhat greater, and our population somewhat less, than that of an average state of the United States. While we have developed a variety of local industries and services, we cannot hope, with so small an economic base, to provide for our population the great diversity of complex products characteristic of the modern age, without relying heavily upon imports for those products which cannot economically be manufactured in New Zealand.

To pay for such imports we have developed several specialties, all stemming from raising livestock on our favorable grasslands, New Zealand's greatest single resource. More than 90% of our exports have always consisted of animal products, notably meat, wool and dairy produce. We believe that we are the most efficient producers of livestock and livestock products in the world. With reasonable opportunities to sell such products in competitive world markets, we have succeeded in attaining a standard of living among the highest in the world. Continued access to world markets is vital for the continued well being of our constituents and of our country.

In the United States market, we have developed a modest trade in three meat products, boneless manufacturing beef, veal and lamb. The American livestock industry has been specializing, increasingly, on raising grain-fed beef. Moreover,

the dairy industry has been reducing its herds of milk cows. As a result, less manufacturing beef is produced (more of the cattle go on feed, less veal is produced (fewer dairy cows, the main source of veal, means fewer calves), and less lamb is produced (pasture is being increasingly devoted to cattle, in preference to sheep). Thus, the supplies coming to this market from New Zealand have served only to replace, in part, the deficiencies in American supplies which have resulted from the shift of the American livestock industry from these three products to more profitable activities, notably the enormous development of grain fed beef.

Livestock prices fell in late 1963 and 1964, in response to heavy marketings of fed cattle. Imports also increased, but far less than the increase in domestic supply. Nevertheless, the domestic cattlemen blamed imports for the price decline, and the Congress responded by enacting Public Law 88-482, which provided for quotas if imports reached or threatened to reach certain "trigger" points.

The cattlemen's fears that imports might continue to rise proved ill-founded; imports have never threatened the trigger points. A comparison of market experience since 1963 shows that the American livestock industry continues to grow and prosper, while imports continue to supplement it in the very areas in which domestic supplies are shrinking for causes having nothing to do with imports.

The gains of the domestic beef raisers in this span of four years can be seen plainly from these basic figures:

1. Domestic beef production rose from 16.5 billion pounds in 1963 to 20.2 billion pounds in 1967, a gain of 22%.

2. U.S. beef consumption rose from 94.3 lbs. per year per capita in 1963 to 105.6 lbs. in 1967, a gain of 12% per capita, for the bigger population.

3. Total imports of beef and veal (the bulk of it beef; combined figures are more readily available) declined from 1.7 billion pounds in 1963 to 1.3 billion pounds in 1967, or by over 20%. The net import share of U.S. production was 9.5% in 1963, but only 6.1% in 1967.

4. The price of choice slaughter steers, Chicago, per 100 lbs., in May 1964 (just before Congressional action on the quota bill) was \$20.52. The latest available figure, for April 1968, was \$27.49, a gain of 34%.

Thus, the American cattlemen are far better off today than they were when the 1964 Act was passed, with respect to their principal business, raising and marketing grain-fed cattle, America's specialty. Let us now examine developments in the import specialties, manufacturing beef, veal and lamb.

The largest volume of imported meat consists of boneless lean beef, of manufacturing grade. New Zealand has been the second largest supplier of such beef. Imported mutton also serves for manufacturing, although New Zealand does not ship mutton to the United States. The position of domestic manufacturing meat (mainly beef) has also improved since the 1964 legislation.

1. Domestic production of manufacturing grade meat has increased from 5.1 billion pounds in 1963 to 6.1 billion pounds in 1967, a gain of almost 20%.

2. U.S. consumption of manufacturing grade meat rose from 6.6 billion pounds in 1963 to 7.7 billion pounds in 1967, a gain of almost 17%.

3. Imports of such meat declined from 1.5 billion pounds in 1963 to 1.3 billion pounds in 1967, or almost 10%.

4. The price of cows (average of cutter and canner grades), Chicago, per 100 lbs. rose from \$13.20 in May 1964 to \$17.87 in April 1968, or by 35%.

The meat imports include veal and lamb, which are New Zealand specialties. United States production of both these meats has been declining steadily for many years for reasons unrelated to imports. Imports, particularly from New Zealand, have mitigated the supply shortages resulting from these domestic developments. Again, the domestic producers have had improved returns, compared with 1963.

1. Domestic veal production declined from 929 million pounds in 1963 to 792 million pounds in 1967, or by 15%. Veal imports also declined, from 26 million pounds in 1963 to 19 million pounds in 1967, an inconsequential share in both years. New Zealand was the largest supplier, shipping 19 million pounds in 1963, and 7 million pounds in 1967.

2. Domestic lamb production declined from 727 million pounds in 1963 to 602 million pounds in 1967, or by 17%. Imports also declined from 18 million pounds in 1963 to 12 million pounds in 1967. New Zealand was,

again, the largest supplier, shipping 12 million pounds in 1963, and 9 million pounds in 1967.

3. The price of choice vealers, S. St. Paul, per 100 lbs., rose from \$29.48 in 1963 to \$31.61 in 1967. In April 1968, it reached \$33.85.

4. The price of choice lamb, Chicago, per 100 lbs., rose from \$18.69 in 1963 to \$23.48 in 1967. In April 1968, it reached \$26.82, the highest price (but for two months in 1966) since 1952-53.

In the case of each of these products, New Zealand meat is supplying a real need in the American market. It is doing so without challenging the American cattlemen on their own ground: the production of grain-fed table beef. Indeed, it is helping the cattlemen by providing a lean meat to mix with the fat trim of grain-fed beef. Lamb and veal supplement the meager, shrinking, domestic supplies, and help keep those products from being crowded out of the super-market meat counters entirely.

There is no need for intensifying existing meat restrictions. Imports are helping, not threatening the hearty, growing American livestock and meat industries.

JULY 10, 1968.

STATEMENT OF D. C. ENTZ, CHAIRMAN, BOARD OF DIRECTORS, ARIZONA CATTLE FEEDERS' ASSOCIATION

The Arizona Cattle Feeders' Association, one of the many state Associations affiliated with the American National Cattlemen's Association, Denver, Colorado, fully supports the testimony of the ANCA to be given the Committee, relative to Meat Import Legislation (H.R. 9475).

We are most appreciative of the action of the Committee to schedule hearings on this important legislation.

Since the passage of PL 88-482, the Meat Import Quota Law of 1964, the beef cattle industry of the United States has continued to be faced with excessive imports of meats, thus making it extremely difficult for beef producers and feeders to economically survive. The economic pressure experienced by the beef cattlemen, whether producer or feeder, reflects to many other businesses that serve agriculture (e.g., feed suppliers, financial agencies, veterinarians, communications, construction suppliers (steel, lumber, etc.), machinery, and many others). It is of national significance.

Domestic beef production has expanded too much in the past few years and one of the primary reasons for this situation is that "lower-grading" cattle have been placed in feedlots which normally should go directly to slaughter for manufacturing type meats (hamburger and table ready meats). Imported beef has restricted the slaughter of these animals which should normally by-pass the feedlot and thus we find a situation of domestic over-production of fed beef. A pound of beef is a pound of beef whether in the form of hamburger, roast or steak and it all amounts to tonnage whether imported or domestic. There is simply too much beef available, imported plus domestic, which economically restricts the U.S. rancher, farmer and feeder in view of his continually rising costs in all areas of production as well as taxation responsibilities.

We are in no way suggesting absolute elimination of imported meats but we do request a revision of the import quota system in line with the language contained in H.R. 9475 (and other similar bills).

STATEMENT OF ARIZONA CATTLE GROWERS' ASSOCIATION

The Arizona Cattle Growers' Association would like to submit, for the hearing record, this statement in favor of H.R. 9475 and other identical Bills. We appreciate this opportunity to present our views on this legislation of such far reaching importance to the cattle industry.

CHANGES IN PUBLIC LAW 88-482

Cattlemen in Arizona and the nation were very appreciative of the action of Congress in 1964 when P.L. 88-482, establishing quantitative limits on meat imports, was passed. This measure applied brakes to a situation that was rapidly snowballing into an untenable situation. However, as is the case so