

Estimated index of profit as a per cent of sales

[1964 rate=100]

	1969	1973
Kennedy Round effect.....	98	69
Separate package effect.....	84	58

Probable effect on food color business of elimination of A.S.P.

Our food color business also faces serious inroads. We are the smallest manufacturer of those benzenoid dyestuffs certified by the Food and Drug Administration for use in foods, drugs, and cosmetics. These are classified under Clause 406.50J. Certified food colors produced in the United States are a very small part of the total dye industry. For this reason and since there have been no significant imports of food colors up to now, your committee may be unaware of this group of dyes and that the proposed changes threaten the existence of this industry.

As a result of low prices, we have already experienced a serious loss of business in Canada to food colors of foreign manufacture. The effect of having to meet the reduction in prices made possible in the Kennedy Round and by abolishing A.S.P. could put us out of the food color business. Should these products become available in the U.S. from foreign sources at prices made possible by the proposed changes, we would find it difficult to compete on any of the colors permitted by the Food and Drug Administration.

Another problem would arise of far more importance to everyone in the country than the economic effect on our company and the certified food color industry. Despite the relatively small size of this industry, our products are found throughout the food supply in the U.S. Except for a wholly inadequate supply of food colors derived from natural sources, the products of our industry are the only colors permitted for use in foods, drugs, and cosmetics in this country. Certified food colors are synthetic chemicals that are ingested daily by the U.S. population. It is obvious that the public health must be protected by some sort of restriction as to what colors may be used and by the maintenance of standards for those colors of proven safety. Manufacturers must continue to produce colors identical with those originally tested and found safe for human consumption. We have such a system of control today. The Food and Drug Administration certification requirements and standards are the highest in the world.

In addition, U.S. manufacturers of these dyes have developed and exercise unusually close control of their production in order to provide a continuing supply of safe colors for our candy, carbonated beverages, ice cream, desserts, and many other foods. When you realize that one pound of certified food color will color approximately 50,000 bottles of soft drink, and that in 1965 approximately 2.75 million pounds of color were certified for food use, the effect of our small portion of the dye industry on our food supply becomes apparent. Opening the way for many foreign dye manufacturers to supply our food industry would, I believe, create a most difficult situation for the Food and Drug Administration in attempting to control the safety of edible coloring materials used in the United States.

Probable effect upon company operations and the economy

In addition to reduction of our percentage of profit by a third or more, and the more rapid erosion of profits expected if the separate package abolishing A.S.P. were approved, we have estimated that our dyestuff and food color division would see a cutback of about 10% in the number of employees within a year or two if A.S.P. is abolished. If we assume that the other dyestuff producer in Berks County faces a similar prospect, our community can anticipate an economic loss as a result of fewer jobs and the resultant effect on goods and services on the order of at least \$500,000 and perhaps as high as \$1 million per year.

Also of major importance is the effect on balance of payments of a decrease of sales of U.S. made dyes and an increase in sale of foreign made dyes. With respect to our own sales, we predict we will either have to manufacture abroad or abandon sale of products which at present represent a volume of close to \$400,000—and another \$1 million of sales would be virtually profitless and might have to be abandoned to foreign competition.

While such adverse effects are not certain to result, they are made possible by the present and proposed tariff changes—and, given the strong interest, vigorous effort, and past inroads of foreign dyestuff interests in the U.S. market, we feel they are very likely to occur. To repeat, we see no offsetting prospect of