EXTENSION OF EXPORT CONTROLS

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON BANKING AND CURRENCY

UNITED STATES SENATE

EIGHTY-FIRST CONGRESS

FIRST SESSION

ON

S. 548

A BILL TO EXTEND EXPORT CONTROLS

JANUARY 28, FEBRUARY 1, 2, AND 3, 1949

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EXTENSION OF EXPORT CONTROLS

FRIDAY, JANUARY 28, 1949

UNITED STATES SENATE,
SUBCOMMITTEE ON SMALL BUSINESS OF THE
COMMITTEE ON BANKING AND CURRENCY,
Washington, D. C.

The subcommittee met, pursuant to call, at 11 a. m. in room 301, Senate Office Building, Senator Burnet R. Maybank (chairman) presiding.

Present: Senators Maybank (chairman), Taylor, Robertson, Frear, Douglas, Tobey, Flanders, and Bricker.

Also present: Hon. Compton I. White, Representative of the State of Idaho; Hon. Charles Sawyer, Secretary of the Department of Commerce, and Hon. Albert J. Loveland, Under Secretary of the Department of Agriculture.

(The bill under consideration (S. 548) is as follows:)

[S. 548, 81st Cong., 1st sess.]

A BILL To provide for continuation of authority for the regulation of exports, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Export Control Act of 1949".

FINDINGS

(a) Certain materials continue in short supply at home and abroad so that the quantity of United States exports and their distribution among importing countries affect the welfare of the domestic economy and have an important bearing upon the fulfillment of the foreign policy of the United States.

(b) The unrestricted export of materials without regard to their potential military significance may affect the national security.

DECLARATION OF POLICY

SEC. 2. The Congress hereby declares that it is the policy of the United States to use export controls to the extent necessary (a) to protect the domestic economy from the excessive drain of scarce materials and to reduce the inflationary impact of abnormal foreign demand; (b) to further the foreign policy of the United States and fulfill its international responsibilities; and (c) to exercise the necessary vigilance over exports from the standpoint of their significance to the national security.

AUTHORITY

SEC. 3. (a) To effectuate the policies set forth in section 2 hereof, the President may prohibit or curtail the exportation from the United States, its Territories, and possessions, of any articles, materials, or supplies, including technical data, except under such rules and regulations as he shall prescribe. To the extent necessary to achieve effective enforcement of this Act, such rules and regulations may apply to the financing, carriage, and other servicing of exports and the participation therein by any person.

(b) The President may delegate the power, authority, and discretion conferred upon him by this Act to such departments, agencies, or officials of the Government as he may deem appropriate.

CONSULTATION AND STANDARDS

SEC. 4. (a) In determining which articles, materials, or supplies shall be controlled hereunder, and in determining the extent to which exports thereof shall be limited, any department or agency making these determinations shall seek information and advice from the several executive departments and independent agencies concerned with aspects of our domestic and foreign policies and operations having an important bearing on exports.

(b) In authorizing exports, full utilization of private competitive trade channels shall be encouraged insofar as practicable, giving consideration to the interests of small business, merchant exporters as well as producers, and established and new exporters, and provisions shall be made for representative trade consultation to that end. In addition, there may be applied such other standards or criteria as may be deemed necessary by the head of such department or agency to carry out the policies of this Act.

VIOLATIONS

SEC. 5. In case of the violation of any provision of this Act or any regulation, order, or license issued hereunder, such violator or violators, upon conviction, shall be punished by a fine of not more than $10,000 or by imprisonment for not more than one year, or by both such fine and imprisonment.

ENFORCEMENT

SEC. 6. (a) To the extent necessary or appropriate to the enforcement of this Act, the head of any department or agency exercising any functions hereunder (and officers or employees of such department or agency specifically designated by the head thereof) may make such investigations and obtain such information from, require such reports or the keeping of such records by, make such inspection of the books, records, and other writings, premises, or property of, and take the sworn testimony of, any person. In addition, such officers or employees may administer oaths or affirmations, and may by subpena require any person to appear and testify or to appear and produce books, records, and other writings, or both, and in case of contumacy by, or refusal to obey a subpena issued to, any such person, the district court for any district in which such person is found or resides or transacts business, upon application, shall have jurisdiction to issue an order requiring such person to appear and give testimony or to appear and produce books, records, and other writings, or both, and any failure to obey such order of the court may be punished by such court as a contempt thereof.

(b) No person shall be excused from complying with any requirements under this section because of his privilege against self-incrimination, but the immunity provisions of the Compulsory Testimony Act of February 11, 1893 (27 Stat. 443), shall apply with respect to any individual who specifically claims such privilege.

(c) No department or agency exercising any functions under this Act shall publish or disclose information obtained hereunder which is deemed confidential or with reference to which a request for confidential treatment is made by the person furnishing such information unless the head of such department or agency determines that the withholding thereof is contrary to the national interest.

EXEMPTION FROM ADMINISTRATIVE PROCEDURE ACT

SEC. 7. The functions exercised under this Act shall be excluded from the operation of the Administrative Procedure Act (60 Stat. 237), except as to the requirements of section 3 thereof.

QUARTERLY REPORT

SEC. 8. The head of any department or agency exercising any functions under this Act shall make a quarterly report, within forty-five days after each quarter, to the President and to the Congress of his operations hereunder.

DEFINITION

SEC. 9. The term "person" as used herein shall include the singular and the plural and any individual, partnership, corporation, or other form of association, including any government or agency thereof.

EFFECT ON OTHER ACTS

SEC. 10. The Act of February 15, 1936 (49 Stat. 1140), relating to the licensing of exports of tin-plate scrap, is hereby superseded; but nothing contained in this

Act shall be construed to modify, repeal, supersede, or otherwise affect the provisions of any other laws authorizing control over exports of any commodity.

EFFECTIVE DATE

SEC. 11. This Act shall take effect February 28, 1949, upon the expiration of section 6 of the Act of July 2, 1940 (54 Stat. 714), as amended. All outstanding delegations, regulations, orders, licenses, or other forms of administrative action under said section 6 of the Act of July 2, 1940, shall, until amended or revoked, remain in full force and effect, the same as if promulgated under this Act.

TERMINATION DATE

SEC. 12. The authority granted herein shall terminate on June 30, 1951, or upon any prior date which the Congress by concurrent resolution or the President may designate.

The CHAIRMAN. I might say for the record that Senator Robertson was present but had to leave. He will return as soon as he is through testifying before the Rules Committee. Senator Tobey advises that he will be here in a few moments and that we should go ahead. The same applies to Senator Bricker.

Therefore, Mr. Secretary, if you will proceed, the gentlemen will return in a few moments. Would you prefer completing your prepared statement before you are questioned?

Secretary SAWYER. I would prefer to complete my prepared statement before being questioned.

STATEMENT OF HON. CHARLES SAWYER, SECRETARY OF COMMERCE

Secretary SAWYER. I appreciate the opportunity to appear before this committee to explain the nature of the export-control program which, since the end of the war, has been administered in the Office of International Trade of the Department of Commerce.

The present law authorizing control over exports expires February 28, 1949. Its renewal is clearly necessary and I want to emphasize at the very outset the importance of immediate action both for reasons of administrative efficiency and to enable the trade to plan its business accordingly. During the past year, with the approval of Congress, we have broadened the scope of this work and increased the number of employees engaged in it. We must handle more than 10,000 applications each week and are trying at the same time in every way possible to minimize interference with normal export trade in the present unusual and unsettled state of world affairs. Our funds also run out within a month, and as you know, we must have authorizing legislation before we can obtain the necessary new appropriations for administration. The present program and staff should be kept on a going basis, and any delay, in my judgment, would seriously handicap us in our work.

There is, to the best of my knowledge, no public or trade sentiment against the need for extending these controls for some time to come, although there are differences of opinion as to whether they should be renewed for 16 or 28 months.

Those who are urging the shorter extension feel that an annual review by the Congress as to the necessity for these controls is essential. In this connection, I should point out that such a review is not precluded in this proposed bill; in fact, it is suggested. On the

contrary, specific provision is made for quarterly reports to the Congress, and also for termination of the controls at any time by the President or concurrent resolution of the Congress. Moreover, we are also required, of course, to seek an annual appropriation for continuance of this activity. I shall indicate later on why we believe the longer period is necessary.

For more than a year now, the Secretary of Commerce has been making a quarterly report of operations under this program to the President and the Congress. These reports explain in considerable detail our organization and our methods of operation, the current scope of the controls, how we determine what commodities should be controlled and the extent to which exports thereof should be limited, the criteria used in approving or denying export licenses, and our enforcement activities. Copies of the last two such reports are included in the material which has been prepared for this hearing, and my latest report will be submitted very shortly.

The rules and regulations governing export controls are published in the Federal Register, including our so-called positive list—the list of commodities requiring specific export licenses for all destinations. And, it is our practice to publish the quotas for all controlled commodities to which they are applied so that exporters may have, in advance, a general idea of the quantity they might individually be allowed to export. Such information, with detailed explanations for the use of the export trade, is published by the Department of Commerce in a quarterly comprehensive export schedule, supplemented by current export bulletins, up-to-date copies of which have been furnished you. For your convenience, I have also had prepared a statement giving the high lights of the supply, demand, production situation, and the outlook in the major commodities with which we are concerned.

(The statement referred to will be found on p. 16.)

I should like to make only a general statement as to the justification for the continuance of this activity, and I have with me certain of our officials more directly concerned therewith who are prepared to answer whatever more specific questions you may have.

The CHAIRMAN. Mr. Secretary, would you mind putting in this detailed list, for the record?

Secretary SAWYER. The list of positive items?

The CHAIRMAN. Yes.

Secretary SAWYER. Certainly, I shall be pleased to.

The CHAIRMAN. As you know, this is the Subcommittee on Small Business. I think, for the benefit of the full committee, we should have a list of the positive items in the record.

Secretary SAWYER. Certainly, we will see to that.

(The list referred to will be found in the appendix, p. 208.)

Our statutory authority to control exports, as renewed in the Second Decontrol Act and during the first special session of the Eightieth Congress, by Public Law 395, is about as broad as it was during the war years. The policies which govern the administration of such controls and the purposes to be accomplished thereby are set forth in these laws. Generally speaking, they are to protect the domestic economy by limiting exports of scarce materials, and to channel exports to countries where need is greatest and where our foreign-policy interest would be served best.

Export controls were retained after the war to reduce the inflationary effect of abnormal foreign demands upon our supplies. Shortages were widespread, and unrestricted exports would have seriously aggravated the situation. We are still faced with shortages in important commodities, particularly in the case of steel-mill products, the nonferrous metals, certain fibers and chemicals, certain fats and oils, and meats. At the same time there is an even greater demand for these items abroad than at home. And, while most countries of the world are short of dollars, and have established their own import and exchange controls, such controls are generally not applicable to the foregoing types of commodities. In other words, in the absence of our controls, exports of these commodities would probably be greater than at present.

The determination of what commodities shall be controlled and the fixing of export quotas are the responsibility of the Secretary of Commerce, but the decisions on such matters are made only after extensive review by interagency committees on which all interested departments are represented. The supply-requirements situation in the United States, and the urgency of domestic and foreign needs, are carefully considered before the export of commodities in scarce supply at home is authorized.

The domestic and world supply situation has improved since the end of the war, and particularly during the past year, the first year of the European recovery program. This has been reflected in a substantial reduction in the number of commodities subject to individual export licensing for all destinations. Lumber, poles, plywood, and gypsum board and lath were decontrolled at the end of 1948, as were some chemicals and drugs, including soda ash, caustic soda, and streptomycin. We hope that there will be continued improvement along these lines, but we must recognize that domestic shortages may become worse and these controls should be available to meet such situations.

A significant development in the progressive elimination of controls over commodities formerly in short supply has been the establishment of open-end quotas. Where in the judgment of the interagency committee the domestic supply situation has not improved sufficiently to permit complete decontrol, it is nevertheless frequently possible to secure agreement upon issuance of licenses without quota restriction against qualified applications. This has permitted "advance notice" to the Government of intended shipments, without restricting the foreign trade community in the carrying out of normal international transactions.

For many materials, controls were eased during the latter part of 1948 by means of increased or open-end quotas. Improved supplies of hard fibers permitted open-end quota in September. In addition, the open-end technique was applied to railway car parts and equipment, used freight cars, blending agents and certain waxes, some building materials, and reject and off-grade steel.

For most other items quotas were increased substantially. Record production of oilseeds permitted large exports of soybeans in the fourth quarter to European destinations such as France and Germany, which are still very short of fats and oils. Petroleum quotas were increased, and a supplemental quota of 1,000,000 barrels of heavy fuel oil was established in the fourth quarter, when storage capacity in this

country was rapidly being filled. With the seasonal decline in housing construction and the achievement of peak levels of building materials output, quotas for building materials were increased considerably in the fourth quarter.

Metals have been the major exception to this general trend. Steel continued in short supply, and quotas were reduced in 1948. Nonferrous metals became increasingly tighter, and aluminum was added to the positive list in August. Meat supplies continued to be scarce, and only a fraction of 1 percent of our supply was permitted to be exported. The decreasing calf population reduced domestic production of calf skins; dwindling imports and large export demands further impinged upon the domestic supply, and this item was added to the positive list in November.

If the current trends continue, export control for supply reasons should become relatively less significant. If forecasts of next year's domestic wheat are realized, and if grain harvests in other areas are satisfactory, complete decontrol of grains may be possible. For many soft goods, larger quotas, and, in some cases, decontrol are likely. The outlook for petroleum is very favorable, and it should be possible to meet most foreign requirements this year. Decontrol of coal may also be possible. Metals, both steel and nonferrous, remain the hard core of commodities for which positive list control remains essential.

It should be emphasized again, however, that supply-demand situations at the present time are subject to fluctuation, and we must be able to cope with any development in this respect which might adversely affect our domestic economy.

From the viewpoint of the national security and our foreign policy, moreover, there is increasing need for continuance of export controls.

The responsibilities assumed by the United States in enacting the Foreign Assistance Act of 1948 have only emphasized the importance of export controls. For some time now it has been our general practice to fix individual country quotas upon the basis of relative need. Moreover, since March 1, 1948, we have had under individual licensing control shipments of practically all commodities to all European and certain related destinations. This enables us to keep United States exports to Europe within ECA-approved programs. It is also being used to give a priority, in effect, to the requirements of the participating countries over those of other European countries. This is in furtherance of section 112 (g) of the Foreign Assistance Act which provides, generally, that no shipment of a material to a nonparticipating country in Europe may be licensed until the requirements of the participating countries are being adequately met.

Equally important is the close scrutiny which is thus made possible over shipments of industrial materials which may have direct or indirect military significance. In the light of the growing concern of democratic nations over the policies of the eastern European nations, it is quite clear that our national security requires the exercise of such controls to complement export controls over arms, ammunition, and implements of war which are administered by the Munitions Control Board and the State Department.

Except for commodities in short supply, shipments to western Europe are being licensed fairly freely; but shipments to eastern Europe have been carefully restricted. It must be kept in mind in

this connection that while we are maintaining strict control over shipments of materials and equipment having potential military significance, we must also in our own interest seek to continue the flow from that area of essential commodities to the United States and at the same time minimize interference with the necessary expansion of east-west trade in Europe.

To assist in reconciling these objectives and to assure coordination with other governmental policies, I am advised by a special interdepartmental committee including representatives from the National Military Establishment, Atomic Energy Commission, National Security Resources Board, the Economic Cooperation Administration, and the State Department, and a number of others, I might add.

The present expiration date of these controls is February 28, 1949. We are recommending that they be authorized until June 30, 1951, subject, however, to termination by the President or by concurrent resolution of the Congress should the need therefor cease to exist earlier.

As I have already indicated, the domestic supply situation has improved in some respects, and we hope to be able in the coming year to reduce further the number of commodities subject to export control for supply reasons.

I also hope that national security considerations will become less important. I believe, however, that it will be at least 2 years before the beneficial effects of European recovery upon world stability are realized. We should then be much less concerned with the risks involved in permitting unrestricted exports of all commodities to all destinations. Until that time has arrived, I am convinced that it is necessary to continue the power to control exports.

The CHAIRMAN. Mr. Secretary, I understand that you have several other witnesses from the Department of Commerce.

Secretary SAWYER. Yes, sir.

The CHAIRMAN. I also understand that the Under Secretary of Agriculture is present. I have a few questions that I would like to ask of you, Mr. Sawyer, but I wonder if it would not be better to have the Assistant Secretary of Agriculture follow you immediately, and then your other witnesses can go on after him.

Secretary SAWYER. All the questions which are to be directed to me, I should prefer to have directed now, if that is agreeable with you, Senator. Then I will leave my staff here and they can follow Mr. Loveland, or whatever procedure you wish to take.

The CHAIRMAN. How has little business fared under these export controls? You gave us a very graphic description here of how it fared under the voluntary agreements situation. Has little business been equally considered for these licensing controls, on an equal basis with big business, for instance?

Secretary SAWYER. I am not prepared to answer the question in detail, but there has been an effort all the time, at least since we have been adequately staffed, to give consideration to all groups.

The CHAIRMAN. Do you have any figures on that?

Secretary SAWYER. Yes; we have some.

The CHAIRMAN. Would you mind furnishing those figures for the record, so that the full committee can avail themselves of them?

Secretary SAWYER. Certainly.

(The information requested will be found on p. 212.)

The CHAIRMAN. One thought I had in mind was this: I notice you state how the other departments meet jointly to decide on all of these problems. Would there be any objection, for instance, to having agricultural exports control come in; or does the Department of Commerce desire the so-called veto, as some people have expressed it? Would you go into that, sir?

Secretary SAWYER. You ask me what is desirable, and then you ask me to explain the procedure. Is that correct?

The CHAIRMAN. Yes.

Secretary SAWYER. In the first place, may I point out that this bill, as drafted, leaves with the President the decision as to where the export control will be exercised.

I might say, as far as I am personally concerned, I would be very glad if some other department would take it all over. It is a rather difficult and somewhat unpleasant task. We are the ones who have to say "No." Finally, I am the one who has to say "No."

The CHAIRMAN. Just thinking aloud now, suppose Congress passed an amendment that, as to agricultural products, you would not have the veto. Would you object to that?

Secretary SAWYER. No; I would not object, but I can say this, in all frankness, sir: I think, in the first place, the matter should be left entirely in the hands of the President. I think that is an Executive decision. In the second place, however, I think it is desirable, and Congress, I am informed, in debates on this subject before I became Secretary of Commerce, indicated that they felt it was desirable to have the final authority of this whole matter of export controls at one point.

The CHAIRMAN. That is correct, in the one department.

Secretary SAWYER. Yes, in the one department, whatever that might be, department or agency because, in the last analysis, the considerations which must govern a decision cut across a great many interests. There are times when these agencies do not all agree. That is not confined to Agriculture but to the State Department, the National Security Resources Board, the military, the Interior—they are all represented on this committee, and somebody should be in a position to make the final decision. Congress and the President decided that that should be in the Department of Commerce.

I feel that the proper procedure is to leave it to the President, as this bill does, to decide, in his judgment, where he wants or by whom he wants these controls exercised.

The CHAIRMAN. But you personally have no objection, except that you believe, as events in the past have shown, that it is necessary to have it under one department?

Secretary SAWYER. I have no objection to relieving the Department of Commerce of any of the responsibilities in connection with export licensing. I do feel quite strongly that it is desirable to have in one place the final decision on export control.

The CHAIRMAN. Now, Mr. Secretary, at page 5 of your brief, in the last paragraph, you said:

> For most other items, quotas were increased substantially. Record production of oilseed permitted large exports of soybeans in the fourth quarter to European destinations—

and so forth and so on.

Now, it is a fact that we have raised a very large crop in both soybeans and cotton; is it not?

Secretary SAWYER. Yes.

The CHAIRMAN. What about cottonseed? Don't you think that with the large amounts on hand, it could be decontrolled?

Secretary SAWYER. I have suggested to my agency that the men in the Department take up in the near future the decontrol of cottonseed, soybeans, and so forth.

I can say that we have approved for export all the suggestions from the Department of Agriculture as to this, and recently we cleared 109,000,000 pounds of fats and oils, which included 7,000,000 bushels of soybeans—of course, I am subject to correction on figures—and I don't know how much cottonseed oil.

The CHAIRMAN. I presume, from what you say in the second paragraph on page 8 of your brief:

> and we hope to be able in the coming year to reduce further the number of commodities subject to export control for supply reasons—

that perhaps you may have had fats and oils in mind, particularly cottonseed oil and soybeans. Would I be wrong in presuming that you had that in mind, along with others?

Secretary SAWYER. The matter will be reviewed in the near future, by this interagency committee.

The CHAIRMAN. But you do realize, as you have stated, that there has been a great increase in the supply of those commodities?

Secretary SAWYER. There is no doubt about that.

The CHAIRMAN. How does ECA affect you on that score?

Secretary SAWYER. The ECA affects us in two or three ways. They have a member on this interagency committee who deals with this crop.

The CHAIRMAN. Has he expressed an opinion on that?

Secretary SAWYER. I do not sit in on many of the meetings myself; but I am informed that, on the last request that came from Agriculture, the decision was unanimous for increase.

The CHAIRMAN. For increase?

Secretary SAWYER. Yes. At any rate, I approved of everything that was recommended.

The CHAIRMAN. Do you know if any of the ECA money has been interchanged through Canada and this country, and through South America for the purchase in South America of cottonseed and soybeans for Europe at higher prices than they are bringing in this country?

Secretary SAWYER. I would not know about that, Mr. Chairman.

The CHAIRMAN. I will ask you to ask the ECA representative that question when he comes here on Tuesday.

Senator Robertson asked me if you would be good enough to make a statement, and if you did not feel like making a statement, whether or not you would prepare one for us, in this regard: Whether or not in your opinion the export controls have been harmful to the farmers. He said he would appreciate your either making such a statement or sending one in. He had to go to the Rules Committee and could not be here; but, as I say, he will return later. If you cannot make that statement now, perhaps you would prefer to make it on Tuesday.

Secretary SAWYER. I don't think the export controls have been harmful to any segments of the country, taking it as a whole. Of

course, every restraint on export will have some effect on prices, not only on farm products, but steel and everything else that is under control.

We have made an effort continually in the handling of this very difficult problem to come up with the right answer, even though the suggestions of various groups and agencies are not always, and perhaps I might say only rarely, in complete agreement.

I shall be very glad, if you wish me to, to submit a more detailed statement on the matter.

The CHAIRMAN. That is Senator Robertson's request.

(The information requested will be found on p. 208.)

Now, the only other question I have to ask you is about military shipments, and I noticed you make a statement in your brief to this effect:

> In the light of the growing concern of democratic nations over the policies of the eastern European nations, it is quite clear that our national security requires the exercise of such controls to complement export controls over arms, ammunition, and implements of war which are administered by the Munitions Control Board and the State Department.

I want to ask you: Are there any military shipments at all, either second-class engines or planes, that were shipped to countries behind the iron curtain? Is there any movement of this kind of thing at all to countries behind the iron curtain? If you do not wish to answer that for the record, you need not do so. I know this is a delicate question.

Secretary SAWYER. In the first place, the shipment of actual military items is not subject to the control of the Department of Commerce. That is subject to control by the State Department.

The CHAIRMAN. They need no license from you?

Secretary SAWYER. Those matters do not even come before me.

The CHAIRMAN. Could anyone secure a license from you to ship used airplane motors or parts under some other name?

Secretary SAWYER. No.

We do have submitted to us, of course, applications for licenses to export many commodities, which are highly critical and highly important, commodities that have a military potential, and we have not; and I will ask you please not to ask me to make a public statement as to what those items are—but they are very carefully screened by us.

The CHAIRMAN. And you, as Secretary of Commerce, are satisfied from your screening and double checking that they are, of course, to the best interests of this country?

Secretary SAWYER. We try at all times and in every decision we make, whether it bears on the question of items in short supply or implementing our foreign policy, to make such decision in the best interests of this country.

The CHAIRMAN. I think that must be so; I knew that you would; I just wanted that for the record.

Secretary SAWYER. I may add to what I said before: that the problem of deciding what may or may not be exported is extremely difficult. Men from the Department who are here can give you in more detail an outline of the problems with which we have been faced; but, when I first became Secretary of Commerce, we were getting applications for export licenses at the rate of about 20,000 a week. That is now down to something a little over 10,000, and those involve many con-

siderations; I mean the decisions involve many considerations. We have kept in mind at all times the need to keep alive and stimulate our export trade. As you doubtless know, I receive many suggestions that the easiest way to solve our domestic supply problems is to just cut off exports altogether. I do not need to outline to this committee the catastrophic results such a course would bring about.

The CHAIRMAN. I was delighted to see the small amount of steel shipped out, as a result of the voluntary agreements.

Secretary SAWYER. As you know, the shipments of steel have been reduced from something over 6,000,000 to the total, during the fourth quarter of 1948, of 4,200,000 tons of finished steel.

The CHAIRMAN. Senator Flanders, do you have any questions to ask of the Secretary?

Senator FLANDERS. I would like to ask the Secretary, Mr. Chairman, whether the enforcement provisions are not somewhat more strict under this bill than they have been previously.

Secretary SAWYER. We have set up an enforcement department, and we have tried to implement that with the regulations. I prefer, if it is agreeable to you, to have that procedure explored in detail by one of the men in my office who knows all about it. I might say, however, that it appeared clear to me when I took this job that, with the tremendous number of applications and the large sums involved, there would be opportunities, at least temptation was presented, for wrongdoing, which would be hard to catch; and we set up this enforcement provision; and, in the light of the reports which have come to me, I think we can be gratified not only by the honesty of the exporters but by the efficiency with which this thing has been handled.

I might say that I am not at all satisfied with it myself. It is a terrific job. It involves the unpleasant duty of saying "No," and there are always people who are not satisfied with what has been done.

I think I can speak truthfully when I say that exporters, in the main, feel there has been very substantial progress made in connection with it. That applies to the matter of export controls, of course.

Senator FLANDERS. I would judge from what you are saying, Mr. Secretary, that this addition to your organization had not been, then, on account of the discovery of large abuses in that line, but that it was a matter of further protection of the undertaking, rather.

Secretary SAWYER. The enforcement program was undertaken before there was any discovery of abuse and, as a matter of fact, there has never been brought to light any substantial abuse in connection with export controls. There have been instances of irregularities. Some of them have been discovered by the Department, some by the congressional committees, and in every case we have followed up what dereliction we found, and if you care to interrogate Mr. Ostroff, who is here to testify, I think you will agree with me that in the light of the tremendous tasks we have handled, the variety of problems presented, it has been a remarkably free record.

Senator FLANDERS. You also spoke of reduction in applications from, in the neighborhood of 20,000 per week to 10,000 per week. To what has that reduction been due; the reduction of items controlled, or are there other reasons for it?

Secretary SAWYER. That is certainly partially true. For instance, the matter of caustic soda and other items here, which brought on a

flood of export licenses would be part of that. Also some nations do not have the dollars now to buy, to the extent which they had before. There are many reasons for that. I would not undertake to list them all, but there are men here who could answer your question more specifically.

Senator FLANDERS. Can you say anything about the average length of time that it now takes to process these applications? Do you have figures on that?

Secretary SAWYER. We will give you that later. Do you want it now, or would you prefer to have them from the other witnesses?

Mr. BELL. They vary with the type of application. If it is an application for shipment to Western Europe, as indicated by the Secretary in his statement, we act on those rather quickly, because they involve many items over which there is no particular concern, either from the security point of view or from the supply point of view. But, when it comes to the positive list of items, and where there is a tremendous oversubscription, that is, where many people apply for much more than is allocated for export, that takes more time. So those figures vary in our applications on the Western European thing. Where there is no question involved, they are in and out of here in a matter of 5 days, and the complaints from the trade on that are very slight, indeed.

On the other time-scheduling things, it takes anywhere from 2 weeks to sometimes longer before action is taken on an application.

Senator FLANDERS. You feel now that you have been given a staff of sufficient size, then, to handle these applications speedily?

Mr. BELL. Yes. Of course, as the Secretary said, he is not content, nor am I, and I hope we will never be. We think there is still improvement for speedy action.

Senator FLANDERS. The backlog is not backing up on you, however?

Mr. BELL. That is right.

Senator TOBEY. With reference to these export controls, you partially answered a question I had in mind by saying that there is a minimum of trouble in falsification or misstatements, and so forth. The question in my mind is whether or not, as in the case of that brass concern the other day in voluntary controls that was guilty of rank heresy and defrauding the Government, you have any parallel situations. I raised the question then whether they did not have to make a statement which would be considered perjury if violated. What do you use here, in export controls, which would fill that gap? How do you put them on record in a positive way so that if there are violations they will be guilty of perjury?

Secretary SAWYER. Mr. Ostroff is here and he can answer that question for you.

Mr. OSTROFF (General Counsel, OIT). The answer is that every applicant for a license must sign an application, and on the application form there is a reference to the sections of the United States Criminal Code which make false statements or other misrepresentations to a Government agency subject to punishment by fine and/or imprisonment.

Senator TOBEY. Does the applicant take oath to the truth of the tatements?

Mr. OSTROFF. He takes no oath on the application.

Senator TOBEY. Why don't you make him?

Mr. OSTROFF. The reason is that it is not necessary.

Senator TOBEY. If he makes the oath, that the foregoing statements are true, you have him if he breaks that oath, you have the malfeasance there. Wouldn't an oath such as you make on oncome-tax returns, or anything else, cover such a situation?

Mr. OSTROFF. Our application form has the same effect. I thought you had in mind, Senator, the concept of taking it before a notary public. The way this certification is worded, it does bring the same penalties into play. I misunderstood your question.

Senator TOBEY. So, if a man did use the application in his modus operandi, and the statements he made were not true, he would be guilty of perjury, would he not?

Mr. OSTROFF. Yes; we use the same form as is used in the export declaration. When a man gets ready to ship his goods out, he must make another statement and signature on such a form.

Senator TOBEY. Was there not some ponderous fellow, large of avoirdupois, some hulk of a fellow—what was his name?

Mr. OSTROFF. I think it was Quinn.

Senator TOBEY. A big fellow, looks like a beer barrel——

Mr. OSTROFF. That had nothing to do with export control——

Senator BRICKER. That was in the Housing Committee, a fellow by the name of Ginsberg.

Senator TOBEY. What became of Ginsberg?

Mr. OSTROFF. I don't know. I think Senator Bricker can tell you about the man I had in mind, but I don't know about Ginsberg.

Senator BRICKER. Have you continued the prosecution of the case against him?

Mr. OSTROFF. Yes, sir.

Senator TOBEY. What happened to Quinn?

Mr. OSTROFF. The Quinns are under prosecution now. They are also involved in a number of other offenses. That is quite an elaborate case.

Senator TOBEY. It seems that justice will be done; is that right?

Mr. OSTROFF. I think there is no question about that, Senator.

Senator FREAR. You stated that you have increased the number of your employees, yet your applications have decreased from 20,000 to 10,000 a week. Does that mean you are giving better service?

Secretary SAWYER. When I came in as Secretary of Commerce, we had a completely inadequate staff. Congress gave us then what I regarded as an adequate sum of money, and the staff was as rapidly as could be increased. It is not the easiest thing in the world to go out and get employees who are at the same time thoroughly honest and reasonably well qualified to do a job of this kind. We are dealing with vast sums of money, matters that are of vital interest to the businessmen of this country, and we need a high-level employee to do it, and you cannot just go out and get those off the streets. We built up the personnel to a point of 670. It is not increasing now. There has not been any substantial change in months, so if you got that impression from my statement, I gave you the wrong impression.

Senator BRICKER. I have just a question or two, Mr. Secretary.

Do you feel now that the personnel is adequate to take care of the infractions which, although not numerous, were very flagrant, that were brought out in the open last year?

Secretary SAWYER. The personnel has increased to 56, and in my opinion it is adequate, and I will see that it is adequate. If I may say so, we will get the job done with what we have.

Senator BRICKER. That is in the prosecution end as well as in the licensing end?

Secretary SAWYER. Yes.

Senator BRICKER. That was the following up of the licensed agents where the default largely took place?

Secretary SAWYER. The truth of the matter is, as I said a moment ago, I think there has been remarkably little irregularity, in the light not only of the tremendous volume that has been done, but the experience that these individuals had in handling it. However, whatever has been suspected has been caught up.

Senator BRICKER. Of course, the violations are more flagrant and stand out more because they occurred in fields where materials were more critical.

Secretary SAWYER. Yes. I do not think we have had anything serious since last spring. Since the program has been in operation with adequate personnel and enforcement personnel, there have been practically no irregularities.

Senator BRICKER. Under this continuing authority, there is no contemplated change in the administration of your over-all committee or the certification by the Department of Agriculture?

Secretary SAWYER. No.

I might add, I don't know whether you were in the room, Senator, when I spoke about the arrangements by which we handle these applications for exports, but I will repeat them:

They first go to a lower-level committee for screening, and eventually, in the case of any item about which there is a serious question, they come to what is known as the Requirements Committee of the Department of Commerce. On that committee is represented every agency which could conceivably have an interest in the problem, and whenever there is an agency that indicates that it has an interest and wants to participate, they are permitted to join, so that before the decision comes to me it has been passed upon by a combined committee where we hope, at least, is represented the good judgment and wisdom of the entire agency.

Senator BRICKER. Will there be any change in that administration?

Secretary SAWYER. I have no intention of changing it. I think it is working very well.

I may say this, to refer to the point of length of time of this program: That I favor a frequent review by the Congress of the operation. I make a report quarterly in which we set forth in great detail the things that are going on, but I think it is quite proper for Congress to review the operation, and the bill which has been submitted provides that the whole thing may be terminated at any time when Congress feels it should be.

I do say, however, that with reference to the question of a short- or a long-term extension—that if the extension is only for a short time we would be in the same situation we were in a year ago when the employees did not know from one day to the next whether they would have a job, and I do not need to outline to you the demoralization that that brings about.

The CHAIRMAN. Would you suggest a quarterly review by this committee?

Secretary SAWYER. The report goes to the Vice President. I would be glad to send a copy of the report to each member of this committee.

Senator TOBEY. I hold in my hand the Code of Criminal Procedure, and in paragraph 80, section 35 (A), there is a point along the lines of Mr. Ostroff's testimony. I ask that that be inserted in the record.

The CHAIRMAN. It may go in.

(The abstract referred to is as follows:)

80. (Criminal Code, sec. 35 (A).) Presenting false claims.—Whoever shall make or cause to be made or present or cause to be presented, for payment or approval, to or by any person or officer in the civil, military, or naval service of the United States, or any department thereof, or any corporation in which the United States of America is a stockholder, any claim upon or against the Government of the United States, or any department or officer thereof, or any corporation in which the United States of America is a stockholder, knowing such claim to be false, fictitious, or fraudulent; or whoever shall knowingly and willfully falsify or conceal or cover up by any trick, scheme, or device a material fact, or make or cause to be made any false or fraudulent statements or representations or make or use or cause to be made or used any false bill, receipt, voucher, roll, account, claim, certificate, affidavit, or deposition, knowing the same to contain any fradulent or fictitious statement or entry in any matter within the jurisdiction of any department or agency of the United States or of any corporation in which the United States of America is a stockholder, shall be fined not more than $10,000 or imprisoned not more than ten years, or both.

Senator TOBEY. By a law approved June 25, 1948, and effective September 1, 1948, (sec. 1001, title 18, U. S. Code), the minimum term of imprisonment under this section was changed from 10 to 5 years.

You have had to increase your staff to take care of these export controls in the year just passed; have you not?

Secretary SAWYER. Yes; it was increased from 175 to 600.

Senator TOBEY. You have increased your staff in connection with these controls, so when some of us get irate about the increased number of Government employees, we should be aware of the fact it is because of men's desires and derelictions, and we must remember that there must be some sound ground for increasing the employees in other departments as well as yours.

Secretary SAWYER. In my opinion, there is no reason why we should increase the number of employees of OIT or in connection with this matter, and this may come as a shock to some of our employees, but I shall, if necessary, recommend reducing the staff.

Senator TOBEY. A campaign cry has always been that we have so many Government employees. As a matter of fact, a lot of agencies may need less, but in your case you will need up to the 600 mark, and that should teach us to temper our criticism by facts sometimes.

Secretary SAWYER. Yes; continually reviewing the thing, to be sure that the situation requires that number. As the situation relaxes, we should reduce them.

The CHAIRMAN. There were no export controls before the war.

Senator TOBEY. That is right. It is a creature of the war.

You have been up here now for the second time in a week, Mr. Secretary. It is becoming almost a habit, isn't it? It has not been an ordeal, has it?

Secretary SAWYER. On the contrary——

Senator BRICKER. In regard to the review that is being made of the soybean situation, how soon do you anticipate a report on that?

Secretary SAWYER. I have asked this interagency committee to review the whole matter of fats and oils, and I have suggested to my Department that they consider the question of delicensing altogether in edible fats, lard, and so on.

Senator BRICKER. Soybeans are clogging the market of this country now.

The CHAIRMAN. Cottonseed, too. I will help you with soybeans, Senator, if you help me with my cottonseed.

Senator TOBEY. You have a good many applications for the export of textile machinery?

Mr. BELL. Machinery of that type is not under individual licensing to any distributors outside Europe.

The CHAIRMAN. Why should it not be? Why should they be allowed to take cotton-mill machinery out of this country?

Mr. BELL. Anything that is shipped to western Europe or other European countries requires a license, but there is not a scarcity on machinery of that type. The trade insisted there was no need for export control. We have had no pressure for it.

Secretary SAWYER. We have tried wherever we could to decontrol.

The CHAIRMAN. Mr. Secretary, we wish to express our appreciation for your appearance here. Thank you for enlightening us.

I will now ask the Under Secretary of Agriculture if he will be the next witness.

I might say, for the benefit of the committee, Mr. Ostroff, Mr. McIntyre, Mr. Bell, Mr. Thomas, and Mr. Macy, will follow Mr. Loveland.

Secretary SAWYER. Thank you, Mr. Chairman, for your very gracious reception of my testimony.

(Secretary Sawyer submitted the following for the record:)

MAJOR COMMODITIES UNDER EXPORT CONTROL FOR SUPPLY REASONS

NONFERROUS METALS

The nonferrous metals, copper, zinc, lead, tin, and aluminum, currently offer the most serious supply problems to the United States. The world-wide scarcity, the immediate needs of the strategic stock pile, the expanded military programs, the high level of domestic industrial activity, and continued foreign demands indicate that the shortage of nonferrous metals will not be overcome in the near future.

The United States has long been dependent on foreign sources to meet a large portion of its non-ferrous-metal requirements. The high level of consumption during the war and in the postwar period has increased this dependence. In recognition of our reliance on imports for these basic metals, the Department of Commerce has made special efforts to stimulate foreign production and increase the volume of shipments to the United States. The nonferrous mining operations in the Western Hemisphere are classified as special projects, and receive preference in the allocation for export of short-supply materials from the United States. Virtually all of the requirements of these operations for maintenance, repair, and operating supplies, as well as materials for new development and facilities, come from the United States.

The increasing pressure on non-ferrous-metal supplies during 1948 was reflected in a tightening of export controls. Aluminum plate, sheet, and strip were added to the positive list in August 1948 because of rapidly expanding domestic demand and a relatively high level of exports. The quotas which have been established for aluminum will result in a sharp decrease in the rate of exports. Quotas for other nonferrous metals were also reduced during the year.

The bulk of the exports of copper and zinc have consisted of refined copper and slab zinc produced from imported ores. Much of this material entered the United

States for processing and reexport. Although licenses are required for these reexports, it has been the practice to permit comparatively free exports of products processed from imported ore. This policy has been adopted in order to stimulate the movement of ores to this country and to keep United States smelters operating at capacity.

MACHINERY AND EQUIPMENT

The major machinery items whose exports are controlled in order to protect the domestic supply are railway freight cars and parts. To conserve steel and insure an increased domestic freight car parts, freight cars were placed on the positive list on July 1, 1947. Production has been steadily increasing since the beginning of 1947; but the total of cars in operation has not increased appreciably because of the large number of retirements. To prevent the assembly abroad of complete cars from United States parts, freight-car parts and air-brake equipment were added to the positive list in February 1948.

While some commodities in the machinery category are still in tight supply, the producers themselves have limited exports, thus obviating the necessity for Government controls. Production of motor vehicles, for example, is still short of demand, but exports in 1948, in the absence of controls, represented a little over 6 percent of production, compared with 7 percent in 1947 and 8 percent prewar. The situation with respect to farm machinery and tractors is essentially the same.

TEXTILES

Only a few textile items are under export control. Since output of raw cotton and cotton goods is ample to meet all domestic demands, and to provide a substantial surplus for export, these products are free of positive-list control. Rayon and other synthetics are exempt from control for the same basic reason. In the case of wool, where the United States is dependent upon imports to meet a major part of its needs, controls are likewise unnecessary because of the general adequacy of world supply and because of the traditionally low level of export demand.

Positive-list controls over textiles are limited to fibers not produced in the United States—jute, manila, and sisal—and to their products, including binder and baler twine. In general, exports of these commodities were higher during 1948 than in the prewar period. As before the war, however, exports have been relatively unimportant in comparison with domestic consumption.

BUILDING MATERIALS

Few building materials normally enter the export market to an appreciable extent. Controls, therefore, have been exercised on a selective basis, and materials have been removed from export control as rapidly as permitted by the underlying supply-demand situation. An important action in this field recently was the decontrol of gypsum board and lath, the interior wall materials most widely used in residential construction.

At the present time only a few building-material items remain under export control. These are the items presently in shortest supply, such as water-closet sets, metal window and door frames, cast-iron soil pipe, iron and steel conduit and woven-wire-screen cloth. Exports of prefabricated houses also are subject to individual licensing. Continued selective control is essential in this field in order to prevent excessive drains on the domestic supply which might impede needed construction.

COAL

The coal situation improved materially in 1948, both in the United States and abroad. Increased production in western Europe, as well as the scarcity of dollars, has eased the pressure of demand upon the United States, and domestic production has been adequate to supply both domestic needs and reduced foreign requirements.

The decline in foreign requirements, coupled with continued high levels of production and rising stocks, have permitted a relaxation of export restrictions. Since September 1948 coal has been under open-end quota, and applications have been licensed freely. Controls have been maintained chiefly because of continued shortages of high grades of low-volatile coal. If production continues to increase in Europe and is maintained near current levels in this country, it may be possible to delete coal from the positive list in 1949.

PETROLEUM

The petroleum-supply position this year has proved adequate not only to meet the seasonally high summertime demands for gasoline, but also to permit the build-up of substantial inventories of heating oils to meet the needs of winter consumption. A careful check has had to be maintained on the volume of exports, however, because petroleum continues to be in seriously tight world supply. The balance in supply and demand was achieved in this country in 1948 by importing more petroleum than we export. This is a basic change from prewar when, in 1939 for example, we exported five times as much as we imported. In recognition of the increased dependence of the United States and western Europe upon petroleum supplies from the Middle East and Latin America, we have been supporting petroleum projects in those areas with such materials as could be made available. About 80 percent of the steel allocated for export for all project purposes—petroleum, mining, transportation, food, etc.—is being used for petroleum operations.

CHEMICALS AND DRUGS

The year 1948 was, in general, a peak production year for chemicals and drugs, by the end of which many of the more acute supply shortages had been overcome. A major factor in the post war world shortages in this field has been the disruption of the European industry. The increased production in the United Kingdom and Germany during the past year and the expansion of output in Italy, Switzerland, South Africa, Canada, and Australia have lessened the pressure on United States supplies.

The pattern of United States export controls have followed closely the changes in the supply situation and outlook. During the year, such important products as soda ash, caustic soda, lauryl alcohol, phenol formaldehyde resins, creosote, insulin, and streptomycin were removed from the positive list. In the other hand, for a few other products it was necessary to tighten controls because of growing shortages of the basic nonferrous metals from which they are derived. These include antimony oxide, the lead chemicals, and the chromates.

COAL CHEMICALS

One of the immediate byproducts of the coking of coal is crude coal tar which, when further distilled, is a source of a large number of chemical products including benzene, toluene, cresols, creosote oil, and naphthalene. From these in turn are derived such finished products as plastics, dyes, synthetic fibers, pharmaceuticals, insecticides, and explosives. Of the coal chemicals, those still in short supply in the United States—cresols, cresylic acid, benzol, and phenol—are subject to export controls.

CHROMIUM CHEMICALS

Most important of the chromium chemicals is sodium bichromate, which is used directly in the textile and tanning industries, and is also the base from which chromic acid, potassium bichromate, and chromium tanning mixtures are produced. United States supplies are inadequate to meet both the present high level of domestic consumption and unrestricted foreign requirements and, accordingly, reduce export quotas have been imposed.

CAUSTIC SODA AND SODA ASH

The alkalies afford excellent examples of the need to keep export control authority flexible to meet changing supply conditions. At the beginning of 1948, the world shortage of these materials was acute, and foreign requirements far exceeded established export quotas. During the year, however, increased domestic production and a sharp decline in foreign demands made possible, first, an easing of quota restrictions, and finally, the removal of soda ash and caustic soda from the positive list.

DRUGS

The most important recent export-control development in this field has been the decontrol of streptomycin. As United States supplies increased it was possible to liberalize the amounts authorized for export. In the third quarter of 1947 the export quota was 825,000 grams, by the second quarter 1948 the quota had been raised to 6,000,000 grams, and for the remainder of the year, streptomycin was licensed under an open-end quota. A review of the situation at the close

of the year indicated domestic requirements of less than half of expected supply so that export controls were no longer necessary on that account.

FERTILIZERS

Fertilizers are composed of three types of primary materials: nitrogenous, phosphatic, and postassic. There is a world shortage of fertilizer material which is particularly serious in the case of the nitrogenous.

Current United States supplies of phosphatic fertilizers are adequate to permit free exports without adverse effect, so they are no longer on the positive list.

Prewar Germany was the world's major supplier of potash. Approximately 60 percent of Germany's resources are located in the Soviet zone. Potash supplies for western Europe now come mainly from France, Spain, and Palestine, and some from Russia. Shipments of potash from the United States to Western Hemisphere destinations and the Philippines are not subject to export licensing, but exports to all other areas are tightly controlled.

Nitrogenous fertilizers are subject to strict export controls to all destinations. Most of the western European countries produce these fertilizers, but except for Belgium, Italy, Norway, Switzerland, and the United Kingdom, imports are required to supplement indigenous production. The only other exporting countries, in addition to the United States are Canada and Chile.

LUMBER

The high level of lumber production reached in 1947 has been maintained throughout 1948. While domestic demand for lumber has been large, all requirements including a high volume for housing construction have been met. Imports of lumber, which come chiefly from Canada, have increased even more sharply than domestic production. With these increases in supply, shortages in the common grades of lumber have eased considerably during the past year.

Exports in 1948 represented 1.4 percent of the total new supply as against 3 percent in 1947, and 5 percent before the war. The sharp drop in lumber exports stems chiefly from the contraction of foreign demand. Supplies were ample, but foreign orders were not forthcoming in sufficient quantity to absorb even the limited export quotas established by the Department of Commerce. In line with the policy to retain export controls only so long as there is a clear need for their continuation, virtually all lumber was removed from the positive list as of January 1, 1949. The only lumber items remaining under control are Port Orford cedar (a specialty product used to make separators for storage batteries), railroad ties, and millwork.

FOOD

World supplies of cereals would be adequare to meet the minimum requirements of all countries provided they would move into the channels of trade at the proper time and in fair proportions. Because of dollar shortages in most importing countries and price considerations in the exporting countries, these conditions would not be met without certain Government controls. Cereal grains and their products, excluding rice, are not presently controlled for export to the Western Hemisphere countries and the Philippines, licensing requirements having been suspended in the last half of 1948 after good harvests were assured and supplies from the new crops began to come to market. Shipments of wheat, wheat flour, oats, barley, and grain sorghums to Western Hemisphere countries and the Philippines were removed from export restrictions in August 1948. Export license requirements for corn to these countries were continued until December 1948 in order to protect supplies from the poor crop of 1947 and until grain from the bumper crop of 1948 began to appear on the market. Export license requirements for rye and rye flour were also continued until December because of the limited supplies of that crop in this country.

While world supplies of meat are only slightly below prewar, the decline has been substantial in the importing countries, and much of the increase in the exporting countries has been retained for domestic consumption. World requirements for meat are far in excess of available supplies, and the pressure of rising populations and the desirability of better living standards point to a continuation of the world shortage of meats for some time to come. In view of the tight meat situation, reflected in record prices in 1948, the Department of Commerce has controlled the exports of meat very carefully. Only token amounts have been allocated for export, and only a fraction of 1 percent of our supply was exported in 1948. A large share of the total allocations has been licensed to special proj-

ects, many of which produce critical materials which augment United States supplies. Latin America and the Philippines have been allotted the remainder, and the bulk of the shipments has consisted of pork.

The outlook for fats-and-oils supplies in 1949 is favorable. Indications are that large oilseed plantings will be made again this spring, and the spring pig crop is reported as 10 percent over the previous season's crop. With favorable weather conditions, a further easing of the fat situation can be expected, although supplies do not appear sufficient to meet total potential demand for both domestic and foreign needs. The improving fat situation in the United States is part of a general easing in the world shortage of fats and oils.

STEEL

Because of the continuing steel shortages, virtually all steel products are under export control, a significant change from the situation in 1947, when less than half of the steel tonnage exported was under control. Shipments abroad hit a postwar peak in the second quarter of 1947, when they reached an annual rate of 6.9 million tons, or 10.7 percent of the supply. For the year 1947 as a whole, exports totaled 6.5 million tons, or 10.3 percent of the supply. In each quarter of 1948, the downward trend has continued. In the first quarter, exports were as an annual rate of 5.4 million tons, or 8.3 percent of the supply; in the second quarter, 4.3 million tons, or 6.7 percent of supply; in the third quarter, the annual rate of exports was down to less than 3.7 million tons, and, by the fourth quarter, the annual rate of exports was 3.3 million tons, or 4.8 percent of the supply. For purposes of comparison, it may be noted that, in the immediate prewar period, exports accounted for 7.6 percent of the supply.

The sharp increases in steel production abroad in 1948 contributed importantly to the reduction of foreign demand upon the United States. This is particularly true of the European recovery program countries where most of the production increase was concentrated, and which before the war required little steel from the United States. For the most part, increased output abroad was used to satisfy indigenous needs, but a part was also used to fill demands in other countries. Exports of steel from the United Kingdom in 1948 were back to prewar levels, and exports from Belgium, Luxembourg, the chief competitors of the United States in the steel-export field, were substantially above prewar.

Aside from the extension of export controls during 1948 to cover almost every form of steel exported from the United States, export-licensing restrictions were tightened by reducing the validity period of outstanding licenses from 12 months to 6 months, and by requiring the use of an individual license application for each shipment of each steel product to each country of destination. In addition, the total export quotas established for each steel item under control were divided into fairly rigid subquotas for each country. These country quotas were determined after careful screening of requirements statements submitted by foreign governments and supplemented by United States embassies abroad. Some country quotas for some items were heavily oversubscribed, particularly as in the case of Venezula or South Africa, where ample dollar exchange was available and long-term market prospects are good; in other cases, notably those involving countries of western Europe, the total volume of applications was smaller than the established quotas. The country-quota system assists needy countries to obtain steel from United States suppliers by restructing exports to those markets which might otherwise tend to monopolize export tonnages.

An increased share of the steel exported from the United States in 1948 was destined for special-project operations and activities abroad of such high importance to the United States as to merit special attention to their requirements for steel and other scarce materials. Roughly one-fourth of the total steel quotas were earmarked for these projects, most of which are owned or controlled by American interests. The bulk of the steel moving under special-project license was used for petroleum operations broad, in Venezuela and other countries of Latin America, and in the Middle and Far East. Smaller quantities were licensed for a number of mining operations engaged in the production of strategic and critical materials needed in the United States. Practically all of the casing and oil-line pipe and large portions of the unlined storage tanks, seamless black pipe, structural shapes, and reinforcing bars which were permitted for export were needed to maintain and expand these special-project activities abroad.

The CHAIRMAN. We will now hear from the Under Secretary of Agriculture.

STATEMENT OF HON. ALBERT J. LOVELAND, UNDER SECRETARY, DEPARTMENT OF AGRICULTURE

Mr. LOVELAND. Mr. Maybank, chairman of this committee, and gentlemen: We appreciate the opportunity to come over. We regret that Secretary Brannan cannot be here this morning. He was called out of town. I am new in the Department of Agriculture, as you may know, from a farm in the Middle West. I have a short prepared statement, which I would like to present.

The CHAIRMAN. Thank you, Mr. Secretary, and we will not ask you any questions until you finish, if that is what you prefer.

Mr. LOVELAND. Thank you.

The Department of Agriculture believes that the extension of export-control authority beyond its present expiration date of February 28, 1949, is necessary (1) to protect our domestic economy, (2) to implement the foreign policy of the United States, (3) to carry out our obligations under international allocations, and (4) to control the exportation of commodities important to our national security.

The Department of Agriculture believes that the protection of our domestic economy alone more than justifies continuation of export controls. Although there has been improvement in the economic conditions in most foreign countries, they are still confronted with shortages which buoy up the demand for certain commodities from the United States. In addition, the prices of many commodities in foreign countries are higher than in the United States.

Removal of export controls could turn loose a demand for United States commodities in short world supply which, in turn, would inflate the prices of these commodities.

The forces involved in this situation are indicated by the current level of exports which are running about four times higher than prewar. The reported value of agricultural exports, including shipments for foreign civilian use, in 1946 was about 3.5 billion dollars, and in 1947 about 3.9 billion dollars. For the first 11 months of 1948, the figure was slightly more than 3 billion dollars, and it seems likely that the total export value during 1948 will be in the neighborhood of 3⅓ billion dollars. This great increase in exports is dominated by the food component, which is nearly eight times the prewar rate.

If export demands continue in 1949 at approximately present levels, this need for some United States farm commodities in 1949 will undoubtedly exceed the total supplies which we can safely export. Reports from foreign sources show clearly that world shortages will continue during the calendar year 1949 with respect to some agricultural commodities.

It is considered possible that United States exports of grain and grain products, excluding rice, during 1949–50 may continue at a rate nearly as high as during 1948–49, when we expect to export about 18 million tons, which would be an all-time high. During the postwar period, the proportion of United States exports to the world total has been extremely large. During 1947–48 and 1948–49, about one-half of world wheat exports originated or will originate in this country. Thus, what the United States does with its grain supplies affects seriously the food position in much of the rest of the world.

United States crop prospects for 1949, to the extent they can be estimated at this time, appear good. A large acreage of winter wheat has been planted, and weather conditions to date have been satisfactory; but this does not insure adequate supplies to meet all demands which may be made on the United States. The European countries may not achieve the same large production in 1949 that was realized in 1948, when yields were excellent. Furthermore, the Argentine wheat crop just harvested is very much reduced from that of last year and is far below prewar, with the result that export availability from that country will likely be considerably reduced. Canada has experienced one of the driest autumn seasons on record, a factor which may affect both area and yield in 1949. Australia's wheat crop is better than average but is not large enough in relation to world needs to be of great importance. The situation in the U. S. S. R. and other eastern European areas is, to a large extent, unknown.

While it is too early to forecast the size of the 1949 world harvest of grains, the above facts are noted so as to indicate the possibility that the general improvement that has taken place during the current season may not necessarily continue into 1949–50. In view of the importance of cereals in the world economy and the importance of the United States in the world cereals picture, export controls should be retained as an insurance against a possible deterioration of the world grain situation in 1949–50. Even if United States supplies appear ample, and the world situation should tighten because of a short European crop or reduced availability in other exporting countries, it would be desirable to exercise export controls so as to time the flow of grain from this country in such a way as to protect the domestic economy and best meet the needs of importing countries, particularly areas in which we have a special interest.

World rice requirements for the present calendar year are substantially greater than the total world supply. The production of rice in the United States after meeting the needs of our domestic market and the Territories will provide less than one-half million tons of a total world export of 3½ million metric tons. Since export supplies from the United States represent only a relatively samll proportion of total availabilities, relaxation of controls might result in increased procurement by some foreign countries to the detriment of our dependent Territories and domestic trade. The pattern of procurement by foreign countries might well be such as to disrupt our shipments to our normal export markets and thereby prove injurious to the interests of producers and the rice trade in general. Unrestricted demands on the rice supplies of the United States could also result in unwarranted speculative price increases.

World shortages of rice will continue for several years, as rice production in the Far Eastern areas cannot be increased at a sufficient rate to overcome the population gains that have occurred since the beginning of World War II.

Fats and oils and meat are examples of other important food items which are in world short supply and for which export controls are desirable. Consumption levels of fats and oils in certain countries participating in the European recovery program are extremely low, and it is very important that we be able to channel our available exports to those countries where the need is greatest. Due to in-

creased domestic production of oil-bearing materials in 1948, we have been able to recommend increasingly larger export allocations of various fats and oil-bearing materials in recent months. It should be pointed out that in the absence of export controls the exportation of oilseeds, particularly soybeans, would undoubtedly increase greatly.

Exports of meat in 1948 have been held to token shipments of a fraction of 1 percent of our production due to short supply. The export demand, however, has been far in excess of this quantity. Elimination of export control on meat would further aggravate an already short supply and would cause price increases.

The unprecedented world demand for cereal grains and other foodstuffs is matched only by the world demand for fertilizer materials needed to increase food production. Nitrogen in particular presents a special problem. The problem is aggravated by the fact that, whereas around 100 countries have to import nitrogen, there are only a few countries that have nitrogen for export. Nitrogen fertilizer is under international allocation until at least June 30, 1949. In view of the prospect of a continuing shortage of fertilizer during the years 1949–50, and in order to safeguard supplies for American farmers, export controls should be continued.

The responsibilities of the United States have become world-wide. The United States participates in the international allocation of food through its membership in the International Emergency Food Committee of the Food and Agriculture Organization. It appears that the only feasible manner in which we can fulfill our responsibilities with respect to international allocations of food and related products is to retain export controls to enable us to channel our exports of these commodities to those countries which are in the direst circumstances and which have the greatest need for such food. This is a far more equitable system than the alternative of letting those with the most dollars buy what food is available on the world market, and it gives economic stability both here and abroad.

In some countries, food shortages are retarding economic recovery and preventing stable political development. We believe that it has been demonstrated that international cooperation in food distribution is essential to international cooperation in other fields where mutual action is necessary.

The United States has definite responsibilities with regard to the food supplies for the occupied areas of Germany and Japan. Under the European recovery program, we have assumed major responsibility for assisting many of the countries of western Europe in increasing their available food supplies as well as in a general rehiabilitation program. Without continuing export controls, it would not be possible to insure distribution of our available export supplies to those countries who are cooperating with us in the fight for world peace and security. It is apparent that in the case of certain commodities the food supplies available for export from the United States are not sufficient to meet the requirements of all foreign nations.

Although the Department is not responsible for export control or nonfood commodities, it does have a vital interest and is directly affected by the action taken on many such items. Because of the importance in the growing, harvesting, and processing of agricultural crops, or because of their relationship to agricultural commodities, we believe it is important and necessary that export controls be con-

tinued on important items that are in short supply domestically such as steel, nitrogen fertilizer, tin, and certain other nonferrous items, transportation equipment, and selected items of manufactured equipment.

It is the policy of the Department of Agriculture to continually review the food commodities under export control and to recommend the decontrol of any item as soon as it is determined that it will not result in undue drain on domestic supplies, unreasonable price increases, or adversely affect the status of our international responsibilities. The decrease in the number of food items under export control during the past year proves that this policy has been carefully carried out.

On the other hand, the existence of export-control authority enables the executive branch of the Government to protect the domestic economy from undue drain in the event a shortage develops in a commodity which now is in ample supply.

With continuing export controls, the United States will be in a position to protect our domestic economy by holding adequate supplies in this country to meet our needs. We will be in a position to continue international cooperation and the allocation of food to those places where it will meet the greatest need as well as fulfill the requirements under the European recovery program, and at the same time be in a position to assist in protecting our national security.

The CHAIRMAN. Mr. Secretary, I notice that you make certain statements about what the Department of Agriculture is responsible for in export control. Do you think that the Secretary of Agriculture should have the final say on export controls that affect agricultural products?

Mr. LOVELAND. The Department of Agriculture is of the opinion that the final authority of determining the supplies available for export should be with the Secretary of Agriculture.

The CHAIRMAN. But should you have the final say, without having it go to Commerce? All you are responsible for now is determining what is available, but the Secretary of Commerce could go over you; could he not?

Mr. LOVELAND. We understand there is a bill pending, giving the President authority to designate whomever he sees fit.

The CHAIRMAN. Whoever the President sees fit?

Mr. LOVELAND. Yes. We would consider that satisfactory.

Senator FLANDERS. That is already in section 3 of S. 548.

The CHAIRMAN. But that would be your statement?

Mr. LOVELAND. I believe so.

The CHAIRMAN. The Secretary of Commerce just testified here awhile ago, or so I understood him, that he thought the situation was such in soybeans, cottonseed, and fats and oils that these commodities should be decontrolled, while you very specifically state here in your brief that fats, oils, and meats—I might agree with you on meats—are examples of other important food items which are in world short supply and for which export controls are desirable.

Why should it be desirable to continue export controls on the huge surpluses of cottonseed and soybeans in this country?

Senator BRICKER. The Secretary testified that they were making a survey at the present time.

The CHAIRMAN. But I asked him this question, in connection with his statement that he hoped to be able in the coming year to reduce

further the number of commodities subject to export control for supply reasons, whether he included cottonseed in that, and he said yes, that he had reference to soybeans and cottonseed.

Senator BRICKER. But he said there was a survey being made at the present time.

The CHAIRMAN. But Secretary Sawyer said he hoped to be able to decontrol fats altogether. Now the Department of Agriculture comes in and says it ought not to be done.

What is the reason for your statement that export controls are desirable when the Secretary of Commerce makes the statement, "And we hope to be able in the coming year to be able to reduce further the number of commodities subject to export control for supply reasons," provided, of course, Mr. Senator, that he made a survey and decontrol proved to be advisable.

Mr. LOVELAND. Mr. Trigg, my assistant, will be able to answer that.

Mr. TRIGG. The Department of Agriculture is constantly reviewing the commodities it has anything to say about, for the purpose of determining when they should be decontrolled; but, as of this time, we are of the opinion that certain fats and oils are in short supply in the world.

The CHAIRMAN. Are they not paying more for cottonseed in South America than in this country? Have you heard that?

Mr. TRIGG. I have heard that, but I could not answer that for certain.

The CHAIRMAN. But do not American dollars that go into the pool of funds to be distributed by ECA come back in the form of purchases from South America?

Mr. TRIGG. I assume that is possible, but there, again, I could not answer. I believe the final answer on that should come from the ECA.

The CHAIRMAN. Who would be in charge of that in ECA?

Mr. TRIGG. Dr. FitzGerald or Mr. Hoffman, I would imagine.

The CHAIRMAN. Will you find out who they are, so that we can have them here?

I have one further question here. On page 2 of your brief, where you spoke of the considered possibility of increased exports of grain and grain products, and all those things, do you think there is any way in which we could increase cotton exports?

Mr. TRIGG. Mr. Chairman, cotton or cottonseed, or both, I presume?

The CHAIRMAN. Yes.

Mr. TRIGG. Of course, we are doing everything we can to export cotton, because it is a commodity in surplus. One of the difficulties of exporting cottonseed as such is that the European countries do not have delinting equipment, but cottonseed oil we can export.

The CHAIRMAN. I want to congratulate you gentlemen on the allotments of some 109,000,000 pounds of cottonseed oil and soybeans and soybean oils for January shipments to the Orient. I saw an article in the newspapers, stating that some leak had come from the Department which helped certain gamblers make a lot of money, and I want to congratulate you on your efficiency in catching up with that. Is that correct?

Mr. TRIGG. We had some evidence immediately following the announcement of this, or just prior to it, that there might have been a

leak. We have that under investigation at the present time, the same as we have investigated every occasion of any leak in an announcement of this sort.

The CHAIRMAN. I want to pay my personal respects to you for the excellent way in which you have handled and investigated this, and my only hope is that you may find who was responsible for that.

Senator TOBEY. Do you know of your own knowledge to what extent the price of the commodity of soybean oil and cottonseed oil has declined from the peak in the immediate postwar era?

Mr. TRIGG. I would have to supply that information for the record, but it has declined.

The CHAIRMAN. Materially?

Mr. TRIGG. Yes.

Senator TOBEY. The reason I raise that question is that this committee, in connection with the President's anti-inflation program, had before it Procter & Gamble and other food processors. Particularly in regard to the commodity, Crisco, a shortening, the testimony was that products such as that consisted solely of soybean oil and cottonseed oil, which with labor determine the price of the product. They stated that the price of those commodities would be in direct proportion to the decline in the materials, and they brought in evidence on that subject. The only paradox here is that the ingredients have both gone down in price now. I might say, in view of the antitrust laws, I am amazed how upon adjustment of prices they all seem to meet on 2 cents a pound, for example. Why don't some of these individuals have the intestinal fortitude to go down a bit more than the others, because they are all on a level plane? That is a cause for raising the eyebrows, at least.

The CHAIRMAN. The cost of making soybean oil is nothing.

Senator TOBEY. I have only the kindest of feeling toward them, but we are interested primarily in the cost of living and what people have to pay for these things.

The CHAIRMAN. Can you supply the figures on that over the past 2 years?

Mr. TRIGG. We will supply the figures for the last 2 years.

(The following was later submitted for the record:)

Cottonseed oil, crude, Southeast mills, tanks; soybean oil, crude, Midwest mills, tanks; average monthly wholesale prices, 1946 through 1948 [1]

[In cents per pound]

Month	1946		1947		1948	
	Cottonseed oil	Soybean oil	Cottonseed oil	Soybean oil	Cottonseed oil	Soybean oil
January	12.75	11.8	28.80	26.0	28.00	26.6
February	12.75	11.8	32.75	28.4	22.25	19.6
March	12.75	11.8	36.00	33.6	23.94	21.4
April	12.75	11.8	31.75	27.4	29.25	24.5
May	12.75	11.8	23.60	21.4	34.62	26.3
June	12.75	11.8	21.88	18.2	35.38	27.3
July	12.75	11.8	22.19	17.2	27.50	22.1
August	15.08	13.7	18.50	15.9	24.62	22.1
September	[2] 12.75	11.8	20.62	18.8	22.12	22.8
October	18.95	18.8	21.40	20.7	18.80	18.6
November	26.56	24.2	26.62	25.6	19.62	19.1
December	27.00	24.6	26.94	26.2	17.08	17.3
Average annual	15.80	14.6	25.92	23.3	25.26	22.3

[1] Compiled from reports of the Bureau of Agricultural Economics.
[2] Ceiling price, no sales reported.

Cottonseed oil, crude, Southeast mills, tanks; soybean oil, crude, Midwest mills, tanks; average annual wholesale prices 1925 through 1948, daily for Jan. 5, 12, 19, 26, 1949

[In cents per pound]

Year	Cottonseed oil [1]	Soybean oil [1]	Year	Cottonseed oil [1]	Soybean oil [1]
1925	9.3		1940	5.3	4.8
1926	9.4		1941	9.5	8.5
1927	8.3		1942	12.7	11.6
1928	8.4		1943	12.8	11.8
1929	8.1		1944	12.8	11.8
1930	6.9	[2] 8.6	1945	12.8	11.8
1931	5.3	5.5	1946	15.8	14.6
1932	3.1	3.1	1947	25.9	23.3
1933	3.7	5.4	1948	25.3	22.3
1934	5.6	6.0	1949:		
1935	9.2	8.1	Jan. 5 [4]	16.0	15.50–15.75
1936	8.6	7.5	Jan. 12 [4]	[5] 15.25	14.50–14.75
1937	8.0	[3] 8.1	Jan. 19 [4]	[6] 14.0	13.75
1938	6.7	5.6	Jan. 26 [4]	[7] 14.25	[6] 13.50–[5] 13.75
1939	5.6	4.8			

[1] Compiled from reports of the Bureau of Agricultural Economics except where noted.
[2] Domestic oil not quoted prior to October 1929, as production in the United States had not reached commercial proportions.
[3] Average for less than 12 months.
[4] From the Chicago Journal of Commerce.
[5] Asked.
[6] Bid.
[7] Nominal.

The CHAIRMAN. There are certain types of people in the country who want to put the blame for all high prices on to the farmers. Cotton, wheat, corn, peanuts, all of that are drastically lower than they were a year ago, and yet they are blaming the farmers. In fact, the Government has had to take over everything I mentioned through the Commodity Credit Corporation, and yet they still say it is the farmers' parity prices that keep these prices up.

Senator TOBEY. Crisco has gone down to 99 cents for three pounds; that is a considerable reduction from $1.43.

Mr. TRIGG. Wheat was $3 a bushel in 1947, while bread was 14 cents a loaf. What do you pay for bread now in the retail market, as compared to the price the farmer gets for his wheat? It is around $2 a bushel now and bread is still 14 cents.

The CHAIRMAN. In other words, the price of bread remains the same, while wheat has gone down a third.

Senator TOBEY. What is corn meal selling for in ratio to that?

Mr. LOVELAND. It has not changed too much, I don't think.

Senator BRICKER. The prices of animal fats have followed down in not as high a ratio, but they have followed down; vegetable fats also.

The CHAIRMAN. The poor consumer in this country is ground between two forces, and we will find out just what they are. There are always enough people who will say it is the 90-percent parity loan on the price that the farmer gets for his crop, but that has been shown to be untrue.

Senator BRICKER. The over-all food costs have gone down in this country about 10 percent, have they not?

Mr. LOVELAND. Retail food prices have dropped about 6 or 7 percent since July 1948.

The CHAIRMAN. Cotton, now 40 cents, to about 40 cents from 50.

Senator TOBEY. But bread, the staff of life, keeps on a level plane.

Senator BRICKER. Do you think retail prices will follow the wholesale line?

Mr. LOVELAND. I think they will follow. Of course, you have the problem of processing costs, in addition to the cost of raw materials.

The CHAIRMAN. Is it not true that inedible fats have gone down 300 percent?

Mr. TRIGG. I would not want to commit myself on the percentage, but it has been pretty high.

The CHAIRMAN. My information is that it has gone down 300 percent. I would like to know what benefit that is to the man who goes down to the store to buy something. The farmer takes a 300-percent loss, but what benefit does the consumer get from that?

Senator FREAR. That statement of yours about "eventually" reminds one of this nationally famous trade-mark flour, "Why not now."

You make a statement on page 4, Mr. Secretary, of your brief:

> It should be pointed out that in the absence of export controls, the exportation of oilseeds, particularly soybeans, would undoubtedly increase greatly.

Isn't it a fact that we would like to export more soybeans?

Mr. TRIGG. I think so, up to a certain point, but without some control over the exportation of soybeans we could easily get into a situation where we might not have enough of them for domestic use.

Senator FREAR. Is it possible to export more soybeans, so much so that it would put us in short supply?

Mr. TRIGG. Until such time as our supply of soybeans reaches the point where we certainly could safeguard the domestic needs, we would not want to decontrol on that particular commodity.

Soybeans, I might add, is a commodity which can be exported in the form of the bean or in the form of the oil, and it is a commodity that is in demand.

Senator FREAR. On page 6 of your brief, the next to the last paragraph, the last two words, "manufactured equipment"—does that include farm machinery?

Mr. LOVELAND. Yes; I would say so. Agriculture is so highly mechanized today that we have to look after that end of it.

Senator TOBEY. The clerk has passed me a memorandum advising that the Bureau of Agricultural Economics has conducted a recent survey which showed that bread is at an all-time high now, whereas wheat has declined paradoxically as much as 30 percent in the last year. The partial explanation of that, they say, is that bakeries have not expanded their production to meet the demand.

The CHAIRMAN. Could you enlighten us, for the record, as to the status of the importation of nitrates that you expect in this country this year, as against last year?

Senator BRICKER. Your nitrogen, to a large extent, comes from outside the country, and from South America, does it not?

Mr. LOVELAND. Imports of nitrogen for United States agriculture come largely from Chile and Canada. Imports represent about 20 to 25 percent of our total supply.

Senator BRICKER. Has that supply kept up this year? Do you anticipate that we will get as much as we have been getting?

Mr. TRIGG. We have no reason to believe that the scheduled import program will not be fulfilled.

Senator BRICKER. It is in foreign control?

Mr. TRIGG. No. For the present fertilizer year ending June 30, 1949, world supplies of nitrogen are under allocation by the Inter-

national Emergency Food Committee, of which the United States is a member.

Senator BRICKER. You mentioned here that your export of foodstuffs is about eight times as much as it was prewar. Do you have the figures, the over-all figures of all commodities now in short supply, as compared to prewar?

Mr. TRIGG. Yes.

Senator BRICKER. Will you put that in the record?

Mr. TRIGG. Yes.

(The information requested will be found in the files of the committee.)

Senator BRICKER. I note on page 5 that you state:

> The United States participates in the international allocation of food through its membership in the International Emergency Food Committee of the Food and Agriculture Organization.

At the present time there is an international conference on wheat. What effect will that conference and its allocation of wheat supply as against demand have upon this program?

Mr. TRIGG. If I understand your question correctly, Senator Bricker, it is, I think, just a little bit early to tell what the effect might be, because they just convened a few days ago.

Senator BRICKER. If their figures vary with the amount of export of wheat that the Department of Agriculture recommends, and the Department of Commerce finally fixes, what would be the effect of it? Would it be in the nature of a treaty which would supersede your allocations? Under the Constitution, an international agreement, if it rises to the status of treaty, is the supreme law of the land. I wonder if that would abrogate your figures on exports.

Mr. TRIGG. I think it would be in addition to what we would normally export.

Senator BRICKER. Suppose it was less? Would it limit your figures, or would it restrict them?

Mr. TRIGG. I don't believe it would. I do not know; I am not qualified to answer that.

Senator BRICKER. I would like to know if that would supersede this, in the light of the international wheat agreement, or if it would have to be made subject to your control of exports.

Mr. TRIGG. I would think they would both have to be considered at the same time, and certainly it would have to be tied in with whatever the export picture is.

The CHAIRMAN. Is not the last law enacted the law?

Senator BRICKER. I do not think so, Senator, for this reason——

The CHAIRMAN. I am just asking him.

Mr. TRIGG. I am not a lawyer, Senator——

Senator BRICKER. A treaty is the supreme law of the land and supersedes any enactment of Congress, as far as that is concerned, and I can foresee a complication there, unless there is a coordinated program.

Mr. TRIGG. Any agreement that is reached in the international wheat conference will be submitted to Congress for ratification, one way or the other, as an agreement or a treaty, and at that time it will be given consideration, of course.

Senator BRICKER. I do know what a treaty would do to this program, and I am wondering whether the two are coordinated at the present time, or if you are in constant touch with them.

Mr. TRIGG. The Secretary is the chairman of the conference that is going on, and the Under Secretary is the vice chairman, and we have advisers from our own organization who are sitting on this daily and who also have the responsibility for working up the allocation of wheat.

Senator BRICKER. So this program would be made subject to the international wheat agreements, no doubt?

The CHAIRMAN. I am not differing in the least with what has been said, but do you not think we should get from the Department of Justice an opinion as to the top law before we go to the Senate?

Senator BRICKER. That is the most important involved here, and I would like to have their opinion.

The CHAIRMAN. We will see to it that the Department of Justice answers Senator Bricker's questions.

(The following was submitted later by the Justice Department.)

JANUARY 31, 1949.

Hon. BURNET R. MAYBANK,
Chairman, Committee on Banking and Currency,
United States Senate, Washington, D. C.

DEAR SENATOR MAYBANK: This is to acknowledge receipt of your letter dated January 28, 1949, in connection with a hearing now being held by the Committee on Banking and Currency, asking whether an international wheat agreement, if approved, or a treaty which might be entered into would supersede any program, regulation, or law such as Public Law 395, Eightieth Congress (a joint resolution to aid in the stabilization of commodity prices, etc.). A reply was asked for Tuesday, February 1.

As you know, the statutes authorize the Attorney General to advise only the President and heads of executive departments. It has been the position of all Attorneys General that this authority does not extend to the furnishing of opinions to Members of Congress, and while the Attorney General would like to be of service to you in this instance, he does not feel that he should depart from the prevailing practice.

Moreover, the Department of Justice does not have before it the factual issues essential to the giving of accurate advice, though the general rules of law governing such situations may be simply stated. Where a treaty on a similar subject matter follows a Federal statute, repeal by implication is not favored (*United States* v. *Len Yen Tai*, 185 U. S. 213). Likewise, where a Federal statute on a similar subject matter follows a treaty, repeal by implication is not favored (*Chew Heong* v. *United States* 112 U. S. 536, 550; *John T. Bill Co.* v. *United States*, 104 F. 2d 67). In case of conflict, the latest expression controls, whether it be an act of Congress or a treaty, provided the stipulation of the treaty on the subject is self-executing (*Whitney* v. *Robertson*, 124 U. S. 190, 194; *United States* v. *Thompson*, 258 Fed. 257, 268). The question of congressional intent is obviously important in the application of these rules, and it may be that your committee is in a position to give that intent expression in the instant case.

Sincerely yours,

PEYTON FORD,
The Assistant to the Attorney General.

If there are no more questions, may I thank the Secretary for his enlightening testimony, and particularly the point that he brought out, that the farmer who works night and day is not responsible for the increased cost of living.

Congressman Compton I. White has just come in and would like to make a short statement for the record, before we resume with the Department of Commerce testimony.

We will hear from Congressman White, of Idaho.

STATEMENT OF HON. COMPTON I. WHITE, MEMBER OF THE HOUSE OF REPRESENTATIVES, FROM THE STATE OF IDAHO

Mr. WHITE. Mr. Chairman and members of the committee, I have not had much of an opportunity to study these export controls. We hear a great deal about them from the papers, and there is a great deal of abuse, as I understand it, and I hope this committee will modify the existing law on export controls.

I would like to read you a letter from a packing company in the State of Idaho, as to how it affects them. I am reading into the record a copy of a letter from the Bristol Packing Co. to the Secretary of Agriculture, a copy of which was sent to me:

> It is with great urgency that we appeal to you for help in relieving the critical situation which has developed in the inedible tallow and grease market.
>
> Due to low prices, the smaller packers and individual renderers are facing a very serious financial problem. Such low prices will make it impossible to produce tallow without a production loss, and at the present time it is almost impossible to find a buyer. With the large soap companies becoming spasmodic buyers, where can we sell the tallow? More than a week ago we wired for a price quotation on a car and as yet have not received an answer.
>
> The last of January 1948 special tallow was selling for 22½ cents per pound f. o. b. production point as compared with today's price of 8⅝ cents, with freight prepaid to buyer's destination point. The freight rate to New York or Philadelphia is $2.1954 per hundredweight so we realize less than 6½ cents (0.064296) per pound net.
>
> This amounts to 71.4 percent reduction over the price a year ago, or, in other words, last year it was selling for 3½ times as much as at present. Earlier in January 1948 tallow was selling for as high as 27 cents per pound.
>
> It seems doubtful that the soapers in return have so drastically reduced the price of their finished product.
>
> Since the markets on inedible tallow and grease are so glutted in our country we earnestly urge that you do everything in your power to exempt them from export controls immediately.

That is signed by Mr. A. L. Petersen.

The CHAIRMAN. And you believe, as the Secretary said, that the cost of living has not gone down in proportion to the farmers' profits?

Mr. WHITE. The profits of the producers in the United States are reflected in the income-tax returns that support this Government, and with the Army going into foreign governments and buying meat products, draining the money into foreign coffers, I think is up to the Government of this country, to see to it that our domestic producers are protected, so that we can stabilize the tax income which supports this Government. I think that is fundamental.

The CHAIRMAN. Thank you, sir.

Senator BRICKER. Would you come to the same conclusion with regard to the edible fats?

Mr. WHITE. I would.

I will tell you, when the proper time comes, as I understand it, you are taking up here the export controls, but what I want to go into, and very thoroughly, with the Congress and with this committee, if it is under your jurisdiction, when the proper time comes, is these cheap butter substitutes that are undermining one of the basic industries of this country, our dairy interests.

The CHAIRMAN. We do not have jurisdiction over that, Mr. Congressman.

Thank you for coming, sir.

Senator BRICKER. Mr. Chairman, to clarify what we were talking about a while ago, in regard to the international wheat agreement,

article VI of the Constitution, the second paragraph, is the one to which I referred:

This Constitution and the laws of the United States, which shall be made in pursuance thereof, and all treaties which are made shall be made under the authority of the United States, shall be the supreme law of the land.

The question arises, as you pointed out, is which shall supersede, whether it be the last one, or, if the allocation is in the light of the international treaty, or, when it is submitted, shall it be an agreement or rise to the dignity of a treaty of the United States?

The CHAIRMAN. We will have the Attorney General state in no uncertain terms what it is.

Senator BRICKER. I think it will be very helpful to us.

The CHAIRMAN. Of course, the Congress can pass any law.

Senator BRICKER. Yes; but this program must be interpreted in the light of international agreements, not only on wheat, but on other food matters, and there are many conferences being held on that all the time.

The CHAIRMAN. Are there any further questions that we should ask of Mr. Ostroff?

Mr. BELL. We have several members of our staff here. Mr. Ostroff is our counsel.

The CHAIRMAN. Very frankly, I have asked all the questions I want to ask of the Secretary of Commerce, some of which you, Mr. Bell, have answered.

Senator FREAR. I have a question to ask of Dr. McIntyre:

In your fifth quarterly report, on chart 6, page 39, the commodity group machinery and vehicles, does that include farm machinery?

Mr. McINTYRE. Yes.

Senator FREAR. What proportion of that would be farm machinery, in round figures, for an estimate?

Mr. McINTYRE. It would be a very small proportion. I will see if more detailed tables we have at hand give the break-down.

These are total exports of agricultural machinery and implements, by years, 1929, 1939, 1946, 1947, and the first 9 months of 1948, and the percent of production exported. All of this is tabulated——

Senator FREAR. You mean, the percentage of machinery manufactured in this country that is exported, or the percentage of exports?

Mr. McINTYRE. The percentage of production, the percentage of manufacturing. Is that the figure that you seek?

Senator FREAR. Yes; I would like to have those figures, 1946, 1947, and the first 9 months of 1948.

Mr. McINTYRE. In the total category of agricultural machinery and implements, we exported 25 percent of our production before the war, in 1929; 16½ percent in 1939; 15.9 percent in 1946, in a period of relatively improved supply; and in 1947, 21.2 percent.

Unfortunately the production estimates for the first 9 months of 1948 I do not have, but I think they will show a slight drop in 1947.

Senator FREAR. That is, less than 21 percent?

Mr. McINTYRE. Yes, probably higher than 1946. I will see if that information can be obtained for the committee.

The CHAIRMAN. Will you have it put in the record for us, if possible?

Senator FREAR. What percentage of our production of nitrogen do we export, synthetic nitrogen; for fertilizer, agricultural purposes?

Mr. McINTYRE. I do not know if we have that in detail, but we can certainly obtain it.

The CHAIRMAN. They have been exporting a lot of these nitrogens to the Army plants, have they not?

Mr. McINTYRE. Yes.

The CHAIRMAN. You can get that from the Army, you can get the statistics as to how much are exported, can you not?

Mr. McINTYRE. We have that directly from the Bureau of Customs, which keeps the statistics.

The CHAIRMAN. Do you have the statistics of the Army plants built during the war, plants like Muscle Shoals, for instance?

Mr. McINTYRE. We can get that for you, sir.

The CHAIRMAN. If you can, will you get it to us by Tuesday, please?

(The information requested by the chairman and Senator Frear follows:)

1. Exports of fertilizer materials by the Army are all of synthetic origin. Commercial exports, however, are composed of materials of synthetic, byproduct and natural origin, and it would probably be impossible to segregate the synthetic material. The following data are expressed in terms of nitrogen content, that is the tonnage of nitrogen contained in the materials produced or exported.

2. The total nitrogen supply in the United States in 1948 was approximately 1,579,000 short tons, from the following sources:

Source:	Short tons
(a) Synthetic production:	
By private plants	826, 000
By TVA	56, 000
By or for the Army	252, 000
Total synthetic	1, 134, 000
(b) Byproduct and natural	218, 000
(c) Imports	227, 000
Total supply	1, 579, 000

3. Exports from the United States during 1948 were approximately 267,000 short tons, as follows:

Type:	Short tons
(a) ECA agricultural	28, 000
(b) Other agricultural	26, 000
(c) Army to occupied areas	208, 000
(d) Total industrial	5, 000
Total exports	267, 000

4. Of the total production in 1948 by or for the account of the Army of 252,000 short tons, 18,000 tons were made available to commercial concerns for domestic use or for export in accordance with Public Laws 793 and 606, Eightieth Congress. During the first 6 months of 1949 the heavier fertilizer use period, an additional 42,000 tons will be made available under the same laws. During the fertilizer year ending June 30, 1949, 10 percent of the Army's nitrogen will be made available for domestic agricultural use and about 10 percent for commercial export of agricultural materials. The Army, therefore, will have 80 percent for its own use, i. e., export of agricultural materials to occupied areas. The 18,000 tons to commercial concerns plus the 208,000 tons exported will not equal the total Army production of 252,000 tons owing to conversion losses, materials in transit, inventory adjustments, and the like.

5. During the war period, between TVA, Defense Plant Corporation and the Army, 10 synthetic ammonia plants were built. TVA and five other plants are now producing for commercial use. One plant is being used by the Bureau of Mines for liquid-fuel studies but 40 percent of its facilities is being moved to another location for Army use. The remaining three are being operated for Army use except that tonnage available for private account as described in paragraph

4 above. The facilities of three of the five plants purchased by private companies have been or are being expanded.

Mr. McINTYRE. That whole tabulation, which lists perhaps 100 categories, lists production from 1929 to 1939, and in recent years the total exports in millions of dollars and the percent of exports seem to me to be about what Senator Bricker was talking about, and I will put the whole tabulation in the record at this time.

The CHAIRMAN. Without objection, it may be introduced.

(The tabulation referred to will be found in the appendix, p. 208.)

Senator BRICKER. The Department of Commerce, of course, could get this from the Attorney General, and that is, whether or not the allocations by this Department of Commerce, or whatever authority designated by the President, would be effective in the light of the international agreements.

Now, if the Congress would fix the amounts themselves in the law, there is no question about it then. The last one, if there were a conflict, would apply but, do the regulations of the Department rise to the same level as the laws enacted by the Congress, in which specific allocations might be made?

The CHAIRMAN. Do you want the Justice Department to come up on Tuesday on those questions?

Senator BRICKER. If we have the time for it.

The CHAIRMAN. Today we have had the Secretary of Commerce and his assistants here, as well as the Assistant Secretary of Agriculture. We also have about 15 people who want to be heard, some of your constituents on the question of soybeans, and several of the cottonseed people, and some meat people. We shall have to meet again on Tuesday.

Senator BRICKER. If the staff will take it up with the Department of Justice, they might find that there are some opinions on it—I have not checked the cases at all. We will depend on the staff for that. If there is a problem there, all right; if it has been answered, bring it in to us at the next committee meeting.

(The following was submitted by the staff of the Banking and Currency Committee:)

MEMORANDUM TO THE CHAIRMAN

During the hearing on S. 548 last Friday, January 28, Senator Bricker raised the question as to the effect on regulations issued by the Department of Commerce under the Export Control Act of a later treaty entered into by the United States to carry out the International Wheat Agreement, if such an agreement is promulgated and such a treaty is made.

The legal principles applicable to this situation are as follows:

A treaty and an act of Congress are placed on an equal footing by the Constitution.[1] When they both relate to the same subject, the courts will, if practicable, construe them so as to give effect to both.[2] In making this construction, the courts are inclined to be hesitant in finding that Congress intends to overrule a treaty by a later act of Congress.[3] However, the power of Congress to do so is regognized and if the purpose to do so is clearly expressed in the act, the treaty on the subject is abrogated.[4] Whichever of the two, that is the treaty or the act, is last in date, will control the other if the two are inconsistent and if the treaty

[1] United States Constitution, Article 6, Clause 2.
[2] *Whitney* v. *Robertson* (124 U. S. 190, 8 Sup. Ct. 456, 31 L. Ed. 386).
[3] *U. S.* v. *Mrs. Gue Lim* (176 U. S. 459, 20 Sup. Ct. 415, 44 L. Ed. 544). *Cheung Sum Shee* v. *Nagle* (268 U. S. 336, 45 Sup. Ct. 539, 69 L. Ed. 985).
[4] *Cook* v. *U. S.* (288 U. S. 102, 53 Sup. Ct. 305, 77 L. Ed. 641).

is self-executing.[5] If the treaty is not self-executing, its execution must be left to Congress, and until then it does not become a rule of court.[6]

In civil, as distinguished from criminal law, regulations issued by an executive department of the Federal Government have the force of law, if they carry out the intent of the act pursuant to which they are issued.[7] However, if they conflict with an act of Congress or with a treaty which is at that time the law of the land, they would to that extent be void.[8]

WILLIAM F. MCKENNA, *Counsel.*

The CHAIRMAN. We have a list of some 15 witnesses who have requested to be heard. It is my desire to hear everybody who wants to be heard, within reason, so I think we should meet from 11:30 until 1 o'clock on Tuesday, and go through Tuesday afternoon. I would like to finish by Wednesday or Thursday with this subject.

If there is no objection that will be the schedule. We will meet Tuesday at 11:30 and go through the day.

Now, we have a gentleman here who represents steel, who will only take 5 minutes. He cannot return, so we will hear from him now.

STATEMENT OF MILTON R. WEXLER, OF ROSOFF & WEXLER, NEW YORK CITY, LEGAL COUNSEL TO NATIONAL ASSOCIATION OF STEEL EXPORTERS, INC.

Mr. WEXLER. My name is Milton R. Wexler, and I am a member of the law firm of Rosoff & Wexler, New York City. I have been authorized by the board of directors of the National Association of Steel Exporters, Inc., to which we are legal counsel, to appear at this hearing pursuant to invitation, and make the following statement with respect to the proposed Export Control Act of 1949.

We as a national trade organization of American small-business men who are merchant exporters of steel, understand and appreciate the need for a limited export control. We believe, however, that the present condition of domestic supply has completely changed since Public Law No. 395 was enacted, granting further authority to the Department of Commerce to license exports. Materials are in far greater supply now than they were then, with the result, when coupled with the voluntary allocations program presently being administered by the Department of Commerce, that no stringency exists at home so great as to require the drastic restrictions on export contemplated.

The CHAIRMAN. Mr. Wexler, I will have your statement inserted in the record, but in view of the fact that it is on so important a subject, I would like to have the full committee hear you.

Could you return at 10:30 on Wednesday morning and then we can all hear you, because this testimony is too important to pass by?

Mr. WEXLER. Thank you, sir.

The CHAIRMAN. Thank you; that will be all for today.

(The remainder of Mr. Wexler's statement follows:)

It is a fact that significant stocks of steel, for example, are being made available domestically to an extent greater than has been the case since 1940. Consequently, the reasons which obtained prior to this time for the enactment of export controls of that commodity, for example, do not exist in sufficient force to warrant

[5] *Whitney* v. *Robertson* (124 U. S. 190, 8 Sup. Ct. 456, 31 L. Ed. 386). *Cook* v. *U. S.* (288 U. S. 102, 53 Sup. Ct. 305, 77 L. Ed. 641).

[6] *Robertson* v. *General Electric Co.* ((CCA) 32 F (2d) 495, cert. den. 280 U. S. 571, 50 Sup. Ct. 28, 74 L. Ed. 624).

[7] *Kumanomido* v. *Nagle* (40 F (2d) 42.) *Johnson* v. *Keating* ex rel. Tarantino ((CCA) 17 F (2d) 50). Cf. *Field* v. *Clark* (143 U. S. 649, 12 Sup. Ct. 495, 36 L. Ed. 294) re proper scope of regulations as aid in execution of act.

[8] *Kumanomido* v. *Nagle* (40 F (2d) 42).

this drastic limitation on the business of the segment of small business represented by American Merchant Exporter.

We wish to make it clear, however, that insofar as export controls are keyed into our foreign policy, or into the successful operation of the Marshall plan, they should be retained. We favor controls of export—if there are to be controls—to the extent that they are limited to governing the direction in which our exports are to flow.

The fact is that under present circumstances the American merchant exporter is forced to fight his business battle with one hand securely tied behind his back by complicated and, we believe, largely unnecessary intricate administrative controls impossible of efficient administration. On the other hand, the foreign exporter is engaged in a free and relatively untrammeled two-fisted fight for foreign markets which he is taking away from under the nose of the American exporter. The plain fact is that the American merchant exporter is being eliminated from world markets. Any examination of the figures showing tonnages of steel exported from 1947 through 1948 would show a decided decline. If we are to judge by the reports from members of the National Association of Steel Exporters, Inc.—which we believe represents a cross section of the industry involved—then the situation has become alarming, indeed. Continued imposition of controls beyond the extent indicated will be a clear and direct threat to the very existence of this industry.

Furthermore, we do not believe that the instant bill can be equitably administered. We do not believe it is concise or clear in its intent or meaning, and we wish to urge those few corrective measures which, in our opinion, will make it more susceptible to proper and equitable application and administration.

Section 4 (b) of the proposed bill provides for "consultation and standards" and suggests that in authorizing exports:

"Full utilization of private competitive trade channels shall be encouraged insofar as practicable, giving consideration to the interests of small business, merchant exporters as well as producers, and established and new exporters, and provision shall be made for representative to trade consultation to that end. In addition, there may be applied such other standards or criteria as may be deemed necessary by the head of such department or agency to carry out the policies of this Act."

Now, the fact is, and, we believe, the Department of Commerce fully realizes, that for several years last past, the problem of small business in foreign trade has become synonymous with the problem of the merchant exporter as distinguished from the producer exporter. The former has only the export market whilst the latter has both the domestic and foreign markets. The former has no established source of supply whilst the producers are faced with no such problem, since they are their own source of supply. Merchant steel exporters have been subjected to a diminishing proportion of license authority during 1948 with no plausible explanation by the Department of Commerce for this discrimination. We speak of a diminishing proportion although the fact is, that there has been a reduction in over-all tonnage as well. We concern ourselves now with the proportion and the ratio between merchant exporters and producer exporters because the inequity is to be found in the ratio study itself; a glaring inequity as between merchant exporters and producer exporters—as between small business and large industry. We have the figures from the Department of Commerce to substantiate this point.

We strenuously object to weasel words in the proposed bill such as "giving consideration" to small business—or using private competitive trade channels "insofar as practicable."

What degree of consideration is intended? We merchant exporters of steel are told that, as small businessmen, we have been "considered" constantly during 1948, but the fact is that our people are being forced out of business. The steel producers are expanding their installations and markets, both foreign and domestic, while our segment of small business is withering on the vine. Since when, the question is posed, are private channels of trade not always practicable—excluding, of course, direct dealings as between our Government and governments abroad?

We, therefore, urge upon this committee the adoption of the following language in section 4 (b) [new matter in italics]:

"In authorizing exports, full utilization of private competitive trade channels shall be *employed, except in those instances where the foreign policy of the United States requires direct transactions between this Government and governments abroad; and in considering the interests of merchant exporters and producers, equal treatment*

shall be accorded to each, to the end that American small business may be preserved, strengthened and maintained; and equitable treatment shall be accorded as between established and new exporters, with provision made for representative trade consultation *to assure the foregoing.* In addition, there may be applied such other standards or criteria as mav be deemed necessarv by the head of such department or agency *not otherwise inconsistent with the foregoing or the enumerated policies of this Act.*"

We, therefore, urge upon the committee the inclusion of similar language in section 2 of the proposed bill. Assuredly, it is the policy of this democratic Government to maintain and preserve private effort, ingenuity, and initiative, a proposition repeatedly announced by the Chief Executive and the Congress. As stated, section 2 and its subsections (b) and (c) now provide for policy statements which are entirely consonant and in keeping with the over-all relations of this Government and the governments abroad, but sorely miss the point of true democratic expression insofar as domestic policy is concerned. Hence, we urge the inclusion of a new subsection (d) to section 2 as follows:

"(d) To discourage monopolistic practices and to strengthen and preserve the competitive position of small business concerns in an economy of free enterprise."

In conclusion, we feel strongly opposed to the exemption proposed by section 7. As drafted, the bill would exempt all functions exercised under the act from the provision of Public Law 404, Seventy-ninth Congress, save for the publication requirements in the Federal Register. This bears close examination.

The Department of Commerce has been, and no doubt will continue to publish its Current Export Bulletins, of which over 500 have been issued to date. These bulletins are not purely "interpretive regulations"—indeed, they can and do severely limit the American right to do business. We must have these bulletins and we do not deny their propriety, although we could hope for greater clarity and brevity. Moreover, these bulletins, by their very pronouncement may have the effect of a forfeiture or penalty insofar as doing business is concerned. Why then, we ask, should they be published in every instance as a fait accompli? We agree that certain bulletins are administrative or interpretive in nature so as not to warrant public notice or hearing. But we are concerned with the numerous exceptions rather than the rule.

The proponents of this bill seek to avoid hearings on individual license applications which might otherwise be required under the provisions of the Administrative Procedures Act. The voluminous applications for export licenses make such procedures impracticable and we concur in this avoidance. But we cannot concur that the proposed bill with its completely uninhibited rule-making power should avoid the provisions of section 4 of the Administrative Procedures Act, which section would grant notice and hearing on substantive and legislative rules to be promulgated which may effectively curtail the right to remain in business. Nor can the proponents of this bill claim any undue burden by the inclusion of section 4 in view of the last sentence of section 4 (a) of the Administrative Procedures Act, which reads in part:

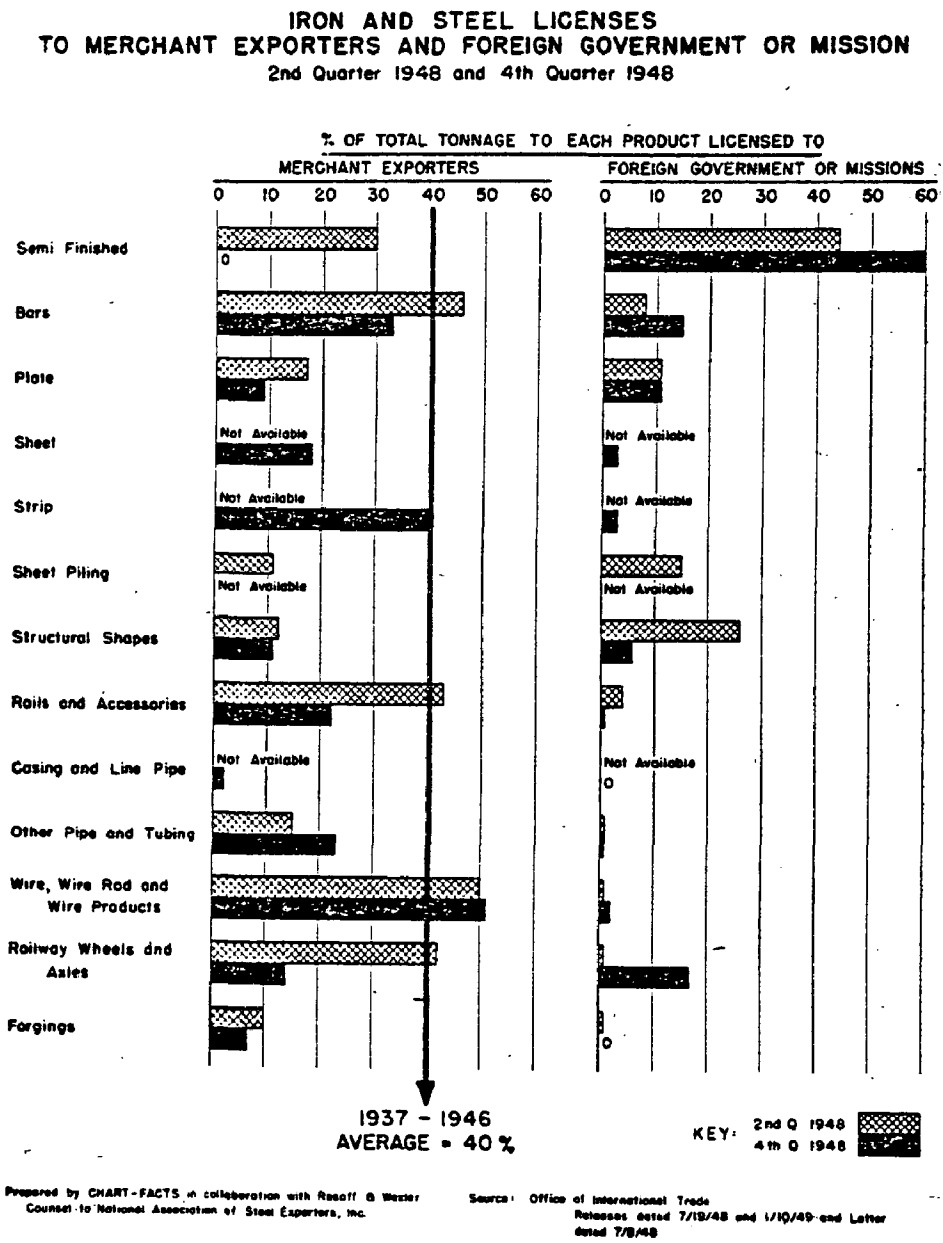
"* * * This subsection shall not apply to interpretive rules, general statements of policy, rules of agency organization, procedure, or practice, or in any situation in which the agency for good cause finds (and incorporates the findings and a brief statement of the reasons therefor in the rules issued) that notice and public procedure thereon are impracticable, unnecessary, or contrary to the public interest."

In brief, we oppose any carte blanche exemption from notice and hearing on regulatory action in this proposed act. We no not seek to fetter the administration of this law. We do, however, urge that the Secretary of Commerce, or such other designee as may be appointed, be required to find and determine before the promulgation of a rule, bulletin, or regulation that it either does or does not require notice and hearing.

We, accordingly, urge that section 7 of the proposed bill be changed to read as follows [new matter in italics]:

"SEC. 7. The functions exercised under this Act shall be excluded from the operation of the Administrative Procedures Act (60 Stat. 237), except as to the requirements of sections 3 *and 4* thereof."

(The chart following was submitted for the record by Mr. Wexler:)



(Thereupon, at 1 p. m. an adjournment was taken in the hearing until Tuesday, February 1, 1949, at 11:30 a. m.)

EXTENSION OF EXPORT CONTROLS

TUESDAY, FEBRUARY 1, 1949

UNITED STATES SENATE
SUBCOMMITTEE ON SMALL BUSINESS OF
THE COMMITTEE ON BANKING AND CURRENCY,
Washington, D. C.

The subcommittee met, pursuant to adjournment, at 2:30 p. m. in room 301, Senate Office Building, Senator Burnet R. Maybank (chairman) presiding.

Present: Senators Maybank, Taylor, Sparkman, Flanders, Cain, and Bricker.

The CHAIRMAN. I will ask the committee to come to order and ask if Mr. Ballagh of Philadelphia is here?

Mr. BALLAGH. Yes.

The CHAIRMAN. I understood you had to catch a train. Mr. Lukens, where is he?

Mr. LUKENS. Here.

The CHAIRMAN. I will say for the benefit of Senator Robertson that he had to attend a funeral and he will be in in a short time. So will Senator Sparkman. Senator Bricker is here.

For the benefit of those who have not seen the release of the Department of Commerce today, I will ask the clerk if he will read this release for me.

The CLERK. This release is from the United States Department of Commerce, Office of International Trade:

Controls will be removed effective February 7 from the export of most inedible fats and oils, the Department of Commerce announced today through its Office of International Trade.

Among the inedible fats and oils removed from the positive list of goods requiring specific licenses for export are all soaps, flaxseed, linseed oil, fish oil, olive oil foots, inedible tallows and greases, stearic acid, oleic acid, neat's-foot oil, fatty acids of vegetable origin, vegetable oil foots and soap stock. These products were decontrolled because of generally improved supplies. United States prices of these products are lower than they have been at any time since the removal of OPA price ceilings and the prospects for increased production during the next half year are good.

OIT officials pointed out that existing regulations governing all shipments to Europe remain in effect for these commodities.

Following is a list of the commodities that have been removed from the positive list:

Commodity	*Schedule B No.*
Neat's-foot oil	080300
Lard oil	080901
Inedible animal oils, n. e. s. (report oleo oil in 005600)	080998
Fish oils (report medicinal in 811910, 811950, and 811990)	081900
Grease stearin (include lard stearin)	084300
Oleic acid, or red oil	084700
Stearic acid	084900

Commodity	*Schedule B No.*
Tallow, inedible (report ring grease in 085898)	085700
Pig's-foot grease (formerly 085805)	085898
Other hog grease (formerly 085805)	085898
Beef suet	085898
Ring grease	085898
Other inedible animal greases and fats, n. e. s. (report lubricating greases in 504100)	085898
Flaxseed	222003
Linseed oil	223200
Fatty acids of vegetable origin	224801
Vegetable-oil foots, except olive-oil foots (report olive-oil foots in 224913)	224805
Vegetable soap stock (include vegetable tallow if used for soap stock)	224898
Olive oil, inedible, except sulfured or foots (formerly 224915)	224913
Olive oil, sulfured or foots (formerly 224803)	224913
Soap:	
Toilet, fancy, and medicated (include gift sets of toilet preparations where value of soap exceeds value of other items)	871100
Laundry and household soap in bars:	
White (formerly 871300)	871310
Yellow (formerly 871300)	871350
Other (formerly 871300)	871390
Laundry, chips and flakes, bulk and packaged (formerly 871600) (include Lux, Fab, Chipso, Ivory Flakes, etc.)	871610
Laundry, granulated, powdered, beaded, and sprayed, bulk and packaged (formerly 871600) (include Ivory Snow, Rinso, etc.)	871650
Industrial soap powders (formerly 871600)	871690
Shaving creams, in bulk only	871800
Shaving powders, in bulk only	871900
Nonabrasive types of pastes, powders, and household washing powders (fat content not over 25 percent) (formerly 872400) (report household washing powders, fat content over 25 percent, in 871650)	872450
Abrasive types of soaps (fat content above 10 percent) other than pastes and powders (formerly 872400)	872490
Other soap	872900

The CHAIRMAN. I thought that those here would be interested in that and I thought those here would be interested also in the discussion I had this morning with the Secretary of Agriculture. In that discussion, he suggested that there was quite an excess of cottonseed oil and soybeans and so forth and so on and that I thought in the passage of any legislation of this kind, if and when the committee should get down to pass it, that certainly an amendment should be drawn that will limit the control of export of soybean or cottonseed oil.

Those oils are in plentiful supply and the amount has reached a point where these controls could again be taken off. I will ask Mr. McMurray to confer with the Department of Agriculture immediately this afternoon and have available for this committee the amount of that cottonseed oil and soybeans—the amount that they would suggest as a minimum supply that would be safe, so we could remove whatever surpluses are available for export over and above that minimum.

Senator BRICKER. Is there any control at the present time over these nonedible oils as far as imports are concerned?

The CHAIRMAN. Senator, I'm sorry to say I cannot answer that.

Senator BRICKER. I wonder if this means the free exchange in the United States of the inedible fats and oils as among the various countries or between the United States and the other countries.

The CHAIRMAN. This report does not say.

Senator BRICKER. I know there is nothing in here about it. There would be import controls as well as export controls on certain items.

The CHAIRMAN. If you will proceed, Mr. Lukens.

STATEMENT OF WILLIAM H. LUKENS, VICE PRESIDENT, EXPORT, OF THE R. M. HOLLINGSHEAD CORP. OF CAMDEN, N. J.

Mr. LUKENS. I appreciate the opportunity of appearing before your committee. I also appreciate your allowing me to testify early this afternoon because I flew in and unfortunately I alighted at an airport with no lights, so I must leave early this afternoon.

My name is William H. Lukens, vice president, export of the R. M. Hollingshead Corp., of Camden, N. J. Our company has for the last 25 years been shipping our products to as high as 150 overseas countries. In addition our export department acts in the name of other American manufacturers as their export department, securing overseas distribution for their goods.

The following statement is made certainly not to prove that I spend too much of my time in export trade associations, but to show my export association connection, which connections cause me to speak at all times not representing either my own personal or my company's views, but what I firmly believe to be the views of hundreds of other export executives, members of those associations. I am active in the following groups:

Member of Export Advisory Committee of the United States Department of Commerce.

Retiring chairman and present member of the international trade committee of the National Standard Parts Association, of 500 automotive manufacturers.

Vice chairman of the export committee of Motor and Equipment Manufacturers Association, composed of 350 American automotive manufacturers.

Past president, present director, and chairman of governmental committee of the Foreign Traders Association of Philadelphia, consisting of 425 members, representing both large and small exporting manufacturers and exporters of the Philadelphia area.

Past president of the Overseas Automotive Club, whose members represent over 800 American automotive manufacturers.

Member of the governmental controls committee of the National Foreign Trade Council, Inc., New York.

Need for export control: By far, the majority of the export executives concede the need for export controls on certain items that are in short supply in this country; therefore, they approve the extension of the present act for a period of 1 year and 4 months, namely, until February 28, 1950.

May I call attention to the fact that this diverts from my written presentation, in which it says, "1 year." It should read "1 year and 4 months."

Oppose extension of the act for a longer period: The necessity for export control as well as the administration of same is of such importance to America's overseas trade that it is felt that an annual review by Congress would be most favorable. In the past those in charge of

the administration of export control have in some instances, admittedly through lack of knowledge of availability and in this country in quantities far beyond the power of the United States to consume; when possibly, sales overseas would have maintained current production and full employment. Likewise, on certain commodities the validity of export licenses have been of such short duration as to prevent the sale of goods in free supply being properly developed. I gladly concede that generally, with exceptions at times of poor administration and at times through cumbersome, unnecessary regulations, the Office of International Trade has efficiently administered export controls. I feel, however, that Congress should reserve the right to at yearly periods determine whether conditions in this country and abroad are such that export controls should be continued. Likewise, by only renewing the act for a period of 1 year and 4 months Congress can hold those responsible for the administration of export control to a yearly accounting of their activities and to assure that export control only be made effective to obtain the objectives of the Export Control Act as previously stated by Congress.

I appreciate your indulgence in permitting me to express my opinion and I shall be pleased to answer to the best of my ability any questions.

The CHAIRMAN. Do you have any specific items in your mind when you mention cumbersome and unnecessary export control regulations?

Mr. LUKENS. The cumbersome or unworkable regulations?

The CHAIRMAN. Yes.

Mr. LUKENS. Yes, at the present time there is no section of the industry that is granted licenses for goods to be exported to Europe which are in free supply for more than 3 months. That is too short. Chemicals, paints, and lacquers are in free supply.

The CHAIRMAN. How long would you suggest?

Mr. LUKENS. Six months, which is the limit to all other commodities. I think that is the personal opinion of the one in charge of that division in the Office of International Trade.

The CHAIRMAN. Would 6 months be satisfactory?

Mr. LUKENS. Six months would be satisfactory, except for goods made on overseas specifications, then it could be over a longer period. The Office of International Trade grants licenses for a year.

The CHAIRMAN. But in your specific instance, lacquers and paints, it does not?

Mr. LUKENS. Yes, it should be for 6 months.

The CHAIRMAN. Would you be willing to furnish for the record a list of those commodities?

Mr. LUKENS. I would. I don't have it here today, but I will. I will address it to your committee.

(The information requested will be found in the files of the committee.)

The CHAIRMAN. Senator Bricker, do you have any questions?

Senator BRICKER. No.

The CHAIRMAN. Senator Cain?

Senator CAIN. I just have one question. Mr. Lukens, how do you go about enlisting cooperation in getting improvements in the regulations? You mention that this particular 3-month provision was capricious or somebody did it without much thought. That should be apparent one way or another. What steps have you taken to prevail upon the agency to change a rule which you think is unworkable?

Mr. LUKENS. Frankly, since this regulation was put into effect last year, I, as a member of the Export Advisory Committee of the United States Department of Commerce, have been pleading for revision to 6 months. I have not been successful, so I continue to plead.

Senator CAIN. Is it important?

Mr. LUKENS. Very important. Take the entire lacquer and paint industry into consideration, not just myself, in this instance.

Senator CAIN. I just want to ask a few questions. If we are to be guided by your written statement that everything is fine and dandy, why are you telling us that we should look into those conditions?

Mr. LUKENS. May I reread?

Senator CAIN. Yes.

Mr. LUKENS (reading):

> Likewise, on certain commodities, the validity of export licenses have been of such short duration as to prevent the sale of goods in free supply being properly developed. I gladly concede that generally, with exceptions at times of poor administration and at times through cumbersome, unnecessary regulations, the Office of International Trade has efficiently administered export control.

Senator CAIN. In your opinion, do they still have any cumbersome or unnecessary regulations?

Mr. LUKENS. Yes, they do, but they are gradually getting rid of them. One in the steel trades was but evidence of the same order. They are gradually removing most of their cumbersome regulations.

Senator CAIN. The importance of the fact lies in this, that through you we know what the industry complains about.

We are in a better position to ask the Department what their opinion is concerning such charges, and we get somewhere.

Mr. LUKENS. I gladly admit that.

Senator CAIN. If I can only support the chairman's request, if you think of any other way in which their operation is not to the satisfaction of the industry, we would like to have an opportunity to examine it.

Mr. LUKENS. I will be very glad to submit to the committee that information.

(The information requested will be found in the files of the committee.)

The CHAIRMAN. How is small business faring?

Mr. LUKENS. I did not understand you.

The CHAIRMAN. How is small business faring in these export allocations at the present time?

Mr. LUKENS. To the best of my knowledge and belief, small business has equal opportunity with big business. I speak as a small-business man for management. I believe Congress has evidence that small business is handicapped. I believe there are new people in export who believe they should be given a share of something when they do not have the experience to get it.

Small business will complain that they are not getting any business from the ECA. However, they have no distributors abroad, nor any other facilities, and they cannot get orders. ECA is handled through private trade channels.

The CHAIRMAN. This has nothing to do with the ECA, except ECA cooperates with export control on the licenses.

Mr. LUKENS. Congress has evidence to the contrary.

Senator CAIN. Do you have a definition of small business?

Mr. LUKENS. No, I don't.

Senator CAIN. Sometimes we get confused on what we are talking about.

The CHAIRMAN. The President has an explanation or description in his Executive order of what small business is. Will you read into the record, Mr. McMurray, what small business is?

Mr. MCMURRAY (reading):

In determining whether a business is small business for the purpose of this resolution, the appointing agency should consider the relative size and position of the business in relation to the industry, the nature of its arrangement or operation, the size of the group supplying capital and holding on to the ownership and control and its management. As a guide to the agency, a business may be considered small business if it is a business enterprise or group of enterprises, common ownership or control, which is not dominant in its field and which: (*a*) if a manufacturing enterprise has 100 employees or less, or (*b*) if a wholesale establishment, has less than $500,000 annual net sales volume, or (*c*) if a retail service, hotel, amusement enterprise, construction company, or other enterprise not included under (*a*) or (*b*), has an annual net sales in excess of $100,000, or (*d*), if engaged in two or more separate types of businesses, do not exceed the maximum applicable under (*a*), (*b*), or (*c*) under any other such businesses.

The heads of executive departments and establishments should bear in mind the will of Congress as shown in this resolution in asking for appointments to commissions, boards, and other agencies in which the interest of the American economy may be affected.

Senator CAIN. May I ask one question on that?

The CHAIRMAN. Yes.

Senator CAIN. What would be the approximate percentage of small business in your field? That limits it to $100,000 in round figures.

Mr. LUKENS. When you say in my field, I don't know whether you mean as an exporter?

Senator CAIN. Exporter.

Mr. LUKENS. Fifty percent would be small business.

Senator CAIN. Fifty percent?

Mr. LUKENS. At least 50 percent. I am talking now as an exporter and not on the commodity.

Senator CAIN. That is right. Fifty percent of the exporters would be considered small business?

Mr. LUKENS. Yes.

Senator CAIN. And in the light of your experience, do you think if small business is properly financed and properly managed and has contacts above that they are given an opportunity to do foreign business?

Mr. LUKENS. I served on the Economic Warfare Board and even when the Army had export controls and I am of the belief that small business was never discriminated against in any way on export control.

Senator CAIN. It comes from the inability of the small business company to make contacts?

Mr. LUKENS. Of course, with restrictions there was not enough to go around and they complained the same as big business because there was not enough for export.

Senator SPARKMAN. Mr. Chairman?

The CHAIRMAN. Senator Sparkman.

Senator SPARKMAN. I would like to ask, do you ask that it be extended through June 30, 1950?

Mr. LUKENS. That is right.

Senator SPARKMAN. I have read your statement and referred to your reasons given. Does it not make for better business to have the longer period of time so as to remove the uncertainty as to whether or not controls are going to continue?

Mr. LUKENS. I will gladly admit that the Office of International Trade is handicapped in operating under a 1-year budget. I will gladly admit that. And if there were some way in which the appropriations could be so granted that if they did not need the entire production for which the license was granted, it could work on trade promotion, which is also a way in which it can be controlled up or down. I think the Office of International Trade would gladly agree to that amendment if proposed by the administration.

Senator SPARKMAN. You give as a reason that Congress should reexamine this once a year?

Mr. LUKENS. Right.

Senator SPARKMAN. Of course, when appropriations are made, Congress does reexamine. At least the Appropriations Committees reexamine.

Mr. LUKENS. Yes.

Senator SPARKMAN. Furthermore, I am sure you know that under the proposed bill Congress may from time to time, by concurrent resolution stop it?

Mr. LUKENS. Congress or the President.

Senator SPARKMAN. Or the President, by order, can stop it.

Mr. LUKENS. Yes.

Senator SPARKMAN. Then, do you think it makes a great deal of difference as to the length of time that it is extended?

Mr. LUKENS. Yes, I do, for the simple reason I believe that control of American industry—that is, control downward—is a very dangerous thing and I am afraid that there might be further reasons to keep controls on if it was for 2 years.

Senator SPARKMAN. Do you want the act to require that there be a finding that the articles be controlled which are in short supply?

Mr. LUKENS. Not necessarily. Goods in short supply or for security reasons.

Senator SPARKMAN. Yes.

Mr. LUKENS. All goods sent today to Europe are under export licenses. I should withdraw that—with a very small minority excepted. You have to get a license. I believe the Office of International Trade could put in general licenses.

Senator SPARKMAN. I am sure you would be in favor of controls of materials for security reasons all the time?

Mr. LUKENS. Absolutely.

Senator SPARKMAN. And I think you certainly would be in favor of controls on critical items in short supply?

Mr. LUKENS. Unquestionably.

Senator SPARKMAN. And those are the only two that are included.

Mr. LUKENS. But evidence is given here today that edible fats and oils could have been included a long time ago, and that is one of the things I want to point out.

Senator SPARKMAN. Yes, I agree that the act should be so tightened that the limitation should apply only to those critical items in short supply and those items we need to keep here for security reasons

and, as a matter of fact, I think by all means there should be inserted in the act an amendment at least, to let the Secretary of Agriculture determine when an agricultural commodity is in surplus or in short supply.

It seems to me when we limit the others to classes of articles and when we give—when we make it more or less mandatory on Congress to reexamine it at least once a year and give Congress the right to stop it any time it wants to by legislation—it seems to me we are throwing all the safeguards around it that we can.

Mr. LUKENS. It is hard to determine when goods are in short supply. You say it is up to the Secretary of Agriculture.

Senator SPARKMAN. We charge him with the duty of making that determination generally.

Mr. LUKENS. On other goods you have difficulty. The Secretary of Commerce would have difficulty in saying another item is in short supply.

Senator SPARKMAN. No, because items that come under the jurisdiction of the Department of Commerce extend to practically all industrial operations. In metals it would be up to the Department of the Interior.

Mr. LUKENS. It would be very difficult, in my opinion, to spell out when goods are in short supply and when not. I don't think anybody can do it.

Senator SPARKMAN. We must spell it out.

Mr. LUKENS. I think it says the Secretary of Commerce.

Senator SPARKMAN. I think it says to the agency to which the President delegated authority.

Senator TAYLOR. Mr. Chairman?

The CHAIRMAN. Senator Taylor.

Senator TAYLOR. Mr. Lukens, to what country does your company export—what commodities do you export besides fats and oils?

Mr. LUKENS. So far I have not mentioned any item that my company exports, because I do not believe in working in an association and naming my products.

But there is brake fluids, waxes, cleaning fluids.

Senator TAYLOR. Are you prohibited from transporting those items to countries behind the iron curtain?

Mr. LUKENS. Yes, with the exception of soaps, a mechanic's hand grit soap, that is the only item for which we had to secure a license, up until this morning. Soaps have now been put on general license. It says "Soap stock." I have not heard of this until it said: "manufactured items." It says "soap stock."

Senator TAYLOR. You mean it was under control and has been removed?

Mr. LUKENS. Probably someone in the Office of International Trade can point it out.

Senator BRICKER. That was in the order you just read?

Mr. OSTROFF. You still need a license to ship it to Europe.

Mr. LUKENS. But can soaps be exported? As I read it, it said "soap stock."

Mr. OSTROFF. Yes.

The CHAIRMAN. Soap stocks, including vegetable tallow used as soap stocks.

Senator CAIN. Why are domestic soaps on the export license list?

Mr. OSTROFF. I don't think they are.

Senator CAIN. You are of the opinion they are not?

Mr. OSTROFF. They were in short supply until a few months ago.

The CHAIRMAN. When they were in short supply, you say until a few months ago, your judgment is they should have been licensed? Now that they are not in short supply they should not be?

Mr. OSTROFF. There should be quick action when they are not in short supply to take them off.

Senator CAIN. May I ask if that gentleman is from the Office of International Trade?

Mr. LUKENS. This gentleman is from the Office of International Trade.

Senator CAIN. He is of the opinion that soaps are not on the export control list?

Mr. LUKENS. He is the general counsel and he does not know the details of it.

Senator CAIN. It would be important for the record to know if they are or not.

Senator TAYLOR. Are there any products which you export—which you are permitted to export to European countries, and are not permitted to send beyond the iron curtain?

Mr. LUKENS There are, for other manufacturers for whom we act as the exporter. There have been instances in which we have been given a license for this side of the "iron curtain" and in my opinion we have been rightly refused a license to export beyond the iron curtain.

Senator TAYLOR. I have heard in many instances where we are refusing to ship certain items beyond the iron curtain, that the British, French, and Italians are taking over and suppling those needs and supplying our markets. The goods get there and we simply lose the business.

Mr. LUKENS. You have heard correctly and there are true facts of that nature.

Senator TAYLOR. It would seem to me to be a foolish regulation if it is cutting off our businessmen from business. We are cutting off our nose to spite our face if they are getting the goods anyway.

Mr. LUKENS. There is a policy not to dictate to the sovereignty of the European nations. They should be prevented from shipping those items that we are prevented from shipping. The prohibition should apply to both.

Senator BRICKER. That is in the law creating the Economic Cooperation Administration, very definite and explicit.

Mr. LUKENS. In practice, it is not being carried out.

Senator TAYLOR. It is not being carried out. We are losing our market and the British, French, and Italians are taking them over.

Senator BRICKER. And they get the goods.

Senator TAYLOR. And our businessmen don't have the privilege of selling them.

Senator CAIN. Can we get to that business?

Mr. OSTROFF. That was decontrolled on this order today.

The CHAIRMAN. Have you any comments to make on what he says about behind the iron curtain, that the British, French, and Italians ship all these items and we are denied shipment.

Mr. OSTROFF. I think the Economic Cooperation Administration, that Senator Bricker was referring to before. I think that refers to goods denied a license for reasons of national security and I think you will find that there are arrangements with ECA countries not to permit the licensing of goods which we do not grant licenses for.

The CHAIRMAN. Do they prohibit shipment of those items under the license control?

Mr. OSTROFF. I assume they do.

The CHAIRMAN. Do they obey the controls?

Senator TAYLOR. I have heard that they do not. These eastern European countries, because we have denied them goods, they are getting their machinery from Britain, France, and Italy and we will permanently lose that market.

Mr. OSTROFF. You should get a statement from the Economic Cooperation Administration on that.

Senator CAIN. That means that soap is no longer in short supply and that any merchant who can get an order abroad can fill it?

Mr. OSTROFF. That is right.

The CHAIRMAN. Thank you very much for appearing, Mr. Lukens, you have to catch your plane.

I will ask Dr. FitzGerald to be the next witness.

Doctor, we have had the pleasure of having you with us when you heard the statement about ECA and the refusal to permit certain things to go out and the British, French, and Italians have been shipping those goods. Have you a comment to make on that?

STATEMENT OF DR. D. A. FITZGERALD, DIRECTOR OF FOOD, ECONOMIC COOPERATION ADMINISTRATION

Dr. FITZGERALD. Mr. Chairman, I am quite satisfied that there are some instances in which that has occurred.

The CHAIRMAN. Do you protest against it, perchance?

Dr. FITZGERALD. Yes, sir. I want to add in addition that Mr. Hoffman, through his missions abroad, is working out arrangements with all of the participating countries in western Europe to deal with the very problem you gentlemen raised.

The CHAIRMAN. Is he getting anywhere with it?

Dr. FITZGERALD. Yes.

The CHAIRMAN. Who is doing that?

Dr. FITZGERALD. Mr. Hoffman, Administrator of ECA.

I am not familiar with the details.

The CHAIRMAN. Who would be familiar with the details, if not Mr. Hoffman? I say that with all due respect.

Dr. FITZGERALD. Mr. Howard Bruce would be most familiar with the development of those arrangements.

The CHAIRMAN. Doctor, do you desire to read a prepared statement?

Dr. FITZGERALD. No, I just have some notes here.

The CHAIRMAN. We consider the instances of cottonseed oil and soybeans and many things controlled under the Department of Commerce through ECA money, the money that would be in the general fund. Is it true that member nations have purchased cottonseed and cottonseed oil and soybeans in South America at a higher price than these commodities are selling for in the United States, and have gotten

dollar credits, or whatever credits there might be? We understand that Canada has done that. Are you familiar with that situation?

Dr. FITZGERALD. Yes, Mr. Chairman. The purchases of oil in Latin-American countries fall, as you suggested, into two groups.

The CHAIRMAN. Yes, sir.

Dr. FITZGERALD. Those goods that are paid for by ECA funds and those goods which are paid for by the earned dollars of the buying country. In relation to the first group—that is, the group which is paid for with funds that ECA makes available to the participating countries, we have authorized some purchases of fats and oils, but as it happens, no cottonseed oil in Latin-American countries.

The CHAIRMAN. Do you pay more than you would in this country?

Dr. FITZGERALD. We did not authorize the purchase of comparable oils at prices higher than those prevailing in this country at the time we issued the authorizations. Those prices were, of course, higher than the prices in this country today.

The CHAIRMAN. Why would that be?

Dr. FITZGERALD. Because the price of some oils in this country has declined very sharply.

The CHAIRMAN. You bought oils?

Dr. FITZGERALD. No, sir; we bought spot oils.

The CHAIRMAN. Why did you pay more?

Dr. FITZGERALD. We paid more in November abroad than we would pay in the United States today.

The CHAIRMAN. I do not mean that. That is a different question. But you did not pay more in November than you would here?

Dr. FITZGERALD. No, we did not pay more for comparable oils. There are some oils you cannot buy in this country, like babassu, oiticica, and castor oil.

The CHAIRMAN. We were interested in cottonseed and soybeans.

Senator BRICKER. We do not care how much castor oil you bought.

Dr. FITZGERALD. The only oil that has been bought off-shore with ECA funds, Mr. Chairman, that is comparable to the United States oils is some peanut oil. We issued one authorization last November for Austria to buy a small quantity of peanut oil in Brazil.

The CHAIRMAN. What did they pay for the peanut oil?

Dr. FITZGERALD. At that time we authorized a price not in excess of 25½ cents a pound.

The CHAIRMAN. What did we pay in the United States? In Virginia or Georgia, or any peanut-growing State?

Dr. FITZGERALD. There have been no export allocations for peanut oil as such.

The CHAIRMAN. Peanuts.

Dr. FITZGERALD. There have been export allocations for peanuts and the price of the oil in those peanuts works out to about 31 cents a pound.

The CHAIRMAN. Well, now, the obvious question—the spending through the ECA operations, have you any control of that?

Dr. FITZGERALD. We do not have any secondary control of the use of funds which originate with the ECA, going to the participating countries and then going to a third country. For instance, we have authorized Great Britain and other countries to buy commodities from Canada. The money is spent by the United Kingdom under our regulations, in Canada, but it becomes free dollars when Canada gets it.

The CHAIRMAN. I am as much devoted to Canada as anybody else is, but is it not a fact that Canada has been buying oils in this country or cottonseed or soybeans and putting them in the pool and getting credit for it in the basis of the values of South America for its oil? I have been told that.

Dr. FITZGERALD. If I understand your question, sir, I don't think the report which you heard is correct.

The CHAIRMAN. I understood Canada bought soybeans or cottonseed oil from the South or West and put it in the pool this year and fixed it on the values which are in South America, is that correct?

Dr. FITZGERALD. Canada is currently buying oil in Latin America for its own use; yes.

The CHAIRMAN. That is what I meant. In other words, they made the difference between the value in South America and what they pay for it in this country.

Dr. FITZGERALD. I know of no such arrangement.

The CHAIRMAN. I do not mean an arrangement. I just heard they did it through that loophole.

Dr. FITZGERALD. I don't understand the purpose they would achieve by that arrangement. Canada purchases edible oils for consumption in Canada.

We have issued one authorization to purchase rape seed in Canada, which is an oil-bearing seed, as you know. That purchase was made for shipment to the German bizone and I know of no purchase that would benefit the Canadians.

The CHAIRMAN. Doctor, would you look into that, and if there is such an arrangement, let us know?

Dr. FITZGERALD. Yes, sir.

(Dr. FitzGerald later reported that he could find no evidence of any pooling arrangement by which Canada made a profit on the differences in prices between costs in Latin America and resale pieces. In fact, Canadian imports of edible oils seem to be largely, if not, wholly for domestic consumption.)

Senator BRICKER. That is a different kind of transaction than the complaints we have had recently in regard to aluminum.

The CHAIRMAN. Yes.

Senator BRICKER. Is there a move being made at the present time or are there any efforts being made to stop the speculation in aluminum and other short materials that are being sent abroad under ECA?

Dr. FITZGERALD. Sir, I know generally what ECA is doing in that connection. I am not responsible for it, so I cannot give you the details. We are sending over a committee to make an on-the-spot investigation and to report on the transshipment of aluminum and lead back to this country. If you would like to have somebody here to discuss it, I will be glad to arrange it.

Senator BRICKER. Yes; because there has been so much discussion on it.

The CHAIRMAN. Who shall we send for?

Dr. FITZGERALD. Mr. Bruce, if you want a personal statement, or he can send in a report.

Senator BRICKER. A report will be satisfactory.

The CHAIRMAN. Furnish a report for the record.

Dr. FITZGERALD. I will arrange to have it done.

The CHAIRMAN. How about you, Senator?

Senator TAYLOR. Have this Mr. Bruce up here.

The CHAIRMAN. Senator Taylor said he would like to have this man up here. So, can you have him up here tomorrow? Will you ask Mr. Bruce to prepare something for us?

Senator CAIN. Is Mr. Bruce in this country, Doctor?

Dr. FITZGERALD. Yes, he is.

The CHAIRMAN. Another thing I would like to ask you, Doctor, is how ECA served in this? We have heard that little business has failed and has not fared well and so on, and you are familiar with the definition of little business; are you?

Dr. FITZGERALD. Yes. My personal opinion is that little business, as far as the ECA program is concerned, has fared as well as little business normally fares in the export business for most lines of commodities, and I am not an expert in the entire field, I only know something about agricultural products. Little business normally is not in the export field. They cannot afford to maintain agents abroad, or branches abroad, and normally don't do much export business.

The CHAIRMAN. Yes; but does not ECA buy a lot of these things here and export them themselves?

Dr. FITZGERALD. We are under direction to use private trade channels as much as possible. ECA does not do any direct procurement. If it is desirable for the United States Government to undertake procurement, it is turned over to the Department of Agriculture or to the Federal Bureau of Supply or the Army Quartermaster Corps, and purchases made by those agencies for the account of the participating countries are made in accordance with the regular procedures which have been established for permitting all vendors to make offers.

The CHAIRMAN. Doctor, let me ask you this. Those figures are available to you, of course, in ECA?

Dr. FITZGERALD. Yes.

The CHAIRMAN. Can you furnish that for the record?

Dr. FITZGERALD. The thing we can furnish, if it is satisfactory to the committee, as far as I can see, would be a monthly list showing all sales.

The CHAIRMAN. Could you distinguish in that monthly list between little business and big business according to the President's directives of what little business is?

Dr. FITZGERALD. Not without asking each of the vendors to submit a report indicating——

The CHAIRMAN. The vendors you speak of are those with whom ECA deals?

Dr. FITZGERALD. And the——

The CHAIRMAN. Agricultural, for instance?

Dr. FITZGERALD. They are the concerns who have made sales not to ECA, because ECA does not buy direct, but either to the participating countries or agencies of this Government.

The CHAIRMAN. We would not want to stop anyone from selling to those countries, but I mean those who supplied to the procuring agencies in this country. Can we determine whether they were little business or big business?

Dr. FITZGERALD. It is easy to get the list. But it would be difficult to classify them without making an inquiry of each one of the sellers as to the size of their business.

If you wish that done, we can do it.

The CHAIRMAN. We can get that from Dun & Bradstreet.

Dr. FITZGERALD. We will look into it for you.

The CHAIRMAN. Do the best you can.

Any other questions?

Doctor, we appreciate your coming here. Thank you very much.

Dr. FITZGERALD. Thank you, Mr. Chairman.

The CHAIRMAN. The next witness is Mr. Durand, representing the National Cottonseed Products Association.

If Mr. Durand will come up and have a seat.

Would you prefer to read your statement before we ask you any questions?

Mr. DURAND. I would prefer to.

The CHAIRMAN. Go ahead.

STATEMENT OF A. L. DURAND, THE NATIONAL COTTONSEED PRODUCTS ASSOCIATION

Mr. DURAND. Mr. Chairman and gentlemen of the committee, may I introduce myself as A. L. Durand, of Hobart, Okla., an officer of a concern engaged principally in crushing cottonseed and some soybeans. I am appearing before you by instruction of the board of directors of the National Cottonseed Products Association, an organization whose membership includes more than 90 percent of the cottonseed-crushing mills of the United States. Such mills process the cottonseed crop into four principal products: Cottonseed oil, cottonseed meal, cottonseed hulls, and cotton linters. Cottonseed oil is an edible fat, principally used as salad oil, in vegetable shortening, and margarine. Cottonseed meal is a concentrated high-protein feed for livestock. The uses for the other products of cottonseed need not be enumerated here.

My instructions are to ask for the elimination of oilseeds and their products from export controls, whenever the Secretary of Agriculture finds the supply exceeds the need for domestic consumption.

A huge surplus of edible oils and protein meals now exists in this country. The production of edible oil from the 1948 crop of cottonseed and soybeans alone, without considering other edible oils, will exceed the production from the 1947 crop by 600,000,000 pounds.

The CHAIRMAN. Would you mind stopping there and saying what last year's crop was? Do you have those figures with you? Would it be 30 percent or 40 percent more?

Mr. DURAND. The excess?

The CHAIRMAN. Yes. You can give it to us later.

Mr. DURAND. I would prefer to give you a carefully studied answer to that.

(The information requested will be found in the files of the committee.)

The CHAIRMAN. All right; go ahead.

Mr. DURAND. We estimate that production of protein meal from the 1948 crop of cottonseed and soybeans alone will exceed the production from the 1947 crop by at least 1,125,000 tons, which results in a

huge surplus. According to the USD reports, exports of all edible fats and oils from the 1947 crop were 659,500,000 pounds; exports for the first 2 months beginning October 1, 1948—the only figures yet available for this year—were 125,100,000 pounds, according to the same source. At this rate, the exports for the current year (multiplying by 6) would total 750,600,000 pounds. This would result in a surplus at the end of the year of over 500,000,000 pounds. Any increase in the production of lard or other fats will increase this surplus.

Senator BRICKER. In what places are the competitive fields in the production of soybeans and cottonseed oil?

Mr. DURAND. Cottonseeds are produced in the South. Soybeans are produced in the South, and also in the Corn Belt.

Senator BRICKER. I know that, but in foreign countries, where would Europe get any supplies except from this country?

Mr. DURAND. The soybeans largely came from Manchuria and the Far East.

Senator BRICKER. That is shut off now.

Mr. DURAND. Yes; that is shut off.

Senator BRICKER. Is that the only other place that is producing great quantities at the present time?

Mr. DURAND. I know of no other source.

Senator BRICKER. There is none in South America?

Mr. DURAND. As a witness, I have to remind you I am from the interior of the country—Oklahoma. I am not as familiar with the world situation as I might be. I have to plead ignorance. I know but a smattering of it.

Senator BRICKER. I am from the Middle West myself.

Senator CAIN. Would it be in place for me to ask how you have controls in the face of what appears to be a gigantic surplus?

Mr. DURAND. Yes. It was only a short time ago in years that we had a shortage in oils, but this productive country of ours produced a record crop of cotton, a record for many years. They produced a record crop of soybeans, peanuts, and all the seed-oil crops came to record sizes. Consequently, from a short position, we came to a surplus position quickly.

Senator CAIN. You came to a very long position; did you not?

Mr. DURAND. Definitely.

Senator CAIN. So, for the benefit of the industry, you would like to make it possible to get rid of that surplus if you can; is that right?

Mr. DURAND. Yes.

The CHAIRMAN. Let me ask you something in reference to what Senator Cain has said. How much has the price gone down since last year this time?

Mr. DURAND. That follows in the statement.

The CHAIRMAN. After your first paragraph you say:

> My instructions are to ask for the elimination of oilseeds and their products from export controls, whenever the Secretary of Agriculture finds the supply exceeds the need for domestic consumption.

You say your "instructions." Do they come from the 90 percent of the cottonseed-crushing mills of the United States? Then, you would be satisfied if we amended this bill so that, whenever the Secretary of Agriculture finds the supply exceeds the need for domestic consumption, he could decontrol them.

Mr. DURAND. That would be my view.

The CHAIRMAN. How about your organization?

Mr. DURAND. They were not polled on that, and I would not answer for them.

The CHAIRMAN. Will you find out?

(The information requested will be found in the files of the Committee.)

Mr. DURAND. Yes. I call your attention to the fact that I was not considering lard.

Any consideration of lard would increase the surplus I am speaking of. And, conversely, if there happened to be less hogs slaughtered and that much less production, there would be less in my figures.

Senator CAIN. Do you think you are accurate in your estimates that you made for these products?

Mr. DURAND. My estimate was that the consumption in this amount would be the same as last year—but disregarding the export.

Senator CAIN. You are not looking for bigger crops, but you are looking for new ways to utilize the crop in this country. But your assumption is that the domestic consumption will not vary much from what it was last year?

Mr. DURAND. That is right. From the buying ability of the people of this country, I would visualize a normal consumption this year as last year.

I am not an expert.

The effect of the weight of these large supplies is as follows: In May 1948, cottonseed oil sold for more than 40 cents a pound at the mills. Five months later, in November 1948, at about the peak of cottonseed marketing, cottonseed oil sold at 20 cents per pound at the mills. Saturday of last week the price was 13¾ cents, which is less than the last OPA ceiling price.

Senator BRICKER. Less than a third of the peak price?

Mr. DURAND. I made that statement very carefully, and I said "in excess of 40 cents." Actually the peak sales, which I know of from my own knowledge, were 42 cents a pound; and your calculation is quite accurate.

The CHAIRMAN. In other words, it is down from 42 cents a pound to 13¾ cents, and we still have export controls on it—that is, we did until yesterday.

Mr. DURAND. Yes.

Senator CAIN. You have gone to the Office of International Trade and made your own case for decontrol, and it has not been granted. Why? This is not the first place you have gone to plead your case for decontrol.

Mr. DURAND. We have worked to try to secure greater allocations, more than decontrol; but, when you are unable to get what you think you should have, in desperation you change your tactics. So, we are asking for decontrol.

Senator CAIN. Yes; we have no prejudice toward the Office of International Trade. We are looking for information. You have such a clear-cut case to provide decontrol. What are the primary reasons given you for continuing to control this product?

Mr. DURAND. I have not been in constant touch with them up here. I was sent up here as a committee member.

Senator BRICKER. Mr. Chairman, have we a witness in regard to soybean oil?

The CHAIRMAN. Yes; the Secretary of the American Soybean Association is here, and we will hear from him.

Senator BRICKER. Fine.

Senator CAIN. In due time, we will have competent witnesses from the Office of International Trade; and it is against such presentation as you yourself have given that we are trying to find out what is going on.

Mr. DURAND. Shall I proceed?

Senator CAIN. Would you mind me laboring the point for a minute?

What have been the reasons for no action in this problem?

Mr. DURAND. The only reason I have heard, because I myself have not been in contact with the Office of International Trade here, was given this morning in a hearing across the way, in a similar hearing. I heard the testimony of some of the officials of the Department of Agriculture; and, if you would like a country person's opinon, it would simply be that they hardly realize yet that there is a huge surplus.

The CHAIRMAN. They estimated the crop; did they not?

Mr. DURAND. That is where I got the estimation.

The CHAIRMAN. I read the estimate in July, and again in August, and again in September. They kept going up with the crop estimates.

Mr. DURAND. And on the 8th of September we read about the cotton crop.

The CHAIRMAN. The markets kept going down.

Senator BRICKER. It is pretty hard to have anybody let go of control. The decline has been pretty precipitate.

Senator SPARKMAN. In trying to arrive at the facts of a surplus in the United States, they do ask the Secretary of Agriculture for his advice, do they not?

Mr. DURAND. I understand that from the testimony.

Senator SPARKMAN. Has not the delay really been occasioned, not so much by the officials in the Department of Agriculture—they admit there is a surplus, do they not?

Mr. DURAND. Yes.

Senator SPARKMAN. But the failure of other officials to act on that recommendation.

The CHAIRMAN. When the Department of Agriculture and the Department of Commerce estimated the cotton crop at over 15 million bales in July, we had the largest crop we ever had. If they did not realize that cotton was going down and cottonseed was going down, and it should have been kept out of control, then somebody does not know their business.

The market went down day after day in New York, and they kept up with these crop estimates. They were right. The estimates were right, but they did nothing to protect the farmer.

Mr. DURAND. The problem seems to be applying the estimates to the problem at hand.

Senator CAIN. We would like to be helpful. If your case can be proved, we would like to find what lies in the future so you can get on with your business.

Mr. DURAND. It is not the case for us to indicate the plan. What we are looking for is relief. And this is the best way.

Senator CAIN. It looks like a pretty good case, but we have not heard the other side.

The CHAIRMAN. You feel that the decontrolling of these things—Agriculture could not have decontrolled them, could they?

Mr. DURAND. No, sir; I think not.

The CHAIRMAN. Do you think that in the case of cotton and cottonseed, and in view of the information available to the Department of Agriculture, should they have been the ones with the power to decontrol. They know how much you are going to raise in July and how much you are going to pick in September. They should have the power to decontrol exports on that basis.

In other words, that should be the Department of Agriculture's business?

Mr. DURAND. I think so, yes.

Senator SPARKMAN. Suppose the Department of Agriculture had that authority? In other words, suppose the Secretary of Agriculture had the power to make the final decision, do you think it would be made? Would you be satisfied to rest there?

Mr. DURAND. It has to rest somewhere, and certainly it should rest in a department which is charged with maintaining seed prices. Cottonseed oil has no support price. Soybean oil has a support price, because of the support price of soybeans.

Who else would have that control?

The CHAIRMAN. It is 90 percent of parity.

Senator SPARKMAN. I asked you this question a moment ago. Whether or not the Department of Agriculture had been cooperative in determining that a surplus existed, but that the delay had been occasioned because their recommendations were not put into effect. Since the Department of Agriculture does not have the power to do it itself, it has to go back to the Secretary of Commerce.

Senator CAIN. We ought to just find out how to make it work.

Mr. DURAND. I can't answer that because I have not been dealing with them.

Senator SPARKMAN. I wondered if you knew.

Mr. DURAND. May I be permitted to call on a gentleman who has contacts with these organizations? He is Mr. T. H. Gregory, who is executive vice president of our organization.

The CHAIRMAN. Certainly.

Senator SPARKMAN. If the officials of the Department of Agriculture had been cooperating and had determined that the surpluses existed and had asked for decontrol, but had been unsuccessful——

Mr. DURAND. The only one I know there is a person from the Fats and Oils Branch. He has been very cooperative.

The CHAIRMAN. It is one thing to be cooperative and another thing to do something about it. The truth of the matter is, the Department of Agriculture knew this was going to happen, but they did not do anything about it, except to confer with other departments of the Government, Justice and Commerce, and what have you?

Mr. DURAND. They recommended it, I understand.

The CHAIRMAN. Definitely, but they do not do it.

Mr. DURAND. That is right.

The CHAIRMAN. And the thing I do not understand is why Agriculture has to confer with Commerce. There are a lot of things in Agriculture that Commerce knows nothing about, and there are a lot of things in the Department of Commerce that the Department of Agriculture knows nothing about.

Senator SPARKMAN. It is your thought, then, that if we gave this problem to the Department of Agriculture, the problem would be solved?

Mr. DURAND. It would be much better than it is today in our opinion.

Senator CAIN. Did I understand the witness to say that his industry tried to get higher allocations and that finally the industry has come to the decision that in their failure to get higher allocations, they want to decontrol the export controls altogether?

Mr. DURAND. That is my opinion and I would like the gentleman with me to tell that to you.

Senator CAIN. That is a very thought-provoking situation, because you want complete decontrol because you have not been able to get action on what you thought was a reasonable approach and recommendation. That is our job, to try to find out.

There must be people who can spell that out, Mr. Durand, as to why they have not got what they went after. I think you have a gentleman here who can answer that.

Mr. DURAND. Yes, we have one, in the room, Mr. T. H. Gregory, gentleman, the executive vice president of the National Cottonseed Products Association.

The CHAIRMAN. Mr. Gregory, will you sit down? We have questions from Senator Sparkman.

Senator SPARKMAN. You heard the question put to Mr. Durand?

Mr. GREGORY. I am sorry, I could not hear back there where I was sitting.

Senator SPARKMAN. Maybe we can restate it.

What is the experience you have had with reference to getting a larger allocation through the Department of Agriculture and, in turn, through the Department of Commerce?

STATEMENT OF T. H. GREGORY, EXECUTIVE VICE PRESIDENT, THE NATIONAL COTTONSEED PRODUCTS ASSOCIATION

Mr. GREGORY. What is the experience we had?

Senator SPARKMAN. Yes.

Mr. GREGORY. We had been delayed, but we don't know who was responsible for the delay.

Mr. DURAND. The question was this: Has your industry asked for more allocations than have been granted?

Senator SPARKMAN. That is right and I want your experience in connection with it. You made that request?

Mr. GREGORY. Yes.

Senator SPARKMAN. What action, if you know, did the Department of Agriculture take on it?

Mr. GREGORY. I don't know, because it seems all their actions are very secretive. I made application and request, and they took it under advisement. I was told that, and the first thing, or next thing I knew of, there was some allocation—or no allocation had been made.

Senator SPARKMAN. Have you had some increase in allocations or some allocations made at your request?

Mr. GREGORY. I have never had any allocation increased like I requested.

Senator SPARKMAN. I do not mean that you made application for allocations. In your allocation, did you ever have any of those requests granted?

Mr. GREGORY. Maybe you don't understand how this thing is handled. They have a committee which meets every 3 months. I am on the committee representing our industry. Each year a representative is asked to present a Department of Agriculture agent with a statement or estimate of production and estimated requirements for domestic use. Now, we do not at this meeting ask for any specific allocation.

They have made up tables before we get there. We present our estimates and they have for years generally accepted our estimates for cottonseed production.

Senator BRICKER. Then, have the allocations been made subsequent to your estimates, on the basis of your estimates?

Mr. GREGORY. That is supposition. They are made very shortly after these meetings, the allocations for the next quarter.

Senator BRICKER. For the next quarter?

Mr. GREGORY. Yes.

Senator BRICKER. Then those alocations have not taken into consideration the surplus that has been reported here by Mr. Durand?

Mr. GREGORY. No, sir; they have not.

Senator SPARKMAN. You have felt that the allocations are not large enough?

Mr. GREGORY. Not only felt that, but I asked repeatedly for supplemental allocations.

Senator SPARKMAN. Have you obtained some supplemental allocations?

Mr. GREGORY. Yes; we have had some. We have had one just recently.

Senator SPARKMAN. How long did it take you to get your request through?

Mr. GREGORY. I don't know, Senator. We are handling this thing all the time and I don't know.

Senator SPARKMAN. One request piles up on another?

Mr. GREGORY. Yes; but the last allocation request was for 109 million pounds. I think 77 or 78 million pounds of that was oil equivalent; that is, either soybean or peanut.

Well, to ship oil equivalent or export oil equivalent in the form of a peanut does not help your current situation at all. We estimate what we are going to produce in January, February, and March. We know we are going to have a surplus and it does not help that surplus to export peanuts which, if they remain in this country, would be processed in May, June, July, and August.

Senator CAIN. Who puts in the equivalent when you have a surplus of the prime product?

Mr. GREGORY. I don't know who puts that in.

Senator CAIN. That is not a recommendation coming from you?

Mr. GREGORY. No.

Senator CAIN. You ask for a million pounds of export licenses and they say you can have your prime product, part of which must be an equivalent, is that right?

Mr GREGORY. We don't ask for licenses. We just estimate what the production will be, against estimated consumption and that indicates what the surplus will be. From that indicated surplus the Department makes the allocation.

Senator BRICKER. Have you any way of estimating whether it is more economical for the beans to be processed in this county and then ship them, or to ship them and have them processed abroad?

Mr. GREGORY. I know that we have a support price on beans. There is a support price on peanuts. I think the present price is $320.

The CHAIRMAN. A ton?

Mr. GREGORY. $320 a ton. That is the support price on peanuts and I understood just recently that the Italians, I believe, bought peanuts in South America.

The CHAIRMAN. That is right.

Mr. GREGORY. For $265 a ton and the only reason I can give for that is that the Italians did not want to use their ECA dollars as they had free dollars and they bought these peanuts from South America for their free dollars. If they buy them from us, they have to pay $320.

The CHAIRMAN. They could buy more peanuts in South America with their dollars than they can buy from our farmers with our dollars?

Mr. GREGORY. Yes.

The CHAIRMAN. So the taxpayers of the United States pay the taxes to give the ECA the dollars and ECA turns it over to the Italians and lets them use the dollars of the taxpayers in this country to buy peanuts from South America.

Mr. GREGORY. I don't think they use ECA dollars. They use free dollars in South America.

The CHAIRMAN. It all comes from us.

Senator BRICKER. And also, the taxpayers of this country pay the support price.

Senator CAIN. What is going to happen if the situation remains as it is?

Mr GREGORY. If the situation remains as it is, our industry is going to be composed of many less mills than it is today.

Senator CAIN. A lot of them will go broke?

Mr. GREGORY. Yes.

Senator CAIN. You have a receding price scale from 42 cents to 13¾ cents just recently, which is a very precipitate drop. In other words, we understand that the price will keep going down from its present level, unless you get some relief from this committee?

Mr. DURAND. We think so.

Senator CAIN. You are asking for action today?

Mr. DURAND. Yes; definitely.

May I proceed? Then we can discuss it a little better.

The CHAIRMAN. Yes.

Mr. DURAND. Cottonseed meal from the 1947 crop sold at a high of about $100 per ton. By November 1948, the price had declined to about $80 per ton and the current price is about $58 to $60 per ton. On January 1, 1949, according to the Bureau of the Census reports,

about 500,000 tons of cottonseed were yet to be marketed. Both the processors who have bought the bulk of the crop, and the farmer, who has not yet marketed all of his cottonseed, are faced with ruinous losses.

The only relief from these burdensome surpluses is, in our judgment, through greatly increased exports. Unless such are secured we forsee that the price for oilseeds will decline so much further as to affect the national economy seriously.

The CHAIRMAN. You say the only relief is to export them? Do you think if we took the export controls off that would help?

Mr. DURAND. Definitely.

The CHAIRMAN. Is there any way in which this committee could help?

Mr. DURAND. Greatly increased consumption in this country would do it, but we assume with ample money around, and all, we have had as high a consumption as we could have.

The CHAIRMAN. Then exports is the only thing that can help?

Mr. DURAND. That is the only thing that we can see.

The CHAIRMAN. You think the increase will help?

Mr. DURAND. Yes, sir.

The CHAIRMAN. Why do you?

Mr. DURAND. From discussions I had with ECA officials who said that they were unable to fill all the requests they had from abroad because they had insufficient allocations.

The CHAIRMAN. And they told you that, too?

Mr. DURAND. Yes.

Mr. GREGORY. Senator, may I make a statement? There was a statement made that there was a need for all the surplus seeds we could produce in this conutry.

The CHAIRMAN. The great fear I have is, if you take the controls off, are there going to be enough dollars materially to help you in those countries that need it?

Mr. GREGORY. I have been led to believe that the dollars will be available if the oil is available. The trouble with ECA has been getting the oil.

Mr. DURAND. Both the Secretary of Commerce and the Under Secretary of Agriculture testified before your committee that there is urgent need for oils and fats abroad. The huge surplus of these commodities and of protein meal indicates the need for exports. Therefore, we repeat with the strongest emphasis that there is no necessity for the retention of export controls on these commodities while such surpluses exist and we respectfully urge that you amend the proposed law which is under consideration to provide relief for which we petition.

The CHAIRMAN. Now the next witness—I felt I might change the order because I think that Senator Bricker and other Senators want to hear the witness from the American Soybean Association.

Senator BRICKER. May I ask one question before he leaves, Mr. Chairman?

The CHAIRMAN. Certainly.

Senator BRICKER. Only as a matter of curiosity, I notice that you say that other things are not important to our consideration.

Mr. DURAND. Need not be enumerated here.

Senator BRICKER. What are your hulls and—what was your other product?

Mr. DURAND. Cotton linters.

Senator BRICKER. Yes, what are those used for?

Mr. DURAND. Hulls are just a livestock feed. During the war one of our valuable chemicals was taken from the hulls. At that time we had lots of contact wtih Dr. Fitzgerald.

The linters were used for the better gunpowders, rayon, and the like. It is an almost pure cellulose.

Senator BRICKER. It is still used for that purpose?

Mr. DURAND. Yes, sir.

The CHAIRMAN. It is used with wool, too.

Mr. DURAND. I don't know of that use. I have never come in contact with that.

Senator FLANDERS. Mr. Chairman, I would like to make an observation. As I read the bill, there are two findings, (a) and (b). Finding (a) says:

> Certain materials continue in short supply at home and abroad so that the quantity of United States exports and their distribution among importing countries affect the welfare of the domestic economy and have an important bearing upon the fulfillment of the foreign policy of the United States.

This testimony would seem to indicate that cottonseed oil is not in short supply at home so that finding (a) would seem to not apply to cottonseed oil.

Finding (b) in this bill says:

> The unrestricted export of materials without regard to their potential military significance may affect the national security.

Is there any military security affected as far as you know in respect to cottonseed oil? Linters, yes; but what about the oil?

Mr. DURAND. With the exception that a shortage of linseed oil was a very serious obstacle to the Germans in the war. But because they received some substitutes, they were able to carry on.

But, Senator, the stock-piling of that material would be almost an impossibility. It would require enormous tanks to hold a little.

Senator FLANDERS. Yes. But the question comes to my mind with respect to findings (a) and (b), which I suppose—well, let us go on to the declaration of policy:

> (a) To protect the domestic economy from the excessive drain of scarce materials and to reduce the inflationary impact of abnormal foreign demand;
> (b) To further the foreign policy of the United States and fulfill its international responsibilities; and
> (c) To exercise the necessary vigilance over exports from the standpoint of their significance to the national security.

Is there in this bill any authority whatsoever granted any administrative body of this Government to allocate cottonseed oil?

It seems to me that the authority does not exist in the bill and, without having looked at the old bill which this replaces, I would assume that it is the same in this preliminary part.

Mr. DURAND. Senator, I am not a lawyer. The only thing I hope, if there is nothing in there that nothing be put in; but if something is in there, we hope it will be eliminated.

Senator FLANDERS. I just question the authority of the Government to limit the cottonseed oil export on the basis of the testimony you have given us.

Senator BRICKER. Assuming those things to be factual, which they are, but the Department may make findings which would easily obviate the testimony given here and get around it.

The CHAIRMAN. Senator, I might say for the benefit of the Department—I just called them up and asked them—there were some 600,000,000 pounds of cottonseed, which is an increase of 500,000,000 over last year. He said 600,000,000, but they have 500,000,000.

Senator BRICKER. It is very difficult for the Congress sitting here to say that soybean or cottonseed oil should be taken off the control list. It is very difficult for us this year to anticipate what will happen 6 months from now as you have brought out here so vividly by calling our attention to the price fall.

We have to give that authority to some department of the Government—authority to say this shall be controlled and this shall be decontrolled.

There is no other way you can carry out a program of this kind, as complicated as it is.

Would you be satisfied if we write into this bill a provision to the effect that on the recommendation of the Department of Agriculture that there is an adequate supply for domestic needs and a surplus, then the Department of Commerce must, upon notification of the Department of Agriculture, decontrol those items?

Senator FLANDERS. You also have to take care of the vigilance over export from the standpoint of their significance to the national security.

Senator BRICKER. That is another thing we cannot anticipate.

Senator FLANDERS. Yes; that we cannot anticipate, but it is necessary under the law.

Mr. DURAND. That is something which seems to me to be unnecessary.

I would prefer if the Secretary of Agriculture finds that there was a surplus, that his certificate alone would relieve the Secretary of Commerce of the responsibility.

The CHAIRMAN. But Senator Bricker said "must." You used the word "must"?

Senator BRICKER. That would relieve him of any responsibility in the matter except for the national security.

Mr. DURAND. It would seem better to leave it in the hands of the department charged with the responsibility of producing these things.

Senator BRICKER. The Department of Agriculture is much more in touch with the prices.

Mr. DURAND. And it is much more in touch with the funds for supporting prices, so they should be well informed.

Senator SPARKMAN. It is charged with the responsibility of keeping up with the supplies of agricultural commodities, whereas the Department of Commerce is not so charged.

Senator BRICKER. That is right.

Senator SPARKMAN. I must say, I have been thinking at the proper time of offering an amendment to this bill that would read like this:

Providing that any delegation of the authority granted under this Act shall be subject to the condition that the Secretary of Agriculture shall determine the overall amount of any agricultural commodities that is permitted to be exported under this Act.

Senator BRICKER. That would cover it.

Senator SPARKMAN. It would relieve him of any responsibility.

The CHAIRMAN. I am going to ask Mr. Strayer, secretary of the American Soybean Association, to come forward.

Mr. STRAYER. Yes, sir.

The CHAIRMAN. Proceed, will you, Mr. Strayer?

STATEMENT OF GEORGE M. STRAYER, SECRETARY, AMERICAN SOYBEAN ASSOCIATION

Mr. STRAYER. Mr. Chairman and members of the Committee on Banking and Currency, my name is George M. Strayer. I am a grower of soybeans and secretary of the American Soybean Association, with headquarters at Hudson, Iowa. The American Soybean Association is a Nation-wide organization of growers of the soybean crop. I have been sent here as a representative of that organization and in that capacity I would like to call to your attention the following facts:

(1) Soybeans now supply approximately 40 percent of all the protein meal used in the livestock, dairy, and poultry production economies of the United States.

(2) Soybeans supply approximately 60 percent of all the vegetable protein meal used in the United States for both industrial uses and livestock feeding.

Senator BRICKER. What would be the industrial uses; just a rough description?

Mr. STRAYER. In percentage, you mean?

Senator BRICKER. No, no.

Mr. STRAYER. Such things as glues, adhesives, a small amount of plastics; things of that type.

Also, a small amount of shirts.

The CHAIRMAN. They are making shirts out of soybeans. Have you ever seen them?

Senator BRICKER. I got a couple. I also have a couple of ties made out of glass.

Mr. STRAYER. (3) Soybean oil makes up about 50 percent of all the oil used in the production of vegetable shortenings in this country. It comprises approximately 40 percent of the oil used in the production of margarines, and about 15 percent of all the salad oil used.

(4) In the period between 1938 and 1948 the production of soybeans in the United States increased from 61,906,000 to 220,000,000 bushels per year.

Senator BRICKER. You say production was 61,906,000 bushels in 1938. When did we start to grow soybeans in an extensive way in this country?

Mr. STRAYER. Soybeans in an extensive way came in in the years 1941, 1942, and 1943.

In 1942 the acreage doubled.

Senator BRICKER. In 1942?

Mr. STRAYER. In 1942.

Senator BRICKER. It almost revolutionized the farming industry in America.

Mr. STRAYER. Yes.

Senator BRICKER. In our State, it is the largest crop produced.

Mr. STRAYER. (5) Soybeans have now become an integral part of Midwest and mid-South agriculture, where they utilize the equipment, manpower, and tillable land to greatest possible advantage.

(6) As a result of this increase in soybean production, the United States has become self-sufficient in edible fats and oils and in recent years has been producing a surplus beyond our own needs. This is in direct contrast to our position 10 years ago, when we were importers of fats and oils and relied on other parts of the world for our supplies.

(7) The 220,000,000-bushel soybean crop in 1948 has had a very depressing effect upon all fats and oils markets because it has created a surplus far beyond our own needs. Through the war years farmers were urged to sell their soybeans directly from the combines, and they did so. Since the war governmental officials and private traders have encouraged farm storage of the crop. It has been estimated that 35 to 40 percent of the 1948 crop was held by growers on January 1, 1949. During the last 12 months soybean prices have gone from about $4 per bushel to less than $2.30 per bushel, and soybean oil has declined from well above 30 cents per pound to about 13 cents per pound, to where it is now the cheapest edible oil available at any place in the world.

(8) The supply of fats and oils in the United States is now beyond our own needs and is being held here by our present system of export controls at a time when the surplus fats we hold are badly needed in other parts of the world. European countries, as well as some of the Western Hemisphere countries, are greatly deficient in fats and proteins. They have nearly adequate supplies of carbohydrate foods.

(9) The large 1948 crops of soybeans and cottonseed alone have produced more than 600,000,000 pounds more edible oil than was available from the 1947 crop on those two commodities. This does not consider other fats and oils, on most of which the 1948–49 production is also greater.

Senator BRICKER. It is too early to anticipate the crop for the coming year outside of the acreage?

Mr. STRAYER. All we can anticipate is how much the acreage will be.

The CHAIRMAN. Off the record.

(Discussion off the record.)

Senator BRICKER. In view of the support prices of soybeans, do you anticipate that this declining price down to $2.30 now will affect substantially the acreage planted next year?

Mr. STRAYER. The determining factor in planting soybeans is the return or support price of the crop as compared to other crops.

I would expect a great decline in soybean acreage in 1949.

Senator BRICKER. Another factor enters into that, too. It is a very soil-depleting crop.

Mr. STRAYER. Senator, it is not as soil depleting as we have been led to believe in the past. It is as soil depleting as a corn crop. But it is soil depleting, and a lot of farmers have passed it up.

The CHAIRMAN. It is as soil depleting as corn?

Mr. STRAYER. Yes; that is right.

The CHAIRMAN. And corn is soil depleting also?

Mr. STRAYER. Right.

(10) Soybeans today are selling at and below the support price and soybean oil is selling at and below the last OPA ceiling price. This comes at a time when the prices of the things the farmer buys are far above OPA price levels.

The CHAIRMAN. What do you mean, "the things the farmer buys"?

Mr. STRAYER. His farm machinery, his fertilizer, everything he has to buy to keep up his production.

The CHAIRMAN. How about freight rates?

Mr. STRAYER. His freight rates are higher; everything he uses to produce this crop is higher.

Senator BRICKER. Do you see the difficulty of that from our point of view? If there should be a short crop next year and demand should increase both here and abroad, Congress would not be sitting and that authority must be lodged some place, in my judgment.

Mr. STRAYER. My next recommendation comes to that point.

Senator BRICKER. Excuse me, I did not read it.

Senator TAYLOR. Can soybeans be stock-piled for any length of time?

Mr. STRAYER. Yes; in the same sense as wheat or corn can be stock-piled.

Senator TAYLOR. For how long a time?

Mr. STRAYER. There is no definite time I can state. There are tests being carried on, studying how long soybeans can be stored. It might be for over a period of years.

Senator TAYLOR. Well, should there be any controls any place, if they cannot be stored? If they could be, it would be bad business.

Senator BRICKER. Of course, any amount we could send, even if there were no controls over them, would be shipped because the demand is so great over there.

Mr. STRAYER. That is right. I would assume that the demand over there is so great that in all probability that would all be consumed.

Recognizing that there are political implications in world trade which must be observed, that political expediency will not allow free and uncontrolled export of critical commodities to all parts of the world, even if in surplus, the American Soybean Association recommends the following:

(1) The Maybank bill, S. 548, should be amended to provide that exports of all types of vegetable and animal fats and oils and oilseeds to Western Hemisphere (North and South America) countries and to countries participating in the ECA program shall not be subject to export control authority.

(2) We also recommend that final approval of export allocations on fats and oils be placed in the hands of the Secretary of Agriculture and that he be given full authority to grant such export allocations as he sees fit whenever he finds fats, oils, and oilseeds in surplus in the United States.

Senator BRICKER. That is the thing you suggested a moment ago.

The CHAIRMAN. That is the thing you suggested also, the word "must."

Senator CAIN. May I ask about the apparent contradiction in paragraphs (1) and (2)?

Paragraph (1) says we need nothing, putting on a limitation of area, and the other one says we will leave everything up to the Secretary of Agriculture and be guided by his advice.

Mr. STRAYER. Our first view that it would be in view of the allocation of fats and oils, and our second recommendation is if it is—if it does not seem feasible, fats and oils should be under the jurisdiction of the Department of Agriculture, rather than the Department of Commerce in our estimation.

Senator BRICKER. Or if the international situation should become so critical that we would want to stop shipping altogether.

Some authority should be left for that.

Senator CAIN. If there was a surplus you would be satisfied if you did not have to go through this agony from time to time.

Mr. STRAYER. Senator, we would like to see fats and oils sent to other parts of the world if it is feasible and if other things do not occur.

Senator BRICKER. Corn does deplete soil, of course, but not to the extent that soybeans do generally, but the corn crop does not replace any of the needed food elements in the soil as soybeans do. They are a leguminous crop.

Mr. STRAYER. That is right, just as alfalfa is. They leave nitrogen in the soil, and they leave a residual supply in the soil.

The CHAIRMAN. Gentlemen, we were tied up in Congress this morning until long after 12. I thought we would hear Mr. Ballagh, who was skipped over and ask if you other gentlemen can come here tomorrow morning at 10:30?

If it is agreeable with the committee, we will meet tomorrow morning at 10:30 and ask this man who came down from New York for the special meeting today to present his statement.

Senator BRICKER. I may have to be excused from tomorrow's meeting, because we are organizing a committee of which I am a member.

The CHAIRMAN. Would it be agreeable then with the committee if we met tomorrow at 10:30 to take up the matter of a vacancy in the Federal Reserve, or would you authorize me to have Senator Fulbright get his subcommittee together and report to the committee on Thursday?

Senator BRICKER. Who has been appointed?

The CHAIRMAN. I was going to refer it to Mr. Fulbright. If that is agreeable. I might say Mr. Bruce will be heard tomorrow morning, or his assistant, Mr. Anderson.

We will get through these witnesses tomorrow and tomorrow's witnesses will be put off until the next day.

Mr. Walter E. Dunham of the Reconstruction Finance Corporation has been nominated. I will ask Senator Fulbright to call his subcommittee together and we will have a full report on Thursday.

Senator BRICKER. Mr. Chairman, have we anybody here who can testify on wheat?

The CHAIRMAN. Is there someone here, or coming, to testify on wheat?

The CLERK. For wheat? No, sir.

Senator BRICKER. Well, the Agriculture Department would have those figures.

The CHAIRMAN. I do not think it is controlled except through the licenses, and the allotments have been pretty heavy.

They have no kick as far as I can understand.

Senator BRICKER. I suppose everything we can export is being exported?

The CHAIRMAN. That is what I understand.

Senator BRICKER. Senator Flanders asked me the question a while ago.

The CHAIRMAN. All right, go ahead.

STATEMENT OF THOMAS C. BALLAGH, BALLAGH & THRALL, EXPORT SALES MANAGERS, PHILADELPHIA, PA.

Mr. BALLAGH. My name is Thomas C. Ballagh. I have been engaged in foreign trade for 24 years, including 3 years in business in Mexico and 5 years in South America as a trade commisioner of the Department of Commerce attached to the American Embassy in Buenos Aires.

For the past 16 years I have been a partner and cofounder of the firm of Ballagh & Thrall, export sales managers, in Philadelphia. I am also vice president of Ballthrall Trading Co., general exporters. I am a member of the export committee of the Philadelphia Chamber of Commerce and past president of the Foreign Traders Association of Philadelphia, consisting of over 400 members engaged in foreign trade.

My firm of Ballagh & Thrall are export managers for 27 manufacturers located in 6 States. Some are of national importance, others would be representative of "small business."

The CHAIRMAN. You say "small business." Would you be kind enough to give us for the record the number and the type of businesses in which they are engaged?

Mr. BALLAGH. The number and type of business?

The CHAIRMAN. Well, the small business reference you made here.

Mr. BALLAGH. I will refer to the commodities in just a moment, if that is what you meant.

The CHAIRMAN. Yes.

Mr. BALLAGH. The size of the company—I heard a definition this morning to 100 employees. A few of the companies which we work with have less than 100 and our firm has less than 100.

The CHAIRMAN. There is also the amount of $100,000.

Mr. BALLAGH. In the amount of trade, the exports are less than $100,000.

Mr. CHAIRMAN. You could furnish that for us?

Mr. BALLAGH. Yes.

(The information requested will be found in the files of the committee.)

The commodities handled are principally motortrucks, machinery, and equipment, but include some consumer articles, such as lubricating oil, electrical appliances, veterinary products, and floor coverings. All our articles require export licenses for Europe, but only a few now require licenses for other destinations.

The CHAIRMAN. You mean farm machinery and equipment?

Mr. BALLAGH. At the present time we have no farm machinery. We have pumps which might be classified as farm machinery if used as irrigation equipment.

The CHAIRMAN. In addition to lubricating oils, you would not be exporting cottonseed or soybean oil, would you?

Mr. BALLAGH. Not at the present time.

The CHAIRMAN. That is in short supply?

Mr. BALLAGH. Yes.

I and a number of export men with whom I have talked, believe that so few articles remain in short supply that export control outside of Europe is unnecessary. We are less sure regarding the need for destination control in Europe, at least eastern Europe, as we lack the facts affecting security decisions.

We think the Office of International Trade on the whole has done an excellent job in handling export control, and has tried to liberalize or remove controls to a large extent. However, we feel governmental agencies tend to perpetuate themselves and to make use of authority and appropriations granted them. My own years in the Department of Commerce tend to confirm this opinion. We believe there is some danger that extensions of export-control authority and appropriations may result in the continuance or reimposition of controls which are no longer necessary, but which cause needless work and expense to exporters already struggling with declining business due to serious lack of dollar exchange and severe import restrictions in most foreign markets.

While many articles have been removed from export control outside of Europe, soap, which is freely available at all stores, still requires an individual export license to all countries. It is hard to understand why Government officials should waste their and our time by requiring a license to export $2 worth of flea soap for dogs to Latin America or even to Europe. It is not now scarce, and hardly could be considered a potential for war in the hands of eastern Europeans. While not typical, this is an extreme example of the lengths to which export control can go.

The CHAIRMAN. Of course, you prepared that statement very correctly before you came here today.

Mr. BALLAGH. I have an amendment in view of that change.

Even on commodities still in short supply, removal from control would not result in sufficiently increased exports to cause inflation or serious domestic shortages. The total export demand is a very small proportion and is further limited today by the dollar shortage and import controls of other countries. This was proved in the case of numerous articles removed from export control. If the article is not rationed in the United States, there should be no need for export rationing. Producers who have more demand than supply voluntarily ration their domestic and export customers and usually export gets less than their normal percentage.

Senator CAIN. May I ask you one question there? They have taken soap off the list, but how long ago, from your point of view, could it have been decontrolled? You say it is an extreme example.

Mr. BALLAGH. I don't think it is tragic. It is a minor example.

Senator CAIN. How long has it been delayed, from your point of view?

Mr. BALLAGH. I would not be in a position to say. I would say about 3 months, or a little longer.

The CHAIRMAN. How about this flea powder; do you put soap in that?

Mr. BALLAGH. Some.

The CHAIRMAN. If anything happens of this nature, let this committee know, and the Small Business Committee can take it up and we can legislate on it. Such a thing as that will be legislated on immediately.

Mr. BALLAGH. Thank you.

Senator CAIN. Just 1 minute: I think the gentleman who is the counsel for the Office of International Trade announced that it was decontrolled with reference to Europe.

Mr. OSTROFF. I said exclusive of Europe.

Senator CAIN. I see. I was not questioning you; I just misunderstood.

The CHAIRMAN. Do you need licenses on flea powder for dogs?

Senator BRICKER. What is the purpose of continuance of export control to Russia on items of this kind?

Senator BRICKER. No, I did not mean Russia, I mean Europe.

Mr. OSTROFF. That is something I am probably not qualified to explain in detail, but generally the purpose is to conform our exports to the ECA approved program. We license all the ECA shipments.

Senator BRICKER. In other words, you have to guard from this side and that side the use of dollars?

Mr. OSTROFF. This is a check on their use of dollars because as you know, we are supporting their balance of payments. The other reason has to do with the national security which would not be involved in soap products now.

National security would not be involved in this. I think there is no interference with the volume of exports in these commodities, is that not so?

Mr. BALLAGH. It is largely the inconvenience of the provisions that must be complied with.

Senator CAIN. I think the witness is raising a question as to why they are required at all.

Mr. BALLAGH. That is correct at least as to those amounts. However, if I could continue with my insert, I would say that you could at lease raise the shipments of soap from a maximum of $1 to $100. Soap has been limited to $1 and everything over $1 has required a license to anywhere in the world.

Senator CAIN. If you want to ship $2 worth of soap to France, you would have to get a license?

Mr. BALLAGH. It would be approved no doubt, but you would still have to get a license.

Senator CAIN. I think the question is a valid one, but I do not see what purpose it serves.

Mr. OSTROF. You should keep in mind that up until today soap was considered to be a short-supply item. If you did not have a small limit, then you would be able to send thousands of $1 packages, and the total might affect the supply. The only question is why they should have made that limit $1 instead of $5 or $100. Now that inedible oils are to be decontrolled, the minimum limit on shipments to Europe will be automatically raised to $100.

Senator CAIN. If the question is not raised, it otherwise goes on being a dollar limit.

Mr. BALLAGH. Regarding shipments of more important articles, such as machinery, to western Europe, most of these will move under ECA, and ECA shipments should not require export licenses in addition. Most ECA countries are cooperating regarding reexports so that the need for licenses to control destination is reduced.

Senator TAYLOR. Mr. Chairman, may I ask the witness one question?

The CHAIRMAN. Yes, Senator.

Senator TAYLOR. Certain countries are cooperating on this question of reexports in that they are not sending their own products to eastern European countries where we are withholding such products. I have heard that that is going on on a big scale.

M. BALLAGH. I have heard that, but I am not in a position to verify it.

Senator CAIN. I think your position is very clear, as I read it. You think there is some reason to consider destination licenses which would certainly leave a much larger field than where you are not concerned about the destination one way or another and on your later position you see no realistic need for continuing controls.

Mr. BALLAGH. That is correct.

On nonstrategic articles, a study of export declarations covering shipments, or other reports rather than license, should be sufficient to keep our government informed of the materials going to each western European country.

If Congress feels security reasons clearly require the extension of export controls, we feel that an extension to June 1950 should be sufficient and controls should be effectively limited to genuine necessity.

In this way a skeleton force in the Office of International Trade can handle such licensing that may be actually necessary, and this trained personnel can be available to direct reexpansion of controls if war or security reasons suddenly demand. The bulk of the OIT personnel and appropriations now devoted to export control could better be transferred, subject to recall, to the normal and more productive trade promotion activities of OIT, which were cut down during the war, but are now more necessary in increasingly competitive foreign markets.

Whatever the decisions of Congress and OIT, I and my firm, of course, stand ready to cooperate toward the efficient operation of such controls as are determined to be to the best interests of the United States.

Senator BRICKER. Now, your manifest gives no control at all, it simply gives you the information upon which you predicate the control?

Mr. BALLAGH. The manifest?

Senator BRICKER. Yes.

Mr. BALLAGH. Export declaration?

Senator BRICKER. Yes.

Mr. BALLAGH. It certainly means you have made a shipment of a certain item in a certain amount to a certain destination.

Senator CAIN. You represent 27 manufactures. How many items do you approximately ship overseas?

Mr. BALLAGH. By item, one way might be the schedule B commodities used by export control in their statistics and regulations.

Senator CAIN. No; from these 27 manufacturers, how many different items are you handling, a hundred?

Mr. BALLAGH. I would say easily a hundred.

Senator CAIN. Let us say it is over a hundred.

Mr. BALLAGH. Over a hundred items so classified by the export controlled commodities.

Senator CAIN. Of those 100 items, how many items are in short supply?

Mr. BALLAGH. Possibly one or two.

Senator CAIN. How much of the time of your employees of your firm is therefore devoted to handling this export-license problem?

Mr. BALLAGH. A much larger percentage than what would appear, because on a number of articles that are not in short supply whose destination is Europe, we must secure a certificate.

It is the case of filling in destination, the validity period, and the rather complicated export-control regulations which are constantly changing.

Senator CAIN. Have you found it necessary in good management to add people to your pay roll, to your office operation, to handle this particular requirement, and nothing else?

Is the amount of business on this problem one of continual worry and concern and confusion to you, plus an expenditure of a considerable number of dollars?

Mr. BALLAGH. Yes; it is. Not necessarily confined to one person, but part of the time of several people.

Senator CAIN. Do you handle destination-doubt articles?

Mr. BALLAGH. You mean subject to scrutiny as to where they go?

Senator CAIN. Yes; but for the most part you do not?

Mr. BALLAGH. Mostly no.

Senator CAIN. For the most part you handle articles which, from your point of view, are no longer in short supply?

Mr. BALLAGH. That is true.

Senator CAIN. Do you think you can run a better business and do better business on the other side of the wall if you did not have to secure licenses? Would it be to the detriment of the United States?

Mr. BALLAGH. I don't think it would be to the detriment of the United States. It might have been during the war and would be again under certain conditions.

Senator CAIN. Senator Bricker and myself would like to have as much free play as possible to place back under control items that again become in short supply.

Mr. BALLAGH. If that is your problem, it might be necessary to extend export control for 1 year and better yet, until 1950, until June 30 of that year.

During that period, however, I think if you cannot emphasize to Congress either in the act, or outside of it, that they should administer this act to exercise the minimum extent of control, rather than the maximum.

Senator CAIN. Speaking for myself, I would conceive of an application to keep the license potential to a minimum to meet requirements and at the same time make it unnecessary for any item that is affected security wise or otherwise and as soon as an item is in short supply, return to your age-old method of doing business abroad.

Mr. BALLAGH. The Office of International Trade may not be able to do it rapidly enough, particularly if they are subject to veto by some other agency interested in that commodity.

Senator CAIN. It is easy to talk about a formula, but hard to find a formula that actually works. Especially if you had the control system you mentioned awhile ago.

Mr. BALLAGH. Yes.

Senator BRICKER. You mentioned that two or three items you handled are in short supply—what are those items?

Mr. BALLAGH. They are collapsible tubes for toothpaste made out of tin and lead. I am told that they are not in short supply, as they were earlier, but I think they are in short supply still.

Senator BRICKER. Yes, tin and lead are in short supply.

The CHAIRMAN. I have no other questions.

Gentlemen, I might mention this to you, if you have no other questions, Mr. Liljenquist is in and he has to go back to Kansas tonight. I wonder if you want to file your report or make a statement?

How long would it take?

Mr. LILJENQUIST. Just 5 minutes.

Mr. BALLAGH. May I make just one additional comment?

The CHAIRMAN. Yes.

Mr. BALLAGH. My only comment is, if it is possible to have export control worked upward and downward, then you could extend them when possible and restrict them when needed.

Senator CAIN. Off the record.

(Discussion off the record.)

The CHAIRMAN. We will be glad to hear from you for 5 minutes.

STATEMENT OF L. BLAINE LILJENQUIST, THE WESTERN STATES MEAT PACKERS ASSOCIATION, INC., SAN FRANCISCO, CALIF.

Mr. LILJENQUIST. Mr. Chairman and gentlemen of the committee, my name is L. Blaine Liljenquist, Washington representative of the Western States Meat Packers Association, Inc.

The members of our association are known in the industry as independent meat packers as distinguished from the large national packers. There are 235 companies in the association. They are in business in the Rocky Mountain and the Pacific coast States, and they process from 85 to 90 percent of the animal fats and oils produced in those States. The members of the association and Mr. E. F. Forbes, president and general manager, appreciate the opportunity you have extended us to present our views on the tragic fats and oils situation which is causing our members so much distress.

Under the present control law fats and oils are one of the commodities that have been under control. Because fats and oils are an agricultural product, the United States Department of Agriculture studies the domestic supply and demand situation and makes recommendations to the Department of Commerce as to the amount of the various fats and oils that should be allocated for export.

But, unfortunately for the fats and oils producers, the export control authorities in the Agriculture and Commerce Departments have permitted the storage stocks to accumulate in excess of domestic requirements. This policy of holding down exports and building up surpluses has, in turn, enabled domestic manufacturers, such as the soap companies, to sit quietly in the market, forcing the price of domestic fats and oils lower and lower week by week.

As a result of such a conservative policy there is some feeling among producers that during the past year the administration has deliberately forced down prices through the use of its export controls. At any rate, the administration of these controls by the Department of Agriculture and the Department of Commerce has been impractical and unjust to farmers, ranchers, and processors of animal fats and oils.

The failure of these Departments to approve sufficient export allocations in the past year has had the effect of throwing out of balance the historical price relationship between animal fats and oils and the cost of producing live animals. This has placed the domestic producing

industry in a most serious position because present prices for fats and oils are in most instances, I understand, below the cost of production.

A year ago at this time the price of prime steamed loose lard was 27 cents per pound, but on today's market it is less than 14 cents. A farmer should not be required to see lard sell at 14 cents when the cost of producing the live animal is in the neighborhood of 21 cents a pound. Normally, lard sells for more than the selling price per pound of live hogs.

As you know, tallow and grease are used in the manufacture of soap. A year ago fancy grade inedible tallow was worth 25 cents per pound, but this week it will bring from 8 to 9 cents if you can find a buyer. These drops have been both too fast and too far.

Producers could not and cannot reduce their costs correspondingly, and the result is demoralization in the animal fats and oils industry. We are told the situation is quite similar for the producers of vegetable fats and oils.

Fats and oils producers—farmers, packers, renderers, and other processors—should not be required by Government action to suffer a loss on their fats and oils operations. Indeed, as an over-all policy, commodity prices should not go too low or we may be unable to carry our national debt of $250,000,000,000 and an annual Federal budget exceeding $40,000,000,000.

Fats and oils are not just a byproduct, as many people in the past have supposed. This year, fats and oils produced from domestic materials according to estimates by the Department of Agriculture will total 10.3 billion pounds, and of this amount about one-half will be animal fats and oils, and the other half vegetable oils, such as soybean, cottonseed, and peanut oil. Fats and oils production is a big industry, representing about 10 percent of the income of farmers, and when the price of fats and oils drops 10 cents a pound the farmers lose a billion dollars in farm income.

Production in recent years has increased most rapidly. For instance, back in 1919 we were producing inedible tallow and grease at the rate of one-half billion pounds per year. By 1934, production had risen to a billion pounds for the first time, and now we are producing at the rate of 2 billion pounds a year. Meanwhile the demand for tallow and grease is decreasing in the United States because of a new method of producing glycerin from petroleum instead of from tallow and grease, plus the ever-increasing manufacture of chemical detergents, which displace soap in many fields. This cuts into the demand for tallow and grease and is adding to our surplus of these materials.

To illustrate the extent of detergent competition, I quote from the New York Journal of Commerce, issue of January 20, 1949, regarding a meeting of 1,000 chemists of the Philadelphia section of the American Chemical Society. These chemists reported that new synthetic detergents can now compete with soap powders for almost every use in both hard and soft water. They said:

> Total production of synthetics in 1948 for all uses was about 270,000,000 pounds. In a few years consumption may reach 300 to 350 million pounds. These figures are for a 100-percent active material, and on a dilute basis will be in excess of 1,000,000,000 pounds per year. Synthetic detergents used in the household field accounted for 20 to 25 percent of all package soaps during 1947. This compares with 2 percent in 1945 and 9.5 percent in 1946.

Lard is also struggling for favor in our domestic market but has lost much of its former position in recent years to the more popular vegetable shortenings. Thus we are quite dependent on foreign markets in which to move our lard, and on occasion we have watched lard go to our domestic soap companies for inedible use in soap manufacturing when the export controls were too tight and domestic lard prices fell to inedible levels.

Before the war we could safely carry a larger surplus of storage stocks of fats and oils of all kinds because we could always turn to the world market with our products if we could not get a fair price from domestic buyers. Today we have no such opportunity except for restricted amounts, so when we get a surplus of only several million pounds of material we find ourselves getting into very serious trouble.

However, our surplus of animal fats and oils has been heavy for the past year. Storage stocks of inedible tallow and grease during 1948 averaged considerable over 300,000,000 pounds compared with 200,000,000 pounds which the Department of Agriculture estimates is the maximum amount needed to keep the pipe lines filled for domestic uses. Bureau of Census figures revealed that there were 244.8 million pounds of inedible tallow and grease in storage on January 1, 1948, but instead of getting an export allocation sufficient to reduce these stocks down below the 200,000,000 level, the Department of Agriculture misjudged consumption and production so that by April 1, stocks had climbed to 299.9 million pounds.

Then the situation went from bad to worse. By July 1 stocks had soared to 323,000,000 pounds and by August 1 to 365,000,000 pounds, while the price per pound was driven steadily downward. By October 1 the storage stocks were reduced to 324,000,000 pounds by increased exports, but the price kept tumbling just the same due to the tremendous surplus still existing. The January 1, 1949, storage stocks have not yet been released by the Census Bureau but undoubtedly they will show a sizable surplus.

As early as last June the animal fats and oils industry was in distress and asked the Government to relax the controls. Such petitions were followed up and submitted again and again as the situation became more critical, and even now that the whole price structure has been demolished, the Government appears to be giving only token consideration to decontrol.

Decontrol at this late date may be insufficient to correct much of the injustice that has been done. World demand for fats and oils is potentially unlimited but is greatly restricted by a shortage of dollars. Thus we are doubtful that the higher prices in the world could long prevail in view of the amount of surplus material in this country. We have been told repeatedly in the past few weeks by various export control officials that demand for inedible tallow and grease abroad is much reduced and that we would not gain much by the decontrol of fats and oils, particularly inedible fats and oils.

Under these circumstances we can see no need or justification to continue the export controls on animal fats and oils and we believe all fats and oils should be deontrolled by an amendment to the Export Control Act of 1949. We most earnestly hope that this committee will give its support to such an amendment.

If for any reason the committee should conclude that it is unable to decontrol a particular commodity or group of commodities by con-

gressional action, then we ask that you give consideration to a requirement that the Government agencies place fats and oils under general license to Western Hemisphere countries and to European nations participating in the Economic Cooperation Administration, to the extent that export of fats and oils equals the imports of fats and oils during any quarter and any calendar year. One of our difficulties today is that our Government permitted imports last year to exceed exports by about 470,000,000 pounds. Domestic production in relation to domestic demand has increased to the point where we feel the American producer is entitled to the American market or its equivalent in exports.

In closing I would like to ask permission of the chairman to insert in the record of the committee a copy of a letter from W. S. Greathouse, president of Frye & Co., Seattle, Wash., to Secretary Brannan, and an address taken from the Congressional Record of January 27, 1949, by the Honorable Ben F. Jensen, of Iowa, entitled "Our Fats and Oils Problem Can and Must Be Solved." The letter from Mr. Greathouse and the material presented by Representative Jensen contains additional information which I believe should be brought to your attention in considering this matter of decontrolling fats and oils.

(The material referred to follows:)

Subject: Export of inedible tallow and grease.

JANUARY 21, 1949.

Hon. CHARLES F. BRANNAN,
Secretary of Agriculture, Washington, D. C.

DEAR SIR: This country produced a fabulous crop of corn, grains, and feed and our people are now in the process of utilizing these feeds in the finishing of animals. The result will be among other things an abundant supply of fats and oils. We now have an oversupply. Day after day bulletins on the west coast repeat the story that soapers and others who ordinarily buy inedible tallow and grease are "out of the market."

While we are turning this great feed reservoir into animal fats and oils and while people in other countries are anxious for our surplus or such fats and oils, we are for some reason, not clear to the writer certainly, prohibiting the export of such fats and oils to the peoples who could use them and who are willing to pay for them. We are advised that Canada is pursuing a more enlightened policy and that meat packers not over 120 miles from our plant are able to realize from the inedible tallow and grease from their production considerably more per pound than we are due to the fact that Canada permits export of the product.

Can it be that we have heard the cry from the consumer so long of high prices that we are unwilling to read the daily declining markets on hogs and cattle? The uncertainty in the fats and oils market is contributing to the uncertainty in the livestock situation.

We respectfully suggest that it is the duty of the Department of Agriculture to exert every influence toward the lifting of export controls on inedible tallow and grease so that the market may be stabilized.

Respectfully yours,

FRYE & CO.,
W. S. GREATHOUSE.

OUR FATS AND OILS PROBLEM CAN BE AND MUST BE SOLVED

Mr. JENSEN. Mr. Speaker, I call to the attention of the House a matter that affects every section of the United States and gives you an illustration of how delegations of powers to the departments of Government can be misused either through ignorance or deliberate intent.

Congress was asked to give the different departments of Government the power to control and allocate exports of various products. Among these products are fats and oils, produced from farm products in the United States. The importance of our fats and oils cannot be overestimated in thinking of national prosperity.

Mr. Carl H. Wilken, economic analyst of the Raw Materials National Council, through his studies of our national economy has revealed the fact that each $1 of gross farm production generates $7 of national income. Our production of fats and oils—butter, cottonseed oil, linseed oil, corn oil, soybean oil, peanut oil, tung oil, lard, tallow, and greases approximates 10,000,000,000 pounds per year. Our annual production of fats and oils therefore is very important in our national economy. For each 10 cents per pound there is involved $1,000,000,000 of gross farm income and $7,000,000,000 of national income.

Fats and oils are the concentrated food product from much of our farm production. A pound of fat contains 4,080 calories as compared to 1,260 calories in a pound of lean meat. It is the most highly concentrated form of food to create human energy.

Using the control which we, the Congress, as a body gave them, the various departments have permitted the imports of fats and oils from world supplies. At the same time they have curtailed the allocations for exports to the extent that supplies have accumulated in the United States and have depressed the price. All told our imports were approximately 470,000,000 pounds greater than the exports which they permitted, even though we have this great surplus of fats and oils.

As a result of these indirect OPA tactics the price of lard in the past 12 months has dropped from 28 cents per pound to 14.5 cents. Other fats and oils have dropped in proportion. The packer knows when he buys hogs, cattle, and sheep that he will take a loss of at least 12 cents per pound on the lard and tallow, so to make up this loss he must charge several cents more per pound for the meat.

The effect can be easily estimated for different sections of the Nation. For example, the estimated cottonseed-oil production from the 1948 cotton crop will approximate 1,650,000,000 pounds. Because of the price reduction of approximately 15 cents per pound the farmers of the South will lose approximately $250,000,000 if we permit this control to continue.

In the case of tallow, a part of a fat corn-fed steer, the price has been forced down to a price below that established under the days of the old OPA. In fact the prices of all these fats and oils are rapidly reaching OPA levels.

As Members of Congress we should all realize that if we are to meet the President's budget request of approximately $45,000,000,000, that we must maintain a high national income. What right have we as a body to permit the different departments of Government to destroy the very income we need and to destroy our primary income from agriculture.

In my opinion there is no excuse for for this situation. Europe is being rationed at the rate of 1 pound of edible fat per month or about one-fourth of our domestic consumption. Fats are the cheapest form of calories and the most vital for building up human energy. Yet here we find ourselves deliberately buying up world supplies, and refusing to permit Europe to have the necessary fats for a good diet because some bureaucrat is missing powers which we have voted. Here is one place where the reciprocal trade treaty is beginning to hurt and hurt badly.

Under the circumstances I feel that the Congress should notify these departments to make increased allocations at once and that when legislation to renew these powers comes before this body we refuse to extend this control over the exports of fats and oils and misuse of authority. Congress in granting these powers did not intend that it should be used as price control.

In order that you may rest assured that various groups called this matter to the attention of those in control, I would like to insert in the RECORD as a part of my statement an analysis made by our friend Carl H. Wilken for the Western States Meat Packers Association, Inc. This analysis was presented to the Fats and Oils Branch of the Production Marketing Division on August 30, 1948. Therefore the blame rests directly upon the departments in charge. It looks as if it requires direct action by this body to remove this world monopoly over fats and oils which we have permitted through legislation.

If we wish to have meat production in the United States then we must prevent the penalty of low prices for fats and oils which curtails the feeding of livestock.

Our farmers and leading farm organizations are greatly concerned about this matter and they are insisting that it be corrected, and rightly so. Here is a letter from Mr. Howard Hill, president of the Iowa Farm Bureau, which I will also read to the House:

IOWA FARM BUREAU FEDERATION,
Des Moines, Iowa, January 21, 1949.

Hon. BEN F. JENSEN,
House Office Building, Washington, D. C.

DEAR BEN: The farmers of Iowa are very much concerned over the decline in lard prices, which, as you know, is being reflected in the price of live hogs. Current prices have dropped as low as 13 cents a pound. The reason for this decline in the price of lard is, of course, the supply. The supplies of lard in cold storage January 1 were 112,000,000 pounds as compared with a 5-year average of 105,000,000 pounds on that date.

One of the reasons for the increase in supply is the lower export allocations. The allocations made thus far for the January-March quota amount to 72,000,000 pounds. In the same quarter a year ago, exports were 96,000,000 pounds. Revised United States Department of Agriculture estimates indicate that we will produce 683,000,000 pounds for this current quarter.

The members of the Iowa Farm Bureau board of directors have asked me to write and seek your support for additional allocations for the European relief program. Recommendations concerning ERP shipments are made by the Department of Agriculture to the Department of Commerce. It is our understanding that the Department of Agriculture has recommended higher export allocations, but as yet these recommendations have not been approved by the Department of Commerce.

At the present price, lard is a very cheap source of food. We feel that it is one of the best commodities the Europeans could purchase since they have a need for animal fats, and at this price I know of no commodity they could purchase to secure more food value for their money.

The per capita consumption of meat went down from 155.2 pounds in 1947 to 145.2 pounds in 1948. In the case of pork (including lard) the per capita consumption went down from 70.0 pounds in 1947 to 66.8 pounds in 1948. In 1939–41 average consumption of pork was 67.7 pounds per capita. The people want more meat and an increase in the exports of lard would encourage the production of hogs, which in turn would help relieve the grain situation when we run into a surplus grain problem.

I am calling this to your attention because we feel that the Department of Commerce may need some urging and because we feel that this is an opportunity to benefit both the recipients of the European relief shipments and the Midwest farmer.

If we can be of service at any time, please feel free to call on us.

With kindest personal regards, I am,

Sincerely yours,

E. HOWARD HILL,
President.

ANALYSIS OF LIVESTOCK SITUATION, FATS AND OILS PRICES—PRODUCTION AND POTENTIAL GRAIN SUPPLIES

(By Carl H. Wilken, economic analyst)

Mr. E. F. FORBES,
President, Western States Meat Packers Association, Inc.,
San Francisco, Calif.:

In making an analysis of the livestock situation and the relationship of fats and oils to the industry involves many factors, not only from the standpoint of production of meats but also the attitude of national economic policies that affect the industry in many ways.

The present situation of fats and oils in the general price structure presents a distorted picture when compared with the long range of price relationship between meat products and fats and oils. This distortion, in my opinion, is entirely the result of governmental controls over the exports and imports of fats and oils and the failure of those in charge to analyze all the factors that enter into a realistic allocation of fats and oils for export.

RATIONING OF FATS AND OILS

Legislation which gives the different departments of Government the power to control exports of fats and oils indirectly carries with it the power to ration supplies to other nations. Failure to make proper allocations of lard, tallow,

and other greases for exports can very easily increase the domestic supply sufficiently to reduce the price far below the normal price structure.

Too low a price for the fats and oils in turn affects all branches of the livestock industry, from the farm to the consumer.

For example, in August 1947, fats and oils reached a relatively low price as compared to the live cost of cattle and hogs. As a result, the packer in buying heavy or lard hogs reduced the price to the farmer as much as $8 per hundredweight. The farmer, in turn, having taken a loss on his hogs because of their weight, curtailed his productive efforts, with the result that hog numbers January 1, 1948, were back to 1939 levels.

Even though the packer was able to protect himself to some extent by lower bids for heavy hogs, he was forced to pass on some of the loss on lard and tallow to the wholesaler and retailer of meat.

This branch of the industry in turn being confronted with losses on the sale of fats and oils trimmed from the carcass, were forced to pass it on to the consumer in a higher price for choice cuts such as pork chops and hams. It is interesting to note that in the period from May 1947 through August 1947, as the price of lard in the Washington retail market dropped 10 cents per pound, the price of pork chops, increased 10 cents per pound. This relationship was recognized by the OPA in their ceilings on meat products. During the era of price control the price of pork chops was approximately double the price of lard.

NO ONE GAINED

No one benefited particularly from the rationing of fats and oils by the departments, with the possible exception of the soap industry which found it possible to buy relatively cheap fats for their soap products. Because of the buying power of the public the packer and retailer in most cases were able to pass on the loss on fats and oils to the consumer of meats. As a direct result the consumer has been forced to pay from 10–15 cents per pound more for steak, pork chops, hams, etc., than would normally be necessary. The packer, farmer, and retailer all were blamed for the high meat prices when in fact most of the blame should be placed directly on the unsound policies followed in making the proper allocations to maintain the price balance.

These departments will very likely state that they are not interested in the price, but by preventing exports and allocations they have controlled supply and indirectly the price, regardless of whether they intended to do so or not.

FUTURE SUPPLIES

In addition to the factors I have mentioned, excessive purchases of grains at critical periods in the market last year sent grain prices skyrocketing. Widespread publicity of the shortage of grain and high price resulted in the liquidation of millions of head of livestock. Numbers of cattle and hogs as of January 1, 1948 indicate that meat production for 1949 will drop back to approximately 19,000,000,000 pounds. This drop of over 4,000,000,000 pounds, from the production of 1945, 1946, and 1947 is a drop of approximately 18 percent. The drop in production will in turn reduce the per capita consumption to approximately 130 pounds as compared to 155 pounds in 1947.

Unless the departments adopt a realistic attitude toward fats-and-oils prices, permitting them to rise to a level which will induce the farmer to feed to heavier weights, we will have future shortages of both fats and oils and meat products.

To illustrate, if a program were initiated to induce the farmer to add 50 pounds to the weight of each hog marketed, the 40,000,000 spring pigs available for market in 1948 and the early part of 1949, we could increase our meat production—live weight—2,000,000,000 pounds. In the process of producing the additional weight we would have an increase in both meats and fats and oils. But, after the experience of the last few years, the farmer is not likely to feed for additional weight if the present dislocation in fats-and-oils prices as compared to meat continues.

FEED SUPPLIES

Present crop estimates indicate the largest supply of feed grains in history and the Nation could have the additional meat and fats by bringing the livestock and grains available together, the former as the factory and the latter as the raw material.

Unless such a program is brought into being, meat supplies will remain in short supply for several years. In fact, our expansion in livestock production has not kept pace with the increase in population since 1920.

In 1920 we had a population of 105,000,000 with a cattle population of 70,400,000, hog population of 60,159,000, and a sheep population of 40,743,000.

At the present time we have a population of approximately 145,000,000 with a cattle population of 78,000,000, a hog population of 55,000,000, and a sheep population of 38,571,000.

1948 MEAT PRODUCTION

It should be remembered that some of the 1947 and 1948 meat production was the result of liquidation of livestock numbers. With the large crop of feed grains and lower grain prices the tendency of the producer will be to replace some of the liquidation of livestock. In bringing this about breeding stock held back for expansion will reduce the marketable animals for 1949, thus decreasing meat production to that extent.

PRICE RELATIONSHIPS

In analyzing price relationships of fats and oils, hides and meat products to live costs, it should be borne in mind that the producer cannot segregate these items and in the feeding process must produce all of them. The attitude of the departments toward the fats and oils situation indicates that they look upon fats, hides, etc., as byproducts and seem to forget that when a steer is purchased at $40 per hundredweight that this also represents the cost per pound of tallow and hides. Any reduction that the packer or distributor must take below the live cost has to be added on to some other part of the carcass in order for it to pay out.

As a result of this fact the price of lard, tallow, and hides to break even should be somewhat higher than the average live cost. To illustrate, you will note the tabulation below as to the average live cost of cattle, the price of hides, and the price of tallow. In the case of tallow, the price in the period 1925–29 which I have used was somewhat lower than the live cost of all beef steers. The low tallow price was the result of competition from two factors, first, the imports of coconut oil, and second, the fats or greases rendered from many sources.

	Average price of all steers at Chicago	Price of hides at Chicago, heavy native	Wholesale price of tallow at Chicago
	Per hundredweight	*Cents per pound*	*Cents per pound*
1925	$10.16	15.96	9.7
1926	9.47	14.08	8.7
1927	11.36	19.28	8.1
1928	13.91	23.85	8.8
1929	13.43	16.98	8.5
Average	11.66	18.03	8.7

Using the 1925–29 prices as an index of 100, a comparison with live cost for 1947 of $25.83 per hundredweight for all beef steers, the increase was 121 percent. On this basis the average price of tallow in 1947 should have been 221 percent of the 1925–29 average or 19.2 cents per pound. It happens that this checks exactly with the average price in 1947 as given in the Fats and Oils Situation (BAE) for January–April 1948.

Applying the same index to hides, the average price of heavy hides at Chicago in 1947 should have been approximately 40 cents per pound.

The average price of cattle in the week ending August 21 at Chicago was $34.78 per hundredweight. This is approximately an increase of 200 percent from 1925–29 averages. At this price level, tallow should sell for 26.1 cents per pound and hides at 54 cents per pound.

The current price for prime inedible tallow is approximately 13.5 cents per pound and heavy hides 29 cents per pound. The loss on these two items, as compared to present live costs, is approximately $22 on a beef which has a live weight of approximately 950 pounds and a beef carcass of 500 pounds.

Marketing specialists in the United States Department of Agriculture estimate the suet, cod, and shop fat at 10 percent of carcass weight. Deducting this from the carcass weight of 500 pounds, it leaves 450 pounds of meat. Deducting from this an estimated shrink and waste of 10 percent, the 500-pound carcass has 400 pounds of salable meat.

To absorb the loss of $22 from too low a comparative price on hides and tallow, the mark-up on the salable meat must be approximately 5.5 cents per pound. A choice beef carcass will yield roughly 25 percent of steak or 125 pounds. If the loss is recovered from a mark-up in the price of steak it would require an additional charge of 17.6 cents per pound.

In newspaper accounts of high meat prices steak is usually used as an illustration. The news items, however, do not point out that rationing of fats and oils and relatively low prices for fats and hides, as compared to live costs, are responsible and that the packer or the retail butcher is being unjustly criticized for highjacking the public.

HOG PRICES

A similar condition exists in the relative price of lard, live costs of hogs, and retail prices. The tabulation below gives average hog prices and lard prices in the period 1925–29.

	Average hog prices at Chicago	Average lard prices at Chicago [1]
	Per hundredweight	*Cents per pound*
1925	$11.81	17.9
1926	12.34	16.9
1927	9.95	13.7
1928	9.22	13.3
1929	10.16	12.9
Average	10.70	14.9

[1] Refined lard, wholesale.

In 1947 the average price of hogs at Chicago was $24.45. This represented an increase from the 1925–29 average of 129 percent. The price of lard to maintain the relative price to live costs in 1925–29 should have been 34.1 cents per pound.

The average price during the year 1947 was 25.6 cents per pound. Live costs at Chicago the week ending August 21, 1948, averaged $27.48 per hundredweight or 156 percent above the average of 1925-29. Current prices for refined lard should be 38.1 cents per pound. The current price is approximately 18 cents. In other words, the packer, wholesaler, and retailer must absorb a loss of 18 cents per pound on lard at present market levels.

Lard production (average 1942–46) is approximately 20 percent of total pork production. On this basis a good butcher weighing 250 pounds and dressing 178 pounds would yield 35.6 pounds of lard.

With the present price relationship between live costs and lard, the packer loss on lard is approximately 20 cents per pound or $7.12 for each 250-pound hog. This loss is passed on to the consumer in the sale of the dressed carcass weighing approximately 150 pounds after deducting the lard. The loss of $7.12 spread over the total salable meat is approximately 5 cents per pound if allowance is made for cutting shrinkage.

The loins and bacon combined represent approximately the same weight as the lard part of the carcass. With lard selling at a loss of 20 cents per pound, to make up this loss a similar number of pounds of pork chops or bacon or ham, bacon and pork chops must be sold at a higher price level. As I have pointed out, the price of pork chops advanced in direct ratio to the drop in lard prices. With pork chops or pork loins representing about 16 pounds of the carcass from a 250-pound hog, it is evident that about one-half of the loss is passed on in this way. The rest of the loss must be recovered from higher prices for hams, bacon, etc.

SUMMARY

Summarizing the effect of the price dislocation, no one has gained as the result of it, with the possible exception of the soap industry, which has had the advantage of cheap fats for their industry. The consumer has paid for the lower lard prices, the advance in choice cuts of meat having been used to offset the relatively low lard price.

The principal result has been to discourage the producer in feeding to heavier weights, thus curtailing the production of both fats and meat products. In addition, the farmer has suffered a direct financial loss. This loss can be quite accurately determined.

For example, if he markets 220-pound hogs at $30 per hundredweight, the approximate price in July for that weight, he receives $66 per head. In July the heavy hogs, 360 pounds, sold for $24.50 on the Chicago market and the farmer received $88.20, or an increase of $22.20 for the additional weight of 140 pounds. For this additional weight he received 15.85 cents per pound as compared to $30 per hundredweight for the hog sold at 220 pounds.

His comparative loss is approximately $22. This penalty for weight is not a good incentive for either the production of meat or fats and the shortage which has developed will continue.

That the price differential is entirely the result of too low a price for lard is revealed by heavy-hog and light-hog prices for the years 1925, 1927, 1929, and 1943 (OPA ceilings).

	Prices at Chicago	
	Heavy hogs, 330 to 360 pounds	Light hogs, 200 to 250 pounds
	Per cwt.	*Per cwt.*
1925	$12.19	$12.23
1927	10.16	10.45
1929	10.29	10.52
1943	14.41	14.66
1948 (July)	24.51	29.66

The record indicates clearly that there is no great differential if lard prices are in proper ratio. This price balance has been upset by the unwise rationing of fats and oils to the extent of depressing the price.

RECOMMENDATIONS

The various departments should provide for larger allocations of tallow and lard for export. Fats are a very much needed food in Europe and represent an economical food. Fat is a highly concentrated food and there is no cost of freight for water content such as we have in meat, fruits, potatoes, etc.

In my opinion a supplemental allocation of 100,000,000 in the third quarter of 1948 would have corrected the price situation. Proper allocations should be made in the fourth quarter to restore the historical price balance which is an entirely natural one.

With a proper price ratio for fats, etc., to remove the penalty for weight, the producer should be encouraged to feed to heavier weights, thus overcoming some of the present shortage of fats and meats.

The estimated corn crop of 3,500,000,000 bushels can be turned into fat and meat, the only process we have to get increased production. Unless such a course is followed high meat prices and a shortage of fats and meat will continue and the stocks of corn will pile up as a surplus stock of raw materials for meat and fat production.

The CHAIRMAN. Let me ask you one question. I understand this snow storm we have had out west is going to make available more fats and oils from the carcasses, is that right?

Mr. LILJENQUIST. From the carcasses, and to the extent that we can afford to go out and gather them up.

The CHAIRMAN. What was that about fats and oils being decontrolled; is that satisfactory?

Mr. LILJENQUIST. That is, only in part.

The CHAIRMAN. What else can we do?

Mr. LILJENQUIST. Animal fats and oils include lard and lard is the most important of the fats and oils.

The CHAIRMAN. I am asking for the——

Mr. LILJENQUIST. We produced 2,600,000,000 pounds in the 12 months ending last June 30, which is a little more than a third of all edible fats and oils produced.

The CHAIRMAN. How much of that was over last year?

Mr. LILJENQUIST. 2,360,000,000 was the production.

The CHAIRMAN. How much of that is over the previous years?

Mr. LILJENQUIST. Oh, the previous year we had 2,186,000,000 pounds.

The CHAIRMAN. How much surplus?

Mr. LILJENQUIST. We have storage stocks at the end of this calendar year of 112,000,000 pounds.

The CHAIRMAN. That is not much out of 2,000,000,000.

Mr. LILJENQUIST. No.

The CHAIRMAN. Why should it decline so?

Mr. LILJENQUIST. The reasons that fats and oils have declined are——

The CHAIRMAN. I am talking about lard.

Mr. LILJENQUIST. Lard, too.

The CHAIRMAN. Because if the production has been 2,360,000,000 pounds, and you only got 112,000,000 pounds in storage, where is the other surplus?

Mr. LILJENQUIST. Our problem, Senator Maybank, on lard and a lot of other fats and oils——

The CHAIRMAN. I am merely talking about lard. Fats and oils have been taken off. You say you have a production of 2,360,000,000 pounds, and you have a small surplus of 112,000,000 pounds?

Mr. LILJENQUIST. No; it is not a tremendous surplus.

The CHAIRMAN. Why does the price go down so much?

Mr. LILJENQUIST. The price goes down under a control program when you know, and domestic buyers know, that only so much of the product can be exported, and that they can sit back and buy the balance at whatever price they choose to give.

The CHAIRMAN. How much has lard gone down?

Mr. LILJENQUIST. About this time last year it was 27 cents a pound, and that was for prime steamed lard. Today it is under 14 cents a pound.

The CHAIRMAN. Do you not think they know that prices are going down if there is a surplus?

It appears that if you produce 2,360,000,000 pounds of lard, and you only have a surplus in stock, as you say, of 100,000,000 pounds——

Mr. LILJENQUIST. 112,000,000 pounds.

The CHAIRMAN. 112,000,000 pounds. That is 5 percent, approximately. And the price has gone down over 100 percent and as you say, these producers or consumers have gotten together and sit back and buy it at their own price; did I understand you to say that?

Mr. LILJENQUIST. Not quite, Senator Maybank. Lard has fallen down, in the decline of fats and oils, with the other fats and oils.

The CHAIRMAN. All fats and oils have been declared as decontrolled, except lard.

Mr. LILJENQUIST. Yes.

The CHAIRMAN. I am just trying to find out why the lard price should go down a hundred percent, and yet the surplus is only 5 percent. That does not make sense in arithmetic.

Mr. LILJENQUIST. No, Senator Maybank, that does not make sense, but that is on goods under a control program. We could not carry the surplus we could during the war.

The CHAIRMAN. You have no surplus. It is only 5 percent.

Mr. LILJENQUIST. In our lye business it is so related to the others on which there is a surplus that lard is carried down with it.

The CHAIRMAN. Have they agreed on prices?

Mr. LILJENQUIST. No, sir; lard is presently purchased in America by the bakeries and there are so many of them there cannot be an agreement on that.

The CHAIRMAN. I cannot figure that out, but you can go ahead.

Senator BRICKER. Do you include in your 112 million pounds of surplus the inventories that are carried at the present time of all of your processing firms, or your retail consumers that buy it up?

Mr. LILJENQUIST. Yes, sir; it does include the total inventory stocks that are available in the warehouses.

Senator BRICKER. In warehouses? And has there been a heavy buying of lard recently because of the decline in prices?

Mr. LILJENQUIST. No; as a matter of fact, not as much as you would suspect. It seems that the American consumer has been won over pretty well to the vegetable shortening, such as Spry and Crisco, and they have been a more stable product and we have to look to foreign demand for a good part of our lard business.

Senator BRICKER. Has there been heavy foreign buying of lard?

Mr. LILJENQUIST. No very. The allocations for export have, to some extent, been restricted.

We feel, also, Senator, that the shortage of dollars abroad—while there is a great potential demand abroad, it is so restricted by dollars available to purchase it, that if edible fats and oils along with the inedible fats and oils were decontrolled, that there would not be a serious drain of fats and oils from this country.

I can point to the case of hides. About 2 years ago, over a 6 months' period, there was not a single hide permitted to be exported from this country.

After a 6 months' period, we saw our hides stacking up and not a single hide permitted to be exported because it was said if they were permitted to be exported or decontrolled, then hides would drain off. We found that the price fell from 27 cents to 14 cents—very similar to our lard situation.

The CHAIRMAN. Do you think that without these controls on the other fats and oils that it will be of any assistance to you?

Mr. LILJENQUIST. Yes; we think it is a very encouraging step. It should have been taken several months ago.

The CHAIRMAN. Yes; I agree with you.

Mr. LILJENQUIST. But in the case of hides, it was found that the man who was governing the export control on hides was a $1-a-year man from St. Louis, and an employee of the International Shoe Co.

The CHAIRMAN. When was that?

Mr. LILJENQUIST. That was 2 years ago.

The CHAIRMAN. Under the OPA?

Mr. LILJENQUIST. Under the CPA, and as a result there was a substantial export quota given to hides. They moved out to foreign markets to some extent, not extensive, and the Government found they could take off control of hides, which it did in May 1947, and the price moved back up from 14 cents and has been 27 or 28 cents ever since, which, in relation to the animal, is in line with the historical relationship between hides and meat.

Senator CAIN. Evidently, some of the people in the Department have been trying to get you away from the discussion on export.

On page 2 you refer to "persons." Who are these persons? These are persons you say, who do not want to be bothered with decontrol.

Mr. LILJENQUIST. Those people are principally in the Fats and Oils Branch of the Department of Agriculture and the Office of International Trade. There are individuals in both of those Offices who feel that their controls are too restrictive. One of the things that has been changed is that agriculture only had the authority to recommend exports and they had to be O. K.'d by the Commerce Department, and we have found people in commerce who have been most conservative in their desire to keep the stocks in this country built up for domestic use, and that is the thing that has hurt us and driven our prices down.

Senator BRICKER. How does your surplus at the end of this year correspond to your surpluses in the years past?

Mr. LILJENQUIST. Well, at the end of June 1947—the end of the fiscal year, June 30, 1947—we had on hand stocks of lard of 316,000,000 pounds.

Senator BRICKER. It would seem that your price ought to hold up now if you do not have a surplus more than one-third of what you had at the end of 1947.

The CHAIRMAN. That is what I do not understand. They have no surplus. It must be a regulative market.

Mr. LILJENQUIST. The only reason for that is back at that time the demands for all fats and oils was much greater and they are so interrelated with the other fats and oils——

Senator BRICKER. It follows the other market.

Mr. LILJENQUIST. It follows the other market. It is driven down along with your cottonseed oil and peanut oil.

The CHAIRMAN. What is lard?

Mr. LILJENQUIST. Lard is rendered from pork fat.

The CHAIRMAN. There is a tremendous surplus of hogs, sir.

Mr. LILJENQUIST. Yes; and the price will go lower.

Senator BRICKER. Surplus, you say?

The CHAIRMAN. Yes; I got it from Chicago the other day. This is a report from Chicago:

Meat consumers "have only benefited in part from much lower livestock prices" in recent months, a livestock market analyst reports.

H. M. Conway, in an article in the National Live Stock Producer, an industry trade paper, said that "with current retail prices of meat about the same as a year ago, it is quite evident consumers have only benefited in part from much lower livestock prices.

"Both wholesale and retail values have lagged greatly in getting down from last summer's peak. This delay, especially at retail, has greatly retarded the movement of meat into consumptive channels and has held consumer costs at a relatively high level as compared with the available supply for consumption."

Mr. Conway said the effect has been the same as a reduced demand, unduly depressing the livestock market, with the wider price spread between producer and consumer being absorbed by substantially increased processing and retailing margins.

He said "such price maladjustments between producer and consumer are expected to continue during the year, and to depress livestock values more than any general decline in consumer income or purchasing power."

Mr. Conway said "most of the curtailment in hog supplies for the first half of the year will be offset by increases during the second half." Any increase this year in feed cattle, he said, "is considered quite moderate and should be offset by reduced summer and fall marketings of pasture and range cattle."

As far as the hog supply is concerned, it is way over last year.

Mr. LILJENQUIST. You are right.

The CHAIRMAN. And corn was so high last year that a lot of people dispensed with their hogs and pigs. They fattened themselves and you could get more this year.

Mr. LILJENQUIST. The hogs are higher this year.

The CHAIRMAN. Yes. Down home you cannot sell them.

Mr. LILJENQUIST. This hurts the farmer.

The CHAIRMAN. Very definitely it all hurts the farmer.

Mr. LILJENQUIST. Because they get such a reduced amount for their animals.

Senator CAIN. At the same time with the price falling, why did they not permit you to ship more exportwise?

Mr. LILJENQUIST. We repeatedly went to the Department of Agriculture and asked for increased allocations. We got increased allocations.

Senator CAIN. But not commensurate with the production?

Mr. LILJENQUIST. Not commensurate with the production.

Senator CAIN. And you were always falling behind?

Mr. LILJENQUIST. Yes.

The CHAIRMAN. You have not had any increase in production?

Mr. LILJENQUIST. Last year the total pig crop was 88,000,000 pigs. This year they have estimated that the increase in the pig crop this spring will be 60 percent above what it was last year, when about 51,000,000 pigs were produced, and with all of this corn, if we can get any price at all for the lard, and the inedible tallow and the grease, the farmers would feed the heavier weights, and we could get a tremendous production and could go a long way toward supplying the rest of the world with this material.

The CHAIRMAN. That shows how things will change in 2 years. Two years ago they tried to limit the hogs to certain weights so they could use the feed for other things.

Senator BRICKER. And get more food.

The CHAIRMAN. Yes.

Senator BRICKER. This is a little out of your field, but the hog supply, rather than beef, dominates your market.

Mr. LILJENQUIST. That is presently true, since there is so much more of it.

Senator BRICKER. Let me ask you one other question. How do you define surplus? I cannot get through my head the relatively small surplus compared with your production.

The CHAIRMAN. Under the present price?

Senator BRICKER. Yes. What does surplus consist of?

Mr. LILJENQUIST. Surplus consists of whenever—I can illustrate it best with inedible tallow and grease and there are only a few buyers of inedible tallow and grease.

About three soapers buy all the tallow and grease in this country. Whenever we get over the 200,000,000 pounds which is the minimum needed for our domestic pipe lines—because once we get above that the amount that is exported is announced in advance and they know how much is left and they know our storage capacity as producers, how much we can hold on to, and so as it climbs above the 200,000,000-pound mark in the case of inedible tallow and grease, we have a surplus.

Senator BRICKER. Does the same rule apply to your 112,000,000 pounds of edible lard, for instance?

Mr. LILJENQUIST. To a lesser degree, since there are so many more buyers. But our trouble on fats and oils generally is the result of a policy of the administration today to build up surpluses while the price has been falling. It is such that today we are in very serious trouble on our fats and oils.

Senator BRICKER. Would your 112,000,000-pound figure represent your difference this year between your total domestic consumption and your total domestic production?

Mr. LILJENQUIST. On our lard we can make no case for decontrolling on the basis of the surplus.

Senator BRICKER. I do not mean that. I am trying to get how you arrive at this 112,000,000-pound figure.

Mr. LILJENQUIST. This 112,000,000 pounds in storage at the end of the year, I think the figure is about 105,000,000 pounds in the last 5 years as an average, so our stocks of lard are not what we call excessive, but our ability to produce is increasing. And we have got to look forward, if we are going to move our lard, and at a fair price, we are going to look forward to decontrol.

Senator BRICKER. Your future supply affects the price just as much as your surplus at the end of the present year?

Mr. LILJENQUIST. Yes, sir. If this problem of fats and oils is going to be solved, it has got to be solved by decontrol, because as long as we have controls on animal fats and oils, in view of our tremendous capacity in this country to produce, we are just going to be in price trouble.

Today, the price of inedible tallow and grease and the price of lard is below the OPA prices when price controls ended in 1946.

Senator BRICKER. It gets down pretty close to it.

Mr. LILJENQUIST. In the last 2 months the wholesale price of meat has fallen off 20 percent and that is much too fast for feeders.

Senator BRICKER. It has not been felt in the retail markets yet, but it will be.

Mr. LILJENQUIST. It will be.

Senator BRICKER. Mr. Chairman, the only comment I can make about this is that it seems we have heard the other side of this and it is a great testimonial to the productive capacity of the American farmer to meet the demand.

The CHAIRMAN. At the same time, it is a great punishment to the American farmer to have such low prices when he met this demand, and it is a great punishment to the consumers because it has not been reflected there.

Senator BRICKER. It has not been reflected in his market basket yet.

Mr. LILJENQUIST. The Department of Agriculture estimated that it will be about 10,000,000,000 pounds this year, and that is a tremendous production. Fats and oils are not a byproduct, as a lot

of people suppose. It is a major product which represents 10 percent of the farmer's income, and every time the price drops 10 cents a pound, it means a loss of $10,000,000 in farmers' incomes.

Senator CAIN. I do not understand your reference on page 4 that the Government permitted imports last year to exceed exports by about 470,000,000 pounds.

Mr. LILJENQUIST. The Government maintains that controls must be kept on because there is a world shortage of fats and oils. Yet last year they permitted the outside world to export into this country 407,000,000 pounds of fats and oils above what they permitted this country to export.

Senator BRICKER. Is that animal fat and vegetable fats?

Mr. LILJENQUIST. Both.

Senator BRICKER. How much of that was in animal fats?

Mr. LILJENQUIST. Almost all of that was the vegetable fats and oils which compete with our animal fats in soap manufacture.

A large part of that was coconut oil.

Senator CAIN. Your contention is to have a balance and to have a far greater export allocation which would not sell the American consumers short and the price within your industry would be more stable and somewhat higher?

Mr. LILJENQUIST. That is correct.

Senator BRICKER. Are coconut oils competitive with your oils?

Mr. LILJENQUIST. Yes; because the coconut oil can be edible or inedible. Most of it that comes in is used in inedible manufacture, but it carries along about the same price as the others.

Now, our recommendation to the committee is this: We would like to see the committee consider an amendment to the Export Control Act of 1949 which would exempt the export control from applying to fats and oils.

The CHAIRMAN. Would you amend that as long as the 5-year average of surplus is kept up?

If you just take it off, how do we know what will happen 2 years from now? We were talking about 2 years ago, when you had no surplus and you had no corn, and the Secretary of Agriculture wanted us to pass a law to limit hogs to 300 or 400 pounds. We asked him why, and he replied that if they got over that they would eat up too much corn.

Senator BRICKER. It was less important to feed it to hogs than to get it into the cereal market.

Mr. LILJENQUIST. Senator, we base our recommendation in the belief that while the foreign demand for oils is so great and the demand is so limited, in view of the total surpluses, we have none, so much on lard, but on the total over-all, we have a substantial surplus. Both the Department of Agriculture and the Department of Commerce will admit we have a surplus and if you decontrol them, the inedible as well as the edible, we wil not see a drainage of them to any great extent that will hurt us. We expect to see a firming of the market. Neither do we expect to see a skyrocketing market.

The world price on tallow and grease is 20 cents a pound. And the price in this country was 27 cents a pound. If you decontrol you will not see much change.

The CHAIRMAN. What is your price now?

Mr. LILJENQUIST. Our price on tallow today is 8 cents.

The CHAIRMAN. You said the war price was 20 cents, and last year it was 27 cents?

Mr. LILJENQUIST. Last year when our price was 27 cents the war price was 37 cents.

Today our price is 7 or 8 cents for tallow, and the war price is 27 cents.

But there is so little tallow moving that that price is not a real world price. As soon as we put our tallow and grease into the world market, that price is going to fall considerably, and we are not going to see any increase in the prices of tallow and grease of the fats and oils.

The CHAIRMAN. Here is a statement from the Department of Agriculture, just released.

Will you read that, please?

The CLERK (reading):

Supplemental export allocations totaling 105,000,000 pounds of edible fats and oils for the January–March quarter of 1949 were announced today by the Production and Marketing Administration of the United States Department of Agriculture. These allocations consist of 35,000,000 pounds each of cottonseed oil, soybean oil, and lard.

Department officials stated that the allocations announced today have been made possible by the availability of somewhat larger supplies of edible fats and oils than had been anticipated when the first quarter of 1949 allocations were determined. Production of lard and butter has been larger than expected, and domestic disappearance of edible fats and oils in general has been somewhat smaller. Specific information on domestic disappearance and January 1 stocks of edible fats and oils was made available by the Bureau of the Census on January 28. The increased availability of edible fats and oils makes it possible to meet more of the continuing needs abroad.

United States production of edible fats and oils for the current crop year ending September 30, 1949, is estimated to be about 550,000,000 pounds larger (7 percent) than the 7,170,000,000 pounds produced in 1947–48. Export allocations for edible fats, oils, and oilseeds issued to date for the period October 1948–March 1949 (including the allocations announced today) total 729,000,000 pounds, oil equivalent, compared with 425,000,000 pounds allocated during the corresponding period in 1947–48.

The following table shows in thousands of pounds, the distribution by countries, and type of procurement of the allocations announced today:

Country	Cottonseed oil	Soybean oil	Lard	Total
Cuba	[1] 1,000	[1] 500	[1] 3,000	4,500
Bizone, Germany	[2] 5,500	[2] 8,000	[3] 13,200	26,700
Italy	[1] 6,600	[1] 6,600	[1] 6,600	19,200
Austria	[2] 6,600	[2] 6,600	[4] 4,400	17,600
French zone, Germany			[1] 2,400	2,400
Netherlands		[1] 4,400		4,400
Canada	[1] 6,600	[1] 4,400		11,000
Philippines	[1] 500			500
Uruguay	[1] 880			880
Greece	[2] 2,200			2,200
United States commercial projects abroad	[1] 400	[1] 500	[1] 1,000	1,900
Contingency	[1] 4,720	[1] 4,000	[1] 5,000	13,720
Total	35,000	35,000	35,000	105,000

[1] Commercial.
[2] Production and Marketing Administration.
[3] ½ commercial and ½ Army.
[4] Army.

The CHAIRMAN. How does that affect you?

Mr. LILJENQUIST. That would be very good news.

The CHAIRMAN. That is the news I just received.

Senator CAIN. Did you know anything about this?

The CHAIRMAN. This was just done today, just released, it has not been given to the public yet.

Mr. LILJENQUIST. We believe that we have seen in the past 9 months that every time the industry became so alarmed about this situation that they got up to fight and do something about it, that in each one of those instances, some concession was made, and I think it is purely an attempt to keep the Government from decontrolling fats and oils.

Senator CAIN. Would you in your experience think that such consideration resulted from the appearance of your representatives before the Congress?

Mr. LILJENQUIST. It has.

Senator CAIN. That your representatives have appeared simultaneously with such actions?

Mr. LILJENQUIST. I could quote examples.

Senator CAIN. I was just wondering.

The CHAIRMAN. We have had examples of that in the last Congress.

Mr. LILJENQUIST. That is the second announcement today.

The CHAIRMAN. We may have another one tomorrow.

The hearing is now adjourned, until tomorrow morning at 10:30.

(Whereupon, at 5:10 p. m., the hearing was adjourned until 10:30 a. m., Wednesday, February 2, 1949.)

EXTENSION OF EXPORT CONTROLS

WEDNESDAY, FEBRUARY 2, 1949

UNITED STATES SENATE,
SUBCOMMITTEE ON SMALL BUSINESS OF
THE COMMITTEE ON BANKING AND CURRENCY,
Washington, D. C.

The subcommittee met, pursuant to adjournment, at 10:45 a. m. in room 301, Senate Office Building, Senator Burnet R. Maybank (chairman) presiding.

Present: Senators Maybank, Taylor, Fulbright, Sparkman, Robertson, Flanders, Cain, and Bricker.

The CHAIRMAN. Will the meeting come to order? I think the majority of the subcommittee is here.

The first witness is Mr. Milton R. Wexler, of the National Association of Steel Exporters.

I will ask Mr. Wexler if he will identify himself for the record, and proceed.

STATEMENT OF MILTON R. WEXLER, OF ROSOFF & WEXLER, NEW YORK CITY, LEGAL COUNSEL TO NATIONAL ASSOCIATION OF STEEL EXPORTERS, INC.—Continued

Mr. WEXLER. Mr. Chairman and gentlemen of the committee: On Friday of last week, following the testimony of Secretary of Commerce Sawyer and Under Secretary Loveland, of the Department of Agriculture, I offered at that time a statement of the National Association of Steel Exporters, Inc., which has been incorporated into the record as of the hearings of last Friday. A copy of that statement has been made available to you gentlemen this morning.

May I just add one brief remark to my statement in Friday's hearing. Since July 1940, this is the first time a bill on export control has come down for consideration which did include language concerning small business, and we are very grateful to those officials in the Department of Commerce, and perhaps to this committee, for the inclusion of that language.

The CHAIRMAN. Well, now, Mr. Wexler, for the record, just who is the National Association of Steel Exporters, Inc.; who are the board of directors—just for the record?

Mr. WEXLER. Mr. Chairman, I don't have that with me. That can be supplied to Mr. Parsons.

(The following was later submitted for the record:)

BOARD OF DIRECTORS OF THE NATIONAL ASSOCIATION OF STEEL EXPORTERS, INC., NEW YORK 7, N. Y.

Mauray I. Cohen, Harry Harris & Co., Kearny, N. J.
John H. Allen, Minford & Co., Inc., 120 Wall Street, New York City.
Benjamin Livingston, Livingston & Southard, Inc., 50 Broadway, New York City.
Jerome Siegel, Titan Industrial Corp., 51 Broadway, New York City.
Alfred Sonder, Liebermann & Waelchli & Co., 15 West Thirty-seventh Street, New York City.
E. Herzfeld, Wilkoff Steel Exporting Co., 150 Broadway, New York City.
Kurt Orban, Kurt Orban Co., Inc., 21 West Street, New York City.
Alfred Freudenheim, Alfred A. Freudenheim & Co., Inc., 61 Broadway, New York City.
George F. Howard, Pagel Horton & Co., Inc., 347 Madison Avenue, New York City.
Lad Landau, Mercantile Metal & Ore Corp., 60 Wall Street, New York City.
Arthur Lichtenstein, Isbrandtsen Co., Inc., Hokar Products Corp. Division, 26 Broadway, New York City.
Ralph Michaels, Hyman-Michaels Co., Chicago, Ill.
A. Perrish, Finkelstein Supply Co., Los Angeles 2, Calif.
Herbert Winter, Winter Wolff & Co., 76 Beaver Street, New York City.

The CHAIRMAN. You mean you don't have that?

Mr. WEXLER. No, sir; I don't have the corporate files with me.

The CHAIRMAN. The board of directors?

Mr. WEXLER. The board of directors comprises some 11 or 12 individuals, who are in turn employees of firms who are members of the National Association of Steel Exporters. The association itself is composed of some 37 export houses mainly on the Atlantic seaboard, with membership, however, in the Midwest and the far West.

The CHAIRMAN. Would these be small businesses?

Mr. WEXLER. Yes, sir. This is a very peculiar problem insofar as becoming definitive in small business is concerned.

The CHAIRMAN. I figured that from your remarks, in which you thanked the Commerce Department for including any language about small business. I gathered from that that you represented small business.

From your statement here, it is purely an export organization that you represent.

Mr. WEXLER. It is.

The CHAIRMAN. And, of course, any small business has had some difficulty because they do not have a large enough organization to have men in England, Germany, France, and what have you.

Mr. WEXLER. Only partly so.

The CHAIRMAN. Would you explain a little, for the record, your idea of that, because we were told small business did get a good deal of this business, particularly in steel, where voluntary allotments were made. We haven't touched on exports. On other exports, we have been told that small busines didn't fare as well as others on the allocations and on the voluntary agreements because of the difficulty in small business firms in having capital enough to have offices in these various countries. Would you mind discussing that?

Mr. WEXLER. Yes; I would be happy to.

Senator ROBERTSON. Could I make an observation?

The CHAIRMAN. Yes.

Senator ROBERTSON. I believe it is Sharpe & Dohme who publish a good many statements about their products. The integrity of the maker is an essential ingredient of every product.

Do you share my confidence in the integrity and the ability of the fair-mindedness of Secretary of Commerce Sawyer?

Mr. WEXLER. Yes, indeed.

Senator ROBERTSON. I think all students of the Constitution, Federal Constitution, agree that one of the inherent virtues of that great instrument was the fact that it covered general principles and did not try to go into too many details, and I feel that in drafting any law of general application we can be somewhat influenced by our knowledge of the type of man who is to administer it.

Do you agree with that?

Mr. WEXLER. I agree with that.

Senator ROBERTSON. That is all.

Mr. WEXLER. But, Senator, would you not also say that a man such as Mr. Sawyer, who is burdened with his Cabinet duties and over-all direction of an executive department, is hardly in a position constantly and personally to observe the administration of the law which he must of necessity delegate to administrative officials down the line?

Senator ROBERTSON. Well, I am not challenging your proposal that this bill ought to be tied down in some respects tighter than proposed. I am not fully conversant with what is involved in there. I just made a general observation.

Mr. WEXLER. In fact, Senator, if I may say so, I am so fully in accord with your remark that my statement with respect to the application of the Administrative Procedures Act would merely require a finding by the Secretary of Commerce that no question of rules was involved.

The CHAIRMAN. Any further questions, Senator Taylor?

Senator TAYLOR. No.

The CHAIRMAN. Senator Robertson?

Senator ROBERTSON. No.

The CHAIRMAN. Senator Cain?

Senator CAIN. No.

The CHAIRMAN. Senator Flanders?

Senator FLANDERS. I just want to get clear in my mind what I understand to be true. No members of your association are engaged in steel production or processing?

Mr. WEXLER. That is exactly correct.

Senator FLANDERS. You are 100 percent a merchant organization?

Mr. WEXLER. That is exactly correct.

Senator FLANDERS. All right.

Senator TAYLOR. What is happening, as has happened in so many other lines of business, the producers are setting up their own marketing organizations and leaving your membership out in the cold; is that it?

Mr. WEXLER. May I just develop that a bit, Senator?

You know, for quite a while the Department of Commerce was issuing validated licenses on positive-list commodities which were not being used, which were being wasted, because John Doe & Co. had the validated license, but he couldn't get the steel.

Now, the Department of Commerce, with that criticism from them, embarked on a program of letters of commitment in an effort to diminish and decrease the waste of these licenses. This theory of the Department of Commerce requires a steel exporter to submit to the

Department of Commerce a letter from a producer of steel together with his application for a license.

We have the official of the Department of Commerce in this room, now, who handles the steel section. I am sure that he will corroborate this fact, that these letters of commitments on a steel mill are not easy to get. The steel mill says, "You get an export license and we will give you all of the commitment." The Department of Commerce properly says, "You get all of the commitment and we will give you a license." Our people are caught in the middle.

Senator TAYLOR. Kind of a chicken and an egg proposition.

Mr. WEXLER. Yes, sir.

Senator CAIN. Does that system still prevail?

Mr. WEXLER. Yes, sir.

Senator CAIN. Still causing you as much trouble as it did some months ago?

Mr. WEXLER. Yes, sir.

Senator TAYLOR. We have seen much too often, during these boom times when it was a seller's market, small-business men, who have in times when the market was tough gone out and scratched around to find places to sell things, and, when it became possible for the producers of many different commodities to sell their commodities direct, they bypassed these people who had hunted markets on their own and didn't even give them a quota, you know, to keep in business.

Mr. WEXLER. That point is very well taken, Senator.

You know, Senator Homer Ferguson conducted hearings last September on export policies. At that time I pleaded in behalf of this merchant group; and at that time I remarked, without any contradiction, that the international trade of this Government has got to channel through merchant exporters.

Now, producers—and I am talking of steel—they have always concerned themselves primarily with the domestic market. True, they have been in some export, but the merchant exporter in steel is a second- or third-generation exporter who knows people in various countries abroad, who will package and mark the shipment, who will take an order for a small quantity, and who will generally extend himself to service the foreign importer. That is not true of the producers of steel. They have got to export in larger quantities. What we are trying and striving to do is to save this segment of American international trade. That is what we are trying to do, with no very great success.

Senator TAYLOR. Do you have any knowledge, Mr. Wexler, in your capacity as an attorney representing these exporters, of the problem that I sought information from Mr. Anderson about a while ago? I have read, as I say—I can't remember where—an article, or two articles or more, that we are refusing to ship certain commodities to eastern European countries. England, France, and Italy, while accepting our hand-outs, are taking over those markets that our businessmen formerly supplied. It is so serious in some cases that in machinery parts, for example, they cannot service machines that we have sold them in the past and get parts for them, so they are installing new machinery of English, French, or Italian make, and we will lose that market permanently.

Do you know anything about that?

Mr. WEXLER. I can say this: Belgian steel production is now substantially beginning to absorb the entire European market. The South American market, which has long been an American market, is now withering on the vine because of the shortage of dollars. Our people are caught in the dilemma of an available market with no dollars and a market abroad with dollars being supplied by Belgium. In fact, to the point where substantial tonnages of Belgian steel are coming into this country, or were until the supply situation began to loosen in recent weeks.

Senator TAYLOR. But you have no knowledge of the eastern European situation where you have lost markets because of restrictions, and those markets are now being supplied by England or France or Italy or Belgium?

Mr. WEXLER. No, sir.

Senator, I would like to make mention of this section 4 of the proposed bill, and I would like to point something out on the record for the consideration of the committee.

You know, in steel you have a producers group and they are big business, and you have our group, and we are small business in relation to the producers. And there are certainly more of our people than there are producers. For that reason the text of the bill, as proposed in our statement, asks for equal treatment as between producers and merchant exporters.

Now, it may well be that there are some commodities produced in this country for export which have always been handled substantially by producers with a very small modicum of exporters in the picture. If that be the case, and if we get language which looks toward equal treatment across the board, it might conceivably do harm to producers of a certain commodity who have long enjoyed historically 99 percent of the export trade.

I do have a suggestion to make, if I may: If it should appear that the use of the language "equal treatment" in section 4 (b) is impossible of administration, then we would ask that this committee substitute the words "equitable treatment" in section 4 (b). But if that be done, and in order to protect our people with respect to what does equitable treatment mean, we would then ask that the standard or criterion to be used under 4 (b) be made expressly subject to the provisions of section 4 of the Administrative Procedures Act.

Senator CAIN. You seem to be mostly concerned, Mr. Witness, with a continuing distinction of licenses. It is your opinion, is it, that steel production being what it is today, that it no longer should be required to have export license?

Mr. WEXLER. No, sir; I haven't said that.

Senator CAIN. I am probing without prejudice what you are really thinking with reference to this organization which you represent. You do agree, and I think your statement said that with reference to the distinction of any product there is sufficient reason to have distinction of export license but you want considerably more freedom in the export of steel today than you have had in the past.

Mr. WEXLER. There are two things I want that I feel we are entitled to.

Senator CAIN. All right.

Mr. WEXLER. May I take them in turn?

Senator CAIN. I wish you would.

Mr. WEXLER. No. 1: The authority granted by this proposed law is as complete and overriding as any authority I know of in any independent or executive agency. We have great reliance on Secretary of the Commerce. All we ask for is that we have a little more definitive language in the statute. With that definitive language we can then go to the officials who may be trampling upon the intent of the statute and point out this language. That is point No. 1.

Senator CAIN. I see.

Mr. WEXLER. Point No. 2: My statement talks about ample stocks of steel now coming into being. Gentlemen, it is so. In the press in the last week, of which I have copies now, Mr. Olds and Mr. Grace are quoted as saying that the market is loosening. Now, when gentlemen like Mr. Olds and Mr. Grace say that the steel market is loosening, and they have to sell and commit their mills to a program of 4, 5 and 6 months in advance, they are being most conservative when they say that the market is loosening today because, in fact, it was probably loosening 5 or 6 months ago.

Senator CAIN. You are in a practical sense concerned with, say Belgium's production in a market which used to be an American market?

Mr. WEXLER. Correct.

Senator CAIN. And you therefore want every available opportunity for competing in that market?

Mr. MEXLER. Exactly.

Senator CAIN. Then you don't think under present procedures you are getting the opportunity to which you are entitled?

Mr. WEXLER. We cannot. No, sir.

The CHAIRMAN. What about little business, how are they faring in this as compared with big business?

Mr. WEXLER. Well, the Department of Commerce wrote us some months ago and they said:

> Gentlemen, as between 1937 and 1946, according to our statistics, our merchant exporters got 40 percent of the commercial exports, and the producers got 60 percent of the commercial exports.

The CHAIRMAN. You use the word "your." What do you mean by that, the people you represent?

Mr. WEXLER. Yes, sir.

The CHAIRMAN. Would that be a fair proportion, do you think? I am just asking for the record.

Mr. WEXLER. I am here to fight a battle for small business, where nothing is fair other than equal-equal, 50–50, and if we can't have it in the statute as 50–50, let's change that section and make it subject——

The CHAIRMAN. I am as interested in small business as you are. I just want to get the record straight. You said a while ago that you had some comment to make on the thought of these small businesses not having representatives in Europe? Would you summarize that in just a few words?

Mr. WEXLER. Yes, if I may.

Obviously, a small-business man cannot employ agents all over the world.

The CHAIRMAN. That is right.

Mr. WEXLER. We know that producers can.

The CHAIRMAN. That is right.

Mr. WEXLER. But let's go a step further. I am the one and only spokesman for all of these merchant exporters of steel with the Government. The producers can employ and do employ able counsel in Washington.

The CHAIRMAN. They can afford to do it. The smaller firms can't.

Mr. WEXLER. In line with the remark about Belgium——

The CHAIRMAN. Don't forget to send us the names for the record.

Mr. WEXLER. The names of the board of directors and their firms, if you wish.

The CHAIRMAN. Yes, sir.

(The information requested will be found in the files of the committee.)

Senator FLANDERS. Could you also put into the record the percentages of export taken by your group and by the producers over a longer period of time, up and including the years since 1946, the present war conditions, say, from, well, from the bottom, 1932 on up until the present time?

Mr. WEXLER. There has never been made available to us any figures other than the second quarter of 1948 and the fourth quarter of 1948. We have no way of getting figures other than asking for them from the Department of Commerce.

Senator FLANDERS. Does not the Department of Commerce publish the total steel exports for each year? Do you not know your own exports for each year?

Mr. WEXLER. No, sir.

Senator FLANDERS. You haven't accumulated your own figures?

Mr. WEXLER. No, sir; we do have the ratio as between merchant exporters and the producing mills to the over-all tonnage for a quarter.

The CHAIRMAN. Senator, I might say that Mr. Sweeney is here from the Department, and he has a release which the Department made today, which may be of some benefit to our friend. Perhaps maybe he can answer that question.

Senator FLANDERS. I think it would be useful to get those figures, if we can get them.

The CHAIRMAN. If you are finished, I will ask Mr. Sweeney to testify.

Mr. WEXLER. I would like to say there has been submitted a chart which we prepared, indicating the decrease within the year 1948 as between the second quarter and the fourth quarter on these commodities. I would be happy to make these available. They are right here.

The CHAIRMAN. Now, are there any other questions of the witness?

Mr. WEXLER. I would like to make one more remark with respect to the distinction problem in answer to your question on Belgium.

We have taken the position that the Marshall plan, yes; foreign policy, yes; national security, yes. But steel is being licensed restrictively on a distinction basis to South America, country quotas are being set up there. We see no reason why the Department of Commerce cannot properly regulate exact country distinctions for western Europe because of the transshipment problem to eastern Europe and because of the Marshall plan requirements for certain countries, but give us freedom in South America instead of telling us we can ship X-number of tons to Chile, Y-number of tons to Paraguay,

when these countries don't have the dollars to buy it, anyway, and the license authority is meaningless.

Senator CAIN. We will ask that question of competent witnesses on the Government's side, when they appear.

The CHAIRMAN. Is there anything else you have?

Mr. WEXLER. No, sir; I would like to thank the committee.

The CHAIRMAN. I would ask Mr. Sweeney to take the stand. I understand you have a release that the Commerce Department is issuing that has to do with this testimony, and perhaps you may answer Senator Flander's question. I think Senator Cain had something, too.

Would you mind giving your name, Mr. Sweeney?

Mr. SWEENEY. My name is Wilson Sweeney. I am Acting Chief of the Metals and Minerals Branch of the Office of International Trade, Department of Commerce.

The CHAIRMAN. All right.

STATEMENT OF WILSON SWEENEY, ACTING CHIEF OF THE METALS AND MINERALS BRANCH, OFFICE OF INTERNATIONAL TRADE, DEPARTMENT OF COMMERCE

The CHAIRMAN. Mr. Sweeney, I was told there was a release from the Commerce Department in connection with steel, and I would appreciate very much if you would read it for the benefit of the committee. Am I correctly advised?

Mr. SWEENEY. We don't have any release of that nature.

Shall I say that we went over Mr. Wexler's testimony and we prepared a few comments on certain points of it that I thought required some elucidation.

The CHAIRMAN. Did I not understand that there were some things that you were going to do or had done in connection with his testimony, that might be of some benefit?

Mr. SWEENEY. We have been working along the same lines that Mr. Wexler has pointed out, the dollar shortages abroad, the question of the rising exports of steel from European countries which Mr. Wexler mentioned.

The CHAIRMAN. Do you agree with Mr. Wexler on those things.

Mr. SWEENEY. I agree with a number of points made by Mr. Wexler. There are some places where I find myself in disagreement to a question of degree.

The CHAIRMAN. You agree with some things that he said?

Mr. SWEENEY. Definitely.

The CHAIRMAN. You are working toward an end to correct those things?

Mr. SWEENEY. We are endeavoring to correct the errors wherever we can find them.

I might give an example of that, if I may. We have recently made much more use of the blanket license in steel exports than we did previously. For the benefit of the committee I would like to explain that under the individual license a particular transaction is approved between an exporter and a given importer in a particular country. The blanket license gives the exporter permission to send to any one of a group of named importers within the same country so that if he receives a license, shall we say, for 100 tons of steel, and on the license

he shows 10 different consignees in Brazil or Venezuela, or whatever the country may be, he is then at liberty to choose which of the consignees he desires.

The CHAIRMAN. In other words, that will clear up the question of allotments to X or Y or Z who may have some dollars?

Mr. SWEENEY. It will clear it up if they are in the same country. It will not clear up shipments to Latin America, in general.

Senator TAYLOR. I would like to ask why you insist that they send to certain consignees down there? What do you care who they send it to as long as it is in the country? Are you interested in their welfare to see that they are not gypped?

Mr. SWEENEY. Senator Taylor, the end use is one of the considerations in licensing steel. There are a number of plants that are being built down there, about which we have reports from the Foreign Service of the United States, who should receive some priority because of the nature of the construction going on down there.

Senator TAYLOR. It would seem to me that this affords a wonderful opportunity for graft and favoritism to certain people in South America who might have connections in this country—this business of shipping to certain consignees.

Mr. SWEENEY. We hope to a certain extent the blanket license will take care of that, since the exporter will be in a position to deal impartially or in any way he feels necessary with the various consignees shown.

Senator TAYLOR. I should think that would be much better to avoid this possibility of favoritism.

Senator CAIN. Those are what you call foreign policy and security reasons that dictate that policy; isn't that so?

Mr. SWEENEY. Yes; they might be so described. They are also common-sense reasons.

Senator CAIN. Somebody exercising a degree of judgment as to who is entitled to what in South America, which must certainly fit into our foreign policy.

Mr. SWEENEY. That is correct.

Senator CAIN. Let us say that Senator Taylor has a consignee in South America who is just getting started, and he is rather promising, and, further, the Senator's South American relationship with the new firm indicates a sound financial position and he says, "I want to ship some steel to this consignee." Does he have a pretty good chance of doing that?

Mr. SWEENEY. The answer to that question would depend on what country it was and how large the quota for that country is.

We are setting up country quotas in accord with the screened requirements of those countries.

Senator CAIN. That is admittedly a difficult undertaking to you, isn't is?

Mr. SWEENEY. That is correct. When the question comes up as to material which is for resale or for no particular purpose that we know about, we are then trying to do our licensing more on the basis of consignor in this country, trying to make an equitable distribution among United States exporters.

Senator CAIN. My hasty criticism of that is that it would be entirely too easy for you in this country to just determine that people

who have been in business for a long time were those to whom steel ought to be shipped and you wouldn't give enough consideration to newcomers in the field. But I don't know whether that is a valid criticism.

Mr. SWEENEY. You are talking about the newcomers here——

Senator CAIN. No; the import fellows on the other side.

Mr. SWEENEY. They would have a difficult time breaking into the market because they would have to first line up an exporter in this country.

Senator CAIN. Let's assume they do that, which would be relatively, I should think, a simple matter, if their financial standing was all right. But the big problem then is to sell you in this country that they are to be included on the consignee list in the line of least resistance because you are bothered with a lot of problems and you say, "Let's do business with those names we know."

Mr. SWEENEY. I think the main point there would be the standing of the exporter rather than the importer. If the exporter has been in business before and we have been licensing certain tonnages to him——

Senator CAIN. That would be an entirely different approach then. There should be no problem on the other side if you would take the reliability and the reputation of the local exporters?

Mr. WEXLER. Senator, Mr. Sweeney has mentioned blanket licenses which was a grand gift from the Department of Commerce, and our association went down the line for it. We said, "Grand. We will go along and ease your burden." But Mr. Sweeney knows when they published his bulletin, giving us these blanket licenses without notice, warning, or hearing they put a limitation on it, you could only send three licenses in in one quarter, effectively curtailing a man's business. So we asked for an appeal. And the appeal, by the way of initial review, was granted, and we came down to see Mr. Sweeney in his office about a month and a half ago, and Mr. Sweeney said, "We will take it to the Export Advisory Committee." And he did. And the Export Advisory Committee said, "Well, this is too tough; only three licenses in one quarter. This is too restraining, and we recommend you discontinue it."

Now, I would like to know where we are on that appeal, or do you gentlemen see why we asked for notice of appealing on these bulletins?

Senator CAIN. You are asking Mr. Sweeney a valid question.

Mr. SWEENEY. As Mr. Wexler has pointed out, one of the members of the National Association of Steel Exporters and Mr. Wexler came in to discuss the matter with us, at which time it was pointed out in our licensing of steel we are now doing certain items on a timetable basis. That was done after full consultation with the export advisory committee, which we run, and with which we have had meetings since last May. And I might add parenthetically here that every other change in procedure that we have made in our steel licensing since last May has been done only after consultation with the export advisory committee.

Mr. WEXLER. Including the limitation, Mr. Sweeney?

Mr. SWEENEY. Including the limitation, Mr. Wexler, that was discussed at two advisory committee meetings. And to which the association was invited.

The limitation, in our opinion, as pointed out by Mr. Wexler, is too harsh in those items that we do not have timetable schedules be-

cause under that a person can apply any time during the quarter. We are, therefore, moving to change that now, as a result of Mr. Wexler's and other people's suggestions. It was felt, on the other hand, that where a man has only 2 weeks during the quarter to put in his applications that three license applications for any one particular quota for any one country was sufficient. I would not want to have the committee believe that only three licenses are permitted a quarter, because we have 800 different quotas when we break it up between 50 countries and 50 different commodities.

The restriction is on only three applications on one particular schedule and for one particular country.

Senator CAIN. The most important thing, sir, which Mr. Wexler said, from my point of view, was his contention that because of a shortage of dollars in South America, as I understood him, that outside of distinction licenses we can all understand there is no continuing present-day need for export licenses of any character, that a dollar shortage places an obvious limitation on what the South American countries can import.

Would you express your best opinion on what obviously is a sincere contention made by Mr. Wexler?

Mr. SWEENEY. I would be glad to try, Senator.

In my opinion the dollar shortage in Latin America has become sufficiently acute so that if the license restrictions were removed on steel, there would not be the tremendous outflow of steel which there would have been a year ago. It is still my feeling that in many items the steel which would flow, if we placed steel on general license to Latin America, would be of sufficient magnitude to endanger many domestic requirements, many needs in this country for steel.

In other words, although I believe we are approaching a type of balance in steel production as against domestic demand, I don't think it has quite come yet, and it is particularly acute in certain items, more so than in others, such as pipe and plate, so I would certainly have to recommend against complete decontrol of steel to Latin America at this time.

Senator CAIN. I can understand your point of view, but this is a very awkward situation. I wonder if there is any system possible under which, when the matter is in serious doubt, as it would be between the industry and the Government, that freedom be granted to the industry, and if the contentions of the Government, which are doubtful contentions, as admittedly are realized, couldn't the controls be reimposed through some method in a hurry, to give the fullest possible protection to American business to prove its contention?

Mr. MCINTYRE. I am Francis McIntyre, Assistant Director of the Office of International Trade, and in that capacity I am in general charge of the administration of export controls of the Department.

STATEMENT OF FRANCIS McINTYRE, ASSISTANT DIRECTOR OF THE OFFICE OF INTERNATIONAL TRADE, DEPARTMENT OF COMMERCE

Mr. MCINTYRE. I think that this question has become more general than just one of steel which Mr. Wexler has raised, and I would like to discuss it on a somewhat broader scope than Mr. Sweeney has.

Mr. Sweeney is in charge of our Metals and Minerals Branch.

The CHAIRMAN. Mr. McIntyre, let me ask you: Very frankly, you are here in Washington, and if there is going to be a broad discussion, and in fairness to these gentlemen who have come today from out of town, I think you ought to do that at another time.

Mr. McINTYRE. It will only take me 2 or 3 minutes.

Senator CAIN. Mr. Chairman, I know Dr. McIntyre and I think he is the one man who we all want to direct questions to with regard to the fats and oil situation in this whole program. Isn't that right?

Mr. McINTYRE. I will be happy to do anything I can.

I thought I might make a statement which might be of service to the committee, which would not take more than 2 minutes, about the merchant exporter and the producer.

Now, this is a most difficult problem. We have studied it from every angle we can. I have personally made a trip to Canada to study the export-control practices of that Government to see if they had any solution to the merchant exports versus producer problem in the distribution of export licenses.

I find that the Canadian system is characterized by something which I would hesitate to see us impose in this country: a general practice of issuing the licenses to the producers entirely and saying, "We will leave it up to the producers to decide which merchants shall become, if any, intermediaries in the business." That is a system that is employed regularly in the Canadian licensing, a practice which I think we should hesitate to employ in the United States, but it is one possible solution to the problem.

It removes from the Government direct responsibility for determining which merchant exporters, which intermediaries, between the producer and the foreign customer, should be employed, if any.

There is, of course, a large body of opinion in this country spearheaded by the producers who would welcome that development, but we have thought it inappropriate to go to that degree.

Senator CAIN. I think we would be more interested in the matter of policy, whether controls should be continued, Mr. McIntyre. We wouldn't be concerned as between producer and merchant in this country, as I understand. The contention has been made that in South America there is a shortage of dollars, so let the market be a clean market. That is the real question, and we want to have you spend some time on it, not only on steel but on all these things.

Mr. McINTYRE. The broad problem whether the supply situation in the United States and the demand situation in Latin America have sufficient adjusted, that controls in that area could be removed without harm, is one which we have been giving a lot of thought to. We haven't the answer on that.

Senator CAIN. We haven't got the time to go into it, but pretty sincere men came in about the fats and oils and soybeans business, and they proved, from their point of view, in the face of great surpluses there were still inadequate allocations and they were going broke; and I think that is the one question that America is more interested in than any other.

Mr. WEXLER. Senator, may I just say this—my very last remark: We don't say decontrol South America, Latin America; we do say there is no foreign policy there, therefore after we know what the total

steel is that can go down there, let our people sell down there as a zone, as a region rather than by specific countries.

Senator ROBERTSON. What is your attitude about decontrolling the exports of fats and oils?

Mr. McINTYRE. As of yesterday we have removed all controls over exports of inedible fats and oils?

Senator ROBERTSON. What inedible oils beside tallow?

Mr. McINTYRE. The inedibles are the tallows and greases and a number of minor products. The major inedibles, of course——

Senator ROBERTSON. That isn't much of an item, is it?

Mr. McINTYRE. It is a very important export item.

Senator ROBERTSON. Does that include lubricating oil?

Mr. McINTYRE. No, not petroleum products; but the National Renderers Association I am sure must have written you many letters about the tallow and soap industry and, of course, even when we took this action yesterday the soap industry was disturbed that it may have been premature, and the supply of inedible tallows for the soap industry in the United States might be jeopardized by that action.

Nevertheless, we felt the time had come—the Department of Commerce had, in fact, proposed it some 2 months ago.

The CHAIRMAN. You mean the soap manufacturers in this country?

Mr. McINTYRE. Yes.

The CHAIRMAN. Have they reduced the price of soap to keep in line with the price of inedible fats and oils? It seems to me that soap costs just as much as it used to.

Mr. McINTYRE. There is no question about the price of inedible fats and oils, that it has dropped.

The CHAIRMAN. Three hundred percent, hasn't it?

Mr. McINTYRE. It is one-third of its former level.

The CHAIRMAN. And in some places you can't sell it?

Senator ROBERTSON. What percentage of the 1948 crop of peanuts is the Government either buying or exporting? There is a 9- or 11-cent support price which is apparently, in many instances, above the commercial market.

Mr. McINTYRE. The Department of Agriculture has the data on the export, and the extent of their purchases on peanuts, but I should say that the export allocation of peanuts has not been fully subscribed. In other words, there has been no restriction on the export of peanuts sufficient to prevent the movement of peanuts from this country in the quantity desired.

Senator ROBERTSON. They don't have as many baseball games in Europe as we do have here, but they do eat peanuts. That is the product they want to export.

Mr. McINTYRE. And the quotas have been larger than the exports. In the case of some other inedible oils, the quotas have been inadequate. Now, the Department is reviewing that. There was much concern on the part of several agencies who advised Secretary of Commerce Sawyer in this matter, that recently established quotas may have been too large, but nevertheless they were approved.

The CHAIRMAN. Where do these agencies get all this information about it? Did Agriculture say it was too large a quantity?

Mr. McINTYRE. Agriculture proposed a portion of this quota and concurred in the whole amount.

The CHAIRMAN. Then Agriculture knows more about soybeans and Agriculture knows more about cottonseed and Agriculture knows more about lard than anyone in town. When they say something, agencies have to agree or disagree.

Inedible fats, as you said, went down 300 percent because this agency had to agree with that agency. That is my judgment. I hope it is not premature.

Mr. McINTYRE. The allocation is taken by agreement between the agencies only if such agreement is forthcoming.

The CHAIRMAN. That is the trouble.

Mr. McINTYRE. There is no necessity of agreement.

The CHAIRMAN. I am not criticizing the Department of Commerce at all. There is no man that I have more admiration for than Secretary of Commerce Sawyer. I knew him before he came to this town.

Mr. McINTYRE. I want to say that Secretary Sawyer has the authority and does not have to wait for agreement.

The CHAIRMAN. Secretary Sawyer has to get a report from Agriculture and he has to carry it out whether or not.

Mr. McINTYRE. That is right.

Senator FLANDERS. I would like to ask the same question of this witness that I asked yesterday.

The declaration of policy in section 2, I suppose, has not been changed from the preceding bill—I may be wrong in that—I should have checked on it. The declaration of policy says that it is the policy of the United States to use export controls to the extent necessity (*a*) to protect the domestic economy from the excessive drain of scarce materials and to reduce the inflationary impact of that normal foreign demand; (*b*) to further the foreign policy of the United States and fulfill its international responsibilities. and (*c*) to exercise the necessary vigilance over exports from the standpoint of their situation to the national security.

Now, we seem to have gotten on to this question of oils, although we started on steel. I would just still like to ask the question that I asked yesterday, under this statement of policy. Why is there any excuse for either the Department of Agriculture or the Department of Commerce making allotments or controlling the export of these vegetable oils that are in such tremendous surplus in this country? It seems to me the law gives no warrant for it whatsoever, as I read it.

Mr. McINTYRE. It is the judgment of both Agriculture and Commerce that the world shortage of edible oils is still so great that the United States surplus would not be adequate to fill that deficit.

The CHAIRMAN. That is true, but if you don't export it the price of the farmers' crops go down. I mean, why should the farmer be made to suffer a 300-percent decrease?

Mr. McINTYRE. There are two points that I would like to make, if I may. The allocation in the first quarter of 1948, as compared with the allocation so far in the first quarter of 1949, and we aren't half through this quarter yet, is worth noting. The Department has allocated four times as much edible fats and oils in this quarter already in 5 weeks as it allocated in the 3 months of January to March 1948.

Senator CAIN. In your judgment, in other words, you think you are exporting all you can export safely on your present allocation system?

Mr. McINTYRE. What we did was to hold a meeting within the past 3 days and agree that we could go ahead with this 105,000,000 pounds. Some thought it was a little too high; others felt that more could be allocated, but everyone thought this was safe.

Senator CAIN. The serious contention, they said, those in authority are making increasing authority all the time, but the record indicates from their point of view that your increased allocations are always behind what could safely be allocated. That is where they felt their marks were being shot pricewise, because we weren't letting go of surplus as we might safely do.

Senator ROBERTSON. What percentage of a 250-pound hog is lard?

Mr. McINTYRE. I am sorry; I can't answer that question.

Senator ROBERTSON. Does the price of lard have any bearing on the question as to what the farmer gets for his hog?

Mr. McINTYRE. I am sure it does.

Senator ROBERTSON. It is claimed by those who are interested in the production of lard and the sale of lard that the current export control of lard is backing up the supply in this country to the detriment of the farmers and of all in that business. We will hear in a few minutes—I presume he is the next witness listed—from a very expert economist who is well posted on both the domestic and foreign commerce, as well as most anybody I know. I have had the pleasure and privilege of hearing him on many occasions, on a number of which we agreed on matters of foreign commerce, and others we didn't. I do know that he knows the situation from the standpoint of an economist.

After we finish the testimony of those who think that export control of edible fats and oils is being injurious to our domestic interests, and after this subcommittee and the full committee reaches the conclusion that when the supply of edible fats and oils for our domestic needs is ample, the interest of our farmers should come ahead of some program of world-wide distribution.

Would you be in a position to definitely recommend to this committee whether or not the Department favors or opposes the dropping of export control on edible fats and oils?

Mr. McINTYRE. I am not in a position to make a statement in open session about that.

The CHAIRMAN. Let me suggest this, if it is agreeable to Senator Robertson: He asked the final question. We have got some 15 witnesses here today, and I do think that all of us have a lot of questions that we want to ask Dr. McIntyre. Let's ask him if he will come to our executive session at 1:30 Friday.

Mr. McINTYRE. I will be glad to do that.

Senator ROBERTSON. After he has had an opportunity to read the testimony of those most likely to be affected on this subject, would he then be in a position to give us some specific recommendation—and it is immaterial to me whether it is in open session or in executive session, provided that he gets the authority from his Department to make the statement either for or against the continuation of this particular control.

Could you do that?

Mr. McINTYRE. Yes, sir.

Senator ROBERTSON. That is all, Mr. Chairman.

The CHAIRMAN. I was just trying to arrange the time because we are having some housing hearings on Friday. How about 3 o'clock Friday?

Mr. McINTYRE. At your service.

The CHAIRMAN. We will have hearings Friday morning on the housing problem.

Senator CAIN. Would that accommodate your wishes, Senator Sparkman, because I will be with you on that housing thing?

Senator SPARKMAN. Yes.

The CHAIRMAN. How about you, Senator Robertson—3 o'clock Friday?

Senator ROBERTSON. Could I be——

The CHAIRMAN. Would 3 o'clock in the afternoon in executive session suit you?

Senator ROBERTSON. So far as I know.

The CHAIRMAN. Well, we will do that. We will ask you back then because we have these other witnesses.

Mr. McINTYRE. I think we should by all means have that out.

The CHAIRMAN. We want you to have that opportunity. We will see you then.

The next witness is Dr. John L. Coulter.

Will you proceed, Doctor?

STATEMENT OF DR. JOHN L. COULTER, CONSULTING ECONOMIST, WASHINGTON, D. C., IN BEHALF OF THE NATIONAL RENDERERS ASSOCIATION

Dr. COULTER. The National Renderers Association is a nonprofit trade organization with headquarters at 945 Pennsylvania Avenue NW., Washington, D. C. This organization has a total of approximately 275 member companies scattered from the Atlantic to the Pacific coasts and from the Canadian border to the Gulf of Mexico. These companies, largely single, independently operating establishments, are primarily engaged in the production of inedible tallow and grease but have as major joint products hides and skins, protein feeds, tankage, bones, and dried blood.

This entire industry is built around the recovering of oil and fat-bearing materials resulting from livestock industry operations. In turn, the United States is perhaps unquestionably the leading Nation of the world from the standpoint of number and classes of livestock, including poultry. Many different kinds of animals are produced in great numbers in practically every one of the 3,000 counties of the United States and on most of the more than 6,000,000 farms. Livestock of all classes are an important part of the domestic economy not only for the edible commodities they yield such as meat, dairy, and poultry products but also because joint products such as fats and oils, hides and skins, bones and glands, and so forth, have a perfectly tremendous value when recovered properly. It is not within the power of those engaged in this industry to artificially restrict the number or classes of animals produced on farms, or slaughtered, or which fall from accident or disease, or to control the percentages of meat or fats and oils, or the yield of other joint products or byproducts which naturally flow from the livestock industry.

It is to be remembered that about half of the land in the United States is not in farms but is waste or forest land. Furthermore, fully half of all land is primarily devoted to the production of pasture, hay, and forage crops. Most of this land is not adapted to the direct production of such human foods as cereals, grains, seeds, fruits, nuts, and vegetables, vegetable fats and oils, cotton, tobacco, and other commercial crops. Such crops as are grown commercially as feed for livestock are almost universally produced in rotation with cereals and other food or finer crops, and it has been scientifically ascertained that the original soils under cultivation would have rapidly deteriorated as a result of overcropping and exhaustion and loss from that process would have been supplemented by wind and water erosion had it not been for the livestock economy. In other words, the livestock industry is the sine qua non for the preservation of soil fertility as well as the food supplies and many other useful commodities for the human race.

The major function of members of the National Renderers Association is the production of inedible tallow and grease and animal proteins from literally billions of pounds of material which would otherwise become a sanitation and health hazard. It is a matter of record that the operations of the industry are very closely supervised and regulated by city, county, or State health authorities, and it is now a general practice that members of the industry be bonded and otherwise licensed to assure diligent performance of this special type of assignment. Moreover, were it not for existence of this industry, city, county, or State units of government would have to provide for collection and disposal of such wastes at great additional expense to the taxpayer.

While not only eliminating the possibility of extra local tax assessments by their operations, members of the association pay very large sums of money annually to farmers, ranchers, feed-lot operators, meat packers, slaughtering establishments, retail meat shops and chain stores, hotels, restaurants, institutions, military establishments, and even the homes of the Nation—through the household grease salvage program—for the privilege of collecting these oil and fat-bearing animal materials. Payments of this nature actually have the effect of lowering the cost to consumers of such primary articles as meat, dairy, and poultry products and also result in a somewhat increased return to the producer of the animals.

I think there is no need to consume time in discussion of the general proposition that during periods of war or other extraordinary emergencies it is a proper function of the National Government to provide such regulation of foreign trade as may be necessary in order to maintain economic stability in this country or in the world.

Section 8 of article I of the Constitution specifically provides that it shall be the duty of Congress to regulate the trade of the United States with foreign countries. We must recognize that when any commodity of very considerable importance is in short supply prices are almost certain to advance to undesirably high levels leading to inflation in the case of the individual commodities and influencing the entire price structure. This is in accord with the general conduct of economic affairs within the economic principles of supply and demand.

Under the American system of free, competitive, private enterprise, however, it is the generally accepted policy of the people of this country to avoid excessive government regulation or control such as through systems of allocations and the granting of export permits or licenses unless there is some very pressing need such as to prevent inflation and/or to guide exports into channels deemed desirable to carry out some important public policy.

Within the framework of this brief introductory statement, there may be need for the National Government to extend the present law to apply to certain important commodities which may be in short supply or which the Government may wish to direct toward certain foreign markets. We of the National Renderers Association have not attempted to canvass this situation so far as it pertained to a wide range of other commodities. We have, however, made an extremely careful survey of the situation as it applies to all of the various commodities usually grouped together under the general classification vegetable, animal, and marine fats and oils and the raw materials from which these are derived. This applies to all of the different items which are produced within the United States and likewise to the fats and oils and oil-bearing materials which are imported from other parts of the world.

All of the facts and figures available indicate clearly that this group of commodities is not in short supply in the United States. Indeed, supplies in the United States and available to the American market are so large that they are now and have been accumulating in such quantity that inventories are becoming excessive and depressing the market to such an extent that domestic producers are unable to recover basic costs of production even in the most efficient plants in various branches of the fats and oils industries.

Since this group of commodities are not in short supply, since inventories indicate the accumulation of depressing surpluses, and since prices are far below the general price level for all other commodities and far below the normal price level for these commodities, the National Renderers Association comes before the committees of Congress at this time to urge that this entire group of fats and oils and materials from which they are derived be excluded from export controls—whatever treatment is included in the pending bill with reference to other commodities—for whatever period of time Congress may extend the present law and without regard to the farm areas to which exports may be directed.

It will be enough in this statement for me to call attention to the fact that on December 31, 1946, factory and warehouse stocks were officially reported to be approximately 1,266,000,000 pounds. By December 31, 1947, factory and warehouse stocks had increased to 1,293,000,000 pounds, an increase of substantially 30,000,000 pounds. By November 30, 1948, official reports indicated factory and warehouse stocks as having reached a total of 1,436,000,000 pounds. This is an increase of 170,000,000 pounds in a period of less than 2 years. Other witnesses have or will present more complete details on this particular phase of the subject.

Animal fats and oils of domestic origin over any considerable period of years normally provide substantially more than one-half of the total quantity of fats and oils derived from all sources and used for

all purposes in the United States. It is well known that butter, lard, tallow, and grease are the major items in this group of commodities derived from the livestock industry. One-third or more of the total animal fats and oils comes within the classification of tallow and grease. Production of these items has for a number of years been in the neighborhood of 2,000,000,000 pounds annually. It is this item with which the National Renderers Association is most directly concerned. It must be added at once, however, that indirectly we are equally concerned with the situation as it pertains to all fats and oils and oil-bearing materials because of the general widespread interchangeability among the different fats and oils without regard to whether they are of foreign or domestic origin and without regard to whether they are from animal or vegetable origin because of the extreme extent to which interchangeability in use is possible.

While the American market is not in short supply and in fact production plus imports are substantially beyond domestic requirements resulting in a burdensome accumulation of factory and warehouse stocks, export allotments and permits or licenses granted for exports have been so restricted that important foreign areas have been and are being deprived of fats and oils which are greatly needed by them. Reference is particularly made to current requirements of Latin-American countries and even more importantly the requirements of the countries of western Europe included in the European recovery program.

It is believed that if the export controls which earlier may have served a useful purpose were now eliminated from the pending bill a very much more equitable distribution of avialable supplies of fats and oils and oil-bearing materials would result and with it would come a more uniform and better stabilized price structure, especially as between western European countries, the United States, and Latin America.

An illustration of the confusion in the world market, evidently largely resulting from the export-control policies of the United States, may well be mentioned at this point. It is well known that a considerable number of extremely important American industries are dependent upon imports of special foreign types of fats or oils or oil-bearing materials for certain special technological reasons. Thus the tin and terneplate branch of the iron and steel industry finds it highly desirable to secure from foreign sources about 40,000,000 or 50,000,000 pounds of palm oil annually. Again, in the paint, varnish, and floor covering, oil paper and oilcloth are related industries, the American market normally finds it desirable to secure in the neighborhood of 100,000,000 pounds of tung, oiticica, and other quick-drying oils to supplement or complement the very much larger volume of linseed oil produced from domestic or imported flaxseed. Again, the soap industry ordinarily finds it highly desirable to import substantially 20 percent of their fats or oils requirements in order to provide the lauric acid present in such tropical oils as those derived from copra, palm kernels, babassu, and others in that particular group. Ordinarily, this means that there is a basic American market for substantially 400,000,000 to 500,000,000 pounds of these oils which come in the lauric acid group. Again, the American market has become accustomed through long use or tradition to consider quantities of olive oil largely secured from Mediterranean

countries although considerable quantities are produced in the United States and other domestic oils are in large measure used interchangeably with the imported olive oil.

Altogether, it will be seen that ordinarily there is an American market for some 500,000,000 to 600,000,000 pounds of tropical fats and oils and/or oil-bearing materials because of certain special characteristics for specific purposes. On the other hand, American producers have enjoyed an equivalent market primarily in Latin America and European countries for an equivalent quantity of fats and oils of domestic origin. Lard has been the item of greatest importance from the export point of view over a long period of years although cottonseed, soybeans, peanuts, and corn and/or the oils derived therefrom, hold an important place in the export market. During earlier years flaxseed, including linseed oil, held an important place in the export market, and at the present time should again be given an opportunity to find a place in the markets of Europe.

During the year 1945 (the last year of World War II) imports of fats and oils, including the oil content of imported materials, exceeded exports by only about 64,000,000 pounds. During the first full year after the war (1946) imports exceeded exports by 124,000,000 pounds. During the full year 1947 imports exceeded exports by 622,000,000 pounds and during the first 11 months of last year (1948) imports exceeded exports by 629,000,000 pounds. Thus, while the Government of the United States continues to make allocations and to severely restrict the granting of licenses for exports or reexports of these commodities, we are drawing the needed special types of fats and oils from the world market by restricting the exports of our own surplus fats and oils to other countries which are greatly in need of these. The net result of this policy is to accumulate excessive inventories, thus depressing the price level of domestic fats and oils while at the same time depriving the world market of those items which we can very well afford to supply.

As an illustration of the result of this policy, the market quotations for imported palm oil which is especially desired by the tin- and terneplate industry, according to regular Journal of Commerce quotations, has been within the range of 21–23 cents per pound. While a limited amount of that oil is especially desired by a segment of the iron and steel industry, palm oil is known to be directly interchangeable with inedible tallow and grease in the soap industry and with cottonseed and other vegetable oils in the manufacturing of important food products such as shortening, and yet currently—in the Journal of Commerce, Friday, January 28—fancy tallow and choice white grease are quoted at 8¾ cents per pound, while the January–March quotation for crude cottonseed oil is 13 to 14 cents per pound.

Perhaps enough has been said to give the background as a basis for our support of the urgent appeal of various farm groups that fats and oils and oil-bearing materials be eliminated from any export-control measure which may be decided upon in the pending bill.

In conclusion, however, it would seem desirable to call attention to the fact that while this whole group of commodities is in surplus supply in the United States and there is no threat of excessive prices or inflation, nonetheless, the countries of western Europe are especially in need of all supplies wwhich can be made available. On the one

hand, prices of domestic fats and oils are back where they were 20 years ago, or under OPA price-ceiling levels, while costs of production have advanced on an average substantially 75 percent. On the other hand, countries of western Europe are being forced to pay much higher prices for whatever fats and oils and oil-bearing materials they are able to secure from other parts of the world. In spite of the so-called shortage of dollars at official exchange rates, it is believed that with decontrol and with restoration of fiscal and exchange stability in European countries a much more normal market would be created in all of these commodities throughout the world.

In conclusion, it should be remembered that while the population of the United States is about 145,000,000, the population of the countries of western Europe included in the ECA programs is substantially double that figure or 290,000,000. But these countries of Western Europe are peculiarly deficient in domestic supplies of fats and oils, whereas the United States has demonstrated its ability to produce substantially all domestic requirements although there are certain advantages involved in the importation of perhaps as much as 500,000,000 or 600,000,000 pounds of special fats and oils annually for special uses provided American producers can at the same time be assured a reasonable export market for approximately equivalent quantities of domestic items normally produced in surplus. It is true that the Scandinavian countries, especially Norway, brings into the European market a very large quantity of whale oil from the South Atlantic and Antarctic Ocean. It is also true that the Mediterranean countries produce very substantial quantities of olive oil. On the other hand, western Europe produces practically no corn and therefore does not have resulting quantities of fat beef cattle, dairy cattle, sheep, hogs, and poultry. Again, western Europe produces little cotton and therefore is without the tremendous volume of cotton and cottonseed oil. Furthermore, western Europe produces relatively small amounts of soybeans, peanuts, flaxseed and other oil-bearing materials. Without delving into all of the details of this subject, the general conclusion may be drawn that western Europe with double the population of the United States is deficient in most of the important fats and oils needed for human consumption as well as for industrial uses. They must look to the whale fisheries and the tropical countries of the world and to the United States to make up these deficiencies. On the other hand, the United States is capable of producing for export an amount of fats and oils or oil-bearing materials at least equal to quantities of various specialties which it seems advantageous to import from tropical regions.

The net result of this discussion is that it would seem to be highly desirable that legislation pending should provide for complete decontrol of fats and oils and oil-bearing materials.

You, of course, realize the National Renderers Association are entirely devoted to the recovery of fats and oils from the processing in the livestock industry, and that their product is practically 100 percent inedible fats and oils, that is, tallow and grease.

You are also aware of the fact that since these hearings began, that is to say, within the last 24 hours, the Department, or those in charge under the present law, have decontrolled.

The concluding statement in the paper which we had prepared was to petition this body to amend the pending bill to decontrol by legis-

lative action on the ground that the administration thus far has been such as to cause great injury to the general welfare, the consuming public of this Nation, from the standpoint of prices of products, the producers, the farmers, and the processors in between. We represent the processors in between. It might appear, therefore, that there is no need for my testimony, that we have an affaire complait.

I think the present suspension of control is a temporary arrangement and must be confirmed by legislation and must be modified or extended.

When the commissioners of agriculture of the Southern States, who are so much interested in peanut oil and cottonseed oil and the soybean oil, and so on, learned that I was presenting this argument in favor of decontrol, especially of the inedible fats and oils, Colonel Hanson, who represents the southern commissioners in this city, contacted as many as he could of the commissioners and asked them what their thoughts were on the subject, and thus far there have been responses from Mr. McDonald, of Texas; Mr. Mayo, of Florida; Mr. Linder, of Georgia; Mr. Jones, of South Carolina; Mr. Walker, of Virginia; and Mr. Laughlin, of West Virginia, all say that they wish I would emphasize from the standpoint of the interchangeability and the influence of prices that I would emphasize the point that their views conform to the views which I have expressed. This is in the form of a letter indicating the telegrams and telephone calls from these gentlemen. Whether others will ask me to express the same sentiment, I do not know.

We have incorporated in this short brief some points which haven't been brought out in oral testimony. It may be of some importance for the committee.

There are two or three points that I would like to just touch upon, supplementary, and one of them is that question of interdependence of the different fats and oils. But, first, the question was asked here a few moments ago of another witness whether there were available any tabulations indicating the decline in markets on the inedible tallow and grease, compared with the decline in the markets on the various types of soaps and soap products.

This short tabulation, I think, may serve your purpose.

(The tabulation referred to is as follows:)

Tabulation of prices of soap and soap products compared with prices of inedible tallow and grease for selected periods

	Apr. 16, 1948	Jan. 20-28, 1940
Palmolive (bath)	2 cakes for 29 cents	2 cakes for 27 cents.
Ivory (large size)	2 cakes for 35 cents	2 cakes for 33 cents.
Ivory (medium size)	11 cents	10 cents.
Camay soap (regular cakes)	2 cakes for 19 cents	2 cakes for 19 cents.
Camay soap (bath size)	2 cakes for 27 cents	2 cakes for 27 cents.
Lux soap (bath size)	2 cakes for 29 cents	14 cents.
Lifebuoy (regular)	2 cakes for 21 cents	3 cakes for 25 cents.
Ivory Flakes (large box)	33 cents	32 cents.
Oxydol (large box)	36 cents	30 cents.
Duz (large box)	do	32 cents.
Rinso (large box)	do	Do.
Supersuds	do	Do.
Inedible animal fats:		
Fancy tallow (pound)	22 cents	8¾ cents.
Yellow grease (pound)	21 cents	8 cents.

NOTE.—All soap and soap product prices taken at random from retail and chain grocery store advertisements in the Washington Post and Washington Evening Star. Inedible tallow and grease prices taken from New York Journal of Commerce.

The CHAIRMAN. In other words, Doctor, for the record, the ingredients from which soaps were made of principally has gone down 300 percent.

Mr. COULTER. Down to about one-third is what it was.

The CHAIRMAN. And it has not reduced the price of soap to the consumer one cent?

Mr. COULTER. That is true.

The CHAIRMAN. The reason for all these high prices in the past year or so has been on account of the farmer—you have heard that said, haven't you?

Mr. COULTER. Yes.

Senator ROBERTSON. Let the doctor give us those prices on soap.

Have the prices of their fats and oils gone down?

Mr. COULTER. The price of their fats and oils and, incidentally, the tallow and grease represents about 60 percent of the fat and oil requirements. At the early period the prices were 22 cents and 21 cents. That is for tallow and for grease. That is fancy tallow and yellow grease. Presently the price is 8¾ as the high point and 8 cents on yellow grease. So that the prices of these ingredients are just about a third of what they were, whereas there has been only the very slightest fluctuations.

Senator ROBERTSON. As those prices for their raw products were falling, your figures indicate that the soap manufacturers were in more or less of a position of Old Black Joe, "Why should I weep for my heart, it feels no pain."

Mr. COULTER. Yes.

The prosperous condition of America was such that they did not have to reduce the soap price materially; and by the backing up of stock piles, or what is called the stocks in warehouses, the backing up of that material in inventories has so depressed the market that they have been able to secure their raw materials at roughly a third of what the price was, substantially, a year ago.

The CHAIRMAN. I imagine they were the ones that complained about the decontrolling yesterday—because a witness here earlier said someone had complained.

Mr. COULTER. I think they may have requested the decontrol. I wouldn't know. Because the decontrol is applied to soaps as well as the raw materials. The decontrol announced yesterday included all of the soaps, and it may be that they are in a position with such large inventories really to serve the world and clean them up.

Senator TAYLOR. Dr. Coulter, what percentage of these inedible fats and oils go to soap manufacturers?

Mr. COULTER. Of the inedible and tallow and grease, it runs up to 75 or 80 percent.

Senator TAYLOR. Of that 75 or 80 percent which is consumed by the soap industry, there are three firms that use 70 percent of that; 70 percent of the 75 or 80 percent?

Mr. COULTER. I should think that is probably so, but I do not have the exact figures on that.

Senator TAYLOR. Then the soap industry is the one that would depend on keeping these controls on and kicking the price to the farmers down to a third of what it was and the consumer has not benefited appreciably?

Mr. COULTER. That is so.

Senator TAYLOR. In other words, by keeping the controls on we are making it possible for the soap manufacturers to get their raw materials at a third of what they were paying, but the farmer has suffered a two-thirds decrease in his price and the consumer has not benefited. It would seem to me, logically, therefore, that we should take controls off and let them ship the fats abroad, even if they should become in short supply, because the people aren't benefiting anyhow. We obtained the soap just as cheap when the materials were scarce.

Senator ROBERTSON. Doctor, will you tell us about the edible fats and oils——

Senator SPARKMAN. Before you get away from that, the statement was made, and you seemed to concur in it, that three firms used by far the major portion of these nonedible fats in the manufacture of soap and soap powders. What are those firms?

Mr. COULTER. According to the soap journals, the publicly published lists of surveys from time to time, the three largest concerns are Procter & Gamble, Lever Bros., and Colgate-Palmolive-Peet Co. Each of them has one to four or five different advertised specialties. I mean they don't just have one each, like Lux and Camay does. Some of them have two or three or four or five different brands.

Senator CAIN. When might we expect the raw material situation to be reflected in a lower consumer price? I don't know very much about this field, at all. But it seems to me that there is a time lag involved in this question, and that much of the soap, for example, that is being sold at the same price that it was sold some time ago is being sold because they have on hand the raw materials of which the cost to them was a great deal more a few weeks ago than it is now. Is that a reasonable contention?

Mr. COULTER. These prices have been low now for quite some time, back to about the period to which I referred.

Senator SPARKMAN. In that connection, may I suggest this: I recall before the Joint Committee on the Economic Report when prices were going up we were told that that time lag did not follow; that when the prices of materials went up that the wholesaler had to pay, the price of goods on the retailers' shelf was priced up and that the same course would be followed when the prices were going down. Apparently they are not doing that.

Mr. COULTER. It is perfectly obvious that in the case of the basic fats, inedible tallow and grease, they are produced quite uniformly throughout the year—12 months, 52 weeks—because cattle are being slaughtered, hogs are being slaughtered, and meat shops are selling meats to people, and the fats, the materials that are trimmed in the butcher shops are turned over to the processers, are very uniform month after month, and that the total production month by month is about the same as the total consumption, and the total stocks at any one time are only about 5 or 6 weeks' supply, so there shouldn't be a lag of more than a month or 6 weeks, in my opinion. That is without trying to get too much——

Senator SPARKMAN. Of course, if they raised their prices on the retail shelves as the prices of raw materials went up, they ought to lower them on the retail shelves as the price of raw materials comes down.

Mr. COULTER. I think in a very reasonable period, because it isn't a matter of a month in which soaps being made are on the shelves. It is roughly that.

Just one other thought that I would like to express before passing on to the question by the Senator from Virginia. The stocks—that is to say, warehouse stocks on December 31, that is the first of last month—were about 350,000,000 pounds greater than the 1st of January 1947; 320,000,000, if you go back 1 year. In other words, this stock pile has been accumulating now for the last 2 years and is up a matter of 350,000,000 pounds. We cannot see that it is in short supply or that there is any probability of being in short supply from the standpoint of the general welfare of this country, and it clearly has so depressed the price to farmers that with lard at 13 cents while live hogs are, say, 23, it just doesn't make rhyme or reason. The same thing with tallow at 8 or 9 cents. Live cattle are three times that. It just doesn't represent values.

Senator CAIN. But as of yesterday the Government recognized that through its decontrolled order conditions will improve in your field of interest.

Mr. COULTER. Now, the Government, whether it recognized that or heard about these hearings, I do not know.

The CHAIRMAN. Don't you think they heard about the hearings?

Mr. COULTER. Well, I hope so. But we are interested in the basic problem there because the fats and oils represent some 10,000,000,000 pounds of the most valuable food and industrial raw material known—most diversified. Because the inedible fats go clear in the field of glycerine in the national defense program, and the livestock industry is the foundation of a sound agriculture. With livestock on every farm, the farmer does 90 percent of the job of conserving his soil by his rotations and pasturing and manuring and fertilizing; the Government gives him a 10 percent boost by a little commercial kick-back. The big job of establishing and conserving soils, preserving agriculture, is the basis of our whole agricultural economy. Two-thirds of the fats and oils grown in the United States are animal fats and oils.

The CHAIRMAN. Would you mind waiting just a minute?

I have no questions.

Did you have any further testimony, Doctor?

Mr. COULTER. Yes.

The CHAIRMAN. You proceed in your own way, sir.

Mr. COULTER. With decontrolling inedible tallow and grease you have only decontrolled one of the three major products of the livestock industry. That is to say, the three great major groups are butter, of course, and then lard, and then tallow and grease. Livestock represented two-thirds of all the fats and oils. Well, to decontrol a segment is not a sound public policy, and certainly not in a situation such as has been created during this past new year because the back-up is in professional segments of the field. The first move should be to extend it to the other animal fats and oils, which would include lard. When the price of one is pushed up or down because of burdensome surpluses in any one segment, that carries the whole fats and oils group with it.

I could supply the committee, if you wish, with very comprehensive charts both of Government origin and of my own studies, showing very close relationship of peaks and valleys and stabilized periods, and when any group or any administration or any Government pol-

icy carries any one segment off into distress, it carries all the others with it, even though there are no excessive supplies in those other fields.

Now, that carries over to the vegetable fats and oils equal to the animal fats and oils. That is to say, while I am speaking in the first place for the inedible tallow and grease, only indirectly for the other fats and oils, it brings me into the field of soybean oil, cottonseed oil, peanut oil, flaxseed oil, and I have a communication from the commissioner of agriculture of the State of North Dakota, which is the leading State in the production of linseed oil, urging me to include him in the list of those I represent, and saying that he will confirm it by letter. He is Mr. Dahl. So I would even include the linseed, the paint and varnish oil.

There is only one really good reason why cottonseed oil and soybean oil and peanut oil are down where they are, at 12 to 14 cents, instead of double that figure. They are down now below the OPA ceiling price during the war period and yet all costs and all prices of all wholesale commodities are up practically to double that, and their costs are full for farm labor, for freight and telephone, and everything else are up 75 to 100 percent, and their prices today, 12 to 14 cents, are under the OPA ceiling prices, and the only reason that I can figure out for that fact is that somehow all of the forces at work have brought the price of the basic material in inedible tallow and grease down to half its normal price level.

Tallow and grease, likewise, are under the OPA ceiling prices, which was about 8 cents. Now, the reaction of the trade this morning, they say the Government—that is, decontrolled inedible tallow and grease, that must mean that there is very much more of that on hand than anybody thought there was, and the price ought to be lower than it is, but that is the first reaction on the prices this morning. If there is no foreign market, then we will see——

Senator CAIN. If there were no foreign market, that would presumably be a correct expression of what is going to happen.

Senator TAYLOR. There must be a foreign market. The previous witness said that anything we could export wouldn't hardly affect——

Mr. COULTER. That was the best news that had come to my ears from any Government official for a long, long time, because that is one of the things that I have harped on most. Western Europe alone—that is, west of the iron curtain—has a population just double the population of the United States. We have 145,000,000 and they have 290,000,000. They have no cotton west of the iron curtain in Europe. All the cottonseed oil they get they have to import. They grow practically no soybeans. It is almost zero. Any soybean oil they get they have to import. Very few peanuts. They have Spanish peanuts. They have some olive oil. They have no palm trees and coconut trees, and so forth; they have to import that. They have no corn, believe it or not; no corn in western Europe. There is a little in eastern Europe, down around Rumania, the Black Sea area. The hot winds from Arabia come up there. They do not have fat cattle and they do not have fat hogs. They have razorback hogs and a special type of dairy cattle. They are short of animal fats and oils. Generally speaking, Europe does not have butter except in the more luxurious trade and in the very high living standard area, because butter is too expensive.

Senator ROBERTSON. I was speaking to a friend of mine who came from Germany. We were having dinner. I said to him, "You better eat that butter. Maybe you will like that butter. I don't imagine you get much of it in Germany."

He said, "We haven't seen any butter in Germany for years."

Mr. COULTER. Before the last war started Germany had found a way, even though they were so short of butter, so short of lard, to filter and purify whale oil, which we had always thought was a soap-kettle product so as to take out the whale color and whale smell and whale taste and have a neutral and natural fat and oil, hydrogenated it, colored it up, and they had the finest margarine in the world; they claimed a billion pounds of whale oil. The Norwegians and others got so in promoting the whale oil development, that they were exhausting the whale base, and one of the accomplishments recently has been, our Government, with a group of other countries, has put a control over the exploitation of the whale fisheries, otherwise, those would be exhausted in a matter of a year or two, and European countries, who are so dependent on a source of upwards of a billion pounds prevailed upon us to stabilize production at its recent level. But western Europe is so tremendously short of fats and oils that there must be a market unless—I said unless that brings us, of course, to that question, "Are there any dollars to get it?" You can, or the ECA can well let them buy some soap. We have decontrolled soap. But we want to try to help them restore their basic industries, don't we, and restore their labor, and so on? And some of us think that it should be these cheap fats and oils that would strengthen or improve the price there and the fats and oils went up. I wouldn't expect them to go up much.

At the present time western Europe is paying double that for lard, 26 cents instead of 13.

Senator CAIN. Would you be just a trifle more explicit in saying why you were so delighted by the expression of the Government witness? What was it, precisely, that he said?

Mr. COULTER. He said that western European was so short of fats and oils that it was a shame and that he seemed to fear that if you took off control entirely here that prices might go pretty high.

Senator CAIN. But restricted by what appeared to be a number of obstacles?

Mr. COULTER. If our brokers are able to get by the official exchange rates and sell some to Europe on the off-market rates, Europe will get a few hundred million pounds. As I say, we have got 350,000,000 pounds more in stock now than we had more than a year or so ago. It is not a matter of letting out another 2,000,000 pounds and have everybody cheer and saying, "Now, are you happy?"

Senator ROBERTSON. One of the witnesses who is going to follow you just showed me an application on export licenses for 300,000 pounds of lard to Cuba.

Mr. COULTER. Now, Latin America is tremendously dependent upon that— that is, some of the countries, not all of them, but a great part of Latin America is also very short. They will make application for hundreds of thousands or millions of pounds and get some little dab. There is a market there.

Senator ROBERTSON. They don't have any lard down in Cuba.

The CHAIRMAN. Are there any further questions of the Doctor? If not, Doctor, we want to express our deep appreciation for your appearance, and the excellent statement you have made.

Mr. Wilbur La Roe, Jr., general counsel, National Independent Meat Packers Association.

STATEMENT OF WILBUR LA ROE, JR., ON BEHALF OF THE NATIONAL INDEPENDENT MEAT PACKERS ASSOCIATION

Mr. LA ROE. If the committee please, I am general counsel of National Independent Meat Packers Association, with offices in the Investment Building, Washington, D. C. Ours is the largest association of meat packers in the United States. It does not include the so-called big packers.

The situation which we desire to present to you is hardly less than tragic. There is such a surplus of fats and oils that lard is selling far below cost of production, the present price of lard being from 12 cents to 15 cents while the price of the live hog is about 21 cents. Yet the Government continues to deny to producers the export markets except for such limited allocations as they see fit to allow from time to time. The plight of the renderers, whom I do not represent, is really very serious. There is no escape from the conclusion that the present market demoralization is due largely to the narrowly restrictive policy of the Department of Agriculture and the Department of Commmerce and especially the policy of the Fats and Oils Branch of the Production and Marketing Administration.

I am greatly impressed by Senator Flanders' point, which he has made several times, that those who regulate this policy or who administer this act are going beyond the free statutory criteria. May I mention those three: First, the preventing of inflation. How can that have any bearing on such a demoralized situation as we have?

The CHAIRMAN. It certainly has not reduced any prices.

Mr. LA ROE. Second, supporting our foreign policy certainly does nothing conflicting with our foreign policy to let hungry Europe get these materials.

Senator ROBERTSON. May I ask you to elaborate on that? How could we wipe out all export control and still channel the surplus edible fats and oils to hungry Europe and to Latin America?

Mr. LA ROE. I will have a recommendation on that, if you will bear with me, at the end of my statement. It is in printing here.

Now, third, the question of security. How can it have any bearing on security? The point I am making, and I regard this as awfully important, these administrators are going beyond the statutory provision and using their own discretion, a standard that you have not set up.

Now, if I may go back to my statement——

Senator ROBERTSON. When you use the word "security," are you referring to national defense? What do you mean?

Mr. LA ROE. Anything that might hurt the United States from either the defense or security viewpoint.

Senator ROBERTSON. You are not talking about economics?

Mr. LA ROE. No. May I say that the relief granted yesterday, while we appreciate it, comes under circumstances that are just a

bit distressing to us because it hardly seems fair to us after our testimony was all printed and we are all ready for your committee, to have the situation radically changed. I confess that it takes some wind out of my sails, and yet the relief granted is only one-third of the total fats and oils.

Senator ROBERTSON. We will testify you earned your fee because they knew what was coming.

Mr. LA ROE. The point I want to stress very heavily, though, is that the relief granted will be relatively ineffective because of the relief not granted. Do you get my point? These others will continue to be depressed, and how can you get the one up in price if the other stays down in price?

Senator SPARKMAN. Mr. La Roe, I am going to have to leave in just a minute. Before leaving I want to ask you this: I note you recommend at the end of your statement—I have looked over the whole statement—first for decontrol, second, for the alternative. Couldn't we solve this by giving the Secretary of Agriculture the right to make a final determination as to whether or not a surplus existed in this country or whether or not there was a short supply in any agricultural commodity, and if he does make that determination, then under the statement of policy the Secretary of Commerce would have no right——

Mr. LA ROE. I think anything like that would add to the statutory criteria that would require factual certifications would be helpful, but I also want to say this: I have the greatest respect for Secretary Sawyer and Secretary Brannan, but our chief trouble here has not been with Secretary Sawyer. Our chief trouble has been in the Fats and Oil Branch of Agriculture. The Senator should understand that pretty largely the recommendations originate there and they go to Mr. Sawyer's desk, and it is very rare for him to say "no" to Mr. Brannan.

Senator SPARKMAN. It has been my understanding, from reports that have come to me, that the great difficulty has been the time lag.

Mr. LA ROE. There is a serious time lag.

Senator SPARKMAN. And the Department of Agriculture has from time to time recommended large allocations on various agricultural commodities that would incur serious time lag, and when finally reached would be approved only in part.

Mr. LA ROE. Well, the approvals have been rather general so far as the edible fats have been concerned, and our trouble is getting the Fats and Oils Branch of Agriculture to recommend the allocations.

Senator SPARKMAN. Well, I am glad to have that come then.

Mr. LA ROE. I don't think we ought to have to wait for a public hearing to get relief.

There are no legislative criteria to chart a course for the administrative officials, with the result that the power to control is at times arbitrarily exercised and in a manner to work great injury. This injury extends to farmers because anything that unnaturally or artificially limits the export market for fats and oils has a tendency to depress the price of live animals, and the price decline in recent weeks has been very sharp. Then, too, when meat packers lose heavily on their fats and greases there is a natural tendency for them to try to make

up the loss on meat, to the injury of the public or to take it out of the producer of animals. The Department of Commerce reports that for the first 10 months of 1948 the exports of meat products declined from 452,000,000 to 160,000,000, the loss being 65 percent. The export of animal oils and fats (edible) declined from 89,800,000 pounds to 59,100,000 pounds, the loss being 34 percent. Exports of lard declined from 324,900,000 pounds to 212,605,000 pounds or 35 percent.

The potential demand for fats and oils abroad is substantial; in fact it is vitally necessary from a health viewpoint that the people of Europe get fats and oils. They need them for vitamins and they need them for soap.

The CHAIRMAN. You say "substantial." We all thoroughly agree. We know there is a substantial demand, but do you think, just for my information, for the information of the committee, that we are going to get enough dollars to really help this situation? Do you think there are enough dollars to be of great material value?

Mr. LA ROE. Yes, sir; I think there are enough dollars to be of material help.

A spokesman for General Clay said recently (p. 5 of record of conference held November 29 last by Department of Agriculture):

> There is a perfectly tremendous demand for fats. The need is desperate. The fat crisis is here. We will take anything at any time that will be furnished us. We have asked for allocations in the past but somehow they never reach us. Somehow they never reach us.

Well, the answer to that is that in the face of a demoralization of the domestic market because of excess domestic supplies and in the face of an almost pitiful plea from Europe for more fats and oils, those in charge of our export controls are restricting the exports severely and narrowly. At a time like this when the domestic market is so demoralized there should be no controls at all, but there is no statutory criterion to guide those who stand at the gates and they are exercising their discretion in a manner that is very harmful to American industry and of benefit to nobody except the soap manufacturers.

Mr. Dalton, representing the soapers said, at page 16 of the same record that he does not find much tangability in these rumors of European needs, or the damage done by the western blizzards. General Clay can beg for fats and oils but Mr. Dalton sees nothing tangible in his plea. The blizzards can kill thousands of animals on the western plains but those blizzards are not realistic to Mr. Dalton because all he is interested in is keeping the price of fats and oils down.

One of the grave difficulties with those whole picture is the amount of guesswork in which the Department of Agriculture engages because of the lack of reliable information as to the domestic stocks. For example, last year they estimated ending stocks of inedible fats and oils at 694,000,000 and it turned out to be 788,000,000, or nearly 100,000,000 pounds underestimated. On the basis of such an underestimate they restrict the exports and the result is demoralization.

The record of the conference before the Department of Agriculture on November 29 last shows that Government officials and producers of inedible tallow and grease have frequently agreed that 200,000,000 pounds of storage stocks is an ample inventory to be normally main-

tained, yet at the beginning of last year there were 244,800,000 pounds in storage and this climbed by April 1 to 365,000,000 pounds. What possible justification can there be for severe export limitations under such conditions. It is this sort of this thing that has played havoc with the domestic industry.

Again, the Government estimated that stocks of tallow and grease on September 30, 1948, would be 260,000,000 pounds and that on January 1, 1949, they would be 225,000,000 pounds, but by September 30 the figure was 324,000,000 pounds instead of 260,000,000 pounds. These terribly bad estimates are nothing less than ruinous.

The increased use of detergents in lieu of fats and oils makes the situation worse, and if the consumption is less than the estimates, and if exports are restricted, we have a piling-up and a price demoralization such as we have now. The use of detergents strikes a severe blow at the whole fats and oil industry and makes severe export controls less justifiable than ever.

The above record before the Department of Agriculture shows that during the first 10 months of 1948 (p. 36) cash lard brought $189,000,000 less than the average cost of the live hogs. This hurts the farmer and it hurts everybody except the soapers. Why should exports be strictly policed when lard brings close to $200,000,000 less than cost? We are dealing here, gentlemen, with a very serious problem.

The seriousness of this problem will be accentuated by the enormous corn crop and consequent huge production of hogs. The situation will get worse instead of better.

I doubt if the committee needs to worry about the domestic supply being drained away. In the first place the real demand abroad is limited by the scarcity of dollars. In the second place we do not need to worry any longer about glycerine because that is now manufactured from petroleum. In the third place the domestic picture is so black that it will be a long, long time before it will be a bright picture. How can there be any worry about domestic supply with the enormous corn crop and with thousands upon thousands of dead animals supplementing the other large supply of fats and oils?

I speak for the largest association of independent meat packers. One of our practical difficulties is that some of our competitors maintain branch houses or agencies in Cuba and other foreign countries, and they can and do obtain export licenses which places them in a position to sell these commodities at the world market price, placing the small packers at a disadvantage who do not have these plants and agencies in other nations.

Attached to this statement are three typical letters from our members. The first letter is from Mr. M. H. Brown, vice president of Great Falls Meat Co., Great Falls, Mont., and says that he is being offered 6 cents to 6½ cents for fats rendered from cattle costing from 20 cents to 28 cents per pound. The second letter is from Potts & Wall Packing Co., of Okmulgee, Okla., and says—

> We find it almost impossible to move inedible fats at any price, and lard is selling for 4 cents below the live hog cost.

The third is from Peet Packing Co., of Chesaning, Mich., which says that 30 percent of the hog is fat and traditionally lard sells at about

the live hog cost, while today the live hog cost is 21 cents and the lard price is 13 cents.

I submit to the committee that it should not require much proof on our part that it is unfair to let Argentina and Urguay sell their tallow and grease in European markets at 20 cents when the best price that can be obtained here is 9 cents. Such a condition helps producers and farmers in the South American countries and hurts producers and farmers here.

Our plea here today is for termination of export controls on fats and oils to Western Hemisphere countries and to European countries operating under the Marshall plan. If you will give us this relief, it is always within your power to reimpose controls if and when there is such a substantial change in economic conditions as to show the necessity for controls, which change cannot take place for a long time. If the above request for complete termination is not acceptable to the committee, then we ask that controls be terminated unless the Secretary of Commerce certifies as to any calendar quarter that the volume of export of fats and oils will, or is likely to, equal or exceed the imports of fats and oils into the United States. In the paragraph below the wording before the parenthesis takes care of our first request, and the additional language in parenthesis embodies our alternative suggestion if the first suggestion is not acceptable to the committee:

SEC. 3 (c). The authority granted by this section shall not be used to prohibit or restrict the exportation of fats and vegetable, animal, or marine oils to nations in North and South America or to European countries cooperating in the European recovery program (except upon certificate of the Secretary of Commerce that during the next calendar quarter the volume of exports of such fats and oils will, or is likely to, equal or exceed the imports into the United States of fats and oils).

(The following letters were submitted for the record by Mr. La Roe:)

GREAT FALLS MEAT CO.,
Great Falls, Mont., January 21, 1949.

General Counsel WILBUR LA ROE, Jr.
Washington, D. C.

DEAR MR. WILBUR LA ROE, JR.: I am writing this letter on behalf of our company that has been in the meat-packing business for the past 61 years. We are asking you to give serious thought and consideration to the immediate decontrolling of inedible animal fats and oils.

We find ourselves in a position today being offered 6 to 6½ cents for fats that have been accumulated and rendered off of cattle costing from 20 cents to 28 cents per pound.

At the present time, there is a lack of demand in the country for inedible animal fats and oils and we are forced to sell at ruinous prices and are at the mercy of the large users.

No doubt you have been contacted from all angles and sources for the same request, but we hope, after being presented with the facts for your consideration and study, that you might be in favor for decontrolling fats and oils at the earliest possible date, due to the lack of an American market.

Yours very truly,

M. H. BROWN, *Vice President.*

P. S.—The above letter has been sent to the Congressmen and the two Senators from Montana, and also to the Secretary of Agriculture and the Secretary of Commerce.

POTTS & WAL PACKING CO.,
Okmulgee, Okla., January 20, 1949.

The Honorable CHARLES F. BRANNAN,
Secretary of Agriculture.
The Honorable CHARLES SAWYER,
Secretary of Commerce.
The Honorable ROBERT S. KERR,
United States Senate.
The Honorable ELMER THOMAS,
United States Senate,
Washington, D. C.

GENTLEMEN: May we call your honorable attention to the "state of the Nation" insofar as inedible and edible fats are concerned? Under export controls, the Nation is just about to drown in its own grease. While our operations are small, we feel the impact of reduced values of both edible and inedible fats. We find it almost impossible to move inedible fats at any price, and lard is selling 4 cents below the live-hog cost. Renderers in this part of the country have decreased the price they pay for slaughterhouse offals by 50 percent; and in many instances rendering materials are left to rot because of the low value of inedible fats. Surely, it is time to decontrol fats and oils, so that the industry can get its fat "out of the fire." May we have your support in this deplorable situation?

Respectfully,

C. A. POTTS.

PEET PACKING CO.,
Chesaning, Mich., January 21, 1949.

Mr. WILBUR LA ROE, Jr.,
Washington, D. C.

DEAR MR. LA ROE: We are today sending the following letter to the Honorable Charles F. Brannan, Secretary of Agriculture; the Honorable Charles Sawyer, Secretary of Commerce; and copies to Senators Ferguson and Vandenberg and Congressman Crawford:

"It was with genuine interest that I read today of the additional 30,000,000 pounds of lard that has been allocated along with other fats and oils to foreign countries.

"Because about 30 percent of a hog is fat, the price of lard has traditionally approximated that of the live hog. However, today while the price of live hogs is 21 cents the price of lard is less than 13 cents. A year ago, the price of live hogs was 27¼ cents and the price of lard was 28 cents.

"A similar situation exists in inedible fats. Prime tallow today is quoted at 9 cents while a year ago it was 27 cents. Naturally these prices reduce the amount the packer can pay the farmer for his livestock and at the same time increases the amount of money the consumer must pay for his meat.

"While the additional 30,000,000 pounds' allocation should have some bolstering effect upon a badly sagging fats and oils market, the best that can be hoped for will be something in the way of a temporary result. Because of the abundant domestic supply of fats and oils along with what we are told is a great need for these items in foreign countries, it is difficult for us to understand why there is any further need of imposing export controls on fats and oils. The effect of these controls is simply to create an artificial surplus of these items and we would urge you to lend every effort toward the decontrol of fats and oils at the earliest pssible date."

Very truly yours,

R. D. STEARNS, *Vice President and Treasurer.*

Mr. LA ROE. I want to add one more thing: If you don't give us any statutory relief, then we hope you will say in your report that it is your judgment that these controls should be taken off and not put back until there is a stringency here or something like a stringency, but what Senator Cain said about taking controls off temporarily and putting them back is all right, but the practical difficulty with that is that these administrators cling to their power; they cling to their power instead of following the statute and granting decontrol.

Senator TAYLOR. It has been suggested here that we make this agency, the Office of International Trade, a permanent organization, with a directive that their job is not only to control exports, but to promote exports when occasion demands. The idea of that would be that it would give them a continuing tenor in their job, so they would not be so interested in perpetuating their jobs by blocking things and keeping controls on.

Mr. LA ROE. We hate to see them keep in their jobs by demoralizing our industry. We are more interested in more specific statutory criteria that will not let the administration of the act be so bad that the result is demoralization. That is the present situation and you can't ignore that.

There is demoralization resulting from the present set-up.

Senator TAYLOR. Do you think it would be advisable to so word the statute that these folks in this department would know they had a continuing job to promote exports?

Mr. LA ROE. It would be a tremendously beneficial step to know that their job would be to encourage export trade instead of discourage it. It is just as much their duty to open the gate as it is to close the gate.

The CHAIRMAN. Well, Mr. La Roe, we thank you very much for your testimony, sir, and the committee will meet again at 3 o'clock.

(Thereupon, at 12:45 p. m., a recess was taken in the hearing until 3 p. m. of the same day.)

AFTERNOON SESSION

The CHAIRMAN. I will ask the committee to come to order.

I might say for the benefit of those who are here we have 13 witnesses this afternoon, and that will take quite a long time, and so I do hope that any witness who has a prepared statement, and who feels as though, if he includes it in the record with some brief remarks and is questioned by the Senators that will be good enough.

If you do that, we will get through what we have today.

The first witness is Mr. A. W. Gilliam of the American Meat Institute. We are glad to have you. Will you proceed, sir?

STATEMENT OF A. W. GILLIAM, WASHINGTON REPRESENTATIVE OF THE AMERICAN MEAT INSTITUTE

Mr. GILLIAM. My name is A. W. Gilliam. I am the Washington representative of the American Meat Institute. The institute is the trade, educational, research organization of the American meat packing industry, with about 600 members in meat packing, sausage manufacturing, and meat canning. In these operations the industry produces large quantities of animal fats and oils, both edible and inedible.

I deal here with inedible tallow and grease which were decontrolled yesterday as of February 7. I think I need not go into that.

The Departments of Commerce and Agriculture have not made adequate allocations in terms of the domestic supply and demand in our foreign markets in the Western Hemisphere and the Marshall plan countries of Europe. Lifting of these controls, or substantial relaxation of them, would be of considerable help. Our traditional markets in these countries would take considerably larger quantities of these

products if the industry was allowed to export them without allocations or licenses. The demand is real and these outlets need it badly.

I would say, gentlemen, that we have since last August repeatedly urged the Department of Agriculture and the Department of Commerce to take these controls off on the ground that they were neither necessary nor required.

Senator CAIN. One question, Mr. Witness: Assuming the law is to be continued, what reason is there, from your point of view, for the Department of Commerce to have any control authority of the allocations to be granted to farm products?

I just do not understand.

Mr. GILLIAM. As a general proposition, we would like to see that in the Department of Agriculture.

Senator CAIN. Not as a general proposition, from your point of view, is it important that the export allocations of food be handled by a department of the Government that knows quite a bit about food?

Mr. GILLIAM. I would still insist that the best party able to handle it would be in the Department of Agriculture.

The CHAIRMAN. And you believe that decontrol of these things would perhaps help the situation?

Mr. GILLIAM. I don't know how much it would help.

The CHAIRMAN. The question is how many dollars are available.

Mr. GILLIAM. How many dollars there are and how much markets in the Caribbean area and markets in the Western Hemisphere can consume.

Those are our real markets. The European countries have not been since way back in the early twenties in the market for American lard particularly, because Germany was the largest taker of that and the currency situation in the twenties was such that they could take it.

Senator CAIN. Did you have a large prewar market down in the Caribbean?

Mr. GILLIAM. Yes.

Senator CAIN. Do you have it now?

Mr. GILLIAM. Yes.

Senator CAIN. How does it compare with shipments as contrasted to prewar?

Mr. GILLIAM. I don't have that. I believe we are shipping—this is just off the cuff.

Senator CAIN. Yes.

Mr. GILLIAM. I think we are shipping as much to the Caribbean area as we were before the war. However, I know we can ship greater quantities at this time.

Senator CAIN. And in your opinion, without adversely affecting the interest of the American consumer?

Mr. GILLIAM. Yes.

Senator FULBRIGHT. Do you feel that they have been unduly strict in granting allocations for export?

Mr. GILLIAM. Yes, sir. I will go a little further and state I am a member of the fats and oils advisory group that meets with the Department of Agriculture every quarter prior to the issuing of the allocation, when they determine the supplies and figure available commodities for shipment abroad, and in August, I urged that group

to cut loose the control on fats and oils and again in November I did the same thing.

Senator FULBRIGHT. Did the group in Agriculture refuse, or did the Department of Agiculture do it?

Mr. GILLIAM. It was both.

Senator FULBRIGHT. But you suggested that the Department of Agriculture be given the authority.

Mr. GILLIAM. Yes, the advisory committee meets, we go over the supplies of fats and oils, both edible and inedible and the total production and try to determine how much would be available over and above the domestic needs for export.

Senator FULBRIGHT. What happened? Did they recommend a greater allocation for export than the Department of Agriculture accepted?

Mr. GILLIAM. The committee itself took no action. But speaking for the American Meat Institute, I further urged that the controls be cut loose at a meeting in September with Secretary Sawyer and asked that the same action be taken.

Senator FULBRIGHT. What I was trying to ask: Is Agriculture more cooperative than Commerce?

Mr. GILLIAM. Frankly, I have no feeling about this thing one way or the other. We have stated distinctly that we are taking a realistic viewpoint. We think that the Department of Agriculture should be in a better position to determine what the supplies are and what the available surplus for export is.

Senator ROBERTSON. Mr. Chairman?

The CHAIRMAN. Senator Robertson.

Senator ROBERTSON. To what extent would the situation improve if we amended the present act to provide that the Secretary of Commerce follow the recommendation of the Secretary of Agriculture as to the amount of all farm products that could be exported.

Mr. GILLIAM. One of the principal difficulties is that the production estimates have been low. Ours have been low, theirs have been lower than ours, and we have come up with surpluses larger than either the Department of Agriculture, or we thought we had.

Senator ROBERTSON. You would take off all controls?

Mr. GILLIAM. Yes; at this time. We don't know what the future situation will be.

Senator SPARKMAN. You do not know what the situation will be in December?

Mr. GILLIAM. Well, Senator, I don't there is any crop failure here which is going to change the situation.

Senator SPARKMAN. Furthermore, I am thinking of this: Congress goes out of session in the middle of the year and it will not be coming back until the following year. It seems to me that the objection can be removed by doing as Senator Robertson suggested—giving the final decision to the Secretary of Agriculture—who certainly ought to have better equipment with which to make the estimation and to make the determination as to when a surplus actually exists than does the Department of Commerce.

Mr. GILLIAM. That is true.

Senator SPARKMAN. And, of course, it would eliminate one of the agencies having to act.

Mr. GILLIAM. I don't like to get into this Department of Agriculture and Department of Commerce situation because my feeling is, or our feelings are, that somebody who handles it should be able to handle it properly, and that has not been done.

Senator SPARKMAN. One agency best equipped to handle it and answerable for the manner in which it is handled, not divided responsibility.

Mr. GILLIAM. That is right.

Senator CAIN. I think, if the future of your industry is at stake, you should feel strongly on it.

Mr. GILLIAM. Not my industry, but the industry of the livestock people.

Senator CAIN. That is why you should not be backward about saying what you think.

Mr. GILLIAM. About 40 percent of the hog is fat.

Senator CAIN. If I read that correctly, you leave it up to somebody else.

Mr. GILLIAM. I represent both the large packers and the small. May I continue with my statement?

The CHAIRMAN. Yes.

Mr. GILLIAM. ECA countries are in dire need of our fats and what can be moved to them should be moved. The amounts that can be exported are necessarily limited by the dollars available, in the case of Europe, and by the capacity to consume in the Western Hemisphere, and, we believe can be spared from our domestic surplus.

NEAR-RECORD LARD SUPPLIES AVAILABLE

Hog production is increasing. The 1948 pig crop was about 8 percent larger than in 1947, and an increase of 14 percent is indicated for the next spring farrowings. In addition to stimulating an increase in the number of hogs raised, record feed supplies are encouraging the finishing of hogs to heavy weights, and lard yields now are running near record levels.

The 1948 spring pig crop has moved to market a little earlier than normal, so that there may be some drop-off in receipts, compared with a year ago, during February and March. But in the spring and summer months, April to September, hog slaughter is expected to total 8 to 10 percent larger than a year ago. The 8-percent increase in the 1948 fall pig crop, plus increased marketings of packing sows, resulting from the expansion in spring farrowings, point to substantially more hogs for slaughter in this period than in 1948. Hog supplies in the final quarter of the year will reflect the indicated large increase in this year's spring pig crop. Slaughter under Federal inspection during October to December tentatively is estimated at 17 million head, which would be the second largest slaughter on record for the quarter.

The average live weight of hogs slaughtered under Federal inspection during the 1947-48 marketing year was 250 pounds. Although a little lighter than a year earlier, this average weight was 15 to 20 pounds heavier than prewar and was quite heavy in view of the relatively short feed supplies available in that year. It appears that there has been a market trend toward greater efficiency of hog production throughout the country, and with feed supplies now abundant, hog weights are expected to be quite heavy in the current year. Consumer

demand also appears to have shifted away from fat cuts of pork in recent years, and this will contribute to higher lard yields.

On the basis of these factors, production of lard under Federal inspection during the current calendar year (1945) is expected to total about 1,850,000,000 pounds, which would be 11 percent larger than a year ago and 29 percent over the prewar 1939-41 average. It also would be double the low output of the mid 1930's.

RECORD PRODUCTION OF VEGETABLE OILS

Adding further to the domestic supply of fats and oils in 1949 are the large cottonseed and soybean crops harvested last fall. Production of crude cottonseed oil for the 1948-49 season is expected to exceed 1.6 billion pounds, which would be 29 percent over the previous year and 19 percent above the prewar average. It is generally expected that the 1949 cotton acreage will be increased considerably, which may add to the surplus situation in the 1949–50 season. The soybean crop of 220,000,000 bushels was the largest on record, and production of soybean oil probably will exceed last year by about 10 percent. Production of soybean oil has expanded sharply since the early 1930's, with the result that our annual supply of these three products—federally inspected lard, cottonseed oil, and soybean oil—now is roughly 1.5 billion pounds, 40 percent, larger than was produced in normal years prior to World War II. It refers also to this table which is attached to my statement.

(The table referred to follows:)

United States production of specified fats and oils, 1931–49

[Million pounds]

Period	3 major food fats				Inedible tallow and grease	
	Federally inspected lard	Cottonseed oil	Soybean oil	Total	Apparent total production	Fat salvage collections
1931–32	1,585	1,694	40	3,319	860	
1932–33	1,692	1,446	29	3,167	887	
1933–34	1,426	1,303	26	2,755	1,027	
1934–35	790	1,109	78	1,977	715	
1935–36	870	1,164	209	2,243	745	
1936–37	822	1,364	184	2,370	893	
1937–38	958	1,961	279	3,198	891	
1938–39	1,187	1,409	416	3,012	1,056	
1939–40	1,485	1,325	533	3,343	1,341	
1940–41	1,509	1,425	564	3,498	1,493	
1941–42	1,700	1,250	707	3,657	1,729	
1942–43	1,944	1,401	1,206	4,551	1,624	81
1943–44	2,541	1,236	1,219	4,996	1,923	159
1944–45	1,375	1,324	1,347	4,046	1,757	150
1945–46	1,311	1,018	1,415	3,744	1,710	133
1946–47	1,666	973	1,531	4,170	1,870	110
1947–48	1,628	1,275	1,533	4,436	1,983	[1] 100
1948–49	[1] 1,775	[1] 1,650	[1] 1,650	[1] 5,075	[1] 1,000	[1] 90

[1] Preliminary estimates.

DEMAND FOR INEDIBLE FATS CONTRACTING—PRODUCTION HIGH

Domestic production of inedible tallow and grease in the current marketing year beginning in October 1948 is estimated at around 1.9 billion pounds, which would be close to the previous year's figure

but is approximately double prewar levels. Factors contributing to this large production are: (1) The comparatively high level of livestock slaughter; and (2) the recovery of substantial quantity of greases through the fat-salvage program begun during the war. The principal use of these animal fats is in the production of soap. This demand for inedible animal fats has shrunk considerably because of the rapid introduction of synthetic detergents onto the domestic market. (See table.)

FOREIGN SITUATION SHOWING SIGNS OF IMPROVEMENT

Although the foreign situation with respect to fats and oils is still much below prewar standards, recent reports from foreign producing areas indicate a steady improvement in the production of these oils. Barring droughts and other factors adversely affecting production, it is probable that further substantial recovery in the world output of fats and oils will materialize by the end of 1950.

The CHAIRMAN. Thank you very much.

I will ask Mr. Dressler to come up.

STATEMENT OF GEORGE R. DRESSLER, EXECUTIVE SECRETARY, NATIONAL ASSOCIATION OF RETAIL MEAT DEALERS

Mr. DRESSLER. My name is George R. Dressler. I am executive secretary for the National Association of Retail Meat Dealers. I am appearing here today in behalf of the retailers not only of our organization but of the entire country.

I would also like to emphasize that I am not here as a professional organization representative. I am speaking as a retailer, and I operated my own markets. I also operated small rendering plants in several cities.

Senator FULBRIGHT. Where did you operate them?

Mr. DRESSLER. In Buffalo, Chicago, and Milwaukee. So I can feel that I know what the effect of these controls have on the price is of what the retailer receives on the so-called offal materials, waste fats, and bones.

Export controls on fats and oils have seriously affected not only our retailers but our consumers as well. The waste fats and bones that the retailer accumulates in the course of his fabrication of carcasses represents a substantial portion of the return he receives from his original purchase of such carcasses.

Senator FULBRIGHT. May I ask at that point, are you talking about edible fats or inedible fats?

Mr. DRESSLER. Both.

Senator FULBRIGHT. Most of these commodities in here are inedible.

Mr. DRESSLER. Well, there is a good portion of the suet and hog fat that the retailer returns to plants that can be processed into edible fats and oils.

The surplus of fats and oils in this country, because of present export controls, has caused the price that the retailer receives for this commodity to drop considerably. He must rely on the return from waste fats and bones to pay a portion of his operating expenses. When such returns are curtailed, many retailers often find it necessary to make an upward adjustment of price on the cuts of meat sold to consumers. This is an obviously unhealthy situation, but a perfectly natural one.

I might point out another thing at this time which the price of fats and oils affects, that when the prices of lard and inedible oils and so forth are down, there is a tendency on the part of packers to leave that much more waste on the prime cuts of meat which we buy from them, which in turn we must take off the cuts before we sell them to the consumer, and that means Mrs. Jones pays that much more for her steak when she gets it home.

For example, price quotations on the Chicago market for yellow grease, an important fat product, were $7.75 per hundred pounds this January 25, as against $24.50 per hundred pounds at peak prices in January a year ago. This represents a decline of 68 percent.

I might say also here in respect to the fat salvage program or campaign which had been carried on, I presume you gentlemen know that that program had been more or less officially ended.

Now, there are still many consumers who are returning fat salvage to the retailer. We are taking them, paying her for them. She is receiving a very, very small amount for those fats. That has meant something to the consumer. It meant a little saving of money on the fat she saved, and besides that there are many boys' clubs, like the Boy Scout and Girl Scout clubs, that went out and collected these fats from the homemakers and they built up little kitties for their clubs from which to buy things like toys and playthings and so forth, which they realized out of this fat salvage.

We are also pressing on the minds of those consumers, those people, that there is not any need to save those fats and oils any more because there are too much around and they can just pour them down the sink.

We don't want it, because we have too much around now.

While such declines represent a very important factor at present, we think it will be even more important in the months to come. As you gentlemen all know, the last year produced a bumper corn crop. This corn will again appear in the form of finished beef and pork. The heavier feeding of corn to livestock will result in additional amounts of fat on these animals. This will represent higher quality meat, which will add further to our surplus fat supply, if current export controls are continued.

As fatter cattle and hogs reach the market this spring, there will be additional accumulations of fats and possibly a further substantial break in price. Therefore, we strongly urge that controls on the exportation of fats and oils be eliminated.

That is all, Mr. Chairman.

The CHAIRMAN. We appreciate your testimony very much. We had some testimony along the same lines and we are very grateful for yours.

Have you gentlemen any questions to ask?

Senator FULBRIGHT. No questions; no.

The CHAIRMAN. Thank you.

Mr. Cohen, we are glad to have you here. Go ahead.

STATEMENT OF ROY M. COHEN, EDITOR AND PUBLISHER, BUTCHERS' ADVOCATE

Mr. COHEN. Mr. Chairman, the subject I am going to speak on is lifting controls.

My name is Roy M. Cohen and I am the editor and publisher of the Butchers' Advocate.

To briefly outline what I feel that I am qualified to express my views on the subject at hand, namely that section 701 of the Exports Control Act be changed by adding this paragraph: "The authority granted by this section shall not be used to prohibit or restrict the exportation of fats, vegetable and animal oils, to nations in North and South America or to European countries cooperating in the European recovery program."

I am the editor and publisher of the Butchers' Advocate, Dressed Poultry and the Food Merchant magazine, America's oldest meat weekly, a national weekly publication, established in 1879. I have been actively connected with the meat, poultry, and rendering industries for a period of 40 years.

During World War I, I was economist for the late Samuel Gompers on the Council of National Defense and was associated with the late J. P. Cotton, head of the meat division of the United States Food Administration at Washington and later became senior instructor of the butchers' schools of the United States Army as an officer under the direction of Newton D. Baker, Secretary of War.

I am merely stating these Government contacts so you may see the experience I have had through the years. Since then, I have not only been in the industry, but I have been connected with every phase of food distribution, exports, and imports included.

I wrote this statement on Monday. On Monday night we know that certain inedibles have been decontrolled. Since last June I have been writing on the subject of the surplus that did occur in fats. The Government agencies that I am talking about and will definitely talk about, Department of Commerce and Department of Agriculture, should have foreseen this fact.

The reports of the monthly inventories of fats issued by the Department of Agriculture fell far short of the actual figure. Why? I don't know.

I want to say this, that I feel just as I did before Commerce decontrolled certain of these fats. I have been trying to think since I have been here in Washington the past 2 days as to just who they figured they might grease? I know if I were a member of the Department of Agriculture or the Department of Commerce responsible for this work, I certainly think I would use the grease on my face because it might be pretty red.

Right at the time that industry is appealing and appearing before this committee to have at least a time limit, I could not quite understand and I have been around a few years. I mention that, because what I have to say hereafter has not been changed one iota from the statement as I had written on Monday.

A few pertinent facts regarding inedible tallow are as follows: Certain Government agencies state that there is a shortage of inedible tallow. I say there is no shortage. One hundred carloads or 6,000,000 pounds of tallow can be obtained for immediate delivery today. That is a very conservative statement. Does this bespeak a shortage? The domestic market is apparently demoralized, and for all purposes governed by the whims and fancies of three large soap manufacturers. We need a free and open world market without the possibility of Government leaks and extra allotments after quotas are given by Government agencies.

History is repeating itself and a matter of serious concern such as occurred in 1921 confronts us now—even more serious than at that time. In looking over the record, we find that even before World War I, we could not normally consume the fats produced in this country without free and liberal exports. The Government at that time purchased 100,000,000 pounds of lard to stabilize the fat market. The record shows that the Government sustained no loss by this purchase but did consequently stabilize the markets for fats and oils.

Today many more detergents are being used to manufacture soap and many more of our consumers are using vegetable oils in cooking in place of lard. The Government is bungling this situation because they are not fully cognizant of the current situation. I don't mean the Government by that. I mean the agencies that have been responsible for handling our fats and oils situation.

In 1921 many more housewives used lard, and, in spite of a greater domestic consumption, we still needed an export market to absorb our supply. The Departments of Agriculture and Commerce are definitely asleep. It is difficult for one to understand why those connected with the Government do not realize that they are causing the present chaos in the domestic fats and oil market. It appears that they don't want to know or simply do not care. Why should the control over these items be left in their hands if they haven't taken the time and opportunity to study prevailing conditions.

Consumers are forced to pay more for every pound of edible meat because a world market for lard and tallow is not permissible. This affects the price of live cattle and hogs, and because of the lower meat prices in the past few months this loss has been borne by the producer of cattle and hogs. The daily market reports prove that a world market for fats and tallow would alleviate this situation and cause a drop in consumer meat prices.

Senator CAIN. May I stop you and ask you to repeat that sentence? What would be the cause to reduce the consumers' price of meat?

Mr. COHEN. The daily market reports prove that a world market for fats and tallow would alleviate this situation and cause a drop in consumer meat prices.

Unfortunately, due to the greater use of detergents in the manufacture of soap, the three large soap manufacturers absolutely and definitely control the inedible tallow market of the Nation. That is a strong statement, gentlemen. It is true.

This is unfair to the consumer of meats, the producer of livestock, and the renderer, who cannot continue to operate without suffering severe losses.

Only through a free and open world market, without United States Government control, can this situation be changed. The United States Departments of Agriculture and Commerce can be charged directly for raising consumer meat prices and the chaos confronting domestic fats, tallows, greases, and lard producers.

I am moderate in my statements on this subject. These facts have been carefully analyzed and presented so that every producer of meats and consumer of meats may understand them.

1. At the present time, we definitely have a surplus of fats. If export controls are removed, the world shortage could be alleviated and the domestic situation could be cleared up. This would lower consumer meat prices and certainly aid our economic position.

2. A free world market will take the control of the present market price for fats from the three big soapers in the United States, who are more commonly referred to as the "soap trust."

The facts presented above are based upon a careful analysis of the fats and rendering industry covering many years. I have endeavored to set forth my thoughts in as simple a manner as possible because the technical facts have been presented briefly by other speakers about the present fats and oil situation.

The Government should not maintain controls on products that are now in surplus.

I will be pleased to answer any questions of the Senators at this hearing.

The CHAIRMAN. Yes, I would like to ask you a question. If the Government took all these controls off, where would sufficient dollars come from to purchase the huge surpluses that we have?

I have been told that the only dollars that are in existence are what the United States Government sends out; is that correct?

Mr. COHEN. I will answer that. I will answer that with a simple problem.

About 4 months ago there was a request made for a huge shipment of tallow to France. It was not being purchased through United States dollars or the Economic Cooperation Administration. It was being purchased by French businessmen if they could have gotten a permit.

The CHAIRMAN. How were they going to pay for it?

Mr. COHEN. I will tell you. They had shipped some stuff to Switzerland and they had built up a Swiss franc credit in Switzerland and the money would have been paid by Swiss francs being changed into American dollars.

That is normal business in Europe.

The CHAIRMAN. I am familiar with that because I have been in the export business all my life.

How many cases of that kind would have happened?

Mr. COHEN. A lot of them.

The CHAIRMAN. I am agreeing with you on this decontrol, so you know how I feel about it. I am trying to find out whether some people are getting over-enthusiastic as to the amount of things to be shipped out of the country when we have to look for the cold cash coming back for them. We have 5,000,000 bales of surplus cotton and everybody in Europe wants cotton, but they have no money to pay for it.

Now, food is important, but so are clothes on people's backs important, but I think you are going to find out that the shipments will not be as great as you think under decontrol.

Mr. COHEN. Senator, I am going to agree with you. This is no cure-all.

The CHAIRMAN. That is what I meant.

Mr. COHEN. I remember something that happened in 1921. It was something I sat in on. It was handled by the Congress. At that time we did not have agencies that were other than fact-finding agencies.

The CHAIRMAN. Do not misunderstand me that this should not have been done long ago, because I think it should have been, but now that it has been done, the results will not be as great as they think because of the lack of dollars and the lack of exchange.

I have swapped cotton for fertilizer and everything else.

Mr. COHEN. During the past 8 months Uruguay and Brazil and mainly Argentina sold tallow to the countries I mentioned in Europe for 20 cents a pound.

The CHAIRMAN. Did they get paid in dollars?

Mr. COHEN. It was paid for in dollars through Swiss francs.

The CHAIRMAN. And then exchanged and sent to Argentina?

Mr. COHEN. But we could not get export quotas for tallow at that time.

The CHAIRMAN. Everybody feels that Europe would buy this and other commodities, but European dollars are not like they were. But we were talking about the 20 cents.

Senator CAIN. Senator, if your contention were correct——

The CHAIRMAN. I am not contending. I am only mentioning what a previous witness stated this morning, because they felt that the export controls should be taken off because they did not have enough dollars to buy the commodities.

Senator CAIN. If that be correct, it necessarily seems to suppose there is more need for controls than less. That because of essential economy it cannot run right.

Mr. COHEN. Cannot run right.

The CHAIRMAN. If you took off these restrictions, the lack of dollars itself would stop it.

Senator ROBERTSON. Is there any problem involved in storing tallow so it will not get rancid?

Mr. COHEN. No, sir; it is one of the few products in the fats and oil industry that can be stored.

Back in 1920 when we did not have the methods nor the improved methods of rendering lard that we have today, that lard was still stored and sold.

Senator ROBERTSON. Is that not the situation where the American housewife would pay for good lard and get rancid lard?

Mr. COHEN. No; the American housewife has been using the vegetable oils and fats because they are easier to use in cooking, and because they are preferred we always had to rely on European markets.

Central Europe had been large users of lard. As the population changed from an immigration population, our lard market went down.

I recall when I was in the retail chain-store food business many years ago we sold huge quantities of lard, particularly in the areas where we had a foreign trade.

Senator ROBERTSON. Your World War I export of lard was 18 percent of our domestic production. What is it now?

Mr. COHEN. It is not that.

Senator ROBERTSON. And you would like to see it get back again?

Mr. COHEN. There is not any question about that.

The CHAIRMAN. Mr. Cohen, we appreciate your testimony.

Senator Bricker, do you have any questions?

Senator BRICKER. No.

The CHAIRMAN. Senator Cain?

Senator CAIN. One. You mentioned three large soap manufacturers. For the record, will you give us their names?

Mr. COHEN. Yes, sir; Procter & Gamble, Lever Bros., Colgate-Palmolive-Peet.

Senator CAIN. Thank you.

The CHAIRMAN. We were told this morning that the price of soap remained unchanged except the price of flakes went down. A witness this morning stated that the same price as last year—21 cents last year and 20 cents this year for the soapsuds. Is that you experience? Why have soap prices not gone down?

Mr. COHEN. Soap has not gone down proportionate to the price of our fats. He was talking about flakes this morning?

The CHAIRMAN. Yes.

Mr. COHEN. More than likely a detergent, not the thing we are interested in in our discussion here.

The CHAIRMAN. He said soap itself had not gone down.

Mr. COHEN. He is correct in that general statement.

The CHAIRMAN. Thank you, Mr. Cohen.

We have Mr. Henderson here. He is managing director of the American Association of Small Business.

Is Mr. Henderson here?

I understood one or two witnesses would not be here this afternoon.

How about Mr. Thomas Holden, is he here?

Mr. William F. Brooks, of the National Grange Trade Council, is he here?

Mr. George F. Bauer, vice chairman of the international trade section of the New York Board of Trade, is he here?

STATEMENT OF GEORGE F. BAUER, VICE CHAIRMAN, INTERNATIONAL TRADE SECTION, NEW YORK BOARD OF TRADE, INC.

Mr. BAUER. Yes, sir.

Mr. Chairman and gentlemen of the committee: I represent a semidormant company and I speak for the international trade section of the New York Board of Trade.

I will speak first for them and then I will come back to this semidormant company of mine.

It is the fundamental stand of the international trade section of the New York Board of Trade that export controls are harmful to the conduct of American commerce with other nationals.

Export controls are contrary to the American way of life and competitive enterprise, if "nations have placed controls over trade," as Assistant Secretary of Commerce Thomas C. Blaisdell, Jr., explains—

> not because they like controls, but because controls appear to be a more desirable method of regulating economic life than submitting businessmen and workers to the adjusting mechanism of booms, depression, and unemployment.

Export controls prevent that error in no way.

Export controls actually are causing reduced employment in enterprises dependent wholly or in part on normal demand abroad for their products or services. They may be extended further to contract job opportunities for Americans when the present abnormal type of foreign trade at expense of United States taxpayers ceases and until enterprises can be restored for conduct of normal commerce with other nationals on basis of productive and nongovernmentally subsidized transactions and projects.

That is the kind of enterprise we have today. We hear a lot about scarce materials. I would like to see a list of what that material is.

You hear about it all the time, but nobody lists them. If we put up such a list, we would find them readily available, and if not, we could readily find substitutes.

Now, Congress has sufficient sums to buy them, but they use these as an excuse, I am sure, to foster on us these export controls. It seems to be out of reach. Now, they have another claim. That this will come back inflation.

Scarce materials if listed by the Government are likely to be made readily available through private channels or by search for substitutes. Ample powers and funds already exist for our military authorities to exercise priority of goods and movement of them to further national security.

It is misleading to claim that export controls will help control inflation. Actually, they result in need of labor which adds nothing to quality of goods, but of which the cost has to be included in the price quoted to buyers abroad of American products.

A fundamental approach to the problem of inflation would be along lines of recommendation by the section that a gold-coin standard of $35 per ounce of gold be established to put business transactions on a sound money basis whereby gold may again become the common denominator of all currencies for all people, anywhere, any time.

Export controls are one of the methods of a statist government. A democracy can hardly oppose such a statist government if in that endeavor it has to employ similarly reprehensible countermeasure. The American way found so successful in the past is based on a minimum of controls with intensive efforts of labor, management, and investors to put more and more goods and services of all kinds within the buying reach of the greatest number of people everywhere.

Export controls as instruments of managed economy are not attaining that worth-while objective, whereas American enterprise aided and not strangulated can re-create a nation of which the imitation will be gladly sought by the masses of people everywhere, including those in countries under the yoke of governmentally directed life.

If I tried to sell you some commodities, and because you had red tape to comply with, and because you were uncertain that we would be able to fill the order, would that result in higher cost or lower cost—so in that phase alone we are adding to the cost of the foreign consumer and we are adding to the inflation.

If you want to do something, why not put us back on the gold standard of $35 per ounce of gold? There is a recommendation made by the leading economists in this country. If we did that the gold in Fort Knox would be distributed around the world and the economy would not be so serious.

If money based on the gold standard was advanced throughout the world, people would know what kind of money they would be paid with. It would be better money and have international value, because it is not paper money, but it is gold.

Senator BRICKER. Do you think that will help, if America made that standard?

Mr. BAUER. We have made that study in the New York Board of Trade. If an American wanted to invest in raw materials abroad he would know he could be repaid in those kind of gold dollars. Also, we would be setting a good example, and it may serve as a fluctuating economy that is international as well as domestic.

Now we have only a promise to be repaid and we have paper money. We have no money backed in gold.

Senator BRICKER. I am one who agrees with you. I think we ought to get back on some basis of international exchange as near the gold value as possible, but I think it would be difficult to get other countries in Europe to go along with us in that field.

That is because of their critical condition now.

Mr. BAUER. We establish a currency that is international and all these transactions could be quoted on gold dollars. These people want to go back on that basis. Then they can see how many grains of gold are in their repayment.

I was in Haiti and they were permitted to exchange their gourde which is their paper money, and they were permitted to exchange them for our dollars and they had the chance to borrow money to make that exchange on a gold basis.

If a Haitian merchant imported textiles from the United States, he knew he had to pay in dollars that had a gold content.

So there was no trouble for the merchants down there to finance the transactions themselves because they knew how much the franc was worth in gold and how much the dollar was worth in gold. They had the intention to make good if there was a favorable balance.

Today we are sterilizing gold by keeping it at one place, that the rest of the world has no access to it.

Senator FULBRIGHT. Do you advocate paying for the gold?

Mr. BAUER. Fundamentally, money pays for goods and services and the only thing gold does is measure the value of those goods and services. It may be that we have an unfortunate belief that gold is a substitute for goods and services.

Senator FULBRIGHT. Who has that belief?

Mr. BAUER. In our own country I would say the people generally.

Senator FULBRIGHT. Do you mean Americans?

Mr. BAUER. Yes. They think that gold replaces goods and services.

Senator FULBRIGHT. Do you think that we should not have a high tariff?

Mr. BAUER. I agree with you, that we should not have excessive tariffs. We think we should not have these barriers. The import controls and export controls are more serious than the highest tariff.

You cannot calculate the damage under this system.

I mentioned my semidormant company. I had a company that could export quite a few concrete block plants. They are composed of concrete mixers and machinery that produces concrete blocks.

Now, I have an order from Haiti. They want a plant. That plant would cost them $4,000. They have the money and I could send it to them tomorrow, but I do not know whether the Office of International Trade will say you cannot fill that order. So, I can be working my head off, paying for translations, paying for clerical help, and then the Office of International Trade could say you cannot ship it. So, I say, my company is semidormant. I refuse to pay people for work to send merchandise to Europe. We are helpless under what we call the invisible export.

There is not a State represented by the gentlemen here that does not invisibly export something.

For 20 years I was export manager for the American Automobile Association. In those days we wanted to create a bigger demand for our cars, so we sent five men around the world preaching the advantages of transportation.

The result was that every State contributed and it created jobs for a lot of Americans. That, to my way of thinking, is a sound contribution to industry.

Export controls are no different than the controls you get under a Fascist government. The reason we are against it is because we cannot take a law that cannot be complied with and is not fundamentally a part of democracy. If we insist on controls, then why do we have to fight governments that insist on those same methods? Why don't we try the American way and make more goods available to more and more people?

If we did that, we would set an example.

In the old days, we had nothing to say against our methods. Today they are doubtful because we are mingling our methods with a foreign way of living.

Therefore, I would like to urge on the committee that you bring these controls to a conclusion as quickly as possible.

Senator BRICKER. Do you know of any material now that is in short supply in this country that if exports are permitted might imperil our national security?

Mr. BAUER. Why not tell us what they are?

Senator BRICKER. I am asking you.

Mr. BAUER. Why not publish a list?

If you had a list of some of the men in foreign trade—well, tin plate is in short supply. I am sure the American businessman will find a supply of tin plate. But today everything is made for hidden resources. Things are stored away if there is no demand for that product, they say, "I better put it away."

Senator BRICKER. Your tin supply is in foreign trade because we are dependent on foreign sources of supply. What about steel?

Mr. BAUER. I would say the same thing about that.

Senator BRICKER. It is an entirely different problem.

Mr. BAUER. Yes. Some gentlemen here who follow me are in those particular trades, and they will answer you. They can tell you what they would do to bring around a little more steel. In other words, opening up the outlets here.

There is steel being produced in foreign countries. That will be brought out by the men who are following me.

Senator BRICKER. I think the only problem we have here is where there is a necessity for continuing any controls wherein the security of the country might be involved. I think, as a matter of trade and as a matter of international relations and as a matter of building up the other countries of the world, where they cannot produce the things we need and build up a better trade, I don't think there is any need under the sun for export controls; but, if the security of the country is involved, it is a very important consideration.

Mr. BAUER. As I say, I lived with the Marine officers in Haiti. We took over the Government of Haiti in 1916. We had two troubles. One was the economic situation and the other was military. They were in conflict. Down there, some of the military authorities were

very ambitious. They were going to build up military roads when suddenly they found they were undermining the export of coffee, and coffee paid 3 cents a pound in export tax; so the revenue they needed to build those roads was starting to be reduced.

Military organization, as I see it, would be strong only as the commercial body is strong, too. The system here is resulting in waste of human effort or discouragement. People are not just going to continue to work under a system so contrary to their way of doing business.

Senator BRICKER. You do not believe, if we took these off entirely, that there would be no increase in the price of goods to the consumer?

Mr. BAUER. I don't think so, because, as I see it, a lot of other countries would start exporting and you would have a flow or movement of goods.

Senator CAIN. You quote Mr. Blaisdell in your statement. Is that an accurate quote?

Mr. BAUER. This is an accurate quote. He gave this statement before the drug section of the New York Board of Trade. Unfortunately, this is his statement.

Senator CAIN. I would like to ask what I think is an important question. What does that statement mean?

Mr. BAUER. Will you read it?

Senator CAIN. I cannot understand it. It appears to be: "Nations have placed controls over trade, not because they like controls, but because controls appear to be a more desirable method of regulating economic life than submitting businessmen and workers to the adjusting mechanism of booms, depression, and unemployment."

Yet, we have sat here for several days listening to serious-minded men tell us that some of their industries are in jeopardy because of their inability to secure sufficient export allocations from Government.

Without prejudice to Mr. Blaisdell, I would say that his statement means nothing. It is only a presumption on his part that he does not attempt to prove; is that correct?

Mr. BAUER. Here is the interpretation I get. I think, by Government supervision, you can determine supply and demand.

Senator CAIN. You gentlemen who make your living and invest your American capital just say that simply is not so.

Mr. BAUER. I cannot stop you from making radios, and if you use poor judgment those radios are going to be a drug on the market.

Senator CAIN. You say you have a semidormant company which is dormant because you don't know yourself who is going to do what to whom.

Mr. BAUER. I cannot say with certainty that I can fill an order if I get one. I have a new product.

Senator CAIN. Congress is looking for an answer.

Mr. BAUER. To get that new product out over the world, I have to make a technical foreign-language catalog to make any exports. I have to find out who the distributors are at my expense; and, at the end, if I do all that, if I have created an order, I do not know if I can fill it.

Senator CAIN. You say you are losing what has always been important to the American businessman: your desire to venture. You are afraid you might not be able to get started on the venture.

Mr. BAUER. Yes; I am stopped right here in my own country to try and create jobs for Americans in a modest way.

Senator CAIN. People are in favor of decontrol, and here is the Assistant Secretary saying controls might be the better way; but I am not certain.

Mr. BAUER. Let us try to go along the American way and try to supply these services and goods.

Senator BRICKER. What is the good we have seen in this century in the debasing of currency in foreign countries? What are the main advantages in their dealings or tradings that involve their dealing here.

Mr. BAUER. That was started by us, as I stated. Goods pay for goods. That is one principle we have to get into our heads. And money measures the value of goods.

When you force these restrictions and force people to pay for these goods with gold, they cannot stay on the gold standard; and that is what happened in 1933.

Senator FULBRIGHT. Would you say that was because of high tariffs?

Mr. BAUER. Yes. You cannot have all these restrictions that interfere with exchange of goods for goods and still have a gold standard.

I say we are in a favored position today because we have $24,000,000,000 in gold that we could offer to exchange at the rate of 1 ounce for 35 paper dollars and not be hurt because we have 13-percent backing of all the paper out and bank deposits. If we did that, there would not be any doubt in anyone's mind in France or Italy. He would know, if he had $35, he would be entitled to 1 ounce of gold. That he would understand. If he understood the paper in France, the franc would not be at a discount.

Today, only the central banks have the right to ask for gold. This is a suggestion of the New York Board of Trade that, if international trade were really to be helped, you would have to remove these exchange controls and export controls and at the same time say our gold is international, but being on a fixed gold basis for anyone anytime.

Senator CAIN. Your problem has two parts. One is policy and the other is administration. We know how you feel policywise. How easy is it for a Federal Government to secure people who understand the export business to work for the Government, say in the Office of International Trade. Have your relationships with that Office on the basis of your experience been harmonious, happy ones?

Mr. BAUER. Here would be my experience. I was in the Bureau of Domestic and Foreign Commerce in 1916 when it was first created. At that time it was an agency to help business. In other words, the Republican administration subsequently aided in that direction. Substantially, in the Foreign Department of the Bureaus of Domestic and Foreign Commerce, we tried to help men in agricultural production and in their foreign trade. And then there came a time when those men were given subordinate positions and made restrictors. They were put in positions where they had to say, "You can export" and "you cannot export."

In other words, they created an interference with international trade. So, if you ask me my experience with the Office of International Trade, I would like to say why not reclaim the Bureau of Foreign Commerce. It was well esteemed by the Republicans and Democrats, and there would not be the stigma of creating an organiza-

tion and making them do things that are contrary to creative commerce.

If you want to do something for the Office of International Trade, you could say to these men, "What are you going to do to create demand for these products like fats and oils, for which a surplus is growing?"

Senator CAIN. You say it is a regulative function and not constructive?

Mr. BAUER. It is not constructive. Humanly, you just cannot regulate it.

The CHAIRMAN. I want to thank you for your testimony. I understand that Mr. Sanford is here.

Mr. Sanford, will you come up, please?

STATEMENT OF WILLIAM F. BROOKS, NATIONAL GRAIN TRADE COUNCIL

Mr. BROOKS. Mr. Chairman, my name is William F. Brooks. Mr. Sanford is here to testify. He is from Portland, Oreg. I might identify him for the record.

The CHAIRMAN. How long will he be?

Mr. BROOKS. It will be about 2 minutes. He is from Portland, Oreg., and he is chairman of the National Grain Trade Council, which is a feed association composed of the organized grain marketers in the country, and he represents the Grain and Feed Association, the American Feed Manufacturers' Association, Grain and Feed Dealers' National Association, North American Export Grain Association, Commission Merchants' Association, and the Terminal Elevatormen's Association.

From the middle of September and until about the middle of July, Mr. Sanford was grain consultant to the Administrator of the Economic Cooperation Administration.

I believe he said he is from Portland, Oreg., and he is engaged in the grain business there.

This is Mr. Sanford.

The CHAIRMAN. Mr. Sanford, will you sit down? Mr. Brooks is introducing you for the record.

STATEMENT OF H. E. SANFORD, CHAIRMAN, NATIONAL GRAIN TRADE COUNCIL

Mr. SANFORD. The National Grain Trade Council welcomes the invitation to appear before this committee on S. 548, cited as the Export Control Act of 1949. Time has not permitted preparation of more than a brief statement in rather general terms. If the committee desires, we will be glad to prepare a more detailed analysis of our views, to be filed within the next few days.

Inasmuch as representatives of the grain industry testified fully in May 1947 on a bill to extend the export-control law, we feel a special obligation to appear before your committee at this time. The extension bill in 1947 was being considered by a subcommittee of the Senate Committee on the Judiciary. I think it was something of a disappointment to that subcommittee that we felt obliged to recommend that au-

thority to control exports of grain be continued. There was a very critical food situation prevailing all over the world, and we simply could not agree that a proper division of scarce food supplies could be managed under a free-enterprise system of uncontrolled exports.

We did not believe at that time, however, that the necessity for allocating grain exports required that the actual exporting be handled by a government agency. We pointed out that there was almost an equal crisis in the matter of handling coal exports, but that the mechanics of exporting had been returned to private firms a short time before, and that there had been no adverse results. In reporting that bill, the Senate committee recommended that "grain exports be returned to the trade at the earliest moment."

The critical world shortage of grain supplies continued until the harvest of 1948. Harvests last summer were excellent in almost every European country, and we had more than normal supplies in such exporting countries as Australia, Argentina, and Canada.

Senator BRICKER. The Argentine crop is down this year.

Mr. SANFORD. This year, yes. The crop is harvested in January, and this year it was a very small one.

The wheat crop in the United States was of almost record size; and, what has been more important, we have been blessed with a bountiful supply of corn and other coarse grains. Exports to Europe have continued high because nearly all of those countries have been anxious to build reasonable reserves, improve or eliminate bread rations, reduce their extraction rates for flour, and discontinue or diminish the practice they have had to follow of mixing coarse grains with wheat. Most of these countries also have taken advantage of the improved situation to start rebuilding their livestock, poultry, and dairy industries.

The Food and Agriculture Organization of the United Nations has just issued a Grain Bulletin which is an excellent review of the current world grain position.

I might say it is dated January 1, 1949, and most of the figures in it are up to the January 1 date.

Senator BRICKER. Just a moment. Mr. Chairman, do we have that report? I think it is an excellent reference.

The CHAIRMAN. Do you want that now?

Senator BRICKER. If one of us could make a reference to get it; yes.

Mr. BROOKS. Here is the report and the release that accompanied it.

(The report will be found in the files of the committee.)

Mr. SANFORD. This is quite a complete statistical document. You will find it quite interesting on world figures as well as United States supplies and agricultural policies in various places.

One may gather from this bulletin, as well as from comments being made widely in the United States during recent months, that concern is shifting from shortages to surpluses, and numerous steps are being considered to cope with them.

The grain-export trade finds itself at something of a loss as to how to plan for the future. We have agreed that there was good reason for the Government handling of grain exports during the war, although even then we believed that exporting could have been performed privately, as evidenced by the fact that it was done so in

Canada. There seemed, however, sufficient argument for Government handling, so that no particular protest was made. We felt that the arguments were less strong during the early postwar years, but rested more or less content with the assuraonce that it was a temporary arrangement during the food-shortage crisis.

Last summer it became apparent that the actual emergency was over. It was confidently expected that private exporting would be resumed. Nearly all of the recent legislation, such as the European Recovery Act and the bill before you today, includes strong provisions that private trading is to be encouraged in every practicable way. This has not been done in the case of grain, however, for the reason that there are certain technical difficulties in the matter of coordinating the movement to make the most efficient use of railroad and port handling facilities. We do not consider that those obstacles are insurmountable. If we believe in individual enterprise as firmly as we profess it, I think we should be able to work out this problem. I would point out, incidentally, something that comes as a surprise to most people, that the exports of whole grain were as large or larger in the crop years from 1918 to 1922 as they have been during the recent postwar years. We had boxcar shortages in those days too, as bad as, or worse, than the shortages now existing.

Senator BRICKER. I think the boxcar situation is in pretty good shape now.

Mr. SANFORD. Yes, it is getting much better. The construction of new cars has caught up with and slightly passed the retirement rates. The gain is much greater than that because you repair broken-down cars that spend half their time in a repair shop and they are building new cars. You don't see a 60,000-pound car any more. They are 100,000 pounds and more. I think the railroads on a whole are doing a much better transit job than they did 25 years ago.

The CHAIRMAN. They are not getting sufficient steel to build as much as they can build.

Did I understand you to say that some of the firms were worrying about the continuation of commodity credit?

Mr. SANFORD. Yes, I said that the majority of the grain farmers have fear of the continuation of Government export controls.

The CHAIRMAN. Of course, that is because of the lack of dollars in Europe, is it?

Mr. SANFORD. That would be true in all commodities.

The CHAIRMAN. It is true in cotton. Most of the exports in cotton have come under the Commodity Credit.

Mr. SANFORD. Of course, cotton exporting is handled privately everywhere, even to the occupied area and to Greece.

The CHAIRMAN. No.

Mr. SANFORD. Not in cotton?

The CHAIRMAN. To Germany some loans have been made through the International Bank and to France.

I mean the vast exports of cotton because there are dollar shortages everywhere and because the handling of the cotton by the Commodity Credit Corporation they have made $100,000,000 in cotton.

Mr. SANFORD. Since that time there have been export controls.

The CHAIRMAN. They liquidated all the old crop because they have never had another bill. The price of cotton has declined so much that they now have on hand 5,000,000 bales.

Mr. SANFORD. I know, Senator, because I was signing the procurement authorizations.

The CHAIRMAN. That has been in the last few months. Then C. C. Smith left and then they had no more Commodity Credit and they bought from Madison, Clayton and those firms, but now the Commodity Credit Corporation has 5,000,000 bales.

Mr. SANFORD. I think the question will arise when Commodity Credit goes to liquidate part of that stock pile of theirs, whether they will sell it direct or abroad or whether they will sell it back through the private exporters just as Commodity Credit did before the war.

The CHAIRMAN. I think that is correct, but the situation now would be with surplus cotton just as you had a surplus of wheat after the last war.

Senator SPARKMAN. There is this difference that Commodity Credit does not buy this crop.

The CHAIRMAN. No, they take it on a loan.

Senator SPARKMAN. They do not own it yet. They bought the grain outright.

The CHAIRMAN. Grain was above parity at the time they bought it.

Mr. SANFORD. The difference is this. The private export firms and unfortunately in cotton, the export business is highly concentrated. I think the original list of exports showed that 90 percent of the cotton was handled by Anderson-Clayton and one other firm.

Senator SPARKMAN. Weaver Products.

Mr. SANFORD. That is right. It was exported everywhere except to Japan.

The CHAIRMAN. That is right. When I said prior to this year that Commodity Credit shipped cotton to Germany and France and shipped cotton to Holland in 1945——

Mr. SANFORD. The difference in grain——

The CHAIRMAN. They bought it.

Mr. SANFORD. Commodity Credit has no stocks. They buy in the open market.

The CHAIRMAN. You see, cotton was so far below parity all during the war, sometimes 4 and 5 cents a pound. That is why Commodity Credit accumulated so much cotton.

Mr. SANFORD. I know they have had extensive hearings on cotton over in the House for the last 2 or 3 weeks. I have not followed what was going on.

The CHAIRMAN. Well, they had a big crop this year like you had a big corn crop and a big wheat crop. It is something like a figure over 15,000,000 bales.

I did not mean to interrupt you.

Mr. SANFORD. I don't mind.

Senator BRICKER. Some people want this program because they do not have the access to or ability to rate their credit with foreign customers and that is there is no credit risk if handled through the Government agencies.

Mr. SANFORD. Senator, it is so easy and while the handling charges are moderate, the thing that has killed us in the grain business from time to time is the risk you took and the losses you took.

Now, this selling by the Commodity Credit is a very simple affair. Anybody can do it. But when you get into private export, that is no game for the women and children.

Unfortunately, a lot of the GI exporters that started up since the war when the licensing thing went out, they just had no service to offer any more.

They did not have any foreign contacts, they did not know the technique of the business.

In the licensing days, the minute a person got a piece of paper from the Government, that was as good as a bond and they were going to go out and sell it.

I tried to be an exporter after World War I and I went broke in 4 years and again after 6 years. It is a serious game that has serious hazards connected with it and the price of a commodity can rise and fall so much. That is especially true as far as bulk commodities are concerned. Some businesses don't bother with it. They are not interested.

I am not sure that you got my point.

The CHAIRMAN. I got your point that a lot of people are fearful that Commodity Credit will not continue to buy.

Mr. SANFORD. A lot of people who oppose it, don't oppose it because they did not like the way they were handled by the agency, but because they were afraid it would not be continued.

Our port handling facilities for export grain are larger now and more efficient than those in existence after World War I.

It is only fair to say that our industry does not criticize the manner in which the Commodity Credit Corporation has conducted the export business. They have made use of private trade channels in buying, accumulating, storing, and shipping grain. They have allowed reasonable handling margins and have dealt impartially with the various segments of the industry. We think that during the past year in particular, they have done the best job in their history of buying without undue disturbance to markets. I should be said also that there are a number of grain firms that have found doing business with the Commodity Credit Corporation easier and less risky than private exporting. Some of these people are not interested in any change. The majority, however, have certain grave fears about its indefinite continuation.

In other words, if 90 percent of one's business was assigned to one agency and for some reason they don't like you, you are out of business.

They have been out of the export business for about 8 years and are forgetting how to do it. Foreign connections cannot be maintained forever with no business to handle. Experienced individuals are getting older, and there is no opportunity to bring along young men. They have a natural fear of having only a single, powerful customer in the form of a governmental agency.

It is for these reasons that we wish to comment on the provisions of this Export Control Act of 1949. We would hope that certain criteria, such as those outlined in sections 1 and 2, might be made specific enough so that exporters can judge for themselves the prospects of decontrol.

Section 2 declares that it is the policy of the United States to use export controls to the extent necessary (a) to protect the domestic economy from the excessive drain of scarce materials and to reduce the inflationary impact of abnormal foreign demand; (b) to further the foreign policy of the United States and fulfill its international responsibilities; and (c) to exercise the necessary vigilance over ex-

ports from the standpoint of their significance to the national security.

We cannot see that any of these criteria apply to the grain situation in the United States just now. If it is intended to grant more general powers to control exports, we think the bill should set forth those provisions as clearly as possible.

In view of the large wheat acreage planted this year and the attractiveness of the price-support program, it seems probable that, barring extremely bad weather, the United States will produce big crops again next year.

The CHAIRMAN. Let me interrupt you right there. Are there any export controls on wheat right now?

Mr. SANFORD. Oh, yes.

The CHAIRMAN. Allocations?

Mr. SANFORD. You have allocations and controls and under the President's policy and instructions by the President to Mr. Hoffman last November on export, all exports are handled by allocation by the Commodity Credit Corporation, except wheat exports?

The CHAIRMAN. Is the allocation system sufficient?

Mr. SANFORD. The wheat allocation system is sufficient.

The CHAIRMAN. One of the witnesses testified that the crops coming from Canada are a little poor.

Can you tell us about that?

Mr. SANFORD. It is a little early——

The CHAIRMAN. It was testified at the hearing.

Mr. SANFORD. Canada had a good crop last year.

The CHAIRMAN. Last year, yes; but this year?

Mr. SANFORD. It was not planted right, because the moisture conditions were not good.

Good moisture from now until April can correct that.

The CHAIRMAN. That is just an estimate.

Senator BRICKER. There was more snowfall in the Western States where there is wheat growing by a wheat-growing community and that is of advantage for a better crop.

Mr. SANFORD. Snow has been called a poor man's manure. That is what they used to say. Our wheat prospects are excellent. There are about 80,000,000 acres this year as against 76,000,000 last year.

The Secretary of Agriculture asked the farmers to hold acreage down to 71,500,000 acres, but they apparently were able to plant about 81,000,000 acres.

Senator BRICKER. That would yield almost the top production in this country.

Mr. SANFORD. Yes, the record was just under 1,300,000,000 bushels.

Senator BRICKER. Yes.

Mr. SANFORD. And the kind of yield we had last year if you have the same thing you will have another quarter of a billion on top of that.

It is believed by most authorities that inevitably we will accumulate large surpluses. When grains come into surplus supply, there will again be competitive selling in importing countries. We think it is in the national interest to make use of all elements in the merchandising field, both here and abroad, to move our farm products in competition with those from other exporting countries.

The CHAIRMAN. Let me ask you something. What is the parity price of wheat right now?

Mr. SANFORD. I have not looked last month.

The CHAIRMAN. Well, just approximately?

Mr. SANFORD. Parity is a national average, Senator, and I think it is around $2.20 a bushel.

The CHAIRMAN. What is the price of wheat?

Mr. SANFORD. I can tell you from more practical purposes how it operates. The support price is 90 percent of parity.

The CHAIRMAN. I understand all about parity.

Mr. SANFORD. And the support price in Chicago is $2.29.

The CHAIRMAN. $2.29 now, what is the price? What could you buy wheat for?

Mr. SANFORD. The market has been very weak for the last 3 or 4 days and it is slightly less than the support price.

The CHAIRMAN. In other words, it is less than the support price?

Mr. SANFORD. Yes?

The CHAIRMAN. I would say it was $2.20.

Mr. SANFORD. Reasonable enough.

The CHAIRMAN. How about last year at this time?

Mr. SANFORD. Last year it was around $3.

The CHAIRMAN. Around $3.20, was it not?

Mr. SANFORD. It was over $3 and the wheat break in the market started about this time of the year last year.

Parity last year was only about $1.90.

The CHAIRMAN. Now we are faced with a situation where wheat is below parity.

Mr. SANFORD. That is right.

The CHAIRMAN. And last year it was $1 over parity, or more than that. And the price seemed gradually to sink.

Mr. SANFORD. The support price is higher this year than last year.

The CHAIRMAN. I understand that, but wheat is below the parity price.

Mr. SANFORD. Right.

The CHAIRMAN. And last year it was over the support price—over $3—but you have to pay the same now for a loaf of bread.

Mr. SANFORD. I saw some very interesting figures on the cost of a loaf of bread and the big end of it was from the bakery to the grocery store.

The CHAIRMAN. The farmers here are certainly taking a drop in their income.

Mr. SANFORD. That is correct, sir.

The CHAIRMAN. They have taken a drop in their income—still the consumer has no benefit of it.

Mr. SANFORD. That is correct, sir.

The CHAIRMAN. I think somebody testified here the other day that bread was 14 cents and it was 13 cents last year. It has gone up.

Mr. SANFORD. I think they showed how the money went out of the price of a loaf of bread.

The CHAIRMAN. Well, figures can show anything.

Mr. SANFORD. Only 1 cent——

The CHAIRMAN. What I am getting at is, so many people on the radio charged the farmer with the high cost of living. Yet consumers in New York, or wherever you came from, are paying 14 or 15 cents a loaf, more than they did last year, and the price to the farmer

has gone down from over parity to under parity—from over parity to less than parity.

Senator SPARKMAN. Regardless of where the spread comes in, if the price of wheat went up, the price of bread went up, but, if wheat went down, the price of bread did not come down.

The CHAIRMAN. Here is a gentleman talking about one of the greatest wheat crops in the world and here is a crop that has gone down from $1 above parity—almost $3—to below parity, and the consumers have not received one bit of benefit from the large crop or the decline of wheat prices. When I say the consumer, I mean the fellow who works for a living and has to go to the store and buy it. We had the same thing this morning with soap.

Tallow has gone down to one-third of what it was last year, yet Procter & Gamble and two or three other soap companies charge the same for soap as they did last year, and they showed that 75 percent of the ingredients from those tallows that were down to one-third of what the price was last year.

So all the inflation and talk about prices people have to pay and the people who work in the cities and have to buy things and the farmer buying farm machinery—none of those things have been reduced, it was testified to here.

Mr. SANFORD. That is true. There is always a lag in the fall of prices.

The CHAIRMAN. But when they were going up, there was not any lag.

Mr. SANFORD. It is always argued——

The CHAIRMAN. Prices are below what they were in the OPA days in the cotton industry. They are 20 cents and under. What were the OPA prices?

Senator BRICKER. Of course, your cotton has gone down more than your foodstuffs.

The CHAIRMAN. Yes; but what I want to get over is all this propaganda on the radio and all you read in the paper that the farmer and his parity support is responsible for high prices.

Here is wheat below parity and the price is still up for bread.

Senator CAIN. I see your feeling in the matter. I would like to know what happened?

Senator BRICKER. Will you explain for the record why your parity prices are higher now than they were a year ago?

Mr. SANFORD. I said that the support prices are higher than a year ago because they are based on parity as calculated last June.

Just to finish the record, on a loaf of bread, this report by the Department of Agriculture showed, I think, it was between 1 and 2 cents of the loaf only represented the total cost of handling grain. Not only the elevators and merchandising, but included the transportation. It was only 1 or 2 cents of the cost of the loaf.

I think you will find in specialty products that the advertising and the distributing and the grocer who hands out one loaf at a time——

The CHAIRMAN. It all comes out of advertising expense and they take it out of their income tax.

Some of these firms have these full-page advertisements and the cost of them comes off their income tax. Who pays? You pay and I pay and the rest of us pay.

Senator BRICKER. Coming back to the other question, your fluctuations in your support prices are due to the parity prices?

Mr. SANFORD. That is right.

Senator BRICKER. They are fixed every 6 months, is that right?

Mr. SANFORD. The support price is based on the June 15 price of grain.

Senator BRICKER. How often is that calculated?

Mr. SANFORD. Normally each year.

Senator BRICKER. I thought it was 6 months.

Mr. SANFORD. Parity is calculated and published by the Department of Agriculture every month.

Senator BRICKER. And there is a fixed formula in the statute for the parity figure?

Mr. SANFORD. There, of course, has been the Aiken bill. If it remains in effect, that is supposed to revise and modernize these parity calculations. I am not sure that too many interests are happy about the change, though I think it was the change recommended by the farm organizations themselves.

The CHAIRMAN. In other words, people are not too happy about changing from 90 percent?

Mr. SANFORD. No; about calculating the support prices.

Senator BRICKER. The support price is the fluctuating figure for the change from 60 to 90?

Mr. SANFORD. Yes; that is the new feature of it. First, there is a new method in calculating, and then there is a new sliding-scale price support.

Senator BRICKER. When does it go into effect?

The CHAIRMAN. Crops grown through 1950. When does it take effect on wheat? I wondered how you did it in the wheat business. Cotton is a one-time crop, so to speak, but wheat you keep harvesting from spring to winter.

Senator BRICKER. Any crop planted before January.

Mr. SANFORD. Yes; any crop planted before January 1950.

The CHAIRMAN. Any crop planted?

Senator BRICKER. Would be this year's planting.

Mr. SANFORD. The problems of shortages and surpluses of grain are important to all of our people. It is the intent of the grain trade to offer its services freely to agriculture and to the Government in helping solve these problems. We hope that differences between the various agencies of Government, as well as differences between governmental agencies and private business, may be eliminated by spelling out more clearly the intent of Congress in the provisions of this bill.

Senator CAIN. May I ask if you have some oral or written suggestions?

Mr. SANFORD. That is one of the things we hoped to file if you have it. We hoped it might be possible to state the criteria under which export controls would be appropriate so they would be applied objectively according to facts.

Senator CAIN. I see.

Mr. SANFORD. Through some of the work I have done in Washington—I attended the interagencies' meetings where the matters of allocations were discussed and there are often sharp differences of opinion between the interagency committees because it is not a factual deter-

mination as to how the control should be applied, but there are many other considerations that may be injected into it.

We feel, as far as private business is concerned, except for the benefit of maintaining export departments that have been inactive for some time, we should have some measuring stick by which we can judge whether we are going to be back in the export business some time and, if so, under what conditions or when?

Senator CAIN. I think all of us would appreciate any reflection you may care to make comments on.

Mr. SANFORD. I stated very clearly in sections 1 and 2 what this bill is intended to do.

Senator CAIN. Did you? You would not necessarily define how they are going to do it.

Mr. SANFORD. I would like those criteria and any others you might think of spelling out as objective for the application of export control.

Senator CAIN. I certainly share your concern merely on the basis of testimony we have received that there have been products that should have been decontroled exportwise. It appears now that the usefulness of that control has terminated.

It may be removed sometime in the future if the circumstances warrant it. The conditions being A, they are decontroled, reaching B, C, and D, they are recontroled. Then that would be taking it out of the individual's judgment.

Mr. SANFORD. Now, it may be that the President and the Secretary of Agriculture may have perfectly good reasons for thinking sincerely that that is the way of doing export controls in grain. If those are the criteria, say so in the bill so we know what they are and we know when those conditions pass.

Senator CAIN. Surely.

Mr. SANFORD. As it is now, we have nothing except what the people in control of the thing may want to do about it.

Senator CAIN. I can conclusively agree with you, but not knowing enough how the grain business operates, I would not know how to do it. That is why I ask that question.

Senator BRICKER. Under your declaration of policy as well as under the findings of this bill, the only foundation for the continuation of controls on wheat and many of the other products would be uneffective.

Section 2 (c) says "to exercise the necessary vigilance over exports from the standpoint of their significance to the national security," because we have enough to protect the domestic economy.

Section 2 (b) says "to further the foreign policy of the United States and fulfill its international responsibility," there is sufficient to do that without export controls.

Also, under paragraph (A) of the findings, there certainly is no reason to conclude that there is a shortage of wheat at the present time.

I am wondering under what authority under this bill there can be a continuance of the export controls on wheat?

Mr. SANFORD. I think it is a matter of administrative determination.

Senator BRICKER. Surely a matter of administration, but on the part of what department?

Mr. SANFORD. Actually, the controls would still remain without this bill to the extent that the shipments are financed by the Economic Cooperation Administration.

The Administrator of ECA or the President can determine to what extent he thinks it is consistent with the accomplishment of the purposes of the act to have the Government procurement on those shipments. So, without this bill they could maintain the export controls except to the cash-paying countries which are very few.

The CHAIRMAN. They have very little cash.

Mr. SANFORD. India, Belgium, and Portugal can pay now.

The CHAIRMAN. It is comparatively a small portion.

Mr. SANFORD. Yes, it is comparatively small and, of course, the big buyers are the occupied zones, and those are financed in a different manner.

Belgium has been paying for grain with ECA dollars. Then they returned the distribution of grains to their own private trades, which ECA has been urging all countries to do.

Senator BRICKER. What percentage of the United States purchases would be through Government agencies and what proportion through private agencies?

Mr. SANFORD. As you know, the procurement of grain in buying countries was returned to private handling on July 1. Procurement remains for Austria, Germany, and Japan—the three of them. That means they would handle 50 percent of the exports.

Senator BRICKER. How many purchases abroad are Government agencies handling?

Mr. SANFORD. Do you mean in the importing countries?

Senator BRICKER. Yes; do you mean we export?

Mr. SANFORD. Of course, there was a tendency for the countries to transfer their buying to their private channels and when our policy was reversed, it dropped in some places like Belgium and a little in Holland.

However, the point I would like to make—taking France, the purchasing is handled through the group by a governmental agency here. When the grain gets over there, the detailed job of distributing the grain is done by the private trade in those countries. They are the ones who know how to do it and have the contacts to do it.

Now, I think it would be to the advantage of the United States to have those individuals working and trying to buy United States grain rather than Argentine grain or Australian or Canadian grain and it it impossible for them to do any direct importing unless we have private exporting from this end.

Senator BRICKER. Do you think if we were to do away with the export control and turn them over—turn all our exports over to ECA, except private and Commodity Credit Corporation—that we should set up the same kind of arrangement for individual purchases?

Mr. SANFORD. Those people are already there. The accusation has been made with a good deal of basis in fact that the private exporters in the United States are a bunch of foreigners anyway.

I think Drew Pearson called them refugees or something, although they have been here a good many years.

That was a natural development because they were the people who did the distributing.

Senator BRICKER. And had the contact over there?

Mr. SANFORD. They lived there. When I first went into the export business we sold to those governments through a broker in London. Eventually that was all short-cutted in the interest of economy. These

people did their own buying and put their own buying offices over here.

Instead of our cabling our man over there and him getting in touch with their representatives, all they did was work from their office here. The cost dropped to almost a fraction of a cent a bushel.

The CHAIRMAN. We thank you for your testimony.

The next witness is Mr. Benjamin.

Proceed, sir.

STATEMENT OF ALFRED H. BENJAMIN, PRESIDENT, ANGLO-AMERICAN TRADING CORP., NEW YORK CITY

Mr. BENJAMIN. Senator, I want to congratulate you. I had the privilege of appearing before this committee on the 30th of January 1948. What I said then I publicly say today: The high cost of living is the paramount issue now.

The CHAIRMAN. It still is.

Mr. BENJAMIN. It still is.

The CHAIRMAN. Still, everything is going down.

Mr. BENJAMIN. I would be very glad to answer Senator Bricker's questions on steel a little later.

As time is very important and I know you want to get through——

The CHAIRMAN. We have four more witnesses and we want to finish up.

Mr. BENJAMIN. Yes; I was wondering. I have about four pages; do you think I could read them?

The CHAIRMAN. If you wish to read it, all right. If you want to file it in the record and speak extemporaneously, that is satisfactory, too.

Mr. BENJAMIN. I think that would be an excellent idea, Senator; to speak from the high spots.

The CHAIRMAN. All right.

Mr. BENJAMIN. Mr. Chairman and Senators, my name is Alfred H. Benjamin. I am president of the Anglo-American Trading Corp., 90 Broad Street, New York 4, N. Y.

I deem it a privilege to appear so that we can present our views on the present bill, S. 548, which is up for renewal.

I propose to sumarize our objections as follows:

1. Government regulation in the export and import field is breaking down our trade world-wide in food and steel products which we are all vitally interested in.

2. These OIT—Office of International Trade—regulations should be more simple. We were promised by the State Department, as per photostatic copies of letters enclosed, that these restrictions would be removed as soon as possible.

This is what I consider the high lights of my brief, and you have the original there.

I represent a group of exporters. We have to go to the mills and we have to go to the packing houses or feed mills because we are handling food as we are handling meats. Those are the two subjects I am going to deal in, food and steel products.

I would like to read a letter from the State Department on the 12th of September.

Where is Senator Bricker? I would like to have him here.

Isn't Senator Robertson around?

The CHAIRMAN. Senator Bricker said he had to go to his office and he asked to be excused.

Mr. BENJAMIN. Well, I will read these letters:

State Department letter, December 12, 1944, signed by Courtney C. Brown, Chief, War Supply and Resources Division:

MY DEAR MR. BENJAMIN: This will acknowledge receipt of your letter of November 29, 1944, concerning the wartime restrictions on the importation into the United States of lamb and other meat products from New Zealand, your references to methods of procurement of meat and other products from Argentina, and certain views on the 4-year meat contracts which are being negotiated by the United Kingdom with the dominions.

As you recall, you have discussed in person with representatives of the Department and the War Food Administration over a period of several months the possibilities of obtaining a change (1) in the War Food Administration's basic policy of not permitting the importation into the United States of meats, (2) in the Combined Food Board recommendations designating the United Kingdom as exclusive purchaser of meat in South America, and (3) in the negotiations by the United Kingdom for long-term meat contracts with the dominions.

On the first point raised, it was pointed out at the various times that you met with officers of the Department that the establishment of the policy by the War Food Administration not to permit the importation of meat products for civilian consumption was not strictly a State Department responsibility under wartime organization of this Government, and that the policy as adopted by the War Food Administration was in all likelihood justified by existing wartime conditions. With specific reference to New Zealand meat, the crux of the matter of not permitting the importation into the United States of meat and meat products for civilian consumption apparently stems from the decision by the War Food Administration that we will not import canned corned beef or other meat products as long as we are for war reasons on an exporting basis. The view apparently is that it is not reasonable to import meat from New Zealand or other sources and at the same time export from the United States large quantities of meat on lend-lease to the United Kingdom and the Union of Soviet Socialist Republics. Furthermore, there has been a first priority for all such meat to United States, Australian, and other armed services in the Southwest Pacific and a small amount needed for War Shipping Administration purposes.

The United Kingdom has always been a large purchaser of New Zealand meats and the British have evidently indicated that any kind of meat produced which the armed services do not use or that is not used for civilians there, the British would purchase. I am not aware of any formal recommendation of the Combined Food Board on this point but understand that it has been discussed in Combined Food Board meetings from time to time. In this connection, I hesitate to remark on your contentions of the need for lamb and other meat imports into the United States, and on other technical supply questions, since these are properly within the province of the War Food Administration.

With respect to the second point raised, the arrangement whereby the United Kingdom became the sole purchaser of South American meat products on behalf of the United Nations was the subject of a press release issued by the Combined Food Board on October 28, 1943. It was stated that all purchases would be made by the British Ministry of Food; that total supplies so bought by the Ministry would be allocated among various claimant nations on the basis of recommendations of the Combined Food Board developed from surveys of total world available meat supplies and wartime requirements; and that the requirements of United States armed forces for meats from the South American countries would be supplied through the Ministry of Food. United States imports of South American meat (chiefly canned beef) for civilian consumption were to be suspended. The implementation of this recommendation is being carried out by the War Food Administration by refusing authorizations to import under the War Food Administration's Order WFO-63.

It is to be noted that this unified buying plan was adopted to provide more efficient use of shipping, to make possible the orderly allocation of a war commodity vital to the United Nations throughout the world, and to utilize tin (for canning meat) more fully for military purposes. In justification of the selection of the United Kingdom as sole purchaser, it may be pointed out that that country has always been the principal buyer of South American meats. Great Britain's

purchases of meat for its own consumption during recent years have absorbed about 87 percent of the entire surplus of South America. The United States usually has taken about 7 percent, practically all in the form of canned beef.

With regard to the third point, the Department has made certain representations as to the present intentions of the United Kingdom in negotiating long-term meat contracts. The information at the Department's disposal, however, indicates that the contracts in question, while not expressed in periods of time after hostilities cease, do provide for deliveries extending over periods of from 2 to 4 years from the date of signature. They will therefore presumably extend, in view of the present course of the war, beyond the duration of hostilities. This Government has accordingly advised the British and Dominion Governments of its concern over this aspect of the matter and its belief that such contracts are not conducive to the restoration of normal, multilateral peacetime trade and the expansion of world trade on a nondiscriminatory basis.

This Government's views regarding trade policy in the postwar period are well known. It is the Department's belief that an ever-increasing international trade is vital to world recovery and that every effort must be made to encourage a return as soon as possible to multilateral, private, and nondiscriminatory trade relations. The Department is carefully following all pertinent developments with a view to taking whatever measures may be possible to discaurage the adoption of restrictive and discriminatory international economic arrangements, and to foster such arrangements as will, by expanding world trade on a nondiscriminatory basis, promote and protect the interests of American importers and exporters.

Sincerely yours,

COURTNEY C. BROWN,
Chief, War Supply and Resources Division
(For the Secretary of State).

State Department letter, June 13, 1945, signed by W. L. Clayton, Assistant Secretary:

MY DEAR MR. BENJAMIN: Thank you for the further comments in your letters of June 2, and June 4, 1945, on the meat situation and the wartime restrictions and understandings now in effect on the importation of lamb and other meat from New Zealand. Your letters have been referred to the economic officers of the Department of State who have been giving consideration to the questions you raise as indicated in my letter of May 31, 1945.

Sincerely yours,

W. L. CLAYTON, *Assistant Secretary.*

State Department letter, July 9, 1945, signed by W. L. Clayton, Assistant Secretary:

MY DEAR MR. BENJAMIN: In response to your letter of June 15, 1945, and previous communications on the wartime restrictions now in effect on the importation into the United States of New Zealand lamb and other meat for civilian consumption, I wish to inform you that I have been advised that the Department of Agriculture, in view of the critical world meat supply and requirements situation and the concentration of greater forces in the Pacific, considers it necessary to continue with its policy of not permitting the importation of meat into the continental United States.

The United States since 1942 has been receiving from New Zealand very substantial equivalents of imports in the form of deliveries to the United States armed services assigned to duty in the Pacific area. This meat has been furnished on reverse lend-lease and has greatly eased the refrigerated shipping problem during the course of the war against Japan. Less meat has had to be transported to the Pacific forces by the much longer haul from the United States.

With respect to the general proposition that the United States, for nonmilitary purposes, should make withdrawals from foreign sources, it has been the constant view of the Department of Agriculture that substantial meat imports for this purpose could not be justified under war circumstances. If the United States imported from abroad, our allies who had been dependent upon supplies in those areas would be obliged to request compensating increases in exports from the United States. Considering the supplies and requirements of meat in European countries at present, we would find it difficult not to consider such compensating requests.

It should be noted that the full and efficient utilization of New Zealand supplies of meat along with all other sources has been a matter of importance to the United States Government and particularly to the food-allocation officials in the Department of Agriculture, who are confronted with decisions as to how much meat would appropriately be exported from the United States. These allocating authorities have determined the export volume upon the basis that all supplies outside the United States should be fully utilized and in the interest of the war effort should be equitably and efficiently distributed. Thus, officials of the United States primarily responsible for allocating meat supplies have been in agreement with officials of New Zealand and the United Kingdom that the Allied forces in the Pacific area should have first call upon the New Zealand exportable surplus and that the balance should go to the other United Nations, principally the United Kingdom, thereby minimizing the dependence upon the United States for meat supplies.

Sincerely yours,

W. L. CLAYTON, *Assistant Secretary.*

State Department letter, July 10, 1945, signed by James J. Farriss, assistant adviser, Commodities Division:

MY DEAR MR. BENJAMIN: Reference is made to your two letters of June 13, 1945, addressed to Assistant Secretary Rockefeller. Mr. Rockefeller discussed this correspondence with me and asked that I write you.

It has been determined by the Foreign Economic Administration that it is procedurally impossible to honor certificates of necessity issued by Argentina prior to October 1, 1944, chiefly because allocations are exhausted. The enclosed Current Export Bulletin No. 253 of June 25, 1945, is self-explanatory.

If you are unable to obtain certificates or if you believe they are being unfairly withheld from you, it is suggested that you ask your importer to get in touch with our Embassy in Buenos Aires.

Sincerely yours,

JAMES J. FARRISS,
Assistant Adviser, Commodities Division.

State Department letter, July 14, 1945, signed by James J. Farriss, assistant adviser, Commodities Division:

MY DEAR MR. BENJAMIN: The receipt is acknowledged of your letter of July 3, 1945, addressed to the Secretary, with reference to procedure for exporting certain steel commodities, especially tin plate, to Argentina. I assume that you have received my reply of July 10 to your previous letters of June 13 on this subject.

As suggested to you in your telephone conversation last week, if your importer is unable to obtain a recommendation from the Embassy in Buenos Aires that the shipment of tin plate should be licensed for export without a certificate of necessity, will you please contact me again. I shall be glad to see what can be done in the matter.

Sincerely yours,

JAMES J. FARRISS,
Assistant Adviser, Commodities Division.

State Department letter, August 13, 1945, signed by Willard L. Thorp, Deputy to the Assistant Secretary for Economic Affairs:

MY DEAR MR. BENJAMIN: Consideration has been given to your letter of July 10 to Mr. Clayton in which you again urged that the United States permit the importation of lamb from New Zealand.

The Department is quite aware that a number of this Government's wartime restrictions on international trade have long-run effects of an undesirable nature and it hopes to see all wartime trade restrictions removed as quickly as the return of more normal conditions permits. However, the conditions which prompted the adoption of the restriction on the importation of lamb from New Zealand still exist. These conditions have been explained in previous letters from the Department, especially those of July 9, 1945, and December 12, 1944.

Sincerely yours,

WILLARD L. THORP,
Deputy to the Assistant Secretary for Economic Affairs.

State Department letter, November 15, 1945, signed by James A. Ross, Assistant Chief, Division of Commercial Policy:

MY DEAR MR. BENJAMIN: Thank you for your telegram of November 8, regarding the proposed loan to Britain, imperial preferences, the sterling bloc and tariff concessions.

The general problem presented by the British financial position is now receiving the most serious consideration by both Governments. As you know, high British officials are at the moment in Washington discussing with American officials what can be done to resolve the present trade and financial difficulties which are blocking the exports of the United States and other countries. These conversations seek cooperative international action which will make unnecessary exchange controls on current transactions and other trade barriers and which will promote the greatest possible expansion of world trade.

Sincerely yours,

JAMES A. ROSS,
Assistant Chief, Division of Commercial Policy
(For the Secretary of State).

State Department letter, December 4, 1945, signed by James A Ross, Assistant Chief, Division of Commercial Policy:

MY DEAR MR. BENJAMIN: I thank you for your letter of November 15 regarding a proposed loan to Great Britain.

One of the main purposes of a possible loan to Great Britain would be to enable her to overcome her acute shortage of foreign currencies during the postwar transition period which in turn would enable her to relax restrictive trade and currency practices which conflict with the long-run interest of the United States in an expanding world economy.

Sincerely yours,

JAMES A. ROSS,
Assistant Chief, Division of Commercial Policy
(For the Secretary of State).

State Department letter, January 11, 1946, signed by James A. Ross, Assistant Chief, Division of Commercial Policy:

MY DEAR MR. BENJAMIN: I have your letter of December 13, 1945, together with enclosures, addressed to Mr. Thorp, concerning the pamphlet dated November 1945 entitled "Proposals for Expansion of World Trade and Employment" and press release No. 905 dated December 5, 1945, containing documents bearing on the termination of the Anglo-American financial and trade discussions. Your courtesy in bringing to our attention the information contained in the letters from E. H. Little & Co., Ltd., Auckland, New Zealand, is appreciated.

It is anticipated that the Combined Food Board itself will be dissolved on June 30, 1946, or sooner if conditions permit. However, a few of the commodity committees, including the meat committee, may have to be retained beyond that date to recommend allocations of products which continue to be in global short supply in relation to the needs in consuming countries.

The financial agreement has already been approved by the British Parliament and is to be considered by the Congress shortly. Section 7 of the agreement relates to the obligations of the United Kingdom and sections 8 and 9 to the obligations of the two Governments regarding foreign exchange control and quantitative import restrictions and provide for a considerable relaxation of the restrictions now hindering international trade.

I should like also to call your attention to section E, paragraph 1, of the Proposals for Expansion of World Trade and Employment, which states that members engaging in state trading in any form should accord equality of treatment to all other members. To this end, members should undertake that the foreign purchases and sales of their State-trading enterprises shall be influenced solely by commercial considerations, such as price, quality, marketability, transportation, and terms of purchase or sale.

As you undoubtedly know the Department has sent invitations to fifteen countries, including the United Kingdom, Australia, New Zealand, South Africa, and Canada, to participate in preliminary negotiations sometime next spring for the reduction of trade barriers. This preliminary meeting would be held prior to the general International Conference on Trade and Employment which it is hoped may be convened shortly thereafter. The preliminary meeting will have

two purposes: (1) To prepare projects for consideration by the general Conference, (2) to negotiate agreements among the participating countries for the reduction of governmental barriers to trade. The usual formal notice of intention to negotiate trade agreements will be published, and hearings will be held by the Committee for Reciprocity Information for the presentation of the views of all interested persons both as to concessions which may be sought from the United States and as to those to be asked from the other countries concerned.

A copy of press release dated December 8, 1945, concerning the Combined Boards is attached for your information.

Sincerely yours,

JAMES A. ROSS,
Assistant Chief, Division of Commercial Policy.

(Excerpts from the press release above mentioned, pertinent to the subject matter here under discussion are as follows:)

The duties of the Board shall be to consider, investigate, inquire into, and formulate plans with regard to any question in respect of which the United States and British Governments have a common concern, relating to supply, production, transportation, disposal, allocation, or distribution in or to any part of the world, of foods, agricultural materials from which foods are derived, and equipment and no food materials used in the production of such foods, and agricultural materials, and to make recommendations to the United States and British Governments in respect of any such question.

* * * * * * *

The Board shall be entitled to receive from any agency of the Government of the United States and any Department of the Government of the United Kingdom any information available to such agency or department relating to any matter with regard to which the Board is competent to make recommendations to those Governments, and, in principle, the entire food resources of Great Britain and the United States will be deemed to be in a common pool, about which the fullest information will be interchanged.

Mr. BENJAMIN. All these letters concern the high cost of living, the paramount issue which must be solved. The solution of these problems can be met, provided the agreements made under date of June 9, 1942, between Roosevelt and Churchill are forthwith canceled, so that we can get access to certain food commodities which are in scarce supply. We can exchange and replace certain items which we have a surplus of, namely pork products. The products we could take in exchange would be lambs and offal. In this connection, we will face a critical shortage in the lamb supply, at least over a million lambs, and possibly more.

Tallow from all the various producing countries in the world selling at from 20 to 25 cents and the American farmer is getting the equivalent of 9 cents. That is the market today. Now, that is wrong. That is exactly what we want to avoid.

The farmer is not responsible for the high cost of living. It is the bad planning of the Government agencies. That particularly applies to the United States Department of Agriculture and the State Department.

The foreign producers—take, for instance—I am not going to read all of this because it would take too long—take, for instance, wool that is produced.

The CHAIRMAN. Let me suggest this, you just state what you wish and we will have the rest entered into the record.

Mr. BENJAMIN. All right.

At present we are only able to procure wool which has increased 1948–49 to a half billion dollars in total value over the war prices,

total $160,000,000; and zinc and lead at fantastic prices, which provide dollars for the British Dominions, and save the pound sterling from collapse, causing spiral inflation.

For instance the Australian zinc we got during the war is 5 cents a pound. They want to charge us 20 cents a pound now. That means they get more dollars. That would be good if it were two-way trading. We give them their tin plate and they ship us the wool at six times what it was in wartimes. And the purpose of that is, of course, to save the pound sterling from collapse and that is what is causing the spiral of inflation.

The unemployment situation is becoming acute in every State of the Union, from Maine to California, and control in a modified and rectified form might solve this important problem and save the Nation from economic collapse. I cite the case of many industries which up to 1947 were in the "black," but the end of prosperity has been reached.

Enact for us laws we can work under and satisfy the business world and meet the demands of labor.

I exposed to the Banking and Currency Committee of the Senate on the 30th day of January 1948, and it is in the record which I have here that there was a black market in licenses and I want to say at this time that there is a gray market in steel. You cannot buy any steel from any of the mills today, but you can buy steel in any form, including tin plate, in the gray market and plenty of it, because I was offered it yesterday. Twenty thousand tons of sheet and at $190 a ton and the mill price is $120.

The CHAIRMAN. Would it be divulging a secret? Does it embarrass you?

Mr. BENJAMIN. It does not embarrass me to say anything.

The CHAIRMAN. Where did you get it from? Where is this market from?

Mr. BENJAMIN. I will tell you where I got it from. I know the mill price is $120 for hot-rolled sheets and cold-rolled sheets.

A man comes into my office and gives mea guaranty. He is probably in the room here today. He represents somebody.

He says, "I will give you 100 tons of United States steel. I want the papers made out to a corporation in New York."

Now, I want to know who gets the rake-off between the price I give and the mill price. If I want to get an export license, I can't sell it and because when the mills—neither will the Office of International Trade give me a license, because it is above the price, see? It is a very difficult thing.

There is no shortage of steel in this country. That is a bogey. And I quote from the New York Times. This is what Mr. Grey says:

> There is not any question that there is a softening in many lines of steel. The households goods lines are filled to the gunwales.

Do you get that Senator?

The CHAIRMAN. Yes.

Mr. BENJAMIN. There have been some very important cancellations of steel orders recently in both the capital goods and in the consumer goods field.

The chairman of the United States Steel Corp., also disclosed a slackening in the demand for steel. However, his statement was more conservative:

United States Steel, the Nation's largest producer, now holds orders equal to 4 or 5 months' supply.

Senator, the next speaker after me will tell you he has just opened a branch in Belgium. He can get all the steel he wants. Pipe, which is a critical item, cold-rolled sheets, iron, any commodity, even reinforcing bars.

In fact, down in Venezuela they are getting so much steel now that it is backing away. In other words, they don't want to give orders because they are afraid the market is going to collapse.

Now, I say this. In 1921 the steel market broke 20 percent overnight and as high as 25 percent and it took 4 years for the recovery of that steel market.

Now, that condition could happen in 1949 and then you would see whales of complaints from the CIO and the A. F. of L., as there is not any question about it.

We must end all foreign government buying wherever possible. This was emphasized by me on page 742 of the national stabilization hearings, 30th of January 1948. Give the merchant exporter a quota on an equal basis with the American producer in every field of endeavor. This applies to all commodities, including steel. Failure to do this will cause disruption in international trade.

Already many merchant exporters are establishing firms in foreign countries—Belgium, Luxemburg, Tokyo—taking the bread and butter out of the mouths of the Americans who have fought on the various battle fronts, and given their lives in the cause of freedom.

Lack of steel is a bogey, what is not available for the merchant exporter is available in the gray market at $50 per ton over the mill price. Who received the rake-off?

I appeared before this committee in January 1948, on the 30th, on the national stabilization hearings, stating there was a black market in steel. They soon found the operators, after the damage was inflicted, and it is happening now in another form, known as the gray market, and the investigators should get busy and clean up this situation.

If permitted to continue, the life of the merchant exporter will become extinct.

If the export control is extended the maximum time limit should not exceed a year.

Owing to the soft currency countries predominating in the trade of the world, as of today, we offer the suggestion that Export and Import Bank, of Washington, D. C., give the same facilities to those firms who have enjoyed a reputation for the imports over a period of 10 years, that is they should be extended the same credit facilities for export.

Licensing of all exporters, as in World War I, would prevent many difficulties in the licensing, eliminate unnecessary paper work, and effectively control material so that it goes into safe and proper channels. Any violation would cause a suspension of the exporter. This would prevent the selling of licenses to refugees, who are a menace to the export field. The exporter would be required to earmark the

commodities that he is trading in, and thus facilitate the work of the Department of Commerce in issuing more promptly the licenses.

Unemployment is increasing all over the Nation as a result of export control. The record now shows 250 merchant exporters have closed since the 1st of January 1949, and weekly it will increase into thousands, and the important steamship operating companies report laying off 50 to 150 men.

This means unemployment on the water front of the port of New York, and extends in fact to all the east and westcoast ports.

If private enterprise is to succeed, let us have a control that would work efficiently by consulting the experienced businessmen among the merchant exporters. This should not be determined by the producers alone as at present.

The steel companies will not quote the merchant exporter, and it is a discrimination which throws a supply into the gray market.

The agreements between Roosevelt and Churchill of June 9, 1942, are respectfully included in this brief for the benefit of the Eighty-first Congress. These were also included in the hearings of January 1948, Eightieth Congress. I advocate canceling all such wartime agreements.

Permit the importers to have a show-down with the Department of Agriculture on the food imports as promised by the State Department since 1944.

If the people of America are not to be at the dictation of foreign governments, which they are undoubtedly now, limit the exports to Great Britain and its Dominions, including Portugal, until they release control of such commodities which are inflated, particularly wool, metals, et cetera, and any included in the strategic classification. The "soft currency" countries are discriminating against us and keeping our cost of living higher as a result of this condition. Discrimination is a distinct violation of the provisions of the proposed Havana Charter of 1948.

We recommend the removal of the Appeals Board as costly and unwarranted. OIT uses this agency as a scapegoat, and it is causing untold loss to the merchant exporter. It certainly is not facilitating business. It is a cogwheel of confusion which the law finds difficult in unraveling and should be abandoned.

Our operations in steel are national in scope, namely we buy tin plate and other steel products from the various States in the Union, including Ohio, Missouri, Pennsylvania, California, Alabama, Illinois, Washington. When we make an inquiry from the biggest producers for any steel we receive a form letter stating "nothing available," which eliminates our getting a license on account of price criteria, and our only source of supply is the "gray market," or, at a price that is noncompetitive with any mill producer that is exporting. Hence the necessity of altering the OIT policy of quotes, and adjusting 50 percent for the producers, and 50 percent for the merchant exporter. We have the alternative to buy abroad, which we are doing now, using the soft currencies of the world that are available against an adequate supply of steel.

The day of reckoning could repeat 1920–21 when steel dropped 20 percent overnight, and the bottom fell out of the market. It took 4 years to recover, and it was not until 1925 that the steel production began to increase.

I would suggest that OIT study that situation carefully with the merchant exporters, because it can happen again in 1949 without warning. The next 6 to 12 months will tell the real story.

The mills admit they have enough orders up to the 30th of June 1949, but the demand is dwindling rapidly and Europe is producing at a rapid rate, and this could easily threaten the closing down of many industries. It happened in World War I.

Lard, fats, and meats.

We have represented before various committees, including the Department of Agriculture, the Department of State, the distributors of these products, but in consequence of the small quotas that are made available by the Department of Agriculture, that, for instance, in the case of lard and tallow and edible oils, it is impossible to waste time in making an application for a license, particularly on meats.

Lard is backing up in all the plants of the United States and that particularly applies to inedible fats, with the result that orders that we have had during the last 30 days have been transferred to our good neighbor, the Dominion of Canada, where the control is not nearly so severe and licenses are promptly granted without any red tape within 1 week from the date of the application, whereas in the United States it takes 1 month to 3 months because we have so many applications from the newcomers who were never in the export world, except during the last 5 years—and they are gradually disappearing.

There is no doubt in my mind, and in the minds of those who have handled these products during the last decade that a general licensing system at this time would be advisable and save considerable time for the various departments in issuing the licenses covering these products.

In conclusion we have read the testimony of the Honorable Thomas C. Blaisdell, Assistant Secretary of Commerce, but we are not in accord with the policy outlined for obvious reasons. Licensing of exporters would be the answer to save us from such a disaster as when we were shipping scrap to Japan. Moreover, all of the producing countries at present are receiving fantastic prices for their products, whereas the United States producers are accepting what they can get, and in many instances our prices are 100 percent under other countries.

The merchant exporter should come under the catagory of "small business" and should be permitted to survive, because he had rendered a great service to the Nation, as their representatives have visited foreign countries and are ambassadors of good will. If we destroy that which has been an established business, then it is an attempt to decrease the value of the dollar. As an executive member of the New York Board of Trade, we feel that the merchant exporter is allied with the international trade of the world.

That is all, gentlemen.

The CHAIRMAN. We thank you very much, Mr. Benjamin.

Mr. BENJAMIN. And if there is any information you want on the lard or tin-plate situation, I will be very glad to give it to you.

Senator TAYLOR. Mr. Benjamin?

Mr. BENJAMIN. Your name, Senator?

Senator TAYLOR. I am Senator Taylor.

Mr. BENJAMIN. Oh, you are the man.

Senator TAYLOR. I am the man.

Mr. BENJAMIN. I have heard of you and we have had correspondence before.

Senator TAYLOR. If you have no objection of giving us the name of this gray marketeer you mention, we will get the gentleman down here and find out where he gets his steel and find out why he can get steel and you cannot.

Mr. BENJAMIN. That is exactly the same question that Senator Tobey asked me. He asked me that same question at the last meeting of the Senate Banking and Currency Committee.

I said I would not give it to him in the public committee room, but I would furnish him the name.

Senator Taylor, I am going to tell you the same thing. I will send it to you, but I don't want it to be put in the official record.

I exposed the black market which resulted in a lot of these men being arrested. I don't want to be shot at.

If I can help my country, that is primarily what I would like to do.

I have given the only son I had to America, and I am burying him in Arlington this month. I am bringing his body home.

Now, I feel he wants me to fight for America as he fought for it on the front. Anything you want, you can get.

Senator TAYLOR. We are not going to insist that you give us this name if it is going to endanger your life, and I agree with you, it could.

But if you will give us the name, we will get this gentleman down here. He will have a pretty good idea where we got his name, though.

Mr. BENJAMIN. No; he would not know. I will see that you get it. I will furnish it to the distinguished Senator here who I never had the pleasure of meeting before.

Senator TAYLOR. Senator Maybank. You furnish us the name.

Mr. BENJAMIN. That is very reasonable.

Senator TAYLOR. We are deciding which one should receive the name and take a chance of being shot at.

Mr. BENJAMIN. With the Senator's permission, I will send it to you.

Senator TAYLOR. You send it along. We will be glad to have it.

The CHAIRMAN. Yes; we will be glad to have it.

Mr. BENJAMIN. Do you want anything about the steel situation? That is a question of Senator Bricker's.

The CHAIRMAN. The only thing is that the Senator is not here, and if we are going to complete this record—we have three more witnesses.

Mr. BENJAMIN. I don't want to detain you, and I am happy to have had the pleasure of appearing here and testifying. Your next witness will expose something that will surprise you.

(The following statement was submitted for the record:)

STATEMENT OF ALFRED H. BENJAMIN, PRESIDENT, ANGLO-AMERICAN TRADING CORP.

Mr. Chairman and Senators, my name is Alfred H. Benjamin. I am president of the Anglo-American Trading Corp., 90 Broad Street, New York 4, N. Y.

I deem it a privilege to appear so that we can present our views on the present bill which is up for renewal. I propose to summarize our objections as follows:

1. Government regulation in the export and import fields is breaking down our trade world-wide in food and steel products, which we are all vitally interested in.

2. These OIT (Office of International Trade) regulations should be more simple. We were promised by the State Department, as per photostatic copies of letters enclosed, that these restrictions would be removed as soon as possible, i. e.—

State Department letter, December 12, 1944, 4 pages, signed by Courtney C. Brown, Chief, War Supply and Resources Division.

This letter ends:

"This Government's views regarding trade policy in the postwar period are well known. It is the Department's belief that an ever-increasing international trade is vital to world recovery and that every effort must be made to encourage a return as soon as possible to multilateral, private, and nondiscriminatory trade relations. The Department carefully following all pertinent developments with a view to taking whatever measures may be possible to discourage the adoption of restrictive and discriminatory international economic arrangements, and to foster such arrangements as will, by expanding world trade on a nondiscriminatory basis, promote and protect the interests of American importers and exporters."

State Department letter, June 13, 1945, 1 page, signed by W. L. Clayton, Assistant Secretary.

State Department letter, July 9, 1945, 2 pages, signed by W. L. Clayton, Assistant Secretary.

State Department letter, July 10, 1945, 1 page, signed by James J. Farriss, assistant adviser, Commodities Division.

State Department letter, July 14, 1945, one page, signed by James J. Farriss, assistant adviser, Commodities Division.

State Department letter, August 13, 1945, one page, signed by Willard L. Thorp, deputy to the Assistant Secretary for Economic Affairs.

State Department letter, November 15, 1945, one page, signed by James A. Ross, Assistant Chief, Division of Commercial Policy.

State Department letter, December 4, 1945, one page, signed by James A. Ross, Assistant Chief, Division of Commercial Policy.

State Department letter, January 4, 1946, two pages, signed by James A. Ross, Assistant Chief, Division of Commercial Policy.

3. All these letters concern the high cost of living, the paramount issue which must be solved. The solution of these problems can be met, provided the agreements made under date of June 9, 1942, between Roosevelt and Churchill are forthwith canceled, so that we can get access to certain food commodities which are in scarce supply. We can exchange and replace certain items which we have a surplus of, namely, pork products. The products we could take in exchange would be lambs and offal. In this connection we will face a critical shortage in the lamb supply, at least over a million lambs, and possibly more.

4. At present we are only able to procure wool which has increased 1948–49 to a half billion dollars in total value over the war prices, total $160,000,000; and zinc and lead at fantastic prices, which provide dollars for the British dominions, and save the pound sterling from collapse, causing spiral inflation.

5. The unemployment situation is becoming acute in every State of the Union, from Maine to California, and control in a modified and rectified form might solve this important problem and save the Nation from economic collapse. I cite the case of many industries which up to 1947 were in the black, but the end of prosperity has been reached.

Enact for us laws we can work under and satisfy the business world and meet the demands of labor.

6. We must end all foreign-government buying wherever possible. This was emphasized by me on page 742 of the national stabilization hearings, 30th of January 1948. Give the merchant exporter a quota on an equal basis with the American producer in every field of endeavor. This applies to all commodities, including steel. Failure to do this will cause disruption in international trade.

Already many merchant exporters are establishing firms in foreign countries, Belgium, Luxemburg, Tokyo, taking the bread and butter out of the mouths of the Americans who have fought on the various battle fronts, and given their lives in the cause of freedom.

7. Lack of steel is a bogy, what is not available for the merchant exporter is available in the gray market at $50 per ton over the mill price. Who receives the rake-off?

I appeared before this committee in January 1948 on the 30th, on the national stabilization hearings, stating there was a black market in steel. They soon found the operators, after the damage was inflicted, and it is happening now in another form, known as the gray market, and the investigators should get busy and clean up this situation.

If permitted to continue, the life of the merchant exporter will become extinct.

If the export control is extended the maximum time limit should not exceed a year.

8. Owing to the soft-currency countries predominating in the trade of the world, as of today, we offer the suggestion that Export and Import Bank of Washington, D. C., give the same facilities to those firms who have enjoyed a reputation for the imports over a period of 10 years; that is, they should be extended the same credit facilities for export.

9. Licensing of all exporters, as in World War I, would prevent many difficulties in the licensing, eliminate unnecessary paper work, and effectively control material so that it goes into safe and proper channels. Any violation would cause a suspension of the exporter. This would prevent the selling of licenses to refugees, who are a menace to the export field. The exporter would be required to earmark the commodities that he is trading in, and thus facilitate the work of the Department of Commerce in issuing more promptly the licenses.

10. Unemployment is increasing all over the Nation as a result of export control. The record now shows 250 merchant exporters have closed since the 1st of January 1949, and weekly it will increase into thousands, and the important steamship operating companies report laying off 50 to 150 men.

This means unemployment on the water front of the port of New York, and extends in fact to all the east and west coast ports.

If private enterprise is to succeed, let us have a control that would work efficiently, by consulting the experienced businessmen among the merchant exporters. This should not be determined by the producers alone as at present.

The steel companies will not quote the merchant exporter, and it is a discrimination which throws a supply into the gray market.

11. The agreements between Roosevelt and Churchill of June 9, 1942, are respectfully included in this brief for the benefit of the Eighty-first Congress. These were also included in the hearings of January 1948, Eightieth Congress. I advocate canceling all such wartime agreements.

12. Permit the importers to have a show-down with the Department of Agriculture on the food imports as promised by the State Department since 1944.

If the people of America are not to be at the dictation of foreign governments, which they are undoubtedly now, limit the exports to Great Britain and its dominions, including Portugal, until they release control of such commodities which are inflated, particularly wool, metals, etc., and any included in the strategic classification. The soft-currency countries are discriminating against us and keeping our cost of living higher as a result of this condition. Discrimination is a distinct violation of the provisions of the proposed Habana charter of 1948.

13. We recommend the removal of the appeals board as costly and unwarranted. OIT uses this agency as a scapegoat, and it is causing untold loss to the merchant exporter. It certainly is not facilitating business. It is a cogwheel of confusion which the law finds difficulty in unraveling and should be abandoned.

14. Our operations in steel are national in scope; namely, we buy tin plate and other steel products from the various States in the Union, including Ohio, Missouri, Pennsylvania, California, Alabama, Illinois, Washington. When we make an inquiry from the biggest producers for any steel we receive a form letter stating "nothing available," which eliminates our getting a license on account of price criteria, and our only source of supply is the gray market, or at a price that is noncompetitive with any mill producer that is exporting. Hence the necessity of altering the OIT policy of quotas, and adjusting 50 percent for the producers and 50 percent for the merchant exporter. We have the alternative to buy abroad, which we are doing now, using the soft currencies of the world that are available against an adequate supply of steel.

The day of reckoning could repeat 1920–21 when steel dropped 20 percent overnight, and the bottom fell out of the market. It took 4 years to recover, and it was not until 1925 that the steel production began to increase.

I would suggest that OIT study that situation carefully with the merchant exporters, because it can happen again in 1949 without warning. The next 6 to 12 months will tell the real story.

The mills admit they have enough orders up to the 30th of June 1949, but the demand is dwindling rapidly and Europe is producing at a rapid rate, and this could easily threaten the closing down of many industries. It happened in World War I.

15. *Lard, fats, and meats.*—We have represented before various committees, including the Department of Agriculture, the Department of State, the distrib-

utors of these products, but in consequence of the small quotas that are made available by the Department of Agriculture, it is impossible to waste time in making an application for a license, particularly on meats.

Lard is backing up in all the plants of the United States, and that particularly applies to inedible fats, with the result that orders that we have had during the last 30 days have been transferred to our good neighbor, the Dominion of Canada, where the control is not nearly so severe and licenses are promptly granted without any red tape within 1 week from the date of the application, whereas in the United States it takes 1 month to 3 months because we have so many applications from the newcomers who were never in the export world, except during the last 5 years—and they are gradually disappearing.

There is no doubt in my mind, and in the minds of those who have handled these products during the last decade, that a general licensing system at this time would be advisable and save considerable time for the various departments in issuing the licenses covering these products.

In conclusion, we have read the testimony of the Honorable Thomas C. Blaisdell, Assistant Secretary of Commerce, but we are not in accord with the policy outlined for obvious reasons. Licensing of exporters would be the answer to save us from such a disaster as when we were shipping scrap to Japan. Moreover, all of the producing countries at present are receiving fantastic prices for their products, whereas the United States producers are accepting what they can get, and in many instances our prices are 100 percent under other countries.

The merchant exporter should come under the category of small business and should be permitted to survive, because he has rendered a great service to the Nation, as their representatives have visited foreign countries and are ambassadors of good will. If we destroy that which has been an established business, then it is an attempt to decrease the value of the dollar. As an executive member of the New York Board of Trade, we feel that the merchant exporter is allied with the international trade of the world.

The CHAIRMAN. We will hear the next witness.

Is Mr. Williams here?

Mr. WILLIAMS. Yes, sir.

The CHAIRMAN. Will you come up, sir.

STATEMENT OF CHARLES H. WILLIAMS, OF CHAS. WILLIAMS & ASSOCIATES, LTD., NEW YORK, N. Y.

Mr. WILLIAMS. I wish to present the following data relating to the effects of 1948 so-called export controls on the business done by our corporation during that year.

As a result of said controls, the corporation lost working capital each month beginning April and continuing through November 1948. Our accountants estimate our losses averaged about $5,000 monthly, or about $40,000.

That may not seem very much to men in big business, but to us it is very serious. I hope to get home tomorrow morning before the sheriff gets there. That is brought about solely by the export controls.

The period stated is the first time the corporation has ever suffered an operating loss.

Senator CAIN. May I ask a question there?

Mr. WILLIAMS. Yes, sir.

Senator CAIN. You have been operating under controls for a period considerably further back than last April.

Mr. WILLIAMS. Yes.

Senator CAIN. How does it come that you could operate under these controls without losing money and you precipitously go into a rapid decline?

Mr. WILLIAMS. Because we have been unable to get export licenses.

Senator CAIN. There must be a reason for that because you were receiving licenses and now you are not getting them.

Mr. WILLIAMS. We received two in the month of January.

During said period our unshipped orders reached an all-time high dollar value. Incoming business was very brisk.

In an attempt to reduce losses to a minimum, we dispensed with the services of the following New York office keymen: (*a*) General manager, employed 9 years; (*b*) traffic manager, employed 6 years; (*c*) assistant to the president, employed 3 years; (*d*) let out head accountant and her assistant, substituting therefor one male accountant; and (*e*) dispensed with three stenographers. And all this disruption to an efficient, smooth-running organization composed of carefully trained employees at a time when the corporation's business was at an all-time high in dollar value.

Now, I anticipate your natural question will be, if you are losing money why don't you cut down your overhead? I am stating there, and there is no use of repeating it, because of shortage of time, what we have done.

Since this was written on February 1 we have let another keyman go and the treasurer of the company and myself are going off the pay roll. We may go on public relief, I don't know.

Our attempt to reduce overhead in our own overseas sales office and in the offices of our sales agents immediately met with serious difficulties. Some sales office managers and some sales agents were under contract not subject to either revision or cancellation. Further, they could not understand the need for curtailed overhead when doing an all-time high business volume.

We have therefore found it difficult to reduce overseas operation costs. In fact, if we are to survive the effects of present killing export restrictions, it would be very unwise to break up our foreign sales offices and revoke contracts with sales agents. It would take several years to secure capable personnel to restaff our office and an indefinite period to replace trained sales agents.

Suggestions that we back away from our heavy steel business and move into other nonlicense commodities conclusively show utter and complete lack of understanding of the situation on the part of those making such flippant suggestions. As far as our business is concerned, the suggestion is about as sound as asking a doctor to switch overnight from the practice of medicine to the practice of law.

The CHAIRMAN. Your business is mostly steel?

Mr. WILLIAMS. Yes, sir, mostly steel. A lot of it from your country too. From Alabama.

The CHAIRMAN. Not from Alabama; from South Carolina.

Mr. WILLIAMS. Since September 1948, we have been doing everything possible to avoid financial disaster. One protective move was the opening of a buying office in Antwerp. However, while decidedly helpful, deliveries have, to some extent, been disappointing. Also, prices on some heavy steel products are still higher than those in the United States. But we regard it as having been a very wise move. It has certainly prevented a financial disaster, or at least postponed one.

The only item in parity with United States prices are reinforced concrete bars in small shapes. Those we bought rather heavily of

for shipment to South America and the Far East. That has been rather a saving for us to produce certain revenue which we would not do otherwise, but not enough. Deliveries are very slow from Belgium.

An order placed in September and which is not shipped for 6 months does not do a company much good which is in a hurry to get profits.

The loss of good will, among our foreign buyers, is another very serious, and I might say heartbreaking, matter. Such foreign buyers fail to fully understand why the people of the United States (those who actually own the 48 States) permit a small group of willful bureaucrats to set up a series of ever-changing rules and regulations, which, in the mind of the foreign buyer, are planned to disrupt and kill off trade channels freely flowing for the past 50 or more years. Because of what he considers to be the utter indifference to his long-standing loyalty to manufacturers and exporters of United States heavy steel products, he has been turning away from the United States and inviting European manufacturers to supply his wants. For example, when I was in Habana in December last, I found in an importer's warehouse a large recently delivered tonnage of Belgian steel pipe. Knowing that this c. i. f. cost was actually about 20 percent higher than United States quoted price, I expressed my surprise. He retorted that he was tired, to the exhaustion point, of waiting for licenses for pipe on order in the United States. At least the Belgian pipe mills shipped his orders, which was much more than the United States exporter was doing, and since pipe he had to have to continue in business, he was very grateful to the Belgian mill, and was ordering a duplicate specification. He flatly refused to place orders with our corporation without a performance bond from us. Can there be any doubt of "loss of United States good will" in this instance?

I found steel sheets and I found steel in Luxemberg from a mill in Holland. I found the same thing in Port au Prince, Haiti, and in Cuba and in Santiago and in Habana.

Senator TAYLOR. Mr. Williams, are we shipping steel to Europe under the ECA?

Mr. WILLIAMS. I think we are shipping lots of steel to Europe but I am not well informed on that, I am sorry to say. Perhaps there is somebody here who is. I would like to know.

You brought up a very interesting point. The ships pass in the Atlantic Ocean. We are shipping steel to Europe, I suppose, in large quantities. I think we are. Those ships pass other ships, under the French and Belgian registry, carrying steel to the West Indies and South America and the Caribbean areas. Maybe I am dumb.

Senator TAYLOR. Usurping our markets under our very noses?

Mr. WILLIAMS. Yes.

Senator CAIN. You are an exporter; you are not a producer, yourself?

Mr. WILLIAMS. No; I am not.

Senator CAIN. In this period of serious decline in your business, you not only had large unfilled orders for customers overseas, but presumably you had available to you steel in this country you could have shipped if you had gotten export licenses?

Mr. WILLIAMS. Yes; I would say 15,000 or 20,000 tons.

Senator CAIN. You were saying in simple language you had all the assets to do business except the Government's willingness to let you do business? That is exactly what you said.

Mr. WILLIAMS. Yes; and in the last 39 years we naturally built up the machinery to do a steel business.

Senator CAIN. The business with which you are now associated is the one that has been continually doing business for 39 years?

Mr. WILLIAMS. No; the Charles Williams & Associates, Ltd., was organized in 1935. I, myself, have been in the steel business since 1910.

Senator CAIN. But there were no export controls in 1935.

Mr. WILLIAMS. No; there were none. They began in 1941.

Senator CAIN. You had a healthy business from 1935 up to the recent past?

Mr. WILLIAMS. Although it was a very dull period, we still made money.

Senator CAIN. Yes. And now, apparently, you are rapidly going out of business?

Mr. WILLIAMS. I said before, I hope I get home before the sheriff gets there.

Senator CAIN. You said you are off the pay roll, so it is not so serious from your point of view. You are not going to get paid; whether you go back or not. I share your concern.

Mr. WILLIAMS. I am concerned because I have a lot of people in my organization who did a good job.

Senator TAYLOR. You say you can get the steel if you had the licenses?

Mr. WILLIAMS. Yes, sir.

Senator TAYLOR. You never had the experience of the previous witness, to pay gray-market prices?

Mr. WILLIAMS. Never have. Never will, I hope.

During the past year, I have carefully prepared and submitted much written data and other information to two Secretaries of Commerce, to lesser officials of the Commerce Department, to officials of the OIT, and others. I regretfully admit that to date I have yet to receive one iota of friendly help, or even an indication of passing interest in our pressing problems, except from former Assistant Secretary of Commerce Bruce, a very able and understanding Government official. The attitude has generally been, "Bust if you must, but don't bother me with your problems," and we, the citizens of the United States are digging deep to meet their pay roll. They are our employees, but are thumbing their noses at us. Are we men or mice? God help America.

The CHAIRMAN. In here you say a good word for Mr. Bruce.

Mr. WILLIAMS. Yes, Mr. Bruce is one of the finest men I ever met.

The CHAIRMAN. Why couldn't he help you?

Mr. WILLIAMS. He was not there long enough. He went out shortly after the Secretary of Commerce went out.

The CHAIRMAN. He is there now?

Senator TAYLOR. He is with ECA. He used to be in Commerce.

The CHAIRMAN. I did not know that. You had conferences with him?

Mr. WILLIAMS. Yes. You meant Mr. Bruce?

The CHAIRMAN. Yes.

Senator TAYLOR. The Mr. Bruce you mention is the same one with ECA?

The CHAIRMAN. Yes, he is from Martinsburg, W. Va.

With the permission of the committee, I am going to send a copy of Mr. Williams' statement for the record to Mr. Bruce.

Senator CAIN. We are just trying to find an answer to this. Men are going out of business and there has to be an answer to it.

The CHAIRMAN. I will send your letter to Mr. Bruce and ask him to reply to it and give a copy of it to the committee. I do that because of your mention of Mr. Bruce in there.

Senator CAIN. May I ask you how much time have you and your associates, to which you refer, spent in Washington, appealing for relief before some branch of the Office of International Trade?

Mr. WILLIAMS. Do you mean physically?

Senator CAIN. Yes. I would like to know how much of your time is spent in trying through the Office of International Trade to get relief.

Mr. WILLIAMS. Through telephone calls and letters?

Senator CAIN. Every conceivable way.

Mr. WILLIAMS. And also filling out applications?

Senator CAIN. Yes.

Mr. WILLIAMS. I would say 25 percent of each workday went into such efforts.

Today the problem is not to get business. We have forgotten how to get business. All we are concentrating on is to get a license.

Senator CAIN. The right to do business?

Mr. WILLIAMS. That puts it briefly.

Senator CAIN. The other witnesses seem like reasonable men and they come in with the same complaint.

Mr. WILLIAMS. They do to many, but they don't give me licenses.

Senator CAIN. What is their reason for not giving you licenses?

Mr. WILLIAMS. Mr. Senator, I have been trying to get that answer for 4 or 5 years, and have not been able to do it.

Senator CAIN. You go to somebody in the Office of International Trade and say, "I have an order of so many tons of steel and I have a producer who is willing to give me steel and please give me a license so I won't starve to death. Please give me a license."

What is their answer?

Mr. WILLIAMS. He says, "I will let you know."

Senator CAIN. And when does he let you know?

Mr. WILLIAMS. Three weeks later I get a letter that the thing is under consideration and then it peters out.

Senator CAIN. We chuckle a little bit, but it is rather serious. And, finally, the letters in themselves become, so to speak, so indefinite that you just give it up and start again?

Mr. WILLIAMS. Yes.

Senator CAIN. Shortly you will go out of business?

Mr. WILLIAMS. May I just put in one thing? I am just out of a sick bed and I don't feel very strong. Mr. Blaisdell said something to you gentlemen the other day.

Senator CAIN. I don't think he has been here. It was before the House Banking and Currency Committee, perhaps.

Mr. WILLIAMS. Could I comment on it?

Senator CAIN. Yes, please do.

The CHAIRMAN. Did you appear at the House Banking and Currency Committee hearing?

Mr. WILLIAMS. No; I cut it out of yesterday's paper.

Congress has been told that by continuing export controls it can guard against the shipment abroad of materials that some day can be used in war against America. Assistant Secretary of Commerce Blaisdell said of such controls: "I hope we shall not see repeated the same things as happened in the past war, such as shipment of scrap iron to Japan."

Now, what he is trying to say, I suppose, is do not ship anything for export. Let your overseas business go to the devil because we might have a war with somebody.

Senartor CAIN. That is offset because you just testified that lots of steel is being shipped overseas and by a lot of private firms.

Mr. WILLIAMS. Yes; but unless you analyze this statement, you might get scared. You might say we need steel because some country might declare war against us. My argument is the question can apply 10 years from now or 25 years from now, or back in 1863. For instance, Greenland may declare war on us some day.

The CHAIRMAN. With reference to the sending of your letter to Mr. Bruce, since he has left the Department, I am sending the letter down to Dr. McIntyre of the Office of International Trade, who testified here this morning.

Mr. WILLIAMS. I hope Dr. McIntyre will answer it.

The CHAIRMAN. We will get an answer from him.

The next witness is Mr. Brown.

Senator CAIN. I would like to say to this witness, because his business is involved, that if Mr. Blaisdell comes before this committee I shall ask him some questions from your testimony.

The CHAIRMAN. All right; Dr. McIntyre is going to see this. I will send your letter down tomorrow morning.

Mr. Brown, will you have a seat?

Mr. BROWN. If you will give me permission to insert this statement in the record?

The CHAIRMAN. Yes; without objection, the entire statement will appear in the record.

STATEMENT OF RUSSELL B. BROWN, GENERAL COUNSEL, INDEPENDENT PETROLEUM ASSOCIATION OF AMERICA

Mr. BROWN. My name is Russell B. Brown. I am general counsel of the Independent Petroleum Association of America which is a national association consisting primarily of producers of crude petroleum operating within the United States.

In June 1947 we appeared before a subcommittee of the Senate Judiciary Committee at which time we said:

We ask as to the materials and the equipment required to conduct the oil industry of the United States that no extension of authority to control or order preferential use be granted beyond June 30, 1947.

Our position on this matter has not changed.

The law was extended. It did express the philosophy that it should not be used so as to depress or injure the domestic economy and that administrative caution was to be used so that the congressional intent

would be carried out. It has not worked that way in respect to essential materials used by the oil-producing industry. Standards and formulas were adopted by the agency in charge of the application of controls in disregard and, in fact, in ignorance of the needs of the domestic oil-producing industry. No effort seems to have been made by those who administered the export control law to ascertain the requirements of independent producers for tubular goods. One of the officials of the Department of Commerce told a committee of Congress that the consultations on this subject were with oil companies who operate abroad as well as in the United States, as they were considered to be the best judge of where tubular goods were most needed.

Since the war, export controls of oil tubular goods—casing, tubing, drill pipe and line pipe—have been administered in a manner that has been highly injurious to the domestic oil producing industry. Despite the fact that Congress continued export controls for the purpose of protecting domestic industry in regard to commodities in short supply, the exports of oil tubular goods were permitted to increase sharply in 1947 and 1948. Shipments of these materials to foreign areas totaled 333,000 tons in 1947 and about 360,000 tons in 1948. These large volumes compare with 180,000 tons in 1946 and only 64,000 tons per year in the prewar period 1935–39. The facts indicate that export controls, instead of being employed as a protection to the domestic industry, were actually used as a means to stimulate exports to unprecedented rates. It was the testimony of executives of 11 large steel companies before the Steel Subcommittee of the Senate Small Business Committee on September 12, 1947 that "a substantial amount of the steel exported has been in accordance with Government directives." This is one of several manifestations that the executive branch of the Government during past several years has pursued the philosophy that foreign development of oil reserves should be given preferential treatment over the domestic oil industry. The net result of this course is that during the past 10 years the Nation has shifted from a net exporter of petroleum in the amount of 355,000 barrels per day to the present position of a net importer by the amount of 200,000 barrels per day, an adverse shift of over 500,000 barrels per day. Export controls over steel for the petroleum industry have been leading the Nation to a position of depending on foreign oil—a position that is dangerously vulnerable to enemy action as was so convincingly demonstrated during World War II.

During the past 3 years our association has made repeated appeals for relief to the Department of Commerce, Department of State, and the Department of National Defense. Based upon this experience it is our opinion that in order to encourage good administration the Congress should write into the law necessary limitations and precise standards to be followed. As a guide to Congress in developing the proper standards there is a recent expression from the petroleum industry which should be helpful. In response to a request of Secretary of Interior Krug, the National Petroleum Council, the official oil industry group to the Federal Government which represents the entire industry including the American companies interested in foreign oil reserves, recently recommended that a proper "National Oil Policy for the United States"—

* * * should maintain conditions, within the free-enterprise system, most likely to assure adequate supplies of essential materials equitably available to all units in the industry in both peace and war.

Continuing supply to meet our national oil needs depends primarily on availability from domestic sources. Due consideration should be given to the development of foreign oil resources, but the paramount objective should be to maintain conditions best suited to a healthy domestic industry which is essential to national security and welfare. To this end, adequate and equitable availability of essential materials is a fundamental requisite.

All in industry agree—including those companies interested in the development of foreign oil reserves—that our first line of defense is the domestic industry.

If export controls are to be continued, therefore, it is our recommendation that the bill before this committee be amended so as to require the agency administering export controls of steel pipe to recognize the essentiality of the domestic petroleum industry as a priority source of supply of the petroleum and petroleum products requirements necessary to the national security; and that in order to protect the domestic petroleum industry and to avoid abnormal or disproportionate exports of oil field steel tubular goods, some one specific agency, perhaps the Oil and Gas Division of the Department of the Interior should determine, after consultation with the petroleum industry, the maximum quantity of such goods that may be exported. It is felt that the responsibility for fixing this maximum limit should rest squarely and clearly at a given point and not be nebulously spread over an interdepartmental committee remote from the problems and the individuals affected.

Up to this point I have confined my remarks to the effects that export controls have had on shipments of steel materials for oil and gas use. There is another important aspect of the problem, however, and that is the question of controls over oil itself. Exports of crude petroleum and refined products are being restricted by quotas established under the export control authority. The occasion for such restrictions does not exist at the present time as far as the supply of oil is concerned. In fact the reverse is true. If the purpose of the bill before your committee is to protect the domestic economy and further and protect the national security, this purpose would be served most directly by a control over imports of oil rather than over oil exports. Our welfare and safety are in jeopardy from unreasonable imports and a curtailed market for the domestic oil industry.

Prior to World War II the domestic petroleum industry, under a congressional policy enunciated through various legislative acts, was encouraged to proceed in its normal way in developing the petroleum resources of the Nation with the result that at the beginning of the war the industry had built up a reserve producing capacity of approximately 1,000,000 barrels per day above requirements. Fortunately this reserve was readily available for emergency needs and was not subject to interruption by enemy submarines. Due to wartime curtailment of normal expansion this reserve capacity was absorbed. However, the industry during the past year ably demonstrated its ability to rebuild this needed reserve capacity if it is not limited by artificial restriction that is now being imposed by a flood of imported oil. As a result of the flood of imported oil the oil States of Texas, Oklahoma, and Kansas, during the past 2 months have cut back production allowables by approximately 350,000 bar-

rels per day or a reduction of more than 6 percent of our total production. So, instead of being encouraged to proceed in building up this needed reserve the industry is being curtailed.

The growing seriousness of this problem is demonstrated by the following action taken Wednesday of last week by the Corporation Commission of the State of Oklahoma in adopting the following resolution:

Now, on this the 26th day of January 1949, the Corporation Commission of Oklahoma, being in executive session, there comes on for discussion the problem of the oversupply of oil in Oklahoma and in the United States and the necessity for restricting the production of oil in Oklahoma, in order to prevent waste and to keep the production within the market demand.

Whereas it appears that stocks of crude oil and refined products have increased 105,000,000 barrels in the past year, and that the stocks have reached the point where production of oil in Oklahoma and the United States must be decreased because of lack of storage facilities; and

Whereas the storage of crude oil above ground in abnormal amounts results in above ground waste of Oklahoma's greatest natural resources; and

Whereas it appears that imports of crude oil in the United States have increased approximately 150 percent during the past year and that presently approximately 600,000 barrels of crude oil is being imported daily into the United States; and

Whereas the importation of crude oil into the United States in such amounts is directly responsible for the building up of the abnormal amount of stocks of crude oil and refined products on hand; and

Whereas Oklahoma has been forced to decrease the allowable production of oil in the approximate amount of 40,000 barrels daily, on account of the abnormal supply of oil above ground which has been caused directly by the importation of excessive amounts of crude petroleum from foreign countries, and,

Whereas the importation of crude oil from foreign countries is a direct threat to the stability of the oil industry in Oklahoma and throughout the Nation and to the tax structure in Oklahoma in that the State of Oklahoma has 5-percent interest in all oil produced within the State of Oklahoma; and

Whereas unless the importation of crude oil from foreign countries is materially decreased, Oklahoma and other producing States will be forced to further curtail the allowable production of oil within the respective producing States: Now, therefore, be it

Resolved:

1. That the Corporation Commission of Oklahoma, being the State agency charged with the responsibility of fixing the allowable production of oil in Oklahoma, is of the opinion that the importation of crude oil from foreign countries to the United States, should be drastically curtailed until such time as there is a need for the importation of crude oil to take care of the market demand for crude oil within the continental United States.

2. That the congressional delegation from Oklahoma should do all in its power to bring to the attention of the United States State Department the condition that now prevails in Oklahoma and other oil-producing States in the United States.

3. That a copy of this resolution be furnished to each member of the congressional delegation from Oklahoma and to the Secretary of State, Washington, D. C.

Signed this the 26th day of January 1949.

As a further indication of the widespread concern of this problem, at a meeting of the executive committee and State vice presidents of our association held last week in Wichita Falls, Tex., the following statement was adopted:

An increasing flood of foreign oil is jeopardizing our national economy, our national security, and resulting in the unemployment of American labor.

Two world wars have proved that America cannot depend on foreign oil in an emergency. Foreign oil, thousands of miles away in troubled areas and under the insecure control of a combination of a few importing companies, is a slender thread on which to hang the security of the American people.

Domestic oil producers, since the war, have increased the production of crude oil in the United States until they are now more than able to supply every need of the American consumer. The output of domestic oil can be further increased. It will not be increased if this market is absorbed by foreign oil, thus depriving the independent oil producers of the funds necessary to discover and develop adequate reserves in the United States.

The few large importing companies through short-sightedness, indifference, or selfish interest are endangering the national security in their wish to produce and sell their foreign oil in the markets of this country. Most of their foreign reserves are in the Middle East, less than 2 hours' bombing time from Russia.

This revival of international cartels, which owe allegiance to no country, should not be permitted to monopolize or destroy American life.

The Independent Petroleum Association of America insists that the Congress should protect the welfare and security of the American people by enacting such legislation as is necessary to restrict petroleum imports to only such quantities as may be needed to supplement domestic production.

We feel that at this time the matter of foreign petroleum trade involving both exports and imports is the most serious problem confronting the independent oil producer. Since the problem involves a commodity essential to our national security we feel it is a matter that should have the consideration of Congress wherever the question of foreign trade in oil is involved.

In approaching the problem the Congress, here again, has a guide in the national oil policy for the United States recently adopted by the National Petroleum Council, which deals squarely and clearly with this very issue. The pertinent provisions are as follows:

The Nation's economic welfare and security require a policy on petroleum imports which will encourage exploration and development efforts in the domestic industry and which will make available a maximum supply of domestic oil to meet the needs of this Nation.

The availability of petroleum from domestic fields produced under sound conservation practices, together with other pertinent factors, provides the means for determining if imports are necessary and the extent to which imports are desirable to supplement our oil supplies on a basis which will be sound in terms of the national economy and in terms of conservation.

The implementation of an import policy, therefore, should be flexible so that adjustments may readily be made from time to time.

Imports in excess of our economic needs, after taking into account domestic production in conformance with good conservation practices and within the limits of maximum efficient rates of production, will retard domestic exploration and development of new oil fields and the technological progress in all branches of the industry which is essential to the Nation's economic welfare and security.

The industry agrees—including the importing companies—that as a national policy, imports should be used only to supplement domestic production, not to displace it.

We, therefore, recommend that the committee amend the pending bill so as to provide that imports of petroleum and petroleum products be limited to such amounts as will not endanger the Nation's security and economic welfare, and to provide that imports shall be used only to supplement domestic production in meeting our national petroleum requirements.

Senator TAYLOR. What is this we are exporting, pipe?

Mr. BROWN. Yes; oil company equipment, such as pipe and the equipment for drilling wells.

Senator TAYLOR. Whom do you represent, Mr. Brown, comparatively small companies?

Mr. BROWN. Yes; we don't represent the large companies or the Standard Oil Co. or the Gulf Co., or companies of that kind. We represent the domestic producers of oil in all of the oil-producing States.

Senator TAYLOR. None of the big companies like Texaco and Standard, but the comparatively small companies you have been representing?

Mr. BROWN. We have none of those large companies in our organization.

Senator TAYLOR. Then, the pipe is being sent abroad to facilitate the exploitation of the holdings of the big companies that have these foreign investments?

Mr. BROWN. That is right.

Senator TAYLOR. And it is a well-known fact that some people in high places in this Government of ours have intimate connections with the big oil companies and exercise a great degree of control and exercise the control of where the steel is to be shipped?

Mr. BROWN. That is right.

The CHAIRMAN. Is most of this steel sent to South America and Central America? Do you have a break-down?

Mr. BROWN. The last break-down I had, most of it was going to South America. Since that, I think a large portion has gone to the Middle East.

Senator TAYLOR. To Arabia?

Mr. BROWN. Arabia.

Senator TAYLOR. And if we get into a war, those facilities would be turned over? I doubt if we could defend it.

Mr. BROWN. It is very close to Russia. Whether it is actually getting there, we don't know. That is our testimony.

The CHAIRMAN. Thank you very much.

Our next witness is Mr. Freed.

STATEMENT OF LOUIS I. FREED, EXECUTIVE SECRETARY OF THE INDEPENDENT MERCHANT EXPORTERS ASSOCIATION

Mr. FREED. Are you going to hold some more hearings, sir?

The CHAIRMAN. No; we are going to finish this afternoon.

Mr. FREED. All right, sir; I would like to meet Dr. McIntyre face to face at this table.

The CHAIRMAN. We have not got time. You tell us what you have in your statement; that you have printed.

Mr. FREED. I would like to read the statement to you.

The CHAIRMAN. How long would it take?

Mr. FREED. Ten minutes, probably.

The CHAIRMAN. All right.

Mr. FREED. My name is Louis I. Freed. I am a foreign trade consultant and I am executive secretary of the Independent Merchant Exporters Association. I have been authorized to appear before this committee by the executive board of the association, and to transmit to you gentlemen the opinion and attitude of the members of the association toward the proposed Export Control Act of 1940.

The merchant exporter is in every sense a small-business man. He buys the product of the producer, and in turn sells this product to the merchant importer in foreign lands. He employs in the furtherance of his business a vast army of agents, importers, and trade specialists of every description. He is conversant with the needs of the peoples of foreign countries, and with the market conditions in

this and other countries. He has a thorough knowledge of exchange regulations and import control laws in the various foreign countries. It is his task to coordinate the needs of his foreign customers with the pressures of our own domestic economy, in the field of manufactures as well as agriculture. His is a task of pioneering as well as supplying. He opens new markets for our surplus production, and scans our own economy to discover opportunities to introduce the products of other countries to our markets, thus helping to balance the world trade picture. He occupies a definite and very essential place in our national economic picture.

This association does not appear in opposition to the principles enunciated in this bill. We recognize the need for a continuation of limited export controls. We agree with Secretary of Commerce Sawyer, who stated before this committee that no public or trade opposition to S. 548 is apparent. There is, however, considerable opposition to the administrative implementation of the announced objectives of this legislation, as evidenced during the past year, and apparently contemplated for the future.

Secretary Sawyer states that the number of applications for export licenses has dropped from 20,000 per week to 10,000. It is his opinion that the reason for this drop in the work load of OIT is the dollar shortage abroad, and the removal of several commodities from the positive list of licensing. No doubt these reasons have played a part in the reduced base load. However, any merchant exporter can tell the Secretary that one of the most important factors contributing to the present dwindling numbers of applications is the manner in which the Export Control Act has been administered. Some are unkind enough to label it "bungling red tape." However, a combination of poorly considered administrative decisions, ex post facto regulations, and partiality to the prime producers has acted to force many small exporters out of business. Many of those who remain in business have turned to items or products not on the positive list.

It is a fact that the merchant exporter is the forgotten man in the export-licensing picture. Even worse, he seems to be the unwanted man, if the philosophies of several OIT officials were to be openly expressed.

In the development of our contentions, it is necessary to cite facts concerning our treatment at the hands of OIT officialdom. To do this, we must survey the picture by commodity divisions. We shall attempt to demonstrate how the allocation and licensing system has been made to work against the merchant exporter and in favor of the integrated prime producer in the battle for export markets.

Let us first survey the Steel Division of OIT. Two very potent weapons are trained against the merchant exporter of steel by the OIT. One is the price criteria, and the other is the valid letter of commitment, and the strict implementation of this rule.

Take first the price criteria. It works this way: Using the basic mill f. o. b. price, the OIT then adds an arbitrary figure for warehouse profit, freight, and an additional arbitrary figure for the merchant exporter's mark-up. The resulting figure constitutes the maximum price which will be approved for licensing. The mills, of course, are not bothered by this rule. Using their own facilities, and their own basic price, they are not in the least affected. The merchant exporter, however, is on the spot.

Senator TAYLOR. Do you mean to say this Government agency, the Office of International Trade, is telling you what you must sell your steel for?

Mr. FREED. Yes; we have very strict criteria.

The CHAIRMAN. Overseas?

Mr. FREED. Yes; you cannot vary from the price they pick out of the air.

Senator CAIN. They told us last year that they would grant any license for the export of steel that was not outlandish.

Mr. FREED. They have not done so.

Senator CAIN. You mean they have very little spread for what they permit you to sell steel for abroad?

Mr. FREED. Yes; and this statement will explain the higher prices at which we have to ship it.

Senator TAYLOR. I don't see that it is their business what you sell it for abroad.

Mr. FREED. They claim it is to conserve dollars abroad, and it is not their business to conserve dollars abroad. A lot of this steel has been going to Latin-American countries and not in connection with the ECA program. They are very much concerned about the dollars that the Latin-Americans spend, and they have no right to be. It is not in the law under which they operate.

If there is competition for this material, the mill has it, and will not sell to the merchant exporters. He must, therefore, obtain his material on the open market—from a warehouse. He must have the material, and he must pay the price demanded. If this price is in excess of the OIT maximum, even without his profit being considered, he is just out of luck. He is not always, or even frequently, able to procure the material from a direct mill-to-warehouse connection. Many mills have direct tie-ups with the primary warehouses. The material must move through several channels before the merchant exporter gets a shot at it. He has his valid order, often accompanied by an import permit and notification that foreign exchange is available. But he is stopped from completing his shipment by the price criteria rule.

Another factor which OIT completely ignores in the use of price criteria is the fact that a great many of the orders which merchant exporters receive are based on sight-draft shipments. The financing of sight-draft shipments is a costly proposition which, of necessity, must be added to the price of the commodity to be shipped.

Because of the acute dollar shortages in most countries, the insistence of sigh-draft shipments has become much more marked than before. The cost of financing a sight-draft shipment, depending on the country of destination, may be anywhere from 5 to 12 percent of the straight c. i. f. value of the shipment. When such a percentage is added to the cost of the merchandise, the price which finally appears on the export license application appears to be excessive in the light of OIT's price criterion. Yet, for all of that, the merchant exporter's profit may still be less than 5 percent—and for that 5 percent he must face an assortment of capital risks.

Thus, price criteria must either be eliminated legislatively, or OIT must be instructed by the Congress to consider the greater price necessitated by sight-draft shipments if an exporter states on the face

of the application that the shipment will be made on a sight-draft basis.

I want to say this, Senator, on the sight-draft basis: In Latin America it is like a dent in a rubber ball. You try to straighten out that dent and all you do is keep going around that ball. You know what I mean. If you want a sight draft they charge you from 4 to 10 percent, depending on the number of months it is going to take to get repayment.

If we ship something to Brazil, the Brazil company will deposit the necessary cruzeiros in the Bank of Brazil, but we have to wait 4 to 6 months before the bank has enough cruzeiros to be exchanged. The bank will finance you, but it is on a financial basis.

Consider also the valid letter of commitment. This is the most outrageous concoction in the way of implementation that OIT has yet conceived. The mill, of course, does not have to produce this all-important document. It has the material. The merchant exporter must shop around and find a warehouse willing to give him the commitment letter, at a price OIT will recognize. Even if he can get this letter, the OIT is not done with him. The supplier must then produce evidence to satisfy the OIT officials as to the source of his material.

Mind you, the supplier of the material to the merchant exporter has to tell the Office of International Trade where he got that material.

If the supplier is unwilling to reveal the mill from which the material was purchased, his letter of commitment is not recognized, no matter how highly his business is rated by Dun & Bradstreet, nor how highly respectable his business reputation may be. And the most tragic part of this farce is that even if he gets by the scrutiny of OIT, and is awarded a license, in most cases he is unable to get the material from the supplier who furnished the commitment letter in the first place. He must shop around and find the material. This is a result of the fact that often many months elapse between the time his application is originally filed and the date his license is granted. No warehouse can hold material for this long a period of time. It must sell as quickly as possible. It is physically impossible for any wholesaler of steel to predict his supply for 4 or 5 months in advance. Even after the license is granted, it is often many months before the dollar credits and the import license is available, adding just that much more time to the period that the supplier would be forced to hold the committed material if he were forced to stock-pile against every commitment granted. It is not even possible for a warehouse to predict 6 months in advance what his mill deliveries will be. Thus, the letter of commitment means precisely nothing. It is not and cannot be binding. It is merely another obstacle placed in the path of the merchant exporter in his battle for a fair share of the export trade.

I would like at this point to submit to this committee a copy of a letter which we sent to the Secretary of Commerce on this subject, and the reply which I received from Mr. George Bell; a reply which is highly indicative of OIT's reluctance to face the facts of business life as they must be faced on a day-to-day basis by the merchant exporter.

I would like to submit these letters, to be made a part of the record.

The CHAIRMAN. Without objection, these letters will be made a part of the record.

(The letters are as follows:)

INDEPENDENT MERCHANT EXPORTERS ASSOCIATION, INC.

WASHINGTON 5, D. C.

(For release to A. M. papers Friday, November 5.)

The following letter was sent to Secretary of Commerce Charles Sawyer by Louis I. Freed, executive secretary of the IMEA:

NOVEMBER 1, 1948.

Hon. CHARLES SAWYER,
Secretary of Commerce, Washington 25, D. C.

MY DEAR MR. SECRETARY: You may recall that when a committee of this association called upon you on September 10, much of the time we spent with you was devoted to a discussion of letters of commitment. We described the uselessness of such documentation as a basis for licensing, but mostly we deplored the sheer economic waste involved in obtaining such letters. We also left a statement with you which fully detailed our views on the matter and which you promised to "read carefully."

You may further recall your statement to us: "If such letters of commitment are an unnecessary burden and expense on the merchant exporter, I will personally see to it that they will not be required as a necessary document to an export application."

It is almost 2 months since we appealed to you on this matter, and as yet various branches in the Office of International Trade have not ended the practice of requiring such letters of commitment. We fully appreciate the fact that the wheels of government must, of necessity, turn slowly; but, in the meantime, merchant exporters are taking it on the chin to an unbelievable extent, with many of them forced to reduce their staffs because of the unwarranted and burdensome overhead which these letters of commitment impose upon them.

With your indulgence I would like to recall some of the facts which were incorporated in the statement which we submitted to you on September 10:

(1) To obtain a letter of commitment a merchant exporter must go to the time, effort, and expense of canvassing by phone, telegrams or letter an entire producing section of a given industry. Invariably, the merchant exporter learns that while none of these producers will furnish him with such a letter they will nonetheless be happy to sell him the necessary material upon presentation of a valid export license.

(2) But, since the merchant exporter cannot obtain his valid export license without a letter of commitment he turns for such a document to a wholesaler (warehouse, broker or agent). Such a middleman is usually anxious to do business with the merchant exporter and will quickly furnish the required letter. However, in the steel branch of OIT, many such letters from nonproducing suppliers are not acceptable unless (and this is an outrageous example of Government interference in business) the supplier reveals to the steel branch his sources of supply. If the supplier refuses to do so, his letters of commitment are not acceptable to OIT, and all export applications which have been filed in good faith by merchant exporters, but which unknowingly carry "not acceptable" letters of commitment, are returned without action. Only too often has this caused the merchant exporter, who holds sound and firm orders for the requested material, to lose out for the entire quarter's licensing.

(3) A letter of commitment does not end the OIT purported abuse of validating "hunting licenses". As a matter of fact an exporter with a validated license in his hand has little or no trouble in procuring the necessary material from any source of supply—even from a prime producer—and does not necessarily have to purchase the material from the supplier who furnished him with the letter.

(4) The steel branch of OIT will not accept a letter of commitment which contains the clause, "Subject to prior sale," or the clause, "Subject to the availability of the material at the time a license is granted." Because of this approach to a letter of commitment, suppliers are now cagily refraining from inserting such clauses in their letters. Obviously, none of them carry in their stock the thousands of tons of steel products for which they may have written letters of commitments. It would be economically foolish for them to hold for

a 3-month period some 10,000 tons of steel just to cover the possible receipt of some export licenses for which they may have committed themselves. A supplier depends on a constant flow of materials into his warehouse and out again. An exporter with a license is still subject to the availability of the material in the supplier's warehouse.

(5) It must also be pointed out that letters of commitment are subject to fires, strikes, riots, acts of God, etc., and are seldom binding.

It becomes evident from these points, Mr. Secretary, that letters of commitment should be abolished as they serve no useful purpose in the licensing procedure, except as a make-work measure to slow up the licensing procedure, at the expense of the tax dollar; and that the request for such letters saddles the merchant exporter with absolutely unnecessary expenses at a time when the whole merchant export fraternity is experiencing difficult times.

Hoping that you wil ltake immediate remedial action in this matter, I remain

Very truly yours,

LOUIS I. FREED,
Executive Secretary.

Mr. FREED. This is a copy of a letter I received from Mr. George L. Bell. Do you want to see it, or shall we just insert it in the record?

The CHAIRMAN. It will be put into the record.

(The letter referred to is as follows:)

DEPARTMENT OF COMMERCE,
OFFICE OF INTERNATIONAL TRADE,
Washington 25, D. C., November 10, 1948.

Mr. LOUIS I. FREED,
Executive Secretary, Independent Merchant Exporters' Association,
Washington 5, D. C.

DEAR MR. FREED: Thank you for your letter dated November 1, addressed to the Secretary of Commerce, in which you request consideration by the Office of International Trade of the abandonment of its requirement for letters of commitment.

I was interested to hear your views on this subject. At the present time this suggestion is being investigated. As soon as final decision has been made I shall be happy to advise you accordingly.

Sincerely yours,

GEORGE L. BELL,
Associate Director.

Mr. FREED. I have spoken of the period of time that often must elapse between the granting of the license. and obtaining the letter of credit and import permit. Some countries are exceedingly slow in granting the necessary documents because of their dollar balance. Often, the arrangements cannot be completed within the lifetime of the validity of the license. It is then necessary for the exporter to petition the OIT for an extension of time on his license. Here he comes into contact with ex post facto regulation and bureaucratic inertia. In the comprehensive export schedule there is a paragraph which states that extensions will be granted only for the limited time necessary to complete a shipment—in other words—for a period of days only. However, the exporter, when he files his request for extension, finds that the regulations may mean anything or nothing. It all seems to depend on the individual licensing officer. It is a fact that many exporters have filed extension requests for three or four commodities at the same time and have emerged with either no grant of extension or extensions varying from 10 to 90 days, depending on the individual licensing officer, or the mood of the licensing officer at the moment. This is a very bad situation. Business cannot be conducted on such a capricious basis. An exporter must know where he stands so that he may make the necessary arrangements for completion of his contract.

Export bulletins are issued without thorough investigation as to the effect of the regulation proposed, and are then changed by internal administrative memoranda, without notice to the trade. This results in confusion, delay, and general inefficiency. Few licensing officers in OIT are able to state with any certainty what their decisions will be tomorrow. Policy varies from section to section. Confusion and conflict exist even on the supervisory level. The merchant exporter, as well as the producer-exporter suffer from this condition. It should be corrected. It will not be corrected, however, without specific instructions to this effect from the Congress. Protest after protest had been filed with OIT officials. They are blandly ignored, and the condition becomes progressively worse.

In the food division, the cards have been stacked against the merchant exporter in the most sought-after commodities—namely fats and oils, and related items. This has been done by the use of the anachronistic historical basis of licensing. A base period is selected by the OIT and licensing is conducted to conform as nearly as possible to the trade pattern of that period. Newcomers to the export business, as well as old established export houses, have been grossly discriminated against, without regard to the changed economic patterns in the foreign country involved, and in our own country. This constitutes a grant of privilege that would not be countenanced in our domestic business practices.

By means of this historical method of licensing, well over 75 percent of the export quota for lard, soybean oil, cottonseed oil, et cetera, is directed to the prime producers, and to those export houses who supplied the markets for these products during the base period. This means the practical elimination of the merchant exporter from such markets as Cuba, Venezuela, Colombia, and other Latin-American countries.

Many of the small-business men thus frozen out of these lucrative markets are veterans, who, unfortunately, were in the service of their country during the war years, and thus were unable to establish themselves in these markets. Many are established export houses who, during the base period, had turned to other commodities rather than to engage in murderous competition with the prime producers, who were prepared to operate at a loss in order to freeze out all competition. This same pattern was followed in this country, until Federal laws were invoked to stop it. In the case of exports, however, this Government says to the healthy competition that would result from the opening of these privileged markets to merchant exporters, "You shall not pass into these green pastures. They are reserved."

This same arrangement was prevalent in the licensing of flour, prior to the practical decontrol of this commodity. Merchant exporters were told by licensing officers of the OIT that if controls were lifted, they would not be able to ship a pound of flour in competition with the mills. However, the opposite occurred when the controls were relaxed. The greater portion of flour shipped to Brazil since decontrol, for example, has been exported through merchant export channels. We are convinced that the same pattern would be apparent if fats and oils were to be decontrolled. Experience proves that there is no substitute for healthy competition. The best man wins the markets in a free economy.

We are convinced that the action of the OIT in thus favoring prime producers springs a conviction that this pattern is the best for our foreign trade. We do not suggest that any other motive prevails. We do, however, challenge that philosophy and that kind of thinking—the philosophy and thinking that chains free enterprise to the wall, while entrenched privilege is encouraged to wallow unchallenged in the feed-trough.

It is for this reason that we view with much distrust the use of such innocuous words and phrases in the Export Control Act of 1949 as giving consideration to small business. Small business has had a protracted period of such consideration. Small business has been bruised and battered almost out of existence by the consideration given to it by the OIT. Why, indeed, should small business be given consideration? We feel that our merchant exporters should be treated on the same basis and level as the integrated producer. After all, the producer will sell the same amount of merchandise whether he exports, or sells to the exporter. He also has the domestic market as an outlet for his products. The merchant exporter has only the foreign market. Given a freer hand to exploit his natural competitive genius, the merchant exporter will develop our foreign trade to unprecedented figures.

We also object to the use of the term insofar as is practicable. Why is it considered impracticable to share the markets of the world with the merchant exporter on an equal basis? By what inherent natural right or law does the producer, or historical exporter, inherit the trade of the world? We believe that if the allocations are to be licensed by segments or classes, that the merchant exporter should share equally with the producer, or the traditional exporter. In short, a 50–50 split.

We urge that section 4 (b) be rewritten, or amended, to include a definite directive to OIT to use private trade, or merchant exporter channels, except where the use of these channels will conflict with the foreign policy of the United States. We ask that equal treatment for the producer and the merchant exporter be made mandatory by unqualified language. Anything less will be used by the OIT to justify the growth of producer monopolies in the export fields. Anything less will constitute a grave injustice to the small-business man in the export trade. Our policy with respect to foreign trade should be akin to our policy in domestic business—to discourage the growth of monopoly, and encourage the development of competitive small business.

There is a growing tendency on the part of OIT to issue current export bulletins which are regulatory in nature, without prior notice or hearing—regulations which are effective on the date of publication. Some such bulletins are so broad in their scope as to constitute a grave threat to the ability of some segments of the trade to remain in business. These bulletins are often issued without due consultation with all segments of the export business and without full understanding of their possible impact on the trade. They are often issued at the beginning of a quarter, thus invalidating many applications already filed in good faith. Other bulletins are merely interpretive in nature, and clarify administrative details, et cetera. To date there have been more than 500 such bulletins issued. In few cases, to our knowledge,

have there been prior consultations with the trade. Nor has sufficient notice been given that sudden and drastic action was contemplated. Almost in every case a current export bulletin is issued effective immediately.

A brief case in point may be cited. On June 21, 1948, the export of flour to Latin America and the Philippines was placed on an open-end quota basis. That is, licenses were issued without regard to fixed quotas for each of the various countries involved. Immediately prior to the issuance of this bulletin (No. 461, dated June 18, 1948), applications for the third-quarter licensing period (July–September) had been submitted in large numbers. These applications were declared "dead" and returned to the applicants. New applications were required, and these new rules applied. A period of great confusion existed—a confusion that was shared by OIT itself. We contend that this action was avoidable and entirely too precipitate. It resulted in the needless expenditure of thousands of dollars in cable tolls and postage, not to mention the cost to the Government for returning these many thousands of useless applications.

Another case in point concerns Current Export Bulletin No. 487, dated October 13, 1948. In this case, the requirement of submitting substantiative documents was discontinued, and a suitable certification was substituted. This action was taken without prior consultation with the trade. The trade, in general, approved of the opportunity to substitute the certification. However, due to the extremely lax and inexact language used in this bulletin, the fact that this action was compulsory was not stressed. Some exporters, for reasons deemed good and sufficient, desired to continue submitting the previously required documents. These applications were summarily returned without action. Indeed, many applications that were submitted prior to the effective date of this bulletin (which was the publication date) were returned by licensing officers who did not receive them until after the effective date, due to the complicated handling procedure within OIT. We contend that, before any Current Export Bulletin is issued, it should be made the subject of consultation with the trade, and that sufficient notice be given. Certainly, a lag of at least 15 to 30 days should be incorporated into every bulletin to allow the trade to adjust itself to the impending change.

We therefore ask that section 7 of the proposed bill be amended to include the requirements of section 4 of the Administrative Procedures Act (60 Stat. 237). The Secretary of Commerce, or any agent as may be appointed by him, should be required to find and determine, before such a rule or bulletin is promulgated, whether it does or does not require notice and hearing. The export trade should not be required to operate in the dark, and to be sandbagged by sudden and undiscussed regulatory action.

In conclusion, may I again repeat that this association is not appearing in opposition to the continuance of limited export controls. We realize that the exercise of these powers is a complicated and thankless operation. OIT, by and large, is to be congratulated on many aspects of its discharge of its duties under the law. However, the points enumerated in the foregoing paragraphs have been a source of severe hardship to the small-business men who comprise the merchant-exporter branch of our foreign trade. They have been a source

of much friction between merchant exporters on the one hand and the OIT on the other. We ask that the Congress strengthen the law in the manner urged by this and other trade associations concerned.

The American people have learned that only in the Congress can they obtain redress from injurious interpretations of existing law by the departments and bureaus appointed to administer the law. Only by plain and unmistakable language can the Congress make its meaning clear. We respectfully petition this committee to thus clarify this proposed bill.

The CHAIRMAN. Mr. Freed, I am very much obliged for your testimony. We note that you object to some of the provisions and make some suggestions for review, but at the same time think there should be some degree of export control.

Mr. FREED. Yes, Senator. In view of the terms we are talking about, the Atlantic Pact—and we are talking about the housing program, and we are talking about all sorts of projects throughout the world, and we don't know now or 9 months from now what the results of those programs will be—and I agree that, in line with the security of the country, that export control should not be dropped altogether. Our objection is the way those controls are administered.

The CHAIRMAN. I see.

I will ask Mr. Estes to come up. Sorry for keeping you so late, Mr. Estes.

STATEMENT OF F. F. ESTES, EXECUTIVE SECRETARY OF THE COAL EXPORTERS ASSOCIATION OF THE UNITED STATES, INC.

Mr. ESTES. I feel like the main bout on a boxing card. We exported, in 1943, 30,000,000 tons of coal overseas; and I am frank to say—and I would like for the record to show it—that I have obtained a very clear-cut knowledge of cottonseed oil and coconut oil in the 4 days I have listened to these hearings.

My name is F. F. Estes. I am executive secretary of the Coal Exporters Association of the United States, Inc., which embraces in its membership the preponderance of companies and individuals engaged in the exportation of coal and coke. Many of these exporters are also large producers of coal and are members of the National Coal Association, the Nation-wide organization of coal producers, which I also represent.

This association represents the companies who have shipped a preponderance of the coal that has been exported overseas. A good many members of that organization are producers of coal and maintain a membership in the National Association of Bituminous Coal Producers, which I also represent here today.

I want to thank you, Senator Maybank and Senator Taylor, for staying with us so late this evening.

We fully appreciate that certain safeguards must be set up to prevent shipments of American goods and commodities out of the country during periods when there is a scarcity of such goods for our own domestic needs, and are therefore in sympathy and accord with the general provisions of S. 548, which would extend from February 28, 1949, until June 30, 1951, certain controls over the exportation of American goods. However, we should like to suggest that one or

both of the following provisions be enunciated in the act to guarantee to industry and exporters of America that a commodity will not be arbitrarily declared scarce when, as a matter of fact, a full and complete investigation might develop that the commodity is, in fact, not scarce.

(1) That some provision should be made in the bill that, before a commodity is declared to be scarce, a public hearing will be held by the administrative agency concerned with that particular product, and opportunity afforded parties engaged in that particlar industry to appear and offer testimony designed to help the agency determine whether that particular commodity should be brought under rigid export control.

(2) With respect to coal, which is now in more than amply supply, a definite standard should be incorporated in the bill by which to determine when coal should be declared a scarce commodity and subjected to more rigid export control.

With respect to suggestion No. 1, we should like to state that, in June of last year, users of special-purpose coals, special metallurgical coals, and also retail dealers, became unduly concerned about obtaining a sufficient supply of these coals, and prevailed upon the Commerce Department to embargo any further shipments in the export trade of coals of a certain quality and falling within a certain analysis. This matter was fully investigated by our people; and these fears, which no doubt were honest fears, were found to be unwarranted. But it was only due to our explaining the conditions as they actually existed to Secretary of Commerce Charles Sawyer that the embargo of these types of coals was withheld. We feel that the industry itself should naturally, and does, know more about its own product than anyone else, and that it should be afforded opportunity to give the benefit of its wisdom and knowledge in a public hearing by the administrative agency before definite action toward embargoes or export control is taken.

With respect to suggestion No. 2, the unusually mild season has reduced normal current requirements for coal by a considerable tonnage; stocks of coal above ground and in the hands of consumers have increased to a supply that will last for 50 days.

With such conditions as these, any possibility of coal becoming a scarce commodity would seem exceedingly remote. However, we are not objecting to precaution being taken in enacting this legislation if, and when, there should be a scarcity of coal, provided that additional precaution can be incorporated in the bill to prevent an arbitrary, even though inherently honest, declaration being made that coal is scarce when in fact a full and complete investigation would show otherwise.

We would suggest, therefore, that it would be well to put in the bill a standard or yardstick that coal may not be considered a scarce commodity unless stocks of coal in the hands of consumers in this country should fall below a 35-day supply; and, even then, we feel opportunity should be afforded to present the facts at a public hearing before the proper administrative agency.

We should like it understood that we are not asking preferential treatment for the coal industry. We suggest these changes for coal, because that is the commodity we represent, and are familiar with; but we would not object to similar standards being set up for other

commodities and goods if the producers or manufacturers of those goods take a similar view.

We feel, however, that these recommendations should carry some weight, as coal is one of the prime exports, tonnagewise, under the European recovery program.

Your consideration of our views and suggestions would be most appreciated.

Senator TAYLOR. We want to thank you for your testimony, sir, and I assure you, while the other Senators are not present at this moment, that the testimony will be made available to them, as is always customary. We go through it before we act on a bill. I want to thank you for your testimony.

Mr. ESTES. Thank you, sir.

The CHAIRMAN. I want to thank you. By the way, that will all be printed. If you want to point it out to the Senators, you might call attention to your testimony.

Mr. ESTES. Thank you.

STATEMENT BY JOSEPH A. SINCLAIR, SECRETARY, COMMERCE AND INDUSTRY ASSOCIATION OF NEW YORK, INC.

Mr. SINCLAIR. My name is Joseph A. Sinclair. I am secrtary of the Commerce and Industry Association of New York, Inc., the chamber of commerce for the New York metropolitan area, whose membership includes approximately 2,000 firms directly interested in international trade.

Most foreign traders recognize the necessity for a continuation of export controls under present international economic and political conditions, although, with the exception of a few who have actually profited as a result of such controls, American exporters believe that export licensing should be instituted and maintained only when absolutely necessary to cary out our international commitments and for the political and economic security of the country.

Generally speaking, the Office of International trade has done a good job in removing commodities from individual licensing requirements as soon as the domestic supply situation warranted. Other departments, however, including Agriculture and State, have not evidenced the same interest in reducing the scope of export controls. Both from this standpoint and as a check on efficient administration in the Office of International Trade, the Congress has a very definite task which certainly should be reviewed at least once a year. This is especially desirable in view of the broad powers given to the Office of International Trade under the last sentence of section 4 (b) of S. 548.

For example, all shipments to Europe valued over $100, with a few exceptions, require an export license. In the case of goods shipped under the Marshall plan this is double screening as to price, destination, and end use. It would seem practicable, therefore, to permit the exportation of goods paid for with ECA funds without requiring a license in view of the check as to destination and end use made by ECA in connection with approval of payments.

Liberalization of licensing of many products heretofore considered in short supply in the domestic market would now seem possible, having in mind the shortage of dollars in practically every country in the world and the limited number available for the purchase of United

States goods. This is well illustrated by the fact that during the past 6 months export shipments, even of those commitdities which have been in short supply and for which there has been great demand abroad, have been substantially less than the amounts which were allocated for export. The general consensus is that this decline will continue so that there can be no threat to the domestic supply market. Therefore, even when it may not be considered desirable to eliminate the requirement for an export license the procedure can be greatly simplified to minimize the time and expense of both exporters and the Government. Any such liberalization of controls should, of course, result in a substantial reduction in the cost of administering export licensing.

Export controls of certain products to some countries may be necessary for more than the next year or two but there is no definite assurance that that will be true. For the past few years Congress has extended the Export Control Act for a period of 1 year. The Commerce and Industry Association of New York wishes to go on record with the Congress as being opposed to any extension of export controls for more than 1 year. We can see a number of reasons why an extension beyond that period would seem unwise and, conversely, we know of no sound justification at the present time for any extension beyond the 1-year period—disregarding the odd months to make the period coincide with the Government's fiscal year.

We recommend, therefore, that section 12 of S. 548 be amended by changing the date June 30, 1951, to June 30, 1950.

Last year the Congress extended export controls until February 28, 1949, and granted the full amount of appropriations requested by the Department of Commerce with the understanding that various improvements would be made in the administration of export controls, since the Department had maintained that much of the difficulty in administration of export licensing was due to the shortage of funds and personnel. Although some improvements have been made in the enforcement of controls, after much pressure on the Office of International Trade by congressional committees, at least two of the basic difficulties which harass exporters have not been removed.

First, there still is a lack of uniform standards as to conditions which must be met by exporters to obtain export licenses. For our foreign traders to operate efficiently and effectively, an applicant for a license must have some reasonable assurance that if he conforms with certain specified standards he is going to get a license and be able to ship the merchandise ordered by his foreign buyer. That is not true at present particularly with respect to the smaller export merchants, and that includes most of the war veterans who have entered this field.

Another primary criticism of the trade is the time taken by OIT to process applications. Because of the personal interest taken by the Secretary of Commerce, some of the difficulties were reduced last year but the situation certainly is subject to further improvement. For example, we have received many complaints that applications for one quarter had not been processed by OIT before the deadline for submission of applications for the following quarter.

As a result, exporters do not know whether or not they should file new applications for those on which no action was taken by OIT

during the preceding quarter, in addition, of course, to applications for later orders. This causes duplication of work both for exporters and OIT—more waste of Government funds.

Many exporters feel, also, that any extension of export controls beyond the 1-year period may be interpreted as congressional endorsement of the present administration of export controls in the Office of International Trade which has been responsible for numerous needless hardships to United States foreign traders.

It is the announced policy of the United States Government to reduce international trade barriers. Export control, therefore, is purely a temporary expediency and should be maintained on a year-to-year basis. That is why we strongly urge that legislation for the extension of export controls shall not exceed a period of 1 year.

In view of past actions by the Office of International Trade in issuing ill-considered regulations, we also recommend that section 7, providing for exemption from the Administrative Procedure Act, be deleted and the Administrative Procedure Act be made specifically applicable to the export licensing operations of the Office of International Trade.

Your favorable consideration of this recommendation, Mr. Chairman and gentlemen, will be appreciated by exporters throughout the United States.

The CHAIRMAN. That ends the hearing.

(Thereupon, at 6:20 p. m., the hearing in the above-entitled matter was concluded.)

EXTENSION OF EXPORT CONTROLS

THURSDAY, FEBRUARY 3, 1949

UNITED STATES SENATE,
SUBCOMMITTEE ON SMALL BUSINESS OF
THE COMMITTEE ON BANKING AND CURRENCY,
Washington, D. C.

The subcommittee met, in executive session, pursuant to call, at 3:15 p. m. in room 301, Senate Office Building, Senator Burnet R. Maybank (chairman) presiding.

Present: Senators Maybank (chairman), Taylor, Fulbright, Frear, Douglas, Flanders, Cain, and Bricker.

The CHAIRMAN. I will ask the committee to come to order.

Dr. McIntyre, at the request of the committee on both sides, you have been requested to answer certain specific charges that have been made here and yonder about various matters.

Does anybody want to ask any questions?

Senator TAYLOR. Mr. McIntyre, first I think that the committee would be interested—I know I would—in why we must have an executive session.

This is what I wanted to know: I have read and heard charges — I have forgotten where, frankly; I read it two or three different places—that we are shipping materials to Great Britain, France, and Italy; and we are refusing to ship the materials beyond the so-called iron curtain.

The article that I read said that Poland, for example, was retooling their industries—I don't know to what extent; I have forgotten that—because they couldn't get replacement parts from us for machinery that they already had that we had furnished; and therefor, they were now getting those replacements from Britain and Italy, to install new machinery which would put us out of that market permanently.

We wanted to know to what extent that practice is being indulged in, because certainly if these other nations that we are supplying are supplying materials beyond the iron curtain, it is pertinent to this question whether we want to continue export controls on certain items on our merchants who, it has been inferred here, are going out of business in many cases because of these restrictions.

Frankly, I can't understand who it is we don't want to know about this matter. If that practice is being indulged in, and these other countries are getting materials behind the iron curtain, I should think that Russia would know what these countries are getting. Then it must be that we want to keep it a secret from our own people or other peoples of the United Nations for the psychological effect that it might have on them.

Could you tell us about the matter; whether this practice is engaged in; how extensively, and why the executive session?

STATEMENT OF FRANCIS McINTYRE, ASSISTANT DIRECTOR, OFFICE OF INTERNATIONAL TRADE, DEPARTMENT OF COMMERCE

Mr. McINTYRE. I should like to explain first that when the subject of an executive session was raised, I understood that the nature of the question which was foremost had to do with probable future actions on control or decontrol of inedible oils. I had thought that it was quite inappropriate for me to make conjectures here.

Senator TAYLOR. That is perfectly understandable.

Mr. McINTYRE. About the market in inedible oils. If the export level is significant, it could swing the market several points. I am sure the committee would not want me to make that kind of a forecast, which might result in speculative activity based on what I might say.

Senator TAYLOR. The matter I was particularly interested in was about this business of shipping goods behind the iron curtain that our merchants were not permitted to ship.

Mr. McINTYRE. There is much of that matter which could just as well be explored in open session as in executive session. There are some elements of it which, however, I should have hesitated to testify on in open session.

(Discussion off the record.)

The CHAIRMAN. On the record.

Mr. McINTYRE. I want to say that the Department of Commerce and the other departments concerned in this problem have always recognized the disadvantageous commercial situation in which United States firms would find themselves if they were restricted from shipping items, say, heavy machine tools, to the Soviet orbit, when other countries, especially those countries to which we were sending aid, were free to make such shipments.

The Mundt amendment to the ECA legislation provides, however, that the Administrator of the Marshall plan shall obtain from those countries very substantial restrictions on their movement of material. Literally, I believe the legislation requires that no material may be sent from the United States for incorporation into finished products moving from the west of Europe to eastern Europe, if the same finished product is denied direct shipment from the United States to eastern Europe.

Mr. Hoffman has said, however, that his interpretation of the intent of the Congress is that those countries should not ship from west to east material which is denied on strategic grounds for shipment from the United States to eastern Europe, even if the particular items in question were all producted from resources indigenous to England or Norway or Holland or Belgium.

Senator FLANDERS. Could I inquire with specific regard to machine tools whether the British are shipping beyond the iron curtain machine tools which we are not allowed to ship?

Mr. McINTYRE. I think there is no doubt that some items have moved forward in response to agreements previously negotiated.

Senator FLANDERS. You think they were previously negotiated agreements?

Mr. McINTYRE. I think so. I sincerely believe that the British Government has cooperated with Mr. Hoffman in an effort to carry out the principles of the Mundt amendment.

Senator BRICKER. I have in mind a problem of a concern that had a contract with Belgium, I think it was, for some 400 Diesel engines, which engines were made in compressors. They were sold then to Soviet Russia or the countries within the Soviet authority. That was ascertained by the manufacturer in this country. It was reported to the Department and his export license, of course, was canceled for 6 months. Those are facts that I happen to know about.

What is going to be the attitude of the Department if this authority is continued here in regard to contracts of that sort?

Mr. MCINTYRE. Assuming the continuation of the present political situation, the attitude of the Department would be that those shipments should not go forward.

Senator BRICKER. Why couldn't you let him know that? For 6 months he has been trying to find out.

Mr. MCINTYRE. You mean he has not received a rejection of his license application?

Senator BRICKER. He has received nothing.

Mr. MCINTYRE. I want to get the details on the case.

Senator BRICKER. I will get it and give it to you.

Mr. MCINTYRE. Mr. Ostroff, will you arrange to call the Senator's office and get that material? That is certainly inept administration and nothing else. I remember a particular case involving that particular company in which we withdrew the approval.

Senator BRICKER. That is right.

Mr. MCINTYRE. If they have been notified that the license is rejected, isn't that notice to the firm that the shipment may not go forward?

Senator BRICKER. They have not gone forward. They want to know what they are going to do with their contract. Other contracts similar to it are being carried out, as I understand it. That is what I want to get cleared up.

Mr. MCINTYRE. I am satisfied that while the careful check which these eastern European licenses have received has resulted in enormous and inordinate delay, it has not resulted in the approval of the same kind of material for one United States exporter and its denial for another.

Senator BRICKER. Why hasn't it?

Mr. MCINTYRE. The way in which it is operated is a pretty good safeguard against that. These materials which have been classified high on the security list are reviewed by the military and by the State Department and by ECA and by Commerce, and by the other participating agencies, the Security Resources Board, the Atomic Energy Commission, and so on. These agencies have technicians who examine every case which is of high classification strategically, securitywise, and determine whether that case should or should not go forward.

Now, occasionally, the military says, even though this is a high-security item, we know exactly where it is going and how it is going to be used; and it is in the interest of our security that it go forward. Cases of that sort do happen occasionally and are approved. They are very rare. Except for that kind of thing, none of these materials is approved which is of the highest priority character.

In Mr. Hoffman's negotiations to make sure that western Europe doesn't ship the same things to the east, he has had to start with those

highest priority items. Inevitably there are some lower categories where Mr. Hoffman has not yet negotiated the prohibition or restriction on shipments; but anything on our list of totally embargoed items is also on Mr. Hoffman's list, and is being negotiated without reservation.

Senator BRICKER. There is one further question: I am unable, myself, to understand the reason for the secrecy in regard to these things; why we can't get the full information. We have an executive session here now. All you have stated is that you are complying with the Mundt amendment. You tell us in this committee that there are certain things that you can't reveal here for fear of the effect it might have on the market, for security reasons. I am pretty much discouraged and disgusted with the departments that come before this committee and say to us, for security reasons they can't tell this story; for the effect on the market, we can't reveal publicly what we are doing, even though we are complying with the law which is on the statute books for anybody to read.

Then I pick up the paper and I find the very things that have been denied the committee in the public press, coming officially from the State Department. I admit you are bound by regulations.

Mr. MCINTYRE. I have not intended to imply that any knowledge which I have is not available to this group in this session. All I have said is that in public and open sessions, some of these things I feel I should not say.

Senator BRICKER. Even though they only amount to compliance with the statute?

Mr. MCINTYRE. I don't feel, sir, that a forecast by me as to whether inedible oils will be decontrolled is a matter of compliance with the statute. I feel it is a fact that might influence speculation or might lead to speculation in the market. I would prefer not to make a statement of that character in open session.

I wouldn't hesitate—and I am prepared this afternoon—to tell you exactly what the Department of Commerce now believes it should do with respect to inedible oils.

Senator BRICKER. Then if we release it, it has the same effect on the market as you state here.

The CHAIRMAN. The Department doesn't intend to release that?

Mr. MCINTYRE. No.

Senator BRICKER. It has to be released if it goes in the report of this committee.

The CHAIRMAN. That is why I asked. I would suggest that the statements he may make about fats and inedible oils and soybeans should not be a part of the report to the committee. As I understand it, you are not going to release this?

Mr. MCINTYRE. No, sir.

The CHAIRMAN. I will ask that it not be taken on the record, with the permission of the committee. Is there any objection?

Mr. Reporter, I will ask you not to take anything down until some Senator requests that something be taken down.

(Off the record.)

The CHAIRMAN. On the record.

Senator BRICKER. I just ask the question in the light of the testimony that Mr. McIntyre knows about it, premised with the statement that I am for the continuance of these controls as long as any department

says it is necessary for national security, what would be the effect if we take off these export lists entirely to those countries to which we can ship—that means, the non-Soviet orbit countries—on everything?

Mr. McINTYRE. There are two comments which must be made there. First, there are many shipments of items so strategic that they ought not, in the judgment of the security agencies, to go, even though the named destination is not beyond the iron curtain. In other words, there are many items which the Atomic Energy Commission is unwilling to have exported to any destination.

Senator BRICKER. That comes in your field of national security?

Mr. McINTYRE. Yes. If I may assume an amendment of your question to concern itself not with the country of destination, but whether or not there are any items still in sufficient short supply——

Senator BRICKER. I am talking about those not in short supply.

Mr. McINTYRE. My answer is that there still remain a number of products still in short supply.

Senator BRICKER. For instance, what are they?

Mr. McINTYRE. I should say that one of the outstanding cases is steel plate. At the present time almost half of all the steel plate produced in the United States is under the voluntary allocation system which has just been extended by the Congress. A number of other products in the metals field are in extremely short supply.

You may say that is indirectly a security question; but if all the military requirements and all stock-pile requirements are called security questions, there is little that wouldn't be included on security grounds. So we have generally defined "security" in a narrower sense.

Senator BRICKER. Then possibly everything at the present time subject to export license involves national security?

Mr. McINTYRE. I would hesitate to go that far. I would say that fully half of the present list of items under control would be items which the security agencies would not want to see freely exported.

Senator BRICKER. Now, in view of that answer, is the export licensing program the best way to control those shipments from the security point of view?

Mr. McINTYRE. It is hard to answer that question without a list of alternatives before us.

Senator BRICKER. That is true.

Mr. McINTYRE. We have, of course, given lots of thought to that. We are at present controlling the non-short-supply items by a so-called R procedure, under which all shipments, except the softest of soft goods require a license if they are destined to Europe. I think you are familiar with the nature of that control.

An alternative possibility, which has been quite earnestly explored, is listing the items of security character, controlling them to the world as a whole, not just to Europe, and eliminating from control any of these intermediate products which are not of higher security significance. We haven't the manpower; and it would take an enormous staff, which we think is inappropriate, to control all items of even moderate security significance to all destinations.

Senator FLANDERS. May I inquire with regard to shipments to western Europe whether the ECA, in turning in its recommendations, takes into account the fact that it is furnishing dollar exchange to the western European countries, and wants to have some say as to what

that dollar exchange shall be used for. Does that enter into the situation at all?

Mr. McINTYRE. Yes.

The CHAIRMAN. I want to follow that up, with Senator Bricker's permission. Senator Thomas stated on the Senate floor that the ECA had bought 250,000,000 bushels of Canadian wheat at a little above parity prices, and that meant it would be 250,000,000 bushels of American wheat that would have to go on the loan. So the net result was that the taxpayers paid $500,000,000 to sell 250,000,000 bushels of Canadian wheat. Would you know anything about that? Have you refused to give any license for wheat? Senator Thomas made that remark today.

Senator BRICKER. I remember that remark.

The CHAIRMAN. You have not refused any license for wheat?

Mr. McINTYRE. No, sir.

Senator BRICKER. Following up my question: You are closer to this than anyone I know. You have had more to do with it. I think, by and large, you have done a satisfactory job of it. You feel it is necessary, in the public interest, to control this licensing program for at least the period set out in this bill?

Mr. McINTYRE. I do.

Senator BRICKER. And you know of no satisfactory substitute for it?

Mr. McINTYRE. I do not.

Senator BRICKER. And you feel that in the light of the testimony here, there will be a speeding of the licensing in the agricultural products?

Mr. McINTYRE. If you mean, would the change to a system in which the Department of Agriculture determines the quotas of food products for export, I doubt if that will produce any substantial increase.

Senator BRICKER. Do you feel, from the testimony here, there is need for expanding the exports in the field of edible oils and grains?

Mr. McINTYRE. Here we come to the forecast of future action on these commodities. I will ask again to go off the record.

The CHAIRMAN. All right.

(Off the record.)

The CHAIRMAN. On the record.

Senator TAYLOR. You said a while ago that steel, sheets and plates, and one thing and another, were in very short supply. Last evening we did have one witness testify that he couldn't get those materials except in the gray market, and then he could get all he wanted at a price. Another gentleman followed him and said he could get all he wanted at any time through regular channels to export, but he couldn't get any license to export it; and that he had just been down to Cuba and Haiti, I believe it was, and they were shipping in the same steel products that he wanted to export, shipping them in from Belgium and the Netherlands; and at the same time we are shipping across the ocean; and the ships pass out there: and these boys are losing these offshore markets, because they can't fill orders being filled in the Netherlands; and his former customers refuse to talk to him. They said, "You make use promises and can't deliver."

Do you have anything to say about that situation?

Mr. McINTYRE. Yes. In the first place, the American export community is doing a far larger business in steel to markets outside of Europe than it ever did in its history. So it is not losing markets

which it had before. It is not getting all of the business outside of the United States which it enjoyed in 1946 and 1947, because those countries are coming back on their feet.

I am sure that we did not intend to prohibit western Europe, as a part of its recovery, from exporting steel. It is a part of the Marshall plan that they should increase their exports. If they are ever to get off our necks, they have got to have sources of income from exports. One of them is export of steel. We can't hope to hold forever the world market in steel to the extent we enjoyed when we were the only unbombed producer of steel in the world. That is adjusting itself. I do not mean to say that the individual United States exporter of steel products is today enjoying the biggest export business in history. There have been so many new entrants in the field that I am not sure that individual exporters, on the average, are in that position; but the dilution of the total business has come, in part, from our granting licenses to so many small exporters.

I hope that I may be permitted by the chairman to make a brief statement about the way in which small business has been treated, because that is obviously of interest to this committee; and we have a considerable amount of information on that point.

Senator TAYLOR. You didn't have any opportunity to familiarize yourself with the testimony of Mr. Williams last evening, an exporter from New York, who testified he was going right out of business?

Mr. MCINTYRE. Mr. Williams has written us an average, I guess, of five letters a week for the past 2½ years. So we are thoroughly familiar with his problems.

Senator CAIN. He did submit an intelligent statement on the subject.

(Discussion off record.)

Mr. MCINTYRE. I should like to say, Senator Cain, in answer to your question about the Brooks letter, suggesting an amendment to S. 548, that in my judgment this is not an appropriate addition, because it contains two jokers.

Senator CAIN. What are they?

Mr. MCINTYRE. One is that the product must be proved to be in short domestic supply, without reference to the world supply situation; and the second, it must possess both of these attributes: It must not only be in short supply, but it must also be important for national security.

Senator CAIN. I think that could be changed. I still don't understand your reference to domestic and world supply. Let us assume there was adequate domestic supply and that a product was decontrolled. What has that got to do with the world supply? It must have something. You are familiar with that.

Mr. MCINTYRE. We have run into this: if we take a product off license control, that means anyone may reasonably expect he may ship; and he enters into contracts and firm commitments to ship. The foreign demand is so enormous that itwipes out the United States surplus and more, too. So again we become pinched.

Senator CAIN. Isn't that a matter in reasonable dispute? Of course, there is a magnificent potential demand in Europe. But to what extent a lack of dollars will prevent that from being a real market, I am not qualified to say. You take the position that it is not only potential, it is a real market.

Mr. McINTYRE. We take the position that there is a better way of taking the transition step from tight control to general license than to general license first, and see if the foreign demand is injurious.

Senator CAIN. I, personally, would agree with you without being an expert, providing I didn't agree with others that there was pretty much of a lag between the time when we have a definite domestic surplus and the authorization for us to dispose of that surplus overseas through allocation. That is what I was arguing about.

Mr. McINTYRE. I would like to put into the record, in answer to that point, the concept of the so-called open-end quota. Under that procedure, a license is still required, but it is freely granted to any applicant who comes forward with a normal application for a proper destination. Under that system, we are able to avoid licenses to improper destinations. We are able, however, to approve every ordinary legitimate application in full.

Senator CAIN. The more we have in the record on this subject, the better I can understand people who testify.

Mr. McINTYRE. The Secretary, I think, was a little brief on this point. He had to be brief within the scope of his over-all statement. I would like to emphasize that the open-end quota permits every exporter who comes forward with a bona fide application for a reasonable quantity to get approval of his application. Those are handled very rapidly, because there is no holding of all the applications until it can be determined whether the quota is big enough to cover them. That is no quota problem. So those licenses are issued; but they are kept track of. And if it appears that the total number of licenses issued in that free way is, in fact, mounting to the level where it dangerously jeopardizes the domestic economy, we stop issuing those licenses. Under this procedure, unlike the procedure of immediate general license, which may have to be followed by recontrols, no one has made a commitment for foreign shipment and then been denied, by a sudden reversal of his Government, the right to complete that contract.

The CHAIRMAN. You have had the inedible fats and oils under quota; very little was shipped out. You know that the price today is only one-third what it was a year ago. Mr. Coulter testified that 75 percent of the soap business in this country is in three firms. He testified that 75 percent of their product was the inedible fats. Then he read a table showing that the price of soap was 14 cents against 14 cents and 21 cents against 21 cents. There was a small reduction in flakes. It does appear to me that this thing involves more than the limitation of supply in this country. What you have really done is, you have reduced the market with the surpluses to let the soap people buy these goods at two-thirds off; and they are charging the same price today as they did before.

I wouldn't charge that there is anything wrong. Please don't misunderstand what I am going to say. The Commerce Department has permitted Procter & Gamble and two other companies to make countless millions. Maybe if you had taken the restrictions off, they would have gone down, too. But you certainly held big enough quantities in this country.

You see, Agriculture said they only had so much availability, and you allotted more than available.

Mr. McINTYRE. That was in the edible.

The CHAIRMAN. What is the truth of this soap thing? As a matter of fact, I am going to start an investigation on the difference between what the farmer gets and the manufacturer gets and what we pay for it. We haven't the staff. I am going to get the staff. There is something terribly wrong. The most glaring example was in the instance of these three soap manufacturers who got 75 percent of the business in the United States; and 75 percent of what they used has gone down 66⅔ percent and soap hasn't gone down.

Mr. McINTYRE. I think that is the most important single line of investigation in the domestic picture that any committee could do.

The CHAIRMAN. We are going to start it next week, whether we have the money or not. Every day we wait, more small firms go out. I am not only going to get the soap people, but the lard people, and Crisco people.

Fourteen cents for a loaf of bread, and wheat is off 50 percent.

I didn't mean, Senator Cain, to butt in. I am not making charges against the Department of Commerce. Don't misunderstand. I wouldn't make any charges of aiding Procter & Gamble; but, by indirection, you did.

Mr. McINTYRE. Did Dr. Coulter explain that anyone who wanted to export inedible tallow last month could have done so without restriction? We had one of these open-end quotas in effect, so that anyone who came forward for a license for inedible tallow, in the last 2 or 3 months could have obtained a license readily and freely.

The CHAIRMAN. Yet the price was so low.

Senator CAIN. I don't remember him touching on that.

Mr. McINTYRE. I doubt if he mentioned that.

The CHAIRMAN. He didn't say that. He said you decontrolled it.

Mr. McINTYRE. We decontrolled it formally only this week. We had it effectively under decontrol for 3 months or more.

Senator CAIN. There is something wrong. I couldn't understand these two contradictory stories.

The CHAIRMAN. I read the Washington papers. I come from South Carolina, and he comes from Idaho, and he comes from Arkansas, and he comes from Washington. So when little news gets back to the people at home as to the regulations and what is going on in this Government, it is pitiful. A lot of people take it for granted. The lack of news to these people is really astounding.

Mr. McINTYRE. Every application we have received for the past 2 months or so has been approved.

Senator CAIN. I understood him to say their only grievance was that they had a large backed-up surplus which they wanted authority to dispose of. You were saying that within the last 2 or 3 months, every enterprising firm could have had a license, if they wanted it.

The CHAIRMAN. For practical purposes.

Mr. McINTYRE. We had a quota of 22,000,000 pounds of inedible fats, and we had to spread the word around among the export community to get in more licenses.

The CHAIRMAN. Leaving off Dr. Coulter, every witness that came here did not testify to it or they did not know about it.

Mr. McINTYRE. I should like to emphasize that the Department of Agriculture has asked for and by agreement with the Secretary of Commerce has received the responsibility for notifying the trade

community of these export quotas. They have always done that, even though the Secretary of Commerce has had the allocation power. Those quotas were announced in the same way that all quotas are announced. We could not get exporters to come forward and use up those quotas for inedible fats.

Senator CAIN. That is hard for us to understand.

The CHAIRMAN. Every witness testified here as to how happy they were you did decontrol and gave us some credit here in the committee for having caused decontrol. For practical purposes or practical reasons, your quatos were decontrolled?

Mr. MCINTYRE. That is right. The thing I am trying to emphasize is that the decontrol action we took on inedibles, will not substantially affect the market.

Senator CAIN. Will it substantially use the export potential?

Mr. MCINTYRE. No.

The CHAIRMAN. The smart boys knew it for 2 months?

Mr. MCINTYRE. Anyone who read the published statement.

Senator CAIN. It seems as though it were their business.

Mr. MCINTYRE. It is a fact which can be established from the records that these quotas on indelible fats have been in existence for a very considerable time.

The CHAIRMAN. How long have you let soap go out of the country?

Mr. MCINTYRE. Mr. Macy is director of our Food Branch. I should like to refer that question to him.

The CHAIRMAN. Could Procter & Gamble get a quota on soap?

Mr. MACY. Soap was in about the same position as inedible fats. We decontrolled soap about the same time as we decontrolled inedibles. We had soap allocations going begging.

The CHAIRMAN. They did not take them up?

Mr. MACY. That is true.

Senator CAIN. I would think that Dr. Coulter ought to be requested to submit his point of view against what the Department has just said.

The CHAIRMAN. I agree with you.

Mr. MCINTYRE. The reason I have emphasized this open-end quota, the large quota which is bigger than the volume of applications, the procedure under which all bona fide applications are approved, is to point out that we institute such a procedure and then if the exports do not mount to serious proportions we remove controls entirely on that commodity.

Senator CAIN. Has grain been in this procedure?

Mr. MCINTYRE. Grain to Latin America was first on open quota and since then it has been decontrolled.

Senator CAIN. There are two entirely different stories.

The CHAIRMAN. I would like to suggest one thing. I do not mean to say I know anything about your business. You have forgotten more than I will ever know. I only wish you had said that the first day you came here. I would have had additional information to use in questioning witnesses.

Mr. MCINTYRE. The most important development in the last 6 months was the use of these open-end quotas. I was not however in position to testify fully at that time.

Senator CAIN. That is the reason you are here today.

The CHAIRMAN. All of the witnesses who followed you would have been questioned differently if I had known that.

Mr. MCINTYRE. I have been very anxious for the opportunity to underline what the Secretary said on open-end quotas. I felt that, even though it is in his statement, it is not high lighted as much as I would wish to emphasize it.

Senator CAIN. Yesterday and the day before there were some rather sound criticisms or strong criticisms about your desire in section 7 to exempt the act from Administrative Procedures Act. Would you permit your counsel to reflect on that?

The CHAIRMAN. I would like to make one statement. Unfortunately, a lot of people came from South Carolina to see me and I have been putting them off. Senator Taylor can preside and I will ask you to excuse me.

Mr. MCINTYRE. I would like to ask the Senator's indulgence, if I may, even though you are gone, to make a brief statement in the record about what we have done about small business enterprises.

The CHAIRMAN. I would be very grateful for it. If you are here very much longer, I will probably be back. Will Mr. Ostroff please comment on the exemptions under the Administrative Procedure Act?

Mr. OSTROFF. There are a number of points to be made about this Administrative Procedure Act exemption. The first point is that this is nothing new. Under our present law we are not subject to those sections of the Administrative Procedure Act to which you refer. In the Administrative Procedure Act proper, we were exempt as being a temporary emergency agency. We were also exempt because, as you may know, in the Administrative Procedure Act there is a general exemption with respect to all matters which have a bearing on foreign affairs such as export controls. This is considered to be the kind of thing which should not be subject generally to public hearings.

So, the first point I want to make is that this is not something new that we are trying to get permission to do.

Senator CAIN. I am conscious of that. But, I do not know the reason.

Mr. OSTROFF. This is in accordance, as we understand, with the intentions of the drafters of the Administrative Procedure Act. In section 2 there is a specific provision that the act shall not apply to activities of an emergency character. There is one section of the Administrative Procedure Act which we are not exempt from. That is the section that has to do with publication of all of our official acts. That is, if we put an article under control, or if we promulgate special controls for a country, we must publish the regulations for all to see.

Senator CAIN. This is for the record for all of us. If he would, the witness could raise the criticism which I am not familiar with and could talk right to that criticism.

Mr. OSTROFF. The suggestion has been made by some of the witnesses before this committee that we should not be exempt from section 4 of the Administrative Procedure Act which relates to the requirement to hold public hearings generally on all agency actions. Now, you will notice even the persons who offered that suggestion qualify it with a number of specific qualifications. In the first place, they point out that obviously that should not apply to license applications. Nevertheless, in the form in which they suggested the amendment,

it did apply to them. They just say we should be subject to section 4 and we would get no exemption from section 4 or any part of it if you would adopt that amendment.

In this connection, I want to point out that we have on an average of ten to fifteen thousand applications a week—theoretically, it would be possible under that kind of provision to require us to hold a public hearing on every case. I want to point out that the Administrative Procedure Act does say that if the head of the agency does feel that to hold such a hearing would be contrary to the public interest, he could make a finding and he would not have to hold a hearing. Then the suggestion is made that we should make a specific finding in each case. I do not want to exaggerate it, but again it is entirely possible—we might take a case like Mr. Williams, who, apparently, has been disappointed a number of times—he could flood us with applications, and we could turn him down for reasons which we think are good, and he could ask for a public hearing, and we would have to go to the Secretary of Commerce and say that we should not have a public hearing.

Senator CAIN. There would not be any speeding up?

Mr. OSTROFF. On the contrary; it would have the opposite result.

There are many things which we think should be done in consultation with the trade. In this act, for the first time, we have spelled these out in two new sections. That is in this section 4, 4 (a) and 4 (b), in which we specifically describe the procedure which, with some years of experience, we have found satisfies the great bulk of businessmen who deal with us, namely, that in making determinations as to how we are going to divide up these quotas we will take into account the interest of the various different groups of people in export trade, and in doing that we shall, as we say here, "provide for representative trade consultations to that end."

That is lawyers' language to describe this commodity advisory committee technique, which, if you will notice, the same witness who suggests public hearings commends very highly but points out that it does not go far enough. The only difference between that kind of consultation and the kind of consultation that would be possible under the public hearings of the Administrative Procedure Act would be at those hearings the lawyers would also be present and at the hearings we hold the trade is present. We make it a practice of only permitting persons to speak at those meetings who are representative of the trade. That is, we select the panels from among export merchants, and producers, and trade associations. These meetings are hearings at which we try to get a lot of information about what we ought to do and not legal argument.

Senator CAIN. You think under this exemption no reasonable right of any citizen is being jeopardized?

Mr. OSTROFF. I think, first of all, the exemption is completely in accord with the spirit of the Administrative Procedure Act, which itself provides for a number of exemptions. As a matter of fact, if we were to put that section in, the only thing new added would be that we would have a number of applications every day up to the Secretary to get him to find that a public hearing should not be held on a particular action.

It would strictly be a matter of red tape, it seems to me, that would be added, and in no way would the trade be any better represented.

Senator CAIN. Those who raise that question are apparently being well satisfied with the character of your answer. I have not in the past been familiar with the matter one way or the other.

Mr. McINTYRE. I would like to point out that the Department has established an arrangement for hearings in the form of an appeals board, headed by Harrison Lillibridge, who was the appeals board member principally active in the War Production Board in the latter days of the war, and in the immediate postwar period. Mr. Lillibridge has machinery for hearing appeals from any administrative action, whether it be with respect to a license application, a quota, a definition of new exporter, or what. It is not in advance of taking the action, however. So, our work may continue on all the other applications apart from the instance of the individual who feels that the action was inappropriate. The system of mandatory advance hearings means that everybody's case must be held up until the problem has been resolved.

Senator CAIN. Could I ask you a couple of brief questions about the testimony of Mr. Williams of Williams' Associates, whom I had never seen before in my life until yesterday?

Mr. McINTYRE. Yes, sir.

Senator CAIN. Let's take a look at that just a minute. Number 1, he says his corporation is beginning to lose working capital over the last few months. This is the first time that a firm that has been in business for years has lost money. He says he is unhappy inherently about the situation because, on the one hand, in Europe he has more orders than he would be able to fill if he were a free agent, and, on the other hand, in this country he has plenty of producers, so his statement says, to provide him with materials with which to meet most of his orders overseas. So far, so good. In the middle he says that by virtue of his inability to secure export control licenses he and his working personnel are going out of business. Senator Taylor, isn't that a fair statement of the case?

Senator TAYLOR. Yes.

Senator CAIN. What do you happen to know about that case, Mr. McIntyre, if anything?

Mr. McINTYRE. I know that Mr. Williams has brought his problem to the attention of the Department again and again and again and has never felt satisfied with the replies. He has had his case reviewed not only through the appeals channels but by the Secretary.

Senator CAIN. What is his problem or his case?

Mr. McINTYRE. I think his problem is simply that of the enormous subdivision of the available quotas among so many exporters. It is true that he has been in the export business for a long time, but his quantities of shipments were never very great.

Senator CAIN. You take into consideration his historic relationship with his customers overseas, don't you?

Mr. McINTYRE. We have, as you know, departed substantially from the so-called historical pattern of licensing in order to permit new enterprise and small business to participate to a greater extent in the export quotas available.

Senator CAIN. He is a small-business man. I am struck by the fact that here is a successful operation that apparently is going bankrupt.

Mr. McINTYRE. I think he is not going bankrupt because of export controls at all but because of the limitations of total exports, which is a function of controls, no doubt, and the limitations of his usual customers in getting funds.

Senator CAIN. Of course, he denies that. Whether he is on sound ground or not, I am not qualified to say. But, he has the same customers abroad, the same producers at home, and he is caught in the middle, from his testimony, in a vise which leads to bankruptcy.

Mr. McINTYRE. I am not competent to judge either the strength of his sources of supply or his customers abroad. But I think I can establish, if I present the data to the committee, that he has received a fair share, in comparison with other exporters similarly situated, of the total quantity which we have had available.

Senator CAIN. He looked to me like a small-business man in every sense of the word; makes his money out of this field, and says that he is going broke. I think, just as a sample case and because he went to the trouble of putting a first-class statement in front of us, that this committee, if I could speak for it in this instance, Dr. McIntyre, would very much appreciate it if we could burden your operation with an anlysis of just this one case, and you give us everything that your records determine with reference to it.

Mr. McINTYRE. I will be happy to do so. I think that probably because of the great volume of inquiry which Mr. Williams has made, the case is already documented.

Senator CAIN. Yes, I would think that it would be. He is an American citizen, came down before his own Congress, and though we do not put witnesses very often under oath, he spoke very feelingly, Senator Taylor, on what was happening to him. There ought to be a reasonable offset to that which does not leave this committee with the impression that the fault for his disintegration lies completely in your hands.

Mr. McINTYRE. We would welcome the opportunity to reply in that vein.

Senator CAIN. That is the spirit in which I make that opportunity available.

Senator TAYLOR. Do you care to make a statement relative to your dealings with small business or treatment of small business?

Mr. McINTYRE. Yes. The Department of Commerce has been concerned to assure that the issuance of export licenses was so handled as to make possible a very great participation by small enterprise in the United States in America's foreign trade. I think it fair to say that the old established members of the trade community have been uniformly of the opinion that we have gone too far in providing some portion or quota for new exporters who are generally the small exporters.

So that comparison may be made between old firms and new firms, the picture shows a progressively increasing share of total quotas reserved for new and small firms. It has been our experience that when we put commodities on this open end quota the participation by the smaller exporter and the new exporter declined. In other words, when all exporters could get licenses readily the orders were simply not forthcoming.

Senator TAYLOR. In other words, they are more in the business of getting export licenses than they are in the business of exporting.

Mr. McINTYRE. There is much in what you say. The fact of an export license system has, in our judgment, preserved many of these small enterprises who would not competitively be able to survive, and they are dropping out of the picture as one item after another becomes in such free supply that open quota and decontrol become possible. We feel that if we take action to deny small firms access, that would not be proper. Therefore, we have, even at the sacrifice of substantial quota for old established firms, provided this access of new enterprise. I note in the case of lard, than in 1947 small and new enterprise received approximately 15 percent of the quota, that in 1948 it averaged 25 percent of the quota, and in the first quarter of 1949, 31 percent of the quota.

Now, the historical shippers complain that we overdo this, because, they say, "Before the war or during the period before licensing became effective, we had all the business, we are the historical shippers, we should not be deprived of a portion of a limited quota so as to permit newcomers who can come in without any background of experience or know-how to participate." Nevertheless, the administration has been as I have described.

Senator CAIN. All they needed was a license to get into business. They are going out of business when the decontrol comes. I think you have gone a long way out of your way to try to give them an opportunity. That is my impression.

Mr. McINTYRE. We feel we have. We feel we have done as much as can reasonably be done to permit the full opportunity for these firms to establish that they can compete with old and larger enterprises.

Senator CAIN. My limited experience with the field of export indicates that it takes a sharp person to live in that field very long and make it his continuing business.

Mr. McINTYRE. In steel, two things have combined to make it very difficult for the exporter, especially the merchant exporter, such as our friend, Mr. Williams. One is the fact that following the war so many foreign enterprises of great interest to the United States could get their supplies only from this country. You will recall that a year ago we were most disturbed about the nonavailability of petroleum products, and we flowed steel in prodigious quantities to foreign petroleum enterprises, many and perhaps most of them American enterprises abroad, to permit them to build up their capacity so the world would not be living off United States oil. That situation is no longer so acute and it may be possible to recapture some of those quotas. The fact is that in the fourth quarter of 1948, 40 percent of our total steel allocation had to go to enterprises abroad of this project character. Further, the quota itself was much lower than in the last part of 1947, when the shortness of supply of steel was not so acute. As you know, there was a period right after the war when it was taken off control completely and it was gradually recontrolled. So, the shipments in 1947 were great. The quotas now are much less. Of course, Standard Oil of New Jersey does not ordinarily retain a small exporter to ship its heavy steel pipe to a project in Venezuela. That is not the kind of business the merchant exporter gets. When as big a chunk as 40 percent is taken off for projects, the remaining 60 percent has to be distributed among the producers who have their traditional markets for direct distribution—producers and merchant exporters who would ship much more.

After all, United States Steel Export Co. is a major exporter of steel and always has been. So are Bethlehem and other major producers. Some producers have requested that we give the entire quota to them and let them choose the merchant exporter if they feel it appropriate that a merchant exporter should intervene. We felt that was not proper administration. We feel that 60 percent of a now smaller quota has to be shared between the producers, in their commercial distribution of steel abroad and the merchant exporters. We have generally tried to hit a 40–60 division. So that 40 percent of the steel quota, which is available for distribution between merchants and producers, goes to the merchants, and 60 percent to the producers. That is our estimate of the traditional share of exports which was enjoyed by the merchants and producers respectively before export control. When you start with a smaller quota and take out 40 percent for these projects, then 40 percent of the remaining balance is a pretty small share, and it has to be spread awfully thin to go among all the merchant exporters who want to ship steel from this country. I think that is the principal reason that these merchant exporters are finding it so difficult. The quota is smaller.

Senator CAIN. Do you see the day in the future coming when foreign trade, as entered into by this country, will largely be returned to competitive hands without controls?

Mr. MCINTYRE. Yes, very definitely.

Senator CAIN. Do you conceive control procedure to be of a temporary as opposed to a permanent character?

Mr. MCINTYRE. In the supply field, definitely. I have said—I have no objection to putting this on the record—that a year ago 90 to 95 percent of our activity was controlling commodities in short supply. I think it is fair to say that less than 50 percent of our activity today is controlling commodities in short supply.

Senator CAIN. You conceive your function to be one in liquidation?

Mr. MCINTYRE. Definitely. I think it is in total liquidation. But, I think it is in liquidation now only with respect to the short supply aspect. I think the security aspect of export controls is not in liquidation and will not be in liquidation in the immediate future.

Senator CAIN. Mr. Blaisdel is quoted from a recent speech that "nations have placed controls over trade not because they like controls but because controls appear to be a more desirable method of regulating economic life." I do not understand just exactly what he means or whether or not when he says, "nations have placed controls," he is likewise referring to the reasons why we in this country are continuing to utilize controls on foreign exports.

Mr. MCINTYRE. Naturally, I would not want you to ask me that. I would rather you ask Mr. Blaisdel to explain that remark. But, I think it is fair to say that has not been a motivating force in the administration of the export controls.

Senator CAIN. It is very good to me to have your own personal view on that.

Mr. MCINTYRE. There has been so much question here and in other hearings about the effect of export control on the farmer that we have prepared in the Department a letter to Senator Maybank setting forth the views of the Department as to the way in which export controls are operated. This is just in draft form.

Senator TAYLOR. We would just as soon have it this way.

Mr. MCINTYRE. It is our feeling that export controls have benefited farmers both generally and specifically. These benefits have resulted from the control of products farmers produce and of products farmers buy. In considering the effects of export controls on farmers, it is necessary to remember that farmers are large consumers of their own products. When exports of an agricultural commodity in short supply are restricted, the farmer as a user is benefited the same as any other consumer. I may illustrate this point by citing one or two examples.

Supplies of cottonseed and linseed meal have been very short in terms of domestic requirements since the beginning of the war. These commodities are essential to dairy farmers and producers of meat. Had free exports been permitted, the supplies available to domestic users would have been reduced materially by purchases of these commodities for export, for there is a world shortage of high protein feeds. Export allocations of these commodities have been made only as the United States supply situation has justified them. The supply-demand situation in the United States has kept prices paid to producers of these commodities high in relation to those of products they have had to purchase, but we have avoided the price pressures which would have resulted had American producers of beef, pork, and dairy products been forced to compete with buyers from all parts of the world.

Another example as to the manner in which farmers have been benefited by export controls over commodities they produce is found in meat. The farmers of the Southern States have been assured adequate supplies of pork and pork products for themselves and their laborers as a result of export controls over a commodity produced largely in the Corn Belt. Incidentally, the Corn Belt farmer benefited directly from the controls on exports of cottonseed meal because he uses this commodity as one form of protein supplement in his hog-feeding operations.

Other examples could be cited as to how farmers have benefited as a result of export controls over commodities they buy from each other, but the two described serve to illustrate my point. The high degree of specialization in American agriculture has resulted in a dependency between the farmers and the urban population.

Export controls over certain commodities have been for the direct benefit of farmers but of indirect benefit to all consumers. Examples of these commodities are certain farm seeds, nitrogenous fertilizers, barbed wire, woven wire, baling wire, binder twine, jute bags, burlap bags, and milk cans. World supplies of these commodities are not adequate to meet demands.

Senator FREAR. You stated something about baling wire and barbed wire. You do have controls over those?

Mr. MCINTYRE. Yes.

Senator FREAR. What about allocation of steel?

Mr. MCINTYRE. The allocation for the production of those commodities in the United States?

Senator FREAR. Yes.

Mr. MCINTYRE. I think there is at present no allocation program for those materials. As you know, there is no legislative authority for mandatory allocations of such a nature. There is a voluntary agreements program which has been used.

Senator FREAR. I realize it is purely voluntary.

Mr. McINTYRE. Those voluntary agreements have been used in many instances. I do not know that there is one in effect. I rather believe there is not one to assist in the production of barbed wire.

Senator FREAR. Is it or is it not true that the Department of Agriculture has known of a serious shortage in barbed wire and baling wire for the last 2 or 3 years?

Mr. McINTYRE. Oh, yes.

Senator FREAR. Have they requested any voluntary allocation of steel for those products?

Mr. McINTYRE. I am sorry, I do not know. The Department of Commerce does have this voluntary-agreements program. It is not however an export-control program. It is a program administered by our Office of Industry Cooperation. I simply am not familiar with all the requests they may have received. I do know that within just the past 2 weeks the Department of Agriculture has requested, and there has been approved, a program for channeling galvanized steel sheet to the production of grain storage bins so as to provide more farm storage for corn and, to some extent, other products. But that is, while perhaps typical of the kind of thing they do, not indicative that there is an over-all program of channeling these materials. Even so, almost 25 percent of the galvanized sheet and 40 percent of steel plate is under voluntary allocation. More industries every day are asking for similar protection from the necessity of going into the gray market for their materials. I am sure you appreciate the significance of a voluntary-agreements program from that point of view. The individual who is assured direct mill source has quite an advantage over the one who has to go into the gray market to get his orders filled.

Senator FREAR. Can I assume from what you say that the Department of Agriculture has made no requests on a voluntary basis for allotment of steel for either barbed wire or baling or perhaps galvanized sheet metal?

Mr. McINTYRE. I would rather you let me furnish that information later. I would not want to say that they have not. I do not know that they have. Since it falls outside of my little niche in this administrative picture, I am just not sure.

To continue—had the rest of the world had free access to the American market, it is obvious that farmers would have been forced to pay more for their supplies or operate on less than the quantities required by them. Control of these commodities has reduced the farmers' operating costs.

Controls have benefited farmers by reducing exports of materials and equipment they must buy in competition with other consumer groups. Examples of these commodities are petroleum products, lumber, electrical equipment and supplies, steel, tin, copper, brass, and zinc. These are commodities which are in short supply throughout the world and they have been allocated for export with due regard to the needs of farmers and other consumers. If foreign buyers had been given free access to United States supplies, the resulting higher prices would have seriously affected farm operating costs.

Senator CAIN. I think you are certainly right that in a period of shortages if the foreign market had had our resources available to them it would have caused more serious headache in the price rise.

It seems to me in a number of products we are faced with the other situation.

Senator TAYLOR. Certainly pricewise.

Senator CAIN. The export of that surplus would help stabilize and increase the markets of many of the farm groups. We are just in the reverse of what we were a year or 18 months ago. Our chief concern on this side of the table is that every effort will be made to see that there is no unnecessary time lag of any character between when a surplus comes into being and when people have a right to sell it in the world market.

Senator TAYLOR. The terrible thing about this fats and oils situation is that by keeping these controls on you preserve the supply for these soapers and no benefit accrues to the consumer. If the farmer had suffered and the consumer benefited, there would be some compensation there. But, there has been none.

Mr. MCINTYRE. That is why I remarked as I did, entirely out of my jurisdictional responsibility. I think the inquiry which Senator Maybank says he is going to pursue would be the most important thing he could do today.

Senator CAIN. That question has been plaguing mankind since we first got started.

Mr. MCINTYRE. I am sure it has. I think in many periods, the price to the consumer is more responsive to changes in raw-material prices than it has been in the past 6 months.

Senator CAIN. It seems that when the price goes up to the producer it goes up to the consumer right now. When the instruments of production start falling, and disastrously so, the consumer price stays right smack where it is; for instance, bread today and all of these soaps.

Mr. MCINTYRE. Mr. Macy reminds me of one fact which may be of interest to the committee and that is that criticism of the increased allocations of inedible tallow and the criticism of the dectontrol action have in fact come from the small soapers and not from the big ones.

Senator CAIN. The criticism of the decontrol?

Mr. MCINTYRE. Yes.

Senator CAIN. That would be a little hard to understand.

Senator TAYLOR. They ride on the coattails of the big ones. The smaller soaper suffers a disadvantage if the price goes up. They evidently do not have the capital nor the facilities to store these commodities.

Do you have any other questions, Senator Cain?

Senator CAIN. No.

Senator TAYLOR. Do you have any questions, Senator Frear?

Senator FREAR. No.

Senator TAYLOR. Do you have anything to add, Mr. McIntyre?

Mr. MCINTYRE. No, sir.

Senator TAYLOR. We will adjourn.

(Thereupon, at 5:15 p. m., the subcommittee adjourned, subject to the call of the Chair.)

APPENDIX

(The following table and list were submitted for the record by the Secretary of Commerce, Mr. Sawyer:)

United States exports of leading nonagricultural commodities in relation to production, annual 1929, 1939, 1946, 1947 and January–September 1948

Commodity	Unit	Production					Exports					Percent exported				
		1929	1939	1946	1947	Jan.-Sept. 1948	1929	1939	1946	1947	Jan.-Sept. 1948	1929	1939	1946	1947	Jan.-Sept. 1948
Machinery:																
Electrical machinery and apparatus, total.	Millions of dollars	2,314	1,788	4,697	7,309	6,216	128	105	304	563	374	5.5	5.9	6.5	7.7	6.0
Electric household refrigerators.	Thousands	665	1,979	2,250	3,750	3,390	62	124	103	274	207	9.3	6.3	4.6	7.3	6.1
Electric household washing machines.[1]	do	956	1,382	1,952	3,325	2,941	29	55	30	119	52	3.0	4.0	[2] 1.5	[2] 3.6	[2] 1.8
Electric household vacuum cleaners.	do	1,382	[1] 1,085	[1] 2,280	[1] 3,801	2,557	70	21	14	74	47	5.1	1.9	.6	1.9	1.8
Electric household ranges.	do	225	237	[3] 650	[3] 1,250	[3] 1,006	6	7	5	16	10	2.7	2.8	.8	1.3	[2] 1.0
Receiving sets	do	(4)	10,318	15,000	19,500	11,709	201	552	832	1,521	546	(4)	5.3	5.5	7.8	4.7
Industrial machinery:																
Machine tools	Millions of dollars	151	182	[5] 325	[5] 300	214	20	81	119	119	56	13.2	44.5	36.6	39.6	26.2
Sewing machines, domestic.	Thousands	669	457	402	(4)	(4)	196	102	39	87	50	29.3	22.3	9.7	(4)	(4)
Agricultural machinery and implements.	Millions of dollars	561	416	[5] 993	[6] 1,500	(4)	141	69	158	318	285	25.1	16.5	15.9	21.2	(4)
Tractors [8]	do	197	158	[5] 299	[5] 510	(4)	62	38	76	146	135	31.4	24.0	25.4	28.6	(4)
Implements of cultivation.	do	(7)	(7)	[5] 97	[5] 155	(4)	22	6	10	21	20	(4)	(4)	10.3	13.3	(4)
Harvesting machinery.[9]	do	111	67	[5] 137	[5] 247	(4)	28	8	10	25	26	25.2	11.9	7.3	10.0	(4)
Combines	Number	36,957	41,537	48,811	76,638	(4)	10,887	4,444	5,446	10,216	10,595	29.5	10.7	11.2	13.3	(4)
Dairy equipment	Millions of dollars	(7)	(7)	[5] 23	[5] 20	(4)	3	(9)	3	3	3	(4)	(4)	13.0	17.5	(4)
Poultry equipment	do	13	7	[5] 24	[5] 20	(4)	1	(10)	1	2	1	7.7	3.3	5.0	8.2	(4)
Textiles and textile manufactures:																
Cotton cloth including duck.	Millions of square yards.	[11] 8,399	[11] 9,046	9,784	10,495	7,916	[11] 564	[11] 367	760	1,437	663	[11] 6.7	[11] 4.1	7.8	13.7	8.4
Hosiery	1,000 dozen pairs	117,366	143,553	157,383	149,545	112,343	5,779	1,309	5,589	7,526	3,987	4.9	.9	3.6	5.0	3.5

Automobiles:																
Passenger cars [12]	Thousands	4,592	2,867	2,149	3,558	2,783	339	165	144	231	176	7.4	5.7	6.7	7.3	6.3
Motor trucks [12]	do	767	710	951	1,239	1,055	197	152	187	251	155	25.7	21.3	19.7	20.3	14.7
Rolled-steel products, total [13]	1,000 short tons	45,998	34,955	48,776	63,057	48,288	2,208	2,528	4,800	6,647	3,452	4.8	7.2	9.8	10.5	7.1
Plates and sheets	do	13,928	14,129	19,387	25,062	20,505	889	1,071	1,523	1,859	1,112	6.4	7.6	7.9	7.4	5.4
Tin plate and terneplate.	do	2,078	2,561	2,834	3,711	2,887	290	348	398	622	461	14.0	13.6	14.0	16.8	16.0
Tubular products [14]	do	3,764,	3,506	4,656	6,118	4,993	312	191	445	669	463	8.3	5.4	9.6	10.9	9.3
Wire and manufactures [15]	do	(7)	2,604	3,261	4,175	3,179	172	190	279	423	216	(4)	7.3	8.6	10.1	6.8
Rails [16]	do	4,085	1,753	2,560	3,098	2,094	164	76	439	620	276	4.0	4.3	17.1	20.0	13.2
Structural shapes [15]	do	4,543	2,545	3,470	4,436	3,101	388	171	419	710	355	8.5	6.7	12.1	16.0	11.4
Iron and steel bars	do	8,314	5,913	9,196	11,170	8,324	229	234	699	1,133	420	2.8	4.0	7.6	10.1	5.0
Other steel and iron products:																
Castings:																
Gray iron	do	(4)	(7)	[5] 6,102	[5] 7,181	[5] 5,258	(18)	4	6	9	8	(4)	(4)	.1	.1	.2
Malleable iron	do	(4)	[5] [17] 427	[5] 452	[5] 513	[5] 395	(18)	1	4	5	2	(4)	.2	.9	1.0	.5
Steel [19]	do	1,394	637	1,043	1,204	994	[20] 48	[20] 34	[20] 73	[20] 93	36	3.4	5.3	7.0	7.7	3.6
Steel forgings	do	(4)	(4)	[5] 1,164	[5] 1,334	[5] 1,038	14	19	19	36	21	(4)	(4)	1.6	2.7	2.0
Cast-iron pressure pipe and fittings.	do	(4)	(7)	786	1,032	852	17	36	44	41	23	(4)	(4)	5.6	4.0	2.7
Cast-iron radiation	1,000 square feet	(4)	(4)	[5] 38,358	[5] 56,720	[5] 45,714	(16)	295	186	647	295	(4)	(4)	.5	1.1	.6
Chemicals and related products.[21]	Millions of dollars	(4)	3,298	8,600	(4)	(4)	(4)	175	523	828	599	(4)	5.3	6.0	(4)	(4)
Amonia, anhydrous	1,000 short tons	87	114	[22] 726	1,117	804	1	2	6	6	3	1.1	1.8	.8	.5	.4
Calcium carbide, commercial (100 percent CaC_2).	do	(7)	168	570	608	512	2	4	29	21	14	(4)	2.4	5.1	3.5	2.7
Chlorine	do	145	315	1,165	1,447	1,172	4	6	6	6	11	2.8	1.9	.5	.4	.9
Hydrochloric acid (100 percent HCL).	do	63	77	342	425	325	(18)	4	2	3	1	(4)	5.2	.6	.7	.3
Nitric acid (100 percent HNO_3).	do	33	35	574	1,190	847	(18)	(18)	1	1	1	(4)	(4)	.2	.1	.1
Soda ash (commercial sodium carbonate).	do	1,814	2,146	4,284	4,519	3,365	45	80	67	107	164	2.5	3.7	1.6	2.4	4.9
Paint, varnish, lacquer, and filler.	Thousands of dollars.	458,127	418,449	[1] 807,670	[1] 1,038,575	[1] 833,191	14,517	9,142	19,991	37,211	23,275	3.2	2.2	2.5	3.6	2.8
Petroleum and products:																
Petroleum, crude	Million barrels [23]	1,007	1,265	1,733	1,856	1,495	26	72	43	46	30	2.6	5.7	2.5	2.5	2.0
Motor fuel, including aviation fuel.	do	439	611	776	840	681	61	41	38	37	21	13.8	6.7	4.9	4.3	3.1
Gas and fuel oils	do	428	468	719	760	629	36	46	33	34	22	8.3	9.7	4.7	4.5	3.5
Lubricating oils	do	34	35	46	52	38	11	12	11	14	11	31.4	33.6	23.9	27.2	28.9
Kerosene	do	56	69	104	110	90	20	8	8	7	2	35.4	11.7	7.7	6.1	2.2
Coal:																
Bituminous	Millions of short tons	535	395	534	619	434	17	12	41	69	36	3.3	2.9	7.7	11.1	8.3
Anthracite	do	74	52	61	57	43	3	3	7	9	5	4.6	5.0	10.7	14.9	11.6
Rubber and manufactures:																
Automobile and motor-truck tires (casings).	Thousand	68,726	57,612	82,298	95,548	62,805	2,796	1,182	2,465	4,091	1,389	4.0	2.1	3.0	4.3	2.2
Synthetic rubber	1,000 long tons			740	509	366			73	12	4			9.9	2.4	1.1

See footnotes at end of table, p. 211.

United States exports of leading nonagricultural commodities in relation to production, annual 1929, 1939, 1946, 1947 and January–September 1948—Continued

Commodity	Unit	Production					Exports					Percent exported				
		1929	1939	1946	1947	Jan.–Sept. 1948	1929	1939	1946	1947	[9] Jan.–Sept. 1948	1929	1939	1946	1947	Jan.–Sept. 1948
Aircraft [24]	Number	5,414	4,935	[1] 35,031	15,017	6,270	348	1,220	2,406	2,581	1,815	6.4	24.7	[25] 6.9	16.5	28.9
Freight cars	Thousands of dollars.[26]	202,783	63,249	208,216	376,125	382,493	5,172	410	40,551	71,547	3,773	2.6	.7	19.5	19.0	1.0
Wood and paper:																
Lumber, sawmill products	Million board feet	36,886	24,975	[27] 34,932	[27] 36,635	[27] 27,909	3,094	1,104	649	1,352	526	8.4	4.4	1.9	3.7	1.9
Softwood plywood [28]	Million square feet	(7)	1,032	1,436	1,700	1,446	(18)	(18)	30	75	11	(4)	(4)	2.1	4.4	.8
Pulpwood	1,000 cords	(7)	(7)	[29] 18,978	[29] 20,645	[29] 16,911	53	50	54	79	33	(4)	(4)	.3	.4	.2
Nonmetallic minerals, excluding *coal and petroleum:*																
Portland cement [30]	1,000 barrels	170,646	122,259	163,805	186,533	150,215	885	1,146	5,163	6,771	5,047	[30] .5	[30] .9	[30] 3.2	[30] 3.6	[30] 3.4
Asphalt roof materials [31]	1,000 squares	46,964	52,102	[5] 70,734	[5] 83,106	60,452	829	693	1,719	1,912	1,191	1.8	1.3	2.4	2.3	2.0
Nonferrous metals:																
Aluminum (ingots, plates, sheets, bars, etc.), total [32]	1,000 short tons	161	214	500	(4)	(4)	9	9	17	63	43	5.6	4.2	3.4	(4)	(4)
Primary	do	113	164	410	572	465						8.0	5.5	4.1	11.0	9.2
Copper, refined, total [33]	do	1,774	1,296	1,285	1,583	(7)	496	428	97	197	166	28.0	33.0	7.5	12.4	(4)
Primary [34]	do	1,370	1,010	879	1,175	[35] 933						36.2	42.4	11.0	16.8	17.8
Zinc slabs, pigs, blocks, sheets, etc., total.[32]	do	691	697	1,074	1,024	(7)	20	11	51	120	65	2.9	1.6	4.7	11.7	(4)
Primary [34]	do	625	507	773	862	[35] 631						3.2	2.2	6.6	13.9	10.3
Lead, total [32]	do	1,086	726	731	959	(7)	79	76	1	8	2	7.3	10.5	.1	.8	(4)
Primary [34]	do	775	484	338	455	[35] 373						10.2	15.7	.3	1.7	.6
Leather manufactures: Boots and shoes.	Million pairs	361	424	529	468	353	5	3	13	7	4	1.3	.7	2.5	1.5	1.1

[1] Manufactures' sales; production data not available.
[2] Percentages overstate proportion exported. Data do not cover the entire industry.
[3] Billed sales; production data not available.
[4] Not available.
[5] Shipments, production data not available.
[6] Includes farm and nonfarm tractors; farm tractors not available separately in export statistics.
[7] Comparable data not available.
[8] Includes mowers, hayrakes, grain harvesters, binders, combines and other harvesting implements.
[9] $515,000.
[10] $251,000.
[11] Cloth, duck and tire fabric.
[12] Factory sales are used to represent production; export data are those reported by the Automobile Manufactures' Association and include shipments as completed cars and as parts for assembly abroad.
[13] Net shipments for sale are shown for all years except 1929 since production figures are not available for 1947 and 1948. These shipments only slightly understate total rolling-mill production although they considerably understate production of some individual items, namely, structural shapes and wire.
[14] Tubular products other than cast iron pipe and fittings.
[15] Percentage figures overstate proportion exported for reasons indicated in note 12.
[16] Rails, including splice bars and tie plate bars.
[17] Includes some interplant transfers.
[18] Not shown separately.
[19] Includes railway specialties.
[20] Includes forged railway specialties.
[21] Data cover basic chemicals and selected allied and related products.
[22] Excludes small amounts of byproduct coal-tar ammonia.
[23] Barrels of 42 gallons.
[24] Production excludes aircraft for United States military services; exports include shipments to United States armed forces abroad. 1947 and 1948 exports exclude used and surplus planes.
[25] Low percentage reflects, no doubt, the sales of surplus stock overseas.
[26] Estimated value of shipments to United States railroads and to foreign markets.
[27] Production data from National Lumber Manufacturers' Association.
[28] Exports include aero grade of both softwoods and hardwoods.
[29] Receipts.
[30] Percentages overstate situation as export figures include some finishing cements not included in the production data.
[31] Includes prepared roofing and saturated felts.
[32] Includes primary production from foreign and domestic ores and secondary production from scrap.
[33] Production represents primary copper from domestic and foreign ores, and secondary recovery from old scrap; exports consist largely of copper refined from foreign ores.
[34] Production represents primary metal from domestic and foreign ores.
[35] January–September 1948 data are from the following sources: Copper as reported by the Copper Institute, slab zinc, by the American Zinc Institute; and lead, by the American Bureau of Metal Statistics. Data for earlier years are from the Bureau of Mines.

Source: Prepared in the Department of Commerce, by Special Programs Branch, Areas Division, Office of International Trade, from basic data of the Bureau of the Census, January 1949.

Positive list of commodities, including all announcements through Feb. 1, 1949

Department of Commerce schedule B No.	Commodity	Unit	Processing code and related commodity group	GLV dollar value limits
	ANIMALS, EDIBLE			
001200	Cattle other than for breeding	Unit	MEAT	500
001300	Hogs (swine)	Unit	MEAT	100
	MEAT PRODUCTS			
	Beef and veal, except canned:			
002000	* Fresh or frozen	Lb	MEAT 1	5
002100	Pickled or cured	Lb	MEAT 1	5
	Pork, except canned:			
002700	Fresh or frozen pork (report pickled or salted in 003200 and canned in 003700).	Lb	MEAT 1	5
002800	Hams and shoulders, cured (include cooked)	Lb	MEAT 1	5
002900	Bacon	Lb	MEAT 1	5
003000	Cumberland and Wiltshire sides	Lb	MEAT 1	5
003200	Other pork, pickled or salted	Lb	MEAT 1	5
003400	Mutton and lamb (report canned in 003909)	Lb	MEAT 1	5
003500	Sausage, bologna and frankfurters, except canned (report canned in 003800).	Lb	MEAT 1	5
003600	Beef, canned	Lb	MEAT 1	5
003700	Pork, canned (include canned hams & canned bacon).	Lb	MEAT 1	5
003800	Sausage, bologna and frankfurters, canned	Lb	MEAT 1	5
	Other canned meat (report chicken, canned, in 003901):			
003909	Mutton, boiled, corned, or roasted	Lb	MEAT 1	5
003909	Veal (include cured)	Lb	MEAT 1	5
003909	Lamb	Lb	MEAT 1	5
003909	Ration C; Ration RR	Lb	MEAT 1	5
003909	Meat and vegetable hash	Lb	MEAT 1	5
003909	Blood pudding	Lb	MEAT 1	5
003909	Brains	Lb	MEAT 1	5
003909	Deviled meats, except beef or pork	Lb	MEAT 1	5
003909	Hot tamales	Lb	MEAT 1	5
003909	Kidney stew	Lb	MEAT 1	5
003909	Lamb tongue	Lb	MEAT 1	5
003909	Lunch tongue, except beef, ox or pork	Lb	MEAT 1	5
003909	Meat gravy	Lb	MEAT 1	5
003909	Meat paste	Lb	MEAT 1	5
003909	Meat spreads, except beef, pork or chicken	Lb	MEAT 1	5
003909	Pemmican	Lb	MEAT 1	5
003909	Potted meat, except beef, pork or chicken	Lb	MEAT 1	5
003909	Sweetbreads	Lb	MEAT 1	5
003909	Tushonka, canned (formerly 003907)	Lb	MEAT 1	5
003909	Vegetables cooked with meat, including lentils with frankfurters and beans with frankfurters.	Lb	MEAT 1	5
004100	Kidneys and livers, fresh, frozen, or cured, except canned.	Lb	MEAT 1	5
004300	Tongue, fresh, frozen, pickled, or cured, except canned.	Lb	MEAT 1	5
	Sausage ingredients, salted or otherwise cured, except canned:			
004400	Cheeks	Lb	MEAT 1	5
004400	Cuttings	Lb	MEAT 1	5
004400	Ears, dry-salted	Lb	MEAT 1	5
004400	Feet	Lb	MEAT 1	5
004400	Heads	Lb	MEAT 1	5
004400	Jowls	Lb	MEAT 1	5
004400	Knuckles	Lb	MEAT 1	5
004400	Lacones, dry-salted	Lb	MEAT 1	5
004400	Menudos (dry-salted ears and tails)	Lb	MEAT 1	5
004400	Pastroma strips, smoked	Lb	MEAT 1	5
004400	Pigs' feet	Lb	MEAT 1	5
004400	Pork feet, with hocks	Lb	MEAT 1	5
004400	Snouts	Lb	MEAT 1	5
004400	Tails, dry-salted	Lb	MEAT 1	5
004400	Testes	Lb	MEAT 1	5
004400	Tripe trimmings	Lb	MEAT 1	5
	Other meats, except canned:			
004500	Beef hearts, fresh or frozen	Lb	MEAT 1	5
004500	Brains	Lb	MEAT 1	5
004500	Dehydrated pork	Lb	MEAT 1	5
004500	Goat meat, fresh or frozen	Lb	MEAT 1	5
004500	Oxtails, fresh or frozen	Lb	MEAT 1	5
004500	Pig souse	Lb	MEAT 1	5
004500	Sausage ingredients, fresh	Lb	MEAT 1	5
004500	Sweetbreads	Lb	MEAT 1	5
004500	Tripe, fresh	Lb	MEAT 1	5

Positive list of commodities, including all announcements through Feb. 1, 1949—Con.

Department of Commerce schedule B No.	Commodity	Unit	Processing code and related commodity group	GLV dollar value limits
	ANIMAL OILS AND FATS, EDIBLE			
005000	Oleo oil	Lb	FATS	1
005100	Oleo stock	Lb	FATS	1
005200	Tallow (report inedible tallow in 085700)	Lb	FATS	1
005300	Lard, including neutral lard (report lard substitutes in 144700). (See Special Provisions, p. 57.)	Lb	FATS	5
005600	Oleo stearin (report lard stearin in 084300)	Lb	FATS	1
	DAIRY PRODUCTS			
006550	Butter, natural	Lb	DAPF	1
006998	Butter oil (formerly 006570)	Lb	DAPF	1
006998	Butter spreads (formerly 006590)	Lb	DAPF	1
	OTHER EDIBLE ANIMAL PRODUCTS			
009400	Meat extracts,[2] *except* bouillon cubes	Lb	MEAT	100
009900	Beef scraps, dried [2]	Lb	MEAT	100
009900	Blood flour	Lb	MEAT	100
009900	Bone scraps [2]	Lb	MEAT	100
009900	Dog foods, chief ingredient meat [2]	Lb	MEAT	100
009900	Meat scraps	Lb	MEAT	100
	HIDES AND SKINS, RAW, EXCEPT FURS			
020602	Calf skins, dry	Piece	LEAT 1	100
020604	Calf skins, wet (include slunk skins)	Piece	LEAT 1	100
020702	Kip skins, dry	Piece	LEAT 1	100
020704	Kip skins, wet	Piece	LEAT 1	100
	ANIMAL AND FISH OILS AND GREASES, INEDIBLE			
080905	Sperm and whale oil	Lb	FATS	1
	OTHER INEDIBLE ANIMALS AND ANIMAL PRODUCTS			
099998	Blood albumen		MEAT	100
099998	Dry blood, soluble		MEAT	100
099998	Blood meal [2]		MEAT	100
099998	Bone scrap [2]		MEAT	100
099998	Candle pitch and candle tar pitch (formerly in 084300).		MEAT	1
099998	Liver meals [2]		MEAT	100
	GRAINS AND PREPARATIONS			
101100	Barley (bu. 48 lbs.), *except* seed [2]	Bu	CERL	100
101100	Barley for seed [2]	Bu	SEED 2	100
103150	Corn, other than seed, *except* popcorn (bu. 56 lbs.) (formerly 103100).[2]	Bu	CERL	100
103170	Corn seed, other than sweet corn seed, *except* popcorn (bu. 56 lbs.) (formerly 103100) report sweet corn seed in 246896).[2]	Bu	SEED 2	100
103500	Grain sorghums (bu. 56 lbs.) *except* seed (report grain sorghum for seed under 241990).[2]	Bu	CERL	100
104100	Oats (bu. 32 lbs.) [2]	Bu	CERL	100
105500	Paddy or rough rice, except seed	Lb	CERL	10
105500	Paddy or rough rice for seed	Bu	SEED 2	10
105710	Milled rice, containing more than 25% whole kernels (including brown rice) (formerly 105700).	Cwt	CERL	10
105750	Milled rice, containing not more than 25% whole kernels (including brown rice, broken rice, and rice screenings) (formerly 105700).	Cwt	CERL	10
105800	Rice flour, meal and polish	Lb	CERL	10
106100	Rye (bu. 56 lbs.), except seed [2]	Bu	CERL	100
106100	Rye for seed [2]	Bu	SEED 2	100
107100	Wheat (bu. 60 lbs.) (include seed) [2]	Bu	CERL	25
107300	Wheat flour, wholly of U. S. wheat (including flour in cases and small packages formerly in 109900) (include graham, malt, pastry, and macaroni flours).[2]	Cwt	CERL	10

[2] May be exported under general license to the Philippine Islands and to all destinations in North and South America as listed in Schedule C of the Bureua of the Census.

Positive list of commodities, including all announcements through Feb. 1, 1949—Con.

Department of Commerce schedule B No.	Commodity	Unit	Processing code and related commodity group	GLV dollar value limits
	GRAINS AND PREPARATIONS—continued			
107400	Wheat flour, not wholly of U. S. wheat (including flour in cases and small packages formerly in 109900) (include graham, malt, pastry, and macaroni flours).[2]	Cwt	CERL	10
107900	Prepared mixes containing wheat flour classified under Schedule B No. 107900 (formerly 109900).[2]	Lb	CERL	10
109000	Wheat semolina [2]	Lb	CERL	10
109900	All preparations containing wheat flour classified under Schedule B No. 109900.[2]		CERL	10
109900	Rye flour [2]		CERL	100
109900	Unhulled ground oats [2]		CERL	100
	FODDERS AND FEEDS, N. E. S.			
	Oil cake & oil-cake meal:			
111300	Cottonseed	L. ton	CERL	100
111400	Linseed	L. ton	CERL	100
111700	Peanut	L. ton	CERL	100
111800	Soybean	L. ton	CERL	100
112909	Copra (formerly 112905)	L. ton	CERL	100
112909	Other oil cake and oil-cake meal, *except* castor-bean oil cake and oil cake meal and cocoa press cake.	L. ton	CERL	100
118000	Bone meal, regardless of protein content	L. ton	CERL	100
118000	Mixed dairy and poultry feeds with crude protein content above 25%.	L. ton	CERL	100
118000	Mixed dairy and poultry feeds with crude protein content of 25% or less.[2]	L. ton	CERL	100
118500	Dried, powdered, or condensed milk or buttermilk products for feed, regardless of protein content.	L. ton	CERL	100
118500	Milk sugar feed, regardless of protein content	L. ton	CERL	100
118500	Other prepared and mixed feeds with crude protein content above 25%.	L. ton	CERL	100
118500	Other prepared and mixed feeds with crude protein content of 25% or less.[2]	L. ton	CERL	100
118800	Corn gluten meal (formerly 119900)	L. ton	CERL	100
118800	Corn grits and corn meal (formerly 119900) [2]	L. ton	CERL	100
118800	Cracked corn (formerly 119900) [2]	L. ton	CERL	100
118800	Gluten corn feed (formerly 119900) [2]	L. ton	CERL	100
119000	Cracked or crushed wheat for feed	L. ton	CERL	100
119000	Other wheat feeds [2]	L. ton	CERL	100
119900	Bone meal [2]	L. ton	CERL	100
119900	Brewers' grain, dried [2]	L. ton	CERL	100
119900	Cull beans [2]	L. ton	CERL	1
119900	Dried beet pulp [2]	L. ton	CERL	100
119900	Dried molasses pulp [2]	L. ton	CERL	100
119900	Fish meal for feed (formerly 114000)	L. ton	CERL	100
119900	Grain screenings [2]	L. ton	CERL	100
119900	Hominy feeds [2]	L. ton	CERL	100
119900	Hulled oats [2]	L. ton	CERL	100
119900	Meat meal (formerly 118000)	L. ton	CERL	100
119900	Oat feed [2]	L. ton	CERL	100
119900	Rice mill feeds [2]	L. ton	CERL	100
119900	Rolled barley for feed (formerly 118710)[2]	L. ton	CERL	100
119900	Rye mill feeds [2]	L. ton	CERL	100
119900	Stimuflow [2]	L. ton	CERL	100
119900	Tankage	L. ton	CERL	100
	VEGETABLES AND PREPARATIONS, EDIBLE			
120250	Austrian winter peas	Lb	SEED 2	100
	NUTS AND PREPARATIONS			
137510	Peanuts, shelled, for planting	Lb	SEED 2	10
137510	Peanuts, shelled, other	Lb	FATS	10
137550	Peanuts, not shelled, for planting	Lb	SEED 2	10
137550	Peanuts, not shelled, other	Lb	FATS	10

[2] May be exported under general license to the Philippine Islands and to all destinations in North and South America as listed in Schedule C of the Bureau of the Census.

Positive list of commodities, including all announcements through Feb. 1, 1949—Con.

Department of Commerce schedule B No.	Commodity	Unit	Processing code and related commodity group	GLV dollar value limits
	VEGETABLE OILS AND FATS, EDIBLE			
142000	Coconut oil, refined (include solidified or hardened oil and coconut fat).	Lb	FATS	1
142500	Cottonseed oil, refined (include Wesson oil and hydrogenated cottonseed oil).	Lb	FATS	1
143000	Soybean oil, refined (report crude soybean oil in 224912).	Lb	FATS	10
143100	Peanut oil	Lb	FATS	1
143500	Palm oil, edible or refined (all varieties) (formerly 144903).	Lb	FATS	1
144100	Corn oil (include Mazola and Amaizo)	Lb	FATS	1
144300	Oleomargarine of vegetable or animal origin (formerly 0C5900).	Lb	FATS	5
144700	Cooking fats, except lard (include Crisco, Snowdrift, and all lard substitutes of animal or vegetable origin).	Lb	FATS	5
144901	Olive oil, edible	Lb	FATS	1
144902	Sunflower seed oil, edible	Lb	FATS	1
144904	Rapeseed oil, refined	Lb	FATS	1
144905	Vegetable stearin	Lb	FATS	1
144998	Edible vegetable oils and fats, n. e. s. (including palm-kernel oil formerly 144903).	Lb	FATS	1
	DRUGS, HERBS, LEAVES, AND ROOTS, CRUDE			
220904	Cinchona bark	Lb	NATS	None
	OILSEEDS			
221000	Soy beans for planting	Lb	SEED 2	10
221000	Soy beans, other, except canned	Lb	FATS	10
222001	Castor beans for planting	Lb	SEED 2	1
222001	Castor beans, other	Lb	FATS	1
222002	Cottonseed for planting	Lb	SEED 2	100
222002	Cottonseed, other	Lb	FATS	25
222003	Flaxseed for planting	Lb	SEED 2	10
222020	Hemp seed for planting	Lb	SEED 2	None
222020	Hemp seed, other	Lb	FATS	None
222020	Rapeseed for planting	Lb	SEED 2	1
222020	Rapeseed, other	Lb	FATS	1
222020	Sunflower seed for planting	Lb	SEED 2	25
222020	Sunflower seed, other	Lb	FATS	25
222020	Palm nuts and kernels	Lb	FATS	1
222030	Copra	Lb	FATS	None
222098	Other oilseeds for planting	Lb	SEED 2	25
222098	Other oilseeds	Lb	FATS	25
	VEGETABLE OILS AND FATS, INEDIBLE			
	Expressed oils (except essential), and fats, inedible:			
223000	Coconut oil, crude	Lb	FATS	1
223100	Cottonseed oil, crude	Lb	FATS	1
224901	Castor oil, commercial	Lb	FATS	1
224902	Corn oil, crude	Lb	FATS	1
224903	Peanut oil, crude	Lb	FATS	1
224906	Rapeseed and oiticica oil, inedible	Lb	FATS	1
224912	Soybean oil, crude (report soybean oil, refined, in 143000).	Lb	FATS	10
224927	Palm oil, crude (all varieties) (formerly 224925).	Lb	FATS	1
224950	Sunflower seed oil, inedible	Lb	FATS	1
224998	Babassu nut oil and sesame oil	Lb	FATS	1
224998	Palm kernel oil (formerly 224925)	Lb	FATS	1
	SEEDS, EXCEPT OIL SEEDS			
	Grass and field seeds:			
240200	Red clover	Lb	SEED 2	25
240300	Alsike clover	Lb	SEED 2	25
240400	Crimson clover	Lv	SEED 2	25
240400	Clover seed mixtures	Lb	SEED 2	25
240600	Timothy	Lb	SEED 2	25
241990	Sorghum [2]	Lb	SEED 2	100
241990	Vetch	Lb	SEED 2	100

[2] May be exported under general license to the Philippine Islands and to all destinations in North and South America as listed in Schedule C of the Bureau of the Census.

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	MISCELLANEOUS VEGETABLE PRODUCTS, INEDIBLE			
299998	Soybean flour	Lb	CERL	100
299998	Soybean meal and cake	Lb	CERL	100
299998	Cottonseed flour	Lb	CERL	100
299998	Cottonseed meal and cake	Lv	CERL	100
299998	Peanut flour	Lb	CERL	100
299998	Peanut meal and cake	Lb	CERL	100
	VEGETABLE FIBERS AND MANUFACTURES			
320509	Jute	L. ton	TEXT	25
320515	Manila or abaca	L. ton	TEXT	25
320519	Sisal or henequen	L. ton	TEXT	25
321100	Jute yarn, cordage, and twine	Lb	TEXT	25
322403	New jute and burlap bags of any weight (formerly 322401).	Unit	TEXT	100
322408	Used jute bags weighing less than 2 pounds, and used burlap bags of any weight (formerly 322401).	Unit	TEXT	100
322905	Jute burlaps	Lb	TEXT	25
341100	Binder twine and baler twine except of cotton or jute.	Lb	TEXT	25
341400	Manila cordage	Lb	TEXT	25
341909	Sisal twine, cord and cordage	Lb	TEXT	25
349909	Sisal yarns	Lb	TEXT	25
	WOOD, UNMANUFACTURED			
	Logs, bolts, and hewn timber:			
	Softwoods:			
401200	Douglas fir (including "Oregon pine")	M. b. f.	LUMB	None
401700	Port Orford cedar (including Lawson's cypress).	M. b. f.	LUMB	None
401900	Softwood logs, bolts, and hewn timber, n. e. s., except Western red cedar (formerly 401600) and cedar other than Western red (formerly 401800) or Port Orford (formerly 401700) (include hemlock, formerly 401400) (report Okoume in 400998).			
	Railroad cross ties and mine ties, hewn:			
	Creosoted or otherwise treated:			
402610	Softwood (formerly 402600)	M. b. f.	LUMB	None
402620	Hardwood (formerly 402600)	M. b. f.	LUMB	None
	Untreated:			
402910	Softwood (formerly 402900)	M. b. f.	LUMB	None
402920	Hardwood (formerly 402900)	M. b. f.	LUMB	None
	SAWMILL PRODUCTS			
	Softwood lumber (including rough-sawed, dressed, and worked or patterned lumber, and also including softwood flooring):			
405720	Port Orford cedar (including Lawson's cypress) (formerly 406500, 408500 and 410720).	M. b. f.	LUMB	None
	Hardwood flooring (including block, parquet, plank, and strip):			
413100	Oak flooring	M. b. f.	LUMB	None
413200	Other hardwood flooring, except beach and pecan.	M. b. f.	LUMB	None
	Railroad cross ties and mine ties, sawed:			
	Creosoted or otherwise treated:			
	Softwood:			
415613	Douglas fir (formerly 415600)	M. b. f.	LUMB	None
415617	Other softwoods (formerly 415600)	M. b. f.	LUMB	None
	Hardwood:			
415624	Oak (formerly 415600)	M. b. f.	LUMB	None
415627	Other hardwoods (formerly 415600)	M. b. f.	LUMB	None
	Untreated:			
	Softwood:			
415913	Douglas fir (formerly 415900)	M. b. f.	LUMB	None
415917	Other softwoods (formerly 415900)	M. b. f.	LUMB	None
	Hardwood:			
415924	Oak (formerly 415900)	M. b. f.	LUMB	None
15927	Other hardwoods (formerly 415900)	M. b. f.	LUMB	None

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	WOOD MANUFACTURES			
421603	Port Orford cedar veneers only, utility or commercial grade (report Port Orford cedar battery separator veneers and blanks in 429450).	Sq. ft	LUMB	None
	Millwork:			
	Doors, wood or wood frame (including metal-clad but chief value wood; excluding grain and cold storage doors) (report number of doors in assembled door and frame units):			
422620	Residential and commercial-type interior and exterior doors (including flush doors) (formerly 422600).	Unit	LUMB	None
422690	Other doors (formerly 422600)	Unit	LUMB	None
422730	Window sash, glazed and unglazed (report sash for double-hung window as 2; single sash, barn, cellar, etc., as 1; including number of sash in assembled window and frame units) (formerly 423200).	Unit & bd. ft.	LUMB	None
422750	Window and door frames (report frame for each enclosure as 1 unit; including number of frames in assembled door or window and frame units) (formerly 423990).	Unit & bd. ft.	LUMB	None
422770	Blinds (except venetian), shades, screens, and curtains (formerly 423200). (Report bamboo, cane, grass, rattan, reed or willow blinds, shades and screens in 429500).	Unit & bd. ft.	LUMB	None
422800	Trim and moldings	Lin. ft. & bd. ft.	LUMB	None
423990	Millwork and house fixtures, n. e. s. (include cupboards, cabinets, mantels, grilles, panels (except plywood), partitions, stairs, columns, and other built-in house fixtures, made-up or knock-down).	Bd. ft	LUMB	None
424030	Prefabricated and ready-cut houses (chief value wood) (dwellings only).	Unit	BLDG	None
424030	Prefabricated panels (any floor, wall, partition, ceiling, roof or truss panel which is manufactured in a factory and may, in combination with other prefabricated panels or sections of a house, or in combination with conventionally constructed elements produce housing accommodations. Prefabricated panels may, but need not, incorporate window and door frames, sash, doors, builders' hardware, wiring, piping, etc.) (formerly 423990).	Bd. ft	BLDG	None
424030	Prefabricated sections (house sections manufactured in a factory and ready for use when attached to another section or sections of a house, or used in combination with prefabricated panels or conventionally constructed elements or both) (formerly 423990).	Bd. ft	BLDG	None
429450	Port Orford cedar battery separators (formerly 429900), and Port Orford cedar battery separator veneers and blanks (formerly 421603) (report separator veneers on basis of four separators to one square foot of veneers).	M units	LUMB	None
	COAL AND RELATED FUELS			
500100	Coal, anthracite	L. ton	COAL	100
500200	Coal, bituminous	L. ton	COAL	100
500300	Coal and coke briquets	L. ton	COAL	100
500400	Coke (include coal-tar coke) (report petroleum coke in 504800).	L. ton	COAL	100
	PETROLEUM AND PRODUCTS			
501100	Petroleum, crude	Bbl	PETR	1,000
	Refined oils:			
501400	Blending agents or anti-knock compounds of petroleum origin (formerly 501325).	Gal	PETR	100
501610	Aviation motor fuel, 100 or over octane number (bbl. of 42 gals.) (formerly 501600).	Bbl	PETR	1,000
501650	Aviation motor fuel, under 100 octane number (bbl. of 42 gals.) (formerly 501600).	Bbl	PETR	1,000

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	PETROLEUM AND PRODUCTS—continued			
	Refined oils—Continued			
501700	Automotive and other motor fuel and gasoline (bbl. of 42 gals.).	Bbl	PETR	1,000
502700	Kerosene (bbl. of 42 gals.)	Bbl	PETR	1,000
503000	Gas oil and distillate fuel oil (bbl. of 42 gals.)	Bbl	PETR	1,000
503100	Residual fuel oil (bbl. of 42 gals.)	Bbl	PETR	1,000
504600	Paraffin wax, refined	Lb	PETR	None
504800	Petroleum coke	L. ton	PETR	100
	CLAY AND CLAY PRODUCTS			
533200	Closet bowls and water-closet sets (include tanks)	Piece	BLDG	None
	OTHER NONMETALLIC MINERALS, INCLUDING PRECIOUS			
540905	Diamond grinding wheels (include resinoid diamond abrasive wheels formerly in 541200, and sticks, hones, and laps formerly classified under Schedule B No. 540905 but not specifically listed).	Lb	TOOL	None
540910	Diamond dust, or powder	Carat	CDGS	None
	Gypsum, and manufactures:			
548500	Plaster board and wallboard (include lath)	Sq. ft	BLDG	50
596025	Mineral wax: ceresin, orange and white only; hardening.	Lb	PETR	None
599005	Diamond suitable only for industrial use	Carat	CDGS	None
599010	Diamonds, rough or uncut, suitable for cutting into gem stones (formerly 599098).	Carat	CDGS	None
599098	Diamond bearings		CDGS	None
600700	Pig iron, all grades	S. ton	STEE	None
	Iron and steel scrap:			
601020	No. 1 heavy melting steel scrap	S. ton	STEE	100
601030	No. 2 melting steel scrap	S. ton	STEE	100
601040	Hydraulically compressed and baled sheet melting scrap.	S. ton	STEE	100
601070	Cast and burnt iron scrap	S. ton	STEE	100
601090	Other (include heavy shoveling steel, selected rail scrap, machine-shop turnings, wire shorts (scrap only), etc.).	S. ton	STEE	100
601300	Tinplate circles, strips, cobbles, and scroll-shear butts.	S. ton	TNPL	
601550	Rerolling rails (formerly 605300)	S. ton	STEE	100
	Steel ingots, blooms, billets, slabs, sheet bars, tin-plate bars, and tube rounds (Armco iron, ingot iron, and other iron made in steel-making furnaces included):			
	Carbon only:			
601605	Steel ingots	S. ton	STEE	100
601606	Steel billets, blooms, and slabs (rolled or forged).	S. ton	STEE	100
601609	Steel sheet bars, and tin-plate bars	S. ton	STEE	100
	Alloy steel (stainless included):			
601705	Steel ingots	S. ton	STEE	100
601706	Steel billets, blooms, and slabs	S. ton	STEE	100
601800	Tube rounds (formerly 602300)	S. ton	STEE	100
	Iron and steel bars, and rods:			
	Steel bars, cold-finished:			
602010	Carbon steel (formerly 602000)	Lb	STEE	100
602050	Alloy, except stainless (formerly 602000)	Lb	STEE	100
692100	Iron bars, 1 inch and under	Lb	STEE 7	100
	Iron bars, over 1 inch		STEE 8	
692200	Concrete reinforcement bars (deformed and twisted only).	Lb	STEE	100
	Other steel bars and rods (hot-rolled):			
602300	Containing no alloy, 1 inch and under	Lb	STEE 7	100
	Containing no alloy, over 1 inch (report tube rounds in 601800).		STEE 8	
602600	Alloy steel, except stainless (report stainless in 602500).	Lb	STEE	100
602900	Wire rods (for further manufacture), *except* specialty steel.	Lb	STEE	100
	Iron and steel plates:			
	Carbon steel:			
603120	Boiler plate, hot rolled (formerly 603000)	Lb	STEE 9	100
603120	Other plates, hot rolled, except fabricated (formerly 603110).	Lb	STEE 9	100
603130	Boiler plate, cold rolled (formerly 603000)	Lb	STEE 9	100
603130	Other plates, cold rolled, except fabricated (formerly 603110).	Lb	STEE 9	100

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	OTHER NONMETALLIC MINERALS, INCLUDING PRECIOUS—continued			
	Iron and steel plates—Continued			
	Stainless steel:			
603140	Boiler plate, hot rolled (formerly 603000)	Lb	STEE 9	100
603160	Boiler plate, cold rolled (formerly 603000)	Lb	STEE 9	100
	Alloy steel, except stainless:			
603170	Boiler plate, hot rolled (formerly 603000)	Lb	STEE 9	100
603170	Other plates, hot rolled, except fabricated (formerly 603190).	Lb	STEE 9	100
603180	Boiler plate, cold rolled (formerly 603000)	Lb	STEE 9	100
603180	Other plates, cold rolled, except fabricated.	Lb	STEE 9	100
603200	Skelp iron and steel	Lb	STEE	100
	Iron sheets, galvanized:			
603350	Galvanized iron culvert sheets (formerly 603300).	Lb	STEE 2	1
603390	Other galvanized iron sheets (formerly 603300).	Lb	STEE 2	1
	Steel sheets, galvanized:			
603450	Galvanized steel culvert sheets (formerly 603400).	Lb	STEE 2	1
603490	Other galvanized steel sheets (formerly 603400).	Lb	STEE 2	1
	Steel sheets, black, ungalvanized:			
	Carbon steel:			
603520	Hot rolled (formerly 603510), *except* enameled, lacquered and painted (formerly 620998).	Lb	STEE 3	100
603530	Cold rolled (formerly 603510), *except* enameled, lacquered and painted (formerly 620998).	Lb	STEE 3	100
	Alloy steel, except stainless:			
603570	Hot rolled (formerly 603590), *except* enameled, lacquered and painted (formerly 620998).	Lb	STEE 3	100
603580	Cold rolled (formerly 603590), *except* enameled, lacquered and painted (620998).	Lb	STEE 3	100
603595	Electrical (steel) sheets, motor, dynamo and transformer grades (formerly 603590).	Lb	STEE	100
603600	Iron sheets, black, *except* enameled, lacquered and painted (formerly 620998).	Lb	STEE 3	100
	Strip, hoop, band, and scroll, iron and steel (See Special Provisions, p. 60):			
603710	Cold-rolled carbon steel strip (formerly 603711 and 603718), *except* enameled, lacquered and painted (formerly 620998).	Lb	STEE 10	100
603810	Hot-rolled carbon steel strip (formerly 603811 and 603818), *except* enameled, lacquered and painted (formerly 620998).	Lb	STEE 11	100
	Tin plate:			
604000	Waste-waste tin plate (formerly 601400)	Lb	TNPL	1
604110	Tin plate, hot dipped (formerly 604100)	Lb	TNPL	1
604150	Tin plate, electrolytic (formerly 604100)	Lb	TNPL	1
604170	Tin plate, decorated, embossed, lithographed, lacquered, or otherwise advanced, including lithographic misprints (formerly 604100 and 620998).	Lb	TNPL	
604200	Terneplate (long ternes included)	Lb	TNPL	1
	Structural iron and steel:			
604300	Water, oil, gas, and other unlined storage tanks, complete and knock-down material, for temporary or permanent installation, n. e. s.	Lb	STEE	100
	Structural shapes:			
604500	Except fabricated	S. ton	STEE	100
	Fabricated:			
604600	Prefabricated houses (chief value steel).	S. ton	BLDG	100
604600	Other structural shapes, fabricated, including bridges, buildings, portable houses, towers, and welded-steel structures (knock-down included).	S. ton	STEE	100
604750	Penstock (include only sections of penstock fabricated from rolled steel plates used for conducting water) (formerly 604700).	Lb	STEE	100
604790	Plates, fabricated, punched, or shaped, n. e. s. (formerly 604700).	Lb	STEE	100

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	OTHER NONMETALLIC MINERALS, INCLUDING PRECIOUS—continued			
	Structural iron and steel—Continued			
	Sash and frames:			
604900	Metal window frames	Lb	BLDG	100
604900	Metal window sash	Lb	BLDG	100
604900	Metal fabricated door frames	Lb	BLDG	100
605000	Sheet piling	Lb	STEE	100
	Railway-track material, iron and steel:			
	Rails:			
605100	60 pounds and over per yard	S. ton	STEE	100
605200	Under 60 pounds per yard	S. ton	STEE	100
605300	Relaying rails (report rerolling rails under 601550; and scrap rails under 601090).	S. ton	STEE	100
605410	Rail joints and splice bars (formerly 605400)	Lb	STEE	100
605450	Tie plates (including fishplates, formerly 605400)	Lb	STEE	100
	Tubular products and fittings, iron and steel, new and used (except scrap):			
	Boiler tubes:			
606000	Seamless	Lb	STEE 12	100
606100	Welded	Lb	STEE 12	100
	Casing and line pipe.			
	Seamless:			
606250	Casing (formerly 606200)	Lb	STEE	100
606290	Line pipe (formerly 606200)	Lb	STEE	100
	Welded:			
605350	Casing (formerly 606300)	Lb	STEE	100
606390	Line pipe (formerly 606300)	Lb	STEE	100
606400	Seamless black pipe and tubes, except casing, oil-line and boiler.	Lb	STEE	100
606500	Malleable iron screwed pipe fittings, 150-lb. pressure and under.	Lb	STEE 4	100
606600	Pipe joints, gray iron, extension, 150-lb. pressure and under (formerly 607798).	Lb	STEE 4	100
606705	Cast-iron pressure pipe	Lb	STEE 5	100
606798	Cast-iron pressure pipe fittings	Lb	STEE 5	100
606805	Cast-iron soil pipe	Lb	BLDG	25
606898	Cast-iron soil pipe fittings	Lb	BLDG	25
607000	Welded black pipe and tubes, steel	Lb	STEE	100
607100	Welded black pipe, wrought iron	Lb	STEE 6	00091 100
607200	Welded galvanized pipe, steel	Lb	STEE	100
607300	Welded galvanized pipe, wrought iron	Lb	STEE 6	100
607400	Mechanical steel pipe and tubes (formerly 607705).	Lb	STEE	100
607500	Stainless steel pipe and tubes (formerly 607705).	Lb	STEE	100
607705	Iron and steel pipe, n. e. s.	Lb	STEE	100
607798	The following iron and steel pipe fittings, *when* 150 lbs. pressure and under: couplings; galvanized pipe fittings; malleable iron pipe fittings; pipe nipples, lap-welded, black; pipe plugs; pipe unions; screw elbows; and swage nipples (report floor drains, cast iron, in 610100; and pipe joints, gray iron, extension, in 606600).	Lb	STEE 4	100
	Wire and manufactures:			
608100	Iron and steel wire, uncoated (plain, stainless and alloy steel included), except bead wire, brush wire, and mandrel wire, formerly 609198 (include baling wire, formerly 609198).	Lb	STEE	1
608200	Galvanized wire	Lb	STEE	100
608300	Barbed wire	Lb	STEE	100
608500	Woven-wire fencing	Lb	STEE	100
	Woven-wire screen cloth, of all metals and alloys:			
608610	Insect	Lb	BLDG	5
608710	Wire cable and rope, except insulated	Lb	STEE	100
609101	Bale ties, wire, iron and steel	Lb	STEE	100
	Other wire and manufactures:			
609198	Coils, cold-finished; musical instrument wire; piano wire; spring wire, bright steel, piano grade (report baling wire in 608100).			
	Nails:			
609200	Wire nails (include wire shoe nails) (report shoe tacks in 609400).	Lb	STEE 14	1
609500	Nails: asbestos shingle, cut (include cut shoe nails); roofing, lead-headed; shingle; siding, zinc-coated; smooth, flat head, cement-coated.	Lb	STEE 14	1

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	OTHER NONMETALLIC MINERALS, INCLUDING PRECIOUS—continued			
609900	Bolts, iron and steel (except railroad), over 3 feet in length.	Lb	STEE	100
	Castings and forgings, iron and steel:			
610100	Floor drains, cast iron (formerly 607798)	Lb	STEE 4	100
610515	Railway car wheels, except locomotive	Lb	STEE 13	100
610525	Railway car axles, without wheels, except locomotive.	Lb	STEE 13	100
610535	Railway car axles, fitted with wheels, except locomotive.	Lb	STEE 13	100
	Iron and steel forgings, n. e. s. (except railway car wheels, tires, and axles, and horseshoes and mule shoes):			
610700	Carbon steel	Lb	STEE 1	100
610800	Alloy steel (stainless included)	Lb	STEE 1	100
	IRON AND STEEL MANUFACTURES			
	Tools:			
615605	Diamond saws, except circular	Unit	TOOL	None
617891	Tools incorporating industrial diamonds, n. e. s. (included metal alloy slugs containing diamonds, formerly 748512).	Unit	CDGS	None
	ALUMINUM AND MANUFACTURES			
	Aluminum and aluminum base alloys:			
630301	Sheets, plates, and strips (0.006 inch in thickness and over).	Lb	NONF	25
630950	Aluminum prefabricated houses (dwellings only) (aluminum chief value) (formerly 630998).	Unit	BLDG	100
	COPPER AND MANUFACTURES			
640100	Copper matte, unrefined copper as blister, converter copper, or anodes (copper content).	Lb	NONF 1	25
641200	Refined copper in cathodes, billets, ingots, wire bars or other forms (report copper bars, except wire, in 642400).	Lb	NONF 1	1
641300	Scrap copper	Lb	NONF 1	1
642200	Copper pipes and tubes	Lb	NONF 1	1
642300	Copper plates, sheets and strips	Lb	NONF 1	1
642400	Copper rods, and bars (formerly 641200) (report copperweld rods in 642500; and wire bars in 641200).	Lb	NONF 1	1
642500	Copper wire and cable, bare (include copperweld electrodes, formerly 664998) (report insulated copper wire in 709810, 709830 and 709850).	Lb	NONF 1	1
	BRASS AND BRONZE MANUFACTURES			
644000	Brass and bronze scrap and old	Lb	NONF 2	1
644100	Brass and bronze ingots	Lb	NONF 2	1
644900	Brass and bronze bars, rods and unfinished shafting (formerly 644801), and brass and bronze structural shapes (formerly 647906).	Lb	NONF 2	1
645000	Brass and bronze plates, sheets, and strips (report window strip and shapes in 647998).	Lb	NONF 2	100
645300	Brass and bronze pipes and tubes (include pipe coils).	Lb	NONF 2	100
645430	Brass and bronze pipe fittings	Lb	NONF 2	100
645700	Wire, bare and insulated, brass and bronze	Lb	NONF 2	100
647913	Brass and bronze castings and forgings	Lb	NONF 2	25
647998	Brass and bronze blanks (formerly 644805)	Lb	NONF 2	25
647998	Bronze circles (formerly 647919)	Lb	NONF 2	1
	LEAD AND MANUFACTURES			
650406	Lead ore, concentrates, matte and base bullion (lead content).	Lb	NONF 3	25
650500	Lead scrap (formerly 651598) (include flue dust, formerly 650406: and residues, formerly 651598).	Lb	NONF 3	25
650750	Lead pigs and bars (formerly 650700) (include blocks and ingots).	Lb	NONF 3	100
650750	Lead anodes (formerly 651520)	Lb	NONF 3	1
650800	Lead sheets (include strips, formerly 651598) and pipes (include bends).	Lb	NONF 3	100

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	LEAD AND MANUFACTURES—continued			
651200	Solder	Lb	NONF 3	1
651510	Type metal (formerly 651505)	Lb	NONF 3	100
651515	Antimonial lead (formerly 651505)	Lb	NONF 3	100
651530	Foil, lead, and lead-tin (less than 0.006 inch in thickness).	Lb	NONF 3	25
651537	Lead plate, or battery plate, not assembled as complete battery units.	Lb	NONF 3	25
651598	Lead castings; calking yarn; circles; disks; flanges; plugs; powder; rings; metal packing rings; roof flanges; sash weights; scale weights; shots; shrapnel; sinkers; tape; washers; weights; wire; and wool (report lead strips in 650800).	Lb	NONF 3	25
	TIN AND MANUFACTURES			
656502	Tin tubes	Lb	NONF 4	1
656503	Tin foil	Lb	NONF 4	1
656507	Tin metal in ingots, pigs, bars, blocks, slabs, and other forms.	Lb	NONF 4	1
656508	Tin scrap and waste (include dross)	Lb	NONF 4	1
656598	Other tin and manufactures	Lb	NONF 4	1
	ZINC AND MANUFACTURES			
	Zinc cast in slabs, pigs, or blocks:			
657101	Special high grade, containing not over 0.007% lead, not over 0.005% iron, not over 0.005% cadmium, no aluminum, and at least 99.99% zinc.	Lb	NONF 5	50
657103	High grade, containing not over 0.07% lead, not over 0.02% iron, not over 0.07% cadmium, no aluminum, and at least 99.90% zinc.	Lb	NONF 5	50
657105	Intermediate, containing not over 0.20% lead, not over 0.03% iron, not over 0.50% cadmium, no aluminum, and at least 99.50% zinc.	Lb	NONF 5	50
657111	Brass special, containing not over 0.60% lead, not over 0.03% iron, not over 0.50% cadmium, no aluminum, and at least 99.00% zinc.	Lb	NONF 5	50
657121	Selected, containing not over 0.80% lead, not over 0.04% iron, not over 0.75% cadimum, no aluminum, and at least 98.75% zinc.	Lb	NONF 5	50
657125	Prime western, containing not over 1.60% lead and not over 0.08% iron.	Lb	NONF 5	50
657198	Other zinc cast in slabs, pigs, or blocks	Lb	NONF 5	50
	OTHER NONFERROUS ORES, METALS, AND ALLOYS, EXCEPT PRECIOUS			
662000	Babbitt metal (report scrap and dross in 664998)	Lb	NONF 3	1
664501	Antimony ores and concentrates (antimony matter, containing lead).	Lb	NONF 6	50
664505	Beryllium ores and concentrates	Lb	NONF 7	None
664510	Bismuth matte, slimes, residues, and base bullion.	Lb	NONF 7	1
664901	Antimony (include metals or regulus, needle or liquated antimony, alloys, and antimony-bearing scrap metal).	Lb	NONF 6	1
664905	Beryllium metal, alloys, and scrap (include wire and sheets, formerly 669198).	Lb	NONF 7	None
664910	Bismuth metals and alloys	Lb	NONF 7	1
664915	Cadmium metals (include metallic shapes)	Lb	NONF 6	1
664917	Cadmium alloys	Lb	NONF 6	100
664950	Radium metal (radium content)	Mg	NONF 7	None
664998	Babbitt metal dross and scrap	Lb	NONF 3	1
664998	Copper alloys in primary forms, except brass, bronze, nickel or gold.	Lb	NONF 1	25
664998	Gallium metal	Lb	NONF 7	None
664998	Polonium metal	Lb	NONF 7	None
667000	Type (include multigraph type) (report type metal in 651510).	Lb	NONF 3	100
669198	Beryllium metal manufactures and beryllium alloy manufactures, including, but not limited to, castings, tubes, crucibles, and disks (report wire and sheets in 664905).		NONF 7	None

Positive list of commodities, including all announcements through Feb. 1, 1949—Con.

Department of Commerce schedule B No.	Commodity	Unit	Processing code and related commodity group	GLV dollar value limits
	ELECTRICAL MACHINERY AND APPARATUS			
701300	Batteries, storage, 6 and 12 volt, lead acid type, include aircraft, automotive, and radio batteries and knocked down assemblies.[3] (See Special Provisions, p. 55.)	Unit	TRAN	None
707410	Induction furnaces, vacuum metal-melting only, and component parts therefor.		ELME	None
707555	X-ray windows containing beryllium		SATE	None
709419	Conduit of iron or steel (formerly 709415)	Lb	BLDG 5	100
709420	Other metal conduit (formerly 709418 and 709490)	Lb	BLDG 5	100
709490	Metal conduit fittings, including outlet and switchboxes.	Lb	BLDG 5	100
	Insulated copper wire and cable:			
709810	Rubber-covered wire (formerly 643000) (report lamp cord in 709850).	Lb	NONF 1	1
709830	Weatherproof wire and slow burning (formerly 643100).	Lb	NONF 1	1
709850	Insulated copper wire, n. e. s. (formerly 643500), except rubber-covered lamp cord (formerly 643000 (report building wire in 709810).	Lb	NONF 1	1
	ENGINES, TURBINES, AND PARTS, N. E. S.			
713400	Steam jet ejectors, 4 stages and over, accessories and parts (report steam jet ejectors under 4 stages, accessories and parts, in 713500).		GIEQ	None
	MINING, WELL, AND PUMPING MACHINERY			
731100	Rock drills, *when* containing diamonds	Unit	CONS	None
731150	Rock drill bits, detachable (formerly 733900), *when* containing diamonds.	Unit	CONS	None
733910	Other mining and quarrying machinery (formerly 733900), *when* containing diamonds (report drill bits in 731150).	Unit	CONS	None
733990	Parts for mining and quarrying machinery (formerly 733900), *when* containing diamonds.	Unit	CONS	None
734240	Diamond bits for oil or gas well drilling (formerly 734200).	Unit	CONS	None
	METALWORKING MACHINERY			
745503	Diamond dies for power-driven metalworking machinery.	Unit	TOOL	None
	OTHER INDUSTRIAL MACHINERY			
759300	Milk-shipping containers (5 gals. or over)	Lb. & unit	CONT 1	100
	Mechanical (dry) vacuum pumps:			
770810	With a theoretical displacement at normal operating speeds of 20 cubic feet per minute or more and capable of producing a vacuum of 1 millimeter of mercury pressure absolute.	Unit	GIEQ	None
	Diffusion vacuum pumps:			
770870	5 inches in diameter and larger (diameter measured inside the barrel at the inlet jet).	Unit	GIEQ	None
774020	Diamond penetrators		GIEQ	None
775050	Electrolytic cells (commonly called fluorine cells) (formerly 775098).		GIEQ	None
775098	Parts for mechanical (dry) vacuum pumps with a theoretical displacement at normal operating speeds of 20 cubic feet per minute or more and capable of producing a vacuum of 1 millimeter of mercury pressure absolute.		GIEQ	None
775098	Parts for diffusion vacuum pumps, 5 inches in diameter and larger (diameter measured inside the barrel at the inlet jet).		GIEQ	None
775098	Diamond penetrator parts		GIEQ	None
	AGRICULTURAL MACHINERY AND IMPLEMENTS			
780200	Milk shipping cans (less than 5 gals.)	Lb. & unit	CONT 1	100

[3] Exportations to Group O and Group R countries are subject to consolidated license (CL) procedure. See page 45.

Positive list of commodities, including all announcements through Feb. 1, 1949—Con.

Department of Commerce schedule B No.	Commodity	Unit	Processing code and related commodity group	GLV dollar value limits
	RAILWAY CARS			
796600	Freight cars, over 10-ton capacity	Unit	TRAN	None
796750	Mine cars, not over 10-ton capacity	Unit	CONS	None
796750	Industrial and other freight cars, not over 10-ton capacity.	Unit	TRAN	None
796800	Air-brake equipment, and parts		TRAN	100
796900	Parts for railway cars (report axles and wheels in 610515, 610518, 610525, 610528, 610535, and 610538) *except:* car power units and parts; car replacers and parts; dashlights and parts, for railway motor cars; illuminating lights and parts; inspection car parts; maintenance car parts; pinlock brakes and parts; power units, for electric and railway motor cars; push car parts; release handles and parts; sleet cutters; track-inspection car parts; trackless trolley parts; tram parts, electric; trolley retrievers and parts; truck parts, railroad, gasoline; and velocipede railway parts.		TRAN	100
	COAL-TAR PRODUCTS			
800500	Crude and refined coal tar	Gal	DYES	100
800600	Benzol	Gal	DYES	100
800700	Coal-tar pitch	L. ton	PETR	100
802005	Naphthalene (crude and refined) (formerly 802000).	Lb	DYES	100
802090	Tar acid oil (formerly 802000)	Lb	DYES	100
802300	Phenol	Lb	DYES	100
802409	Cresylic acid and cresols (natural and synthetic) (formerly 802400).	Lb	DYES	1
802590	Meta cresol	Lb	DYES	1
802590	Ortho cresol	Lb	DYES	1
802590	Para cresol	Lb	DYES	1
	MEDICINAL AND PHARMACEUTICAL PREPARATIONS			
811100	Castor oil (report commercial grades in 224901)	Gal	FATS	25
	Bismuth salts and compounds:			
	Liquid, in dosage forms:			
812400	Bismuth subcarbonate (formerly 813590)		DRUG	25
812400	Bismuth subgallate (formerly 813590)		DRUG	25
812400	Bismuth subnitrate (formerly 813590)		DRUG	25
812400	Bismuth subsalicylate (formerly 813590)		DRUG	25
	Solids, in dosage forms:			
812790	Bismuth subcarbonate (formerly 813590)		DRUG	25
812790	Bismuth subgallate (formerly 813590)		DRUG	25
812790	Bismuth subnitrate (formerly 813590)		DRUG	25
812790	Bismuth subsalicylate (formerly 813590)		DRUG	25
	Bulk, in all forms:			
813583	Bismuth subcarbonate (formerly 813590 and 839900).	Lb	DRUG	25
813583	Bismuth subgallate (formerly 813590)	Lb	DRUG	25
813583	Bismuth subnitrate (formerly 813590 and 839900).	Lb	DRUG	25
813583	Bismuth subsalicylate (formerly 813590 and 839900).	Lb	DRUG	25
813587	Quinine sulfate (formerly 812730) and quinine hydrochloride (formerly 812750), in bulk form only.	Av. oz	DRUG	None
813588	Quinidine alkaloid and quinidine salts and compounds (formerly 812750).	Av. oz	DRUG	*None
813593	Radium salts and compounds for medical use (formerly 813590) (state radium content).		DRUG	None
813593	Radon (radium emanations) (formerly 813590)		DRUG	None
813593	Chemicals containing artificial radioactive isotopes (formerly 813590).		DRUG	None
814500	Reagent chemicals for laboratory use (C. P., U. S. P., N. F., A. C. S., or other recognized reagent grades only) (formerly 829970).	(Export controls (including GLV dollar-value limits) applicable to each reagent chemical under this classification are those which apply to other grades of the chemical exported under different Schedule B numbers (see controls applicable to medicinal and pharmaceutical preparations and industrial chemicals); but the total dollar value of all reagent chemicals included in any single shipment may not exceed $100.		

*When an asterisk precedes the GLV dollar-value limit for any commodity, all forms, conversions, and derivatives of the commodity, even though not covered by the Schedule B number for the entry, are subject to the value limitations specified.

Positive list of commodities, including all announcements through Feb. 1, 1949—Con.

Department of Commerce schedule B No.	Commodity	Unit	Processing code and related commodity group	GLV dollar value limits
	CHEMICAL SPECIALTIES			
820600	Naphthalene balls and flakes	Lb	DYES	100
829980	Diffusion pump oils (oils enabling the attainment of vacuum of 10^{-4} millimeters of mercury pressure absolute in a single stage diffusion pump) (include silicone diffusion pump fluids).	Lb	DYES	25
	INDUSTRIAL CHEMICALS			
830910	Chromic acid	Lb	SALT	25
830980	Anhydrous hydrofluoric acid	Lb	ACID	100
831100	Ethylene glycol	Lb	DYES	25
831450	Glycerin (100% glycerin basis) (formerly 831400)	Lb	DYES	100
831450	Glycerin, crude (formerly 831500)	Lb	DYES	100
832980	Lead acetate (formerly 832990)	Lb	PLAT	100
	Potassium compounds, except fertilizers (report potassic fertilizer materials in 853000 and 853100):			
835700	Potassium bichromate and chromate	Lb	SALT	25
835900	Potassium perchlorate and mixtures [2]	Lb	SALT	100
836800	Sodium bichromate and chromate	Lb	SALT	100
837990	Sodium nitrate (formerly 837900)	Lb	FERT	100
837990	Sodium bismuthate (formerly 837900)	Lb	DRUG	None
838100	Tin compounds (formerly 839900)	Lb	PLAT	1
838400	Ammonium nitrate	Lb	FERT	100
838500	Ammonium sulfate		FERT	100
838500	Urea (except synthetic resins and fertilizers)		FERT	100
838500	Urea ammonium salts		FERT	100
839100	Freons, 11 and 12	Lb	SALT	100
839100	Other freons	Lb	SALT	25
839500	Fluorine		SALT	None
839500	Genetrons		SALT	25
839610	Antimony oxides (tri-, tetra-, penta-) (formerly 839900).	Lb	PLAT	100
839610	Antimony sulfide (formerly 839900)	Lb	PLAT	100
839900	Actinium bearing salts and compounds		SALT	None
839900	Beryllium salts and compounds (including, but not limited to, beryllium oxide, beryllium nitrate, beryllium sulphate, beryllium carbonate).		SALT	None
839900	Chemicals containing artificial radioactive isotopes.		DRUG	None
839900	Fluorocarbons (completely fluorinated materials)		SALT	25
839900	Gallium salts and compounds		SALT	None
839900	Lead antimonate		PLAT	100
839900	Lead arsenite		PLAT	100
839900	Lead dioxide		PLAT	100
839900	Polonium bearing salts and compounds		SALT	None
839900	Radium ore concentrates		DRUG	None
839900	Radium salts and compounds (radium content)		DRUG	None
	PIGMENTS, PAINTS, AND VARNISHES			
842900	Chrome pigments containing 10% or more chromium, except lead-free chrome pigments.	Lb	PLAT	100
841400	Lithopone	Lb	PLAT	100
842400	Red lead, dry	Lb	PLAT	100
842450	Red lead, in oil (formerly 843100)	Lb	PLAT	100
842500	Litharge	Lb	PLAT	100
842600	White lead, dry (including basic lead carbonate; basic sulphate of white lead (formerly 842900); lead pigments, including blue lead and lead sulphate (formerly 842900)).	Lb	PLAT	100
842700	White, lead, in oil (paste) (including lead sublimed in oil (formerly 843100).	Lb	PLAT	100
843800	Paints containing radium	Gal	PLAT	None
	FERTILIZERS AND FERTILIZER MATERIALS			
	Nitrogenous fertilizer materials:			
850500	Ammonium sulfate	Lb	FERT 3	100
850700	Sodium nitrate, n. e. s	Lb	FERT 3	100
850800	Ammonium nitrate as fertilizer (formerly 850900).	Lb	FERT 3	100
850900	Calcium cyanamide	Lb	FERT 3	1

[2] May be exported under general license to the Philippine Islands and to all destinations in North America and South America as listed in Schedule C of the Bureau of the Census.

Positive list of commodities, including all announcements through Feb. 1, 1949—Con.

Department of Commerce schedule B No.	Commodity	Unit	Processing code and related commodity group	GLV dollar value limits
	FERTILIZERS AND FERTILIZER MATERIALS—con.			
	Nitrogenoun fertilizer materials—Continued			
850900	Calcium nitrate	Lb	FERT 3	100
850900	Urea	Lb	FERT 3	100
850900	Other nitrogenous chemical materials	Lb	FERT 3	100
851000	Nitrogenous organic waste materials (include fish meal, hoof meal, guano, castor-bean pomace, manures, packinghouse offal intended for fertilizer).	Lb	FERT 3	100
	Potassic fertilizer materials:			
853000	Potassium chloride [2]	Lb	FERT 3	100
853100	Potassium sulfate [2]	Lb	FERT 3	100
854100	Ammonium phosphates (formerly 854000)	Lb	FERT 3	100
854900	Other nitrogenous phosphatic types (formerly 854000).	Lb	FERT 3	100
855100	Prepared fertilizer mixtures manufactured principally for use in the production of general agricultural crops (such as 4-12-4, 5-10-5, etc.), not including premium-type plant foods such as Vigoro, Cipps Plant Food, Nitrophaska and other prepared fertilizer mixtures used primarily for truck crops, gardens and lawns.	Lb	FERT 3	300
	SCIENTIFIC AND PROFESSIONAL INSTRUMENTS, APPARATUS AND SUPPLIES			
915000	Diamond disk points and other dental instruments containing diamonds.		SATE	None
	MISCELLANEOUS COMMODITIES, N. E. S.			
983200	Candles	Lb	CDGS	1
	Commodities exported for relief or charity by individuals and private agencies: (The following classifications are not used for exports for relief or charity by U. S. Government agencies or by UNRRA, except for exports of used clothing, blankets, and bedding by such agencies, which are reported under 999820 or 999830. All other exports by U. S. Government agencies or by UNRRA, including new clothing, blankets, and bedding are reported under their specific Schedule B numbers):			
999810	Food	Export controls applicable to each commodity under these classifications are those which apply to the commodity when exported commercially under its individual Schedule B number.		
999820	Clothing			
999830	Blankets and bedding			
999840	Drugs and biological supplies			
999850	Surgical sanitary and hospital supplies and equipment.			
999860	Ambulances and other motor equipment			
999890	Other			
999910	General merchandise valued at less than $25. This commodity number is applied to: (a) All single items of Schedule B commodities valued at less than $25. (b) All totals of Schedule B commodities, single items of which are valued at less than $25, including shipments to postmasters or other agents for distribution at destination.	Export controls applicable to each commodity under this classification are those which apply to the commodity when exported under its individual Schedule B number.		

[2] May be exported under geneal license to the Philippine Islands and to all destinations in North America and South America as listed in Schedule C of the Bureau of the Censes.

(The following letters and telegrams were received and ordered printed in the record:)

INDIANAPOLIS, IND., *January 27, 1949.*

Hon. B. R. MAYBANK,
Chairman, Senate Committee on Banking and Currency,
Washington, D. C.:

Because inability attend hearing tomorrow, relative extension Export Control Act, I quote below resolution adopted at our fifty-second annual convention at North Platte, Nebr., on January 13, 1949, relative the acute situation which has developed in the fats-and-oils market in this country, and particularly in regard

to beef fats, in which we are especially interested on account of these export controls. Will appreciate your putting this resolution in the records of your hearing:

"Whereas the Federal Government is controlling the export of edible and inedible fats and oils regardless of abundant supplies; and

Whereas these controls have the effect of holding the prices of animal fats and oils below the normal relationship of prices of animal fats and oils to dressed meats and other byproducts; and

Whereas the production of animal fats and oils is on the increase throughout the world and every indication of a pronounced increase of production in this country: Therefore be it

Resolved, That the American National Livestock Association go on record as earnestly protesting the continuation of present export controls and ask that animal fats and oils be placed on the general export license immediately to all Western Hemisphere nations and to European countries cooperating in the European recovery program, and that the export-control authority to all such nations be terminated altogether in 1949."

We urge that the act be so amended as to permit free shipment of fats and oils to Western Hemisphere and ECA countries.

AMERICAN NATIONAL LIVESTOCK ASSOCIATION,
By F. E. MOLLIN, *Executive Secretary.*

CENTRAL OIL & MILLING CO.,
Clayton, N. C., January 26, 1949.

Hon. BURNET R. MAYBANK,
Chairman of Banking Committee, Senate Office Building,
Washington 25, D. C.

DEAR SENATOR MAYBANK: I feel that the export control of oilseeds and oilseed products has served its purpose and is now acting to the detriment of the farmers.

As you perhaps know, vegetable oil has fallen 6 cents a pound and soybeans 30 to 40 cents a bushel, along with substantial decline in lard in the last 2 months. It is estimated that 40 percent of the soybeans are still in the farmers' hands. Meanwhile, Brazilian oil is selling considerably higher than United States oil in the world market, in terms of dollars.

The Department of Agriculture would like to increase allocations, but the Department of Commerce is holding them down. The result is that the Department of Commerce is in effect holding an artificial floor under the foreign oils and oilseeds to the detriment of the American farmer by partially excluding him from the market.

With large supplies now on hand and large crops in prospect, it appears that the time has come to eliminate this control.

Very truly yours,

PAUL KELLER, *President.*

THE CHICAGO ASSOCIATION OF COMMERCE AND INDUSTRY,
Chicago, Ill., January 26, 1949.

Hon. BURNET R. MAYBANK,
Chairman, Senate Banking and Currency Committee,
Senate Office Building, Washington, D. C.

DEAR MR. MAYBANK: Our association desires to record the following views regarding the proposed extension of export controls.

We are opposed to any long-term extension of export controls. We recognize the necessity of temporary controls over scarce and strategic materials, but believe their temporary character should be emphasized. We think that any extension should be for a period not exceeding 1 year.

We subscribe to the final declaration of the Thirty-fifth National Foreign Trade Convention regarding this subject as adopted in New York, November 10, 1948, and which reads as follows:

"The convention recognizes that fulfillment of the purposes of the foreign policy of the United States may require the maintenance of certain temporary export controls. It urges, however, that such controls be held to an absolute minimum; that, in the implementation of such controls, account be taken of, and provision be made for, uncompleted orders already on the books. Where such controls are applied, they should be adequately policed to insure their just and

effective application; and any license applications should be dealt with promptly in order to eliminate or minimize delays in shipment.

"These controls should be subject to continuing review, so that items whose retention on the positive list is not absolutely necessary may be removed promptly. Any new regulations should be drawn in clear and understandable terms, in previous consultation with business representatives. These regulations should take into account the needs of American enterprises established abroad and the desirability of promoting the development of resources through the direct investment of American capital in foreign countries.

"Export-control regulations should not be so cumbersome and exacting as to stifle America's export trade in the effort to prevent abuses by a small number of exporters."

Very sincerely yours,

A. W. ROBERTS,
Vice President, World Trade.

EASLEY OIL MILL, INC.,
Easley, S. C., January 26, 1949.

Hon. BURNET R. MAYBANK,
United States Senate, Washington, D. C.

MY DEAR SENATOR: As you know, the prices of most farm products, particularly fats and oils, have declined drastically during the last few weeks. This seems to be because of the heavy movement of hogs to market and cottonseed and soybeans to mills, and also to lack of exports.

It has come to our attention that some vegetable oils have been sold for export by foreign countries at an f. o. b.-price several cents higher than the current prices for those oils in our country. Obviously, something is wrong when this occurs.

We understand that the fats and oils have been allocated for export, but that exports are being held up somewhere. We would like for you to investigate this matter and do everything you can to put fats and oils and oilseed meals on a free market basis. If this is not possible or practicable, we would appreciate your efforts to take exports of these items out of the Department of Commerce and give the Department of Agriculture complete control of allocations and exports of these commodities.

We will greatly appreciate anything you can do to encourage and expedite exports of fats, oils, and oilseed meals which will help support prices of these products and will protect the farmer, handler, and processor of these products.

Respectfully submitted.

EASLEY OIL MILL, INC.,
H. B. HAMILTON.

EXPORT MANAGERS CLUB OF CHICAGO, INC.,
Chicago 2, Ill., January 26, 1949.

Hon. BURNET R. MAYBANK,
Chairman, Senate Banking and Currency Committee,
Senate Office Building, Washington, D. C.

DEAR MR. MAYBANK: Our club, which is comprised of about 600 members engaging in some phase of the export business, desires to record its opposition to any extension of export controls, as covered by the public hearing before your committee January 28, for a period longer than 1 year.

It is our position that changes in the available supply of many commodities and much merchandise are so frequent that it would be a mistake to extend such controls for a longer period.

We are in full accord with the resolution of the National Foreign Trade Convention last November 10 concerning this subject. A copy is enclosed for your ready reference.

By separate post I am sending you 50 extra copies of this letter and enclosure and hope that you will make them available to the members of your committee.

Sincerely yours,

E. W. PLAGGE, *President.*

FINAL DECLARATION OF THE THIRTY-FIFTH NATIONAL FOREIGN TRADE CONVENTION REGARDING FOREIGN TRADE CONTROLS

The convention recognizes that fulfillment of the purposes of the foreign policy of the United States may require the maintenance of certain temporary

export controls. It urges, however, that such controls be held to an absolute minimum; that, in the implementation of such controls, account be taken of, and provision be made for, uncompleted orders already on the books. Where such controls are applied, they should be adequately policed to insure their just and effective application; and any license applications should be dealt with promptly in order to eliminate or minimize delays in shipment.

These controls should be subject to continuing review, so that items whose retention on the positive list are not absolutely necessary may be removed promptly. Any new regulations should be drawn in clear and understandable terms, in previous consultation with business representatives. These regulations should take into account the needs of American enterprises established abroad and the desirability of promoting the development of resources through the direct investment of American capital in foreign countries.

Export control regulations should not be so cumbersome and exacting as to stifle America's export trade in the effort to prevent abuses by a small number of exporters.

PENDLETON OIL MILL,
Pendleton, S. C., January 26, 1949.

Hon. BURNETT R. MAYBANK,
United States Senate, Washington, D. C.

MY DEAR SENATOR: I am told that the reason for the recent slump in cottonseed-oil prices is caused by the veto of the Department of Commerce of allocations for export by the Department of Agriculture. This is causing fats and oils to pile up in this country, and is putting the prices down very seriously. Inasmuch as most of the oil mills have to buy seed during the ginning season, they are overloaded and, therefore, have a serious loss in their oil and meal. This is bound to be reflected in the price the farmer shall get for his cottonseed. Inasmuch as the law for allocating foodstuffs for export was to take care of scarce commodities, I think that this law should be repealed when the commodity gets plentiful. I understand that this is to come up January 28, and I wish to go on record for favoring the repeal of all laws curbing exports on plentiful commodities.

Respectfully,

E. N. SITTON.

NATIONAL COTTON COUNCIL OF AMERICA,
Memphis, Tenn., January 31, 1949.

Senator BURNET R. MAYBANK,
Chairman, Banking and Currency Committee,
United States Senate, Washington 25, D. C.

DEAR SENATOR MAYBANK: On behalf of the National Cotton Council of America, representing the six primary-interest groups of the cotton industry, I ask your consideration of the following views and recommendations regarding the proposed legislation (S. 548), the Export Control Act of 1949:

In view of the present surplus of fats and oils and the obvious demand in foreign countries, we believe specific control through allocation and individual licenses should be removed and these fats and oils should be placed under general license. We further believe the authority to determine the exportable surplus should be vested in the Department of Agriculture.

The supply of edible fats and oils is today a burdensome surplus on the domestic market and will be when the new crop comes onto the market unless large quantities are moved into export markets immediately. The production of soybean and cottonseed oil alone this season is expected to be 600 million pounds above last season. Today we estimate there is a surplus of edible fats and oils available for export from February 1 to July 31 of at least 500 million pounds. This surplus is reflected by the serious decline in prices. The price of crude cottonseed oil has declined from 40 cents per pound in May 1948 to 20 cents per pound in November 1948 and to 13¾ cents per pound currently. The market is so influenced by the surplus that the recent export allocation of 109 million pounds had absolutely no effect on price. In fact, the price has dropped since the allocation. Cottonseed prices fell from $80 a ton in November to about $50 a ton today. There were about 500,000 tons of cottonseed unsold on January 1, according to the Bureau of Census figures. There are a number of mills now refusing cottonseed because their storage is filled. Being unable to move products now on hand, they are unwilling to purchase more seed. Unless this tremendous surplus is moved immediately, the price of cottonseed will necessarily be depressed seriously the beginning of the new season under this past season.

The need for this oil abroad is apparent. The Under Secretary of Agriculture, Mr. Loveland, in his statement before your committee stated that edible fats and oils are still in "world short supply." Secretary of Commerce Sawyer in his statement said the exports of edible oilseeds would obviously be increased by decontrol.

This export movement would be facilitated by ECA financing. The ECA tells us it has many requests for assistance in financing oil exports it has not been able to grant because allocations have not been forthcoming.

While exports of United States edible fats and oils are restricted, foreign oils are being sold for dollars on the world market for 5 cents to 10 cents a pound, or 30 to 50 percent above the United States price. Such a spread is possible only because sufficient allocations of United States oils are not granted.

In view of these considerations, we can see no reason for requiring special allocations and licenses on edible fats and oils and think they should be decontrolled immediately and as long as the surplus is determined by the Secretary of Agriculture to exist.

A great deal of the present confusion, we believe, has come about from the fact that the Department of Agriculture has insufficient authority over determining the amounts of fats and oils to be exported. We feel the Secretary of Agriculture is in the best position of anyone in the Government to know this situation and should be delegated by law to determine quantities to be exported and allocations to be granted if and when in the future it is necessary to have allocations. We believe an amendment to this effect in the bill now under discussion would strengthen the legislation and improve the efficiency and effectiveness of the program in the future.

Your consideration of these views and recommendations will be appreciated.

Sincerely yours,

HAROLD A. YOUNG, *President.*

NATIONAL COUNCIL OF FARMER COOPERATIVES,
Washington, D. C., January 31, 1949.

Hon. BURNET R. MAYBANK,
Chairman, Committee on Banking and Currency,
United States Senate, Washington, D. C.

DEAR SENATOR MAYBANK: The National Council of Farmer Cooperatives believes that S. 548 should provide for the exemption of fats and oils from export control to friendly nations.

The world has record crops of cottonseed and soybeans, according to Government reports, and the United States is importing much larger quantities of oils and oil materials than prewar. Likewise, lard and tallow are backing up to the point where prices are out of line with the normal ratio to live-animal prices. The present price of lard reflects a 10- or 11-cent price for hogs.

The lower prices of fats resulting from slow market movement do not reach the consumer, since low-priced animal fats are not closely trimmed from retail meat-cuts. Under such conditions, producers have to sell livestock at a lower price in order for the price to cover the cost of the carcass. As a result, fewer pounds of fats are being recovered separately, and the over-all supply may be greatly reduced if the present situation continues.

Yours very truly,

JOHN H. DAVIS,
Executive Secretary.

THE SOUTHERN COTTON OIL CO.,
Columbia, S. C., January 26, 1949.

Hon. BURNET R. MAYBANK,
United States Senate, Washington, D. C.

DEAR SENATOR MAYBANK: As you know, the exports of fats and oil are controlled by the Federal Government, and it is necessary for allocations to be made before these commodities can be exported.

The cottonseed-oil market has declined about 5 cents per pound since the first of December, due to the plentiful supply of fats and oils and to the export restrictions. If these restrictions can be removed from fats and oil, we believe it will

be most beneficial to the markets on these commodities. As you know, the price on cottonseed oil is directly reflected in the price of cottonseed, and there is no support price on cottonseed.

We trust that you will use your efforts to have export restrictions removed on fats and oil—certainly while the supply is plentiful.

Yours very truly,

THE SOUTHERN COTTON OIL CO.,
By C. FITZSIMONS, JR.,
District Manager.

MUSKOGEE, OKLA., *January 27, 1949.*

Hon. BURNETT MAYBANK,
United States Senate, Senate Office Building,
Washington, D. C.:

Desire to protest continuation of export controls on oil seeds and their products. Controls causing unreasonable price declines. Seriously affecting growers and processors. Removal should stabilize prices at reasonable levels. Senate Banking Committee to consider next week.

G. W. CROISANT,

MUSKOGEE, OKLA., *January 28, 1949.*

Senator BURNETT MAYBANK,
Senate Office Building, Washington, D. C.:

We are stockholders and directors in local cotton oil company and our attention has been called to the effect export controls has on their products. Largely because of these controls prices have declined 35 to 50 percent during past few months which if not remedied will seriously penalize cotton farmers, not only this area but throughout the South. We feel there is very good reason why these controls should be removed and we hope you will use your influence to this end when this matter is considered next week by Senate Banking Committee.

L. W. DUNCAN.
C. F. LYNDE.

BALTIMORE, MD., *January 31, 1949.*

Hon. BURNET R. MAYBANK,
Chairman, Banking and Currency Committee,
The Senate, Washington, D. C.:

Reference export controls fats and oils: Our association is vitally interested in this matter insofar as it affects the exports of lard. The piling up of surplus lard in this country is causing tremendous losses to our members by exerting an increasingly strong downward pressure on lard prices daily. Lard today is selling approximately 8 cents below live hogs which is a most abnormal situation. Investigation shows that demand for fats abroad is terrific. The members of the Eastern Meat Packers Association therefore are asking for help by lifting the export controls. It will be appreciated if you will give this matter your attention.

EASTERN MEAT PACKERS ASSOCIATION,
ALBERT F. GOETZE, *President.*

WILSON, N. C., *January 27, 1949.*

Senator BURNET R. MAYBANK,
Senate Office Building, Washington, D. C.:

Oilseeds and oilseed products apparently are in surplus in the United States and drastic price declines have occurred in soybeans, cottonseed, and their byproducts. Would appreciate your using your influence to have oilseeds and oilseed products removed from export control. Understand present bill regulating exports expires February 24.

FARMERS COTTON OIL CO.,
T. F. BRIDGERS, *President.*

FREMONT, N. C., *January 28, 1949.*

Hon. BURNET R. MAYBANK,
United States Senate, Washington, D. C.

We wish to protest the continuation of the present export control on oil seeds and oilseed products.

FREMONT OIL MILL CO.

MUSKOGEE, OKLA., *January 28, 1949.*

Hon. BURNET MAYBANK
Senate Office Building, Washington, D. C.:

Export controls on oilseed and their products causing unreasonable price declines. Since last January cotton seed meal is down approximately 35 percent and oil and linters over 50 percent with declines continuing. Condition seriously affects growers of oil seeds and processing industry. Serious shortage still exists in foreign countries. Removal of controls should stabilize prices at reasonable level. Senate Banking Committee to consider next week.

G. N. IRISH,
Vice President, Muskogee Cotton Oil Co.

OKLAHOMA CITY, OKLA., *January 27, 1949.*

Hon. BURNET MAYBANK,
Senate Office Building, Washington, D. C.:

In view of large production and stocks of oilseeds and oilseed products continuation of export controls is unnecessary on behalf of the cotton producers in our organization. We strongly urge your support of measures to remove these controls.

PRODUCERS COOPERATIVE OIL MILL AND OKLAHOMA COTTON COOPERATIVE ASSOCIATION.

OKEMAH, OKLA., *January 28, 1949.*

Hon. BURNET MAYBANK,
Senate Office Building, Washington, D. C.:

We urge that you protest control of oilseeds and oilseed products for export.

UNION COTTON OIL CO.,
GEO. JETSON, *Prague, Okla.*

COLUMBUS, MISS., *January 27, 1949.*

Senator BURNET R. MAYBANK,
Senate Office Building:

Present stocks are justifiable proof that no further export controls are necessary on oilseed and oilseed products. We hope you will lend your earnest support to the removal of these controls.

Y. E. TRAVIS.

CALDWELL, TEX., *January 27, 1949.*

Hon. BURNET R. MAYBANK,
Chairman, Banking Committee, Senate Building, Washington, D. C.:

Urge your full support to lifting of export controls on oilseed and oilseed products.

WOMBLE OILMILL CO.
JUDSON C. WOMBLE, *Manager.*

VERNON, TEX., *January 27, 1949.*

Senator BURNET R. MAYBANK,
Chairman, Banking Committee, Washington, D. C.:

Understand we have surplus of edible oils and fats, oilseeds, and oilseed products in our country that there is great need for in foreign countries, but shipments restricted on account of export controls. Respectfully urge that export-control powers be lifted on these products to the end that our livestock and oilseed producers may receive living wage for products.

VERNON CHAMBER OF COMMERCE.
J. R. WRIGHT, *President.*

NATIONAL FOREIGN TRADE COUNCIL, INC.,
New York 6, N. Y., February 1, 1949.

Reference: Continuation of export controls.

Senator BURNET R. MAYBANK,
Chairman, Committee on Banking and Currency,
Senate Office Building, Washington, D. C.

DEAR SIR: During the hearings of your committee on S. 548, we would appreciate your consideration of the recommendations given below which we ask to be included in the record

At the Thirty-fifth National Foreign Trade Convention, held last November in New York and attended by some 2,000 delegates from various parts of the country, United States Government export controls were considered and recommendation XI of the final declaration of the convention was approved as follows:

"XI. FOREIGN TRADE CONTROLS

"The convention recognizes that fulfillment of the purposes of the foreign policy of the United States may require the maintenance of certain temporary export controls. It urges, however, that such controls be held to an absolute minimum; that, in the implementation of such controls, account be taken of, and provision be made for, uncompleted orders already on the books. Where such controls are applied, they should be adequately policed to ensure their just and effective application; and any license applications should be dealt with promptly in order to eliminate or minimize delays in shipment.

"These controls should be subject to continuing review so that items whose retention on the positive list is not absolutely necessary may be removed promptly. Any new regulations should be drawn in clear and understandable terms, in previous consultation with business representatives. These regulations should take into account the needs of American enterprises established abroad and the desirability of promoting the development of resources through the direct investment of American capital in foreign countries.

"Export-control regulations should not be so cumbersome and exacting as to stifle America's export trade in the effort to prevent abuses by a small number of exporters."

The National Foreign Trade Council has considered the matter of export-control legislation and endorses the position expressed in the above convention declaration. The council further takes the position that the renewal legislation be no longer than June 30, 1950, so that Congress, before the expiration of that period, will review the continuation of such temporary emergency restrictions as may then be required. Any indication of continuing long-term control of exports by our Government would discourage efforts being made to obtain a world-wide reduction and removal of barriers to international trade, as well as the normal utilization of private channels of trade.

In order to restrict a very small group of irresponsible exporters, over-all controls on exports should not involve an unnecessary increase in paper work for all exporters. It should be borne in mind always that the vital export business of our Nation should not become unnecessarily handicapped in its normal operations because of the acts of a very small minority. For those found guilty of violating export-control regulations, prompt and maximum punishment would serve to eliminate the lawbreakers and act as a deterrent to others.

Respectfully submitted.

WILLIAM S. SWINGLE,
Executive Vice President.

CHAMBER OF COMMERCE OF THE
UNITED STATES OF AMERICA,
Washington 6, D. C., February 2, 1949.

Senator BURNET R. MAYBANK,
Senate Committee on Banking and Currency, Washington 25, D. C.

MY DEAR SENATOR: The Chamber of Commerce of the United States opposes the principle of export controls.

While national security is of paramount importance and the safeguarding of that security is the major reason for the continuation of export controls on highly strategic materials and industrial items to particular areas, we would like to make certain recommendations should your committee determine that the export control authority be extended.

We have these comments to make regarding export controls with particular reference to S. 548 pending before your committee.

1. While the bill calls for quarterly reports to Congress, we believe it does not make adequate provision for constant review of conditions by the administering agency with the view to liberalization of licensing requirements, simplification of procedure, and complete elimination of controls at the earliest practicable date. We recommend that such provision be made and that the authority be extended only until June 30, 1950. It is important that governmental departments and agencies act promptly in releasing controls on specific commodities as the supply situation improves.

2. Care should be taken to see that actions and recommendations of interdepartmental advisory committees, as well as the administering agency, do not delay the return to normal prewar commercial trading practices in international markets by United States exporters.

3. Free competition for available markets, as supply increases, should make it no longer necessary to direct exports. There is evidence that supply in many lines is rapidly catching up with demand. Hence the availability of dollars will govern exports from the United States. Business initiative, sales ability, service, delivery, supply and prices—on a free enterprise basis—are the appropriate regulators of trade. Our Government should avoid attempting to determine who shall make the sale.

4. Recognizing the tendency of Government agencies to attempt to justify their existence without due regard, perhaps, to the fundamental dangers of hampering normal operation of an important segment of the American economy, we urge that Congress require constant proof by the administering agency of efficient and economical operation, and of effective personnel utilization. The enactment of legislation extending export control authority should not be considered justification for appropriation of funds for maintenance of an unnecessarily large administering organization.

This caution, we believe, is especially important in view of the broad authority given the administering agency, as detailed in the bill under the title of "Consultation and Standards."

I wish that you would make this statement a part of the record of the hearings on S. 548.

Sincerely,

CLARENCE R. MILES.

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