TARIFF AND TRADE PROPOSALS

HEARINGS

BEFORE THE

COMMITTEE ON WAYS AND MEANS
HOUSE OF REPRESENTATIVES

NINETY-FIRST CONGRESS

SECOND SESSION

ON

TARIFF AND TRADE PROPOSALS

MAY 11, 12, 13, 14, 18, 19, 20, 21, 22,
JUNE 1, 2, 3, 4, 5, 8, 9, 10, 11, 12, 15,
16, 17, AND 25, 1970

Part 15 of 16 Parts

(June 16 and 17, 1970)

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TARIFF AND TRADE PROPOSALS

TUESDAY, JUNE 16, 1970

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

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

The CHAIRMAN. The committee will please be in order.

At the request of our colleague, Mr. Gubser, Mr. Sisk, you will go first, then Mr. Gubser, and then Mr. McFall.

We are very pleased to have the three of you with us.

Mr. Sisk, you are recognized.

STATEMENT OF HON. B. F. SISK, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. SISK. Thank you, Mr. Chairman.

Mr. Chairman, I appreciate this opportunity to take just a few brief moments.

I am particularly happy this morning to have accompanying me on the subject matter here my distinguished colleague from California, Mr. Gubser, and also my distinguished colleague, Mr. McFall, who join with me in this statement.

I have with me, Mr. Chairman, this morning, the statements of the Canners League of California which I would like to submit.

The CHAIRMAN. It will follow in the record the statement of the three of you.

Mr. SISK. Also, I have a copy of my own statement which I will read very briefly, Mr. Chairman.

I come before you today to urge that this committee look into problems that American industry seems to be having with subsidized foreign imports

The following California colleagues join me in this presentation: Mr. Gubser, Mr. McFall, Mr. Johnson, Mr. Moss, Mr. Leggett, and Mr. Mathias.

As you know, section 303 of the Tariff Act of 1930 provides for countervailing duties to offset this problem. The difficulty seems to appear in the inconsistent manner in which the Treasury Department Bureau of Customs sees fit to institute the provisions of this law.

At times they seem to move with the utmost of speed, and at other times they move with very little speed at all. I heartily recommend that the committee adopt legislation to insure uniform treatment of

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all complaints filed with them regarding subsidized imports and countervailing duties.

One example of this inconsistency is the experience of the Canners League of California with regard to tomato paste from Greece and Italy.

In July 1967, first rumors of a subsidy to Italian canners by the Italian Government began making the rounds. The Canners League asked the Department of Agriculture to check into this matter. USDA reported in October that the Italian Government had indeed granted such a subsidy; the League promptly filed a complaint with the Commissioner of Customs requesting that countervailing customs duties be initiated.

Several exchanges of correspondence between California Congressmen, the Canners League, and the Bureau of Customs took place during the next few months, but no action to institute the countervailing duties took place until April 1968. They went into effect in July 1968, and were not retroactive, although the Italian subsidies were retroactive to January 1967.

When Italian subsidies were lowered in November 1968, the Customs Bureau made corresponding changes in customs duties the next month.

The Bureau is capable of rapid action. The Italian subsidies were scheduled to expire December 31, 1969, but in February of this year, it was learned that they had been renewed and increased, as well. The League once again filed a complaint, but this time the only acknowledgment they received was action by the Bureau to initiate increased duties—in a period of 3 weeks.

The Bureau obviously is capable of rapid action. Why, then, cannot it follow this procedure at all times?

Currently, the Greek Government is subsidizing tomatoes grown in Greece in much the same manner that the Italian Government has been doing. The Canners League filed a formal complaint with the Customs Bureau in December 1969. They still have received no word on their complaint, other than routine acknowledgments to their inquiries into the matter.

These examples are covered in much more detail in the statement by the Canners League of California, but I think them pertinent to my testimony, as well.

It would seem to me as the result of the experience of this group alone that legislative action to institute control procedures is appropriate at this time. Indeed, I deem this a necessity.

Mr. Chairman, I would like to conclude by citing some language that is in line with the desire of the canners in connection with this matter and it appears at the top of page 8 in their prepared testimony. It would come at the end of section 303. As I say, this is some language that may need some improving.

In essence, it is suggested that provided that the Secretary shall order the withholding of appraisment with respect to any article, no later than 60 days following receipt of a communication from outside the customs service alleging that a bounty or grant is being paid or bestowed with respect to such article imported into the United States, unless he has good and sufficient reason to believe that the complaint is without foundation and unsubstantiable, in which event he shall pub-

lish in the Customs Bulletin or the Federal Register or both a notice dismissing the complaint and giving his reasons therefor.

As I say, Mr. Chairman, this is simply some suggested language which we have done some work on and it probably needs more work, but the primary concern is the matter of time. It always seems that when our industries are injured they are very, very slow to act.

On the other hand, when there is a change on the part of the foreign government, they can act almost overnight and even make it retroactive.

So, sometimes we really begin to wonder whose side they are on, frankly.

As you know, Mr. Chairman, this, of course, has happened in other instances.

Again, Mr. Chairman, thank you very much for the opportunity to present this statement and, on behalf of the Canners League of California, to make this presentation.

The CHAIRMAN. Thank you, Mr. Sisk.

I feel somewhat relieved to hear you raise the question about whose side some of these people are on. I thought I was by myself in having some questions along that line.

Mr. SISK. I tell you my experience in the last 15 or 16 years makes me wonder exactly which side they are on.

The CHAIRMAN. Mr. Gubser, we appreciate your being here. We will be glad to hear you.

STATEMENT OF HON. CHARLES S. GUBSER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. GUBSER. Mr. Chairman, I don't have a prepared statement.

With your permission, I would merely like to state that I completely endorse everything that my colleague, Mr. Sisk, has said. I join in his endorsement of the statement by the Canners League of California.

The coming canning industry is one of the major industries of our State.

I might state, since I think it is pertinent to the present situation, that it is now one of the sickest industries in the United States. In about 10 days we are going to be harvesting the apricot crop in the State of California. It is a highly perishable crop, as you know. Yet, I am receiving phone call after phone call from growers stating they cannot sell their crops because the canners do not dare speculate on a crop like apricots.

I called the President of one canning company yesterday and I said, would you please tell me what is wrong?

He said, "It is just this simple." He said, "We had a surplus canned last year. We have lost our foreign market to foreign competition and," he said, "we took a bath on our apricot pack last year. Very frankly, I can't use 10 percent money to put this apricot crop in the can."

So, they are not buying it. And the growers are going to go bankrupt.

At this very moment, 25 percent of the fabulous California cling peach crop is being dropped, by a process we call green drop, because there is not going to be a market. This is because the canning industry, a major industry, is sick, partly from foreign competition.

Now, we do not ask for a subsidy against foreign competition but we do ask for a fair implementation of the law. Section 303 says specifically that countervailing duties shall be imposed if and when an export subsidy is paid by a foreign government. That has been a part of the tariff law, as I understand it, since about 1897.

The head of the Tariff Commission, Mr. Clubb, is quoted when he spoke to the American Importers Association in New York as saying that the countervailing duties have rarely been invoked and I quote him, "And then only after a lengthy process which would have discouraged all but the most determined complainants."

All the canning industry is asking for is a timely administration of the law. There is no question that the Customs Bureau has dragged its feet and, as Mr. Sisk, has suggested, given us cause to doubt as to which side they are really on.

So, I join with Mr. Sisk in emphatically and strongly urging this committee to amend section 303 so as to insure a timely investigation and decision on the part of the Customs Bureau so that the law can be enforced.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Gubser.

We are pleased to have you with us, our colleague, Hon. John J. McFall.

We are glad to have you with us, Mr. McFall.

You are recognized, sir.

STATEMENT OF HON. JOHN J. McFALL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. McFALL. Thank you, Mr. Chairman.

I concure with what both my colleagues have said and ask for the same action by the committee.

Mr. Chairman, I appreciate the opportunity to come before your committee today in the company of my good friend and colleague, Congressman Sisk, who is presenting a statement in behalf of the Canners League of California concerning a problem of extreme importance to the agricultural industry of our State.

I do not favor the concept of building a high-tariff wall around the United States, nor do I believe that the canning industry of California would approve such actions. Much of the economic well-being of California is dependent upon our ability to sell agricultural products abroad, and this means we must maintain open trade channels on a two-way basis.

There appears to be a need for action to assist our producers and processors to get an even break in one aspect of foreign trade, however. The fruit and vegetable industry of the Nation is not subsidized. Throughout the years, due to the initiative and hard work of the industry in developing and expanding markets abroad, international trade has been lucrative for both U.S. farmers and exporters and has greatly assisted the Nation in developing favorable balances.

Subsidization of agricultural products grown abroad and shipped to the United States, however, poses a serious threat to all segments of our agricultural industry.

I am particularly concerned about the situation described by my colleague and the Canners League of California, inasmuch as it relates to canned tomatoes and tomato paste. Farmers in my congressional district produce about 30 percent of all processed tomatoes grown in the State and California produces approximately two-thirds of all processed tomatoes in the Nation.

Having assisted the Canners League 2 years ago in obtaining relief from the growing threat posed by tomatoes subsidized in France and Italy, I strongly endorse the legislative proposal presented here today and urge the committee to incorporate it in a measure for consideration by the House of Representatives.

(The statement of the Canners League of California follows.)

STATEMENT OF CANNERS LEAGUE OF CALIFORNIA

This statement is submitted on behalf of the Canners League of California, whose membership accounts for approximately 90% of the canned fruit and vegetable production in California. California annually produces more than 75 million cases of fruits and juices and more than 70 million cases of canned vegetables; this represents approximately 40% of the total national production. Of greater significance is the fact that California annually produces approximately two-thirds of all of the processing tomatoes utilized in the United States, a substantial portion of which is canned as tomato paste. California accounts for nearly the entire national production of canned tomato paste.

Of growing concern to our members is the increasing quantity of tomato paste imported. Imports have been encouraged by repeated tariff reductions at the various sessions of the GATT, including the Kennedy Round. These imports are having a depressant effect upon the prices California canners are able to realize for canned tomato paste and the prices received by California growers for processing tomatoes.

In addition to the tariff reductions, shipments of canned tomatoes and tomato paste to the United States are being encouraged by export subsidies granted by the governments of Italy, France and Greece. Although Sections 303 of the Tariff Act provides for the imposition of countervailing duty to offset such subsidies, the U.S. Bureau of Customs is exceedingly slow, in our opinion, in instituting the action as required by the statute.

This statement sets forth our experience with the Bureau of Customs, which we regard as unsatisfactory with regard to the length of time taken by Customs to investigate and act on documented complaints of subsidized imports, and also our proposal for legislation designed to expedite Customs procedures in the handling of such complaints.

PROBLEM OF OBTAINING RELEIF UNDER SECTION 303 OF THE TARIFF ACT

1. In mid-July, 1967 some members of the Canners League of California reported rumors of a subsidy being sought by Italian canners on the export of canned tomatoes and tomato products. The Canners League promptly instituted inquiries through the U.S. Department of Agriculture. On October 6 the U.S. Department of Agriculture furnished information to the Canners League confirming an Italian government order granting the subsidy. A complaint was filed on October 11, 1967, with the Commissioner of Customs requesting that countervailing duties be assessed. In our complaint we stated that the subsidy was announced by the Italian government on September 1, 1967, published in the Italian Official Gazette on September 28, 1967, and was retroactive to January 1, 1967.

On October 30, 1967, the Bureau of Customs acknowledged our complaint and said it would be investigated. On November 15 the Canners League sought help from California Senators and Congressmen to expedite the institution of countervailing duties as required by Section 303. On November 22 Senator Kuchel wrote to Ambassador Roth and Commissioner of Customs Johnson. On November 29 Commissioner Johnson wrote to Senator Kuchel saying the matter was being investigated. On December 8 Ambassador Roth wrote to Senator Kuchel indicating some doubt that the subsidy was being paid but said he would look

into the matter. On December 18 the Treasury Department informed Congressman Gubser it was too early to tell whether there was a basis for our complaint.

This was rather strange as we had supplied copies of the official Italian government notice granting the subsidy together with an English translation. At this time it became clear that the matter was considered in Administration circles to be a political issue, that any action would be a result of a political decision. The government was actually dragging its feet in spite of the clear Congressional mandate appearing in Section 303 of the Tariff Act.

On December 29, 1967, the Canners League sent a telegram to Commissioner of Customs Johnson complaining of a similar French subsidy. In asking for imposition of a countervailing duty on tomato products from France, the Canners League also reminded Commissioner Johnson that no action had yet been taken regarding the Italian subsidy. On January 16, 1968, the Canners League sought help from other canning associations and the California Department of Agriculture. On January 26, more than three months following our initial documented complaint, Treasury issued a press release announcing it was investigating our complaint regarding the Italian subsidy. An order of investigation was printed in the Federal Register of January 27, 1968. The next day Senator Kuchel sent a wire confirming his conversation with Secretary Fowler regarding the investigation.

On February 1, 1968 Senator Kuchel wired us that Treasury also was investigating our complaint regarding the French subsidy, and this order was published in the Federal Register of February 2, 1968. The orders set forth the details of the investigation and invited comments. On February 8 we responded to Commissioner Johnson urging prompt favorable action. On March 6 Senator Kuchel informed us that he was in constant contact with Treasury urging action.

On April 1, 1968, at the Canners League Annual Meeting in Santa Barbara, California, a telegram was sent to Secretary Fowler requesting action since ten weeks had elapsed since actual publication of the order initiating the investigation. On April 3 Treasury wired that we would be informed when a decision was reached. On April 17, 1968, Senator Kuchel wired that Treasury had signed orders to establish countervailing duties against French and Italian imports as requested. April 19, 1968 the orders were published in the Federal Register with the duties to become effective and assessable 31 days after publication in the Customs Bulletin. As the next Customs Bulletin was scheduled for June 1, the countervailing duties became assessable on July 2, 1968.

Our complaint regarding the Italian subsidy was filed on October 11, 1967, and the Treasury didn't even decide to investigate until January 26, 1968. Despite the thirty-day time limit for comment, publication of the decision to impose countervailing duties was delayed until April 17, 1968, and further administrative procedures held up imposition of countervailing duties until July 2, 1968. The elapsed time between filing the complaint and the imposition of countervailing duties was eight months and three weeks. There was no retroactive effect.

2. The next move on the part of Treasury was voluntary. On December 26, 1968, Treasury published a notice in the Federal Register saying that Italy had on November 27, 1968, reduced the amount of subsidy being granted on exports of canned tomatoes and tomato paste, and the Treasury ordered the countervailing duties reduced by a similar amount retroactive to that date (November 27, 1968). Contrast the slow action of Treasury in imposing countervaling duties with the voluntary, rapid and gracious action to favor imports by reducing countervailing duties.

3. We now come to the next chapter—the Greek subsidy. Over a year ago we received information that the Greek government was subsidizing tomatoes used in preparing products for exports in the amount of approximately 40 percent of the farm value. The existence of this subsidy was confirmed in an official report from the U.S. Department of Agriculture on October 20, 1969. As soon as this detailed information reached us we prepared and on December 17, 1969, filed a complaint with the Commissioner of Customs seeking assessment of a countervailing duty on canned tomato paste from Greece. This complaint was acknowledged by Customs on December 23, 1969.

On February 26, 1970, not having heard anything further on our complaint regarding the Greek subsidy, we again wrote to the Commissioner of Customs. In its acknowledgment dated March 4, 1970, Customs stated that Customs Representatives were making an investigation and as soon as a report was made

appropriate recommendations would be given to the Secretary of the Treasury. As this is written in mid-May—five months after filing of our complaint—there is no further word regarding this documented complaint, even though it is based on a report from the U.S. Agricultural Attache in Athens.

4. The Italian subsidies had been scheduled to expire December 31, 1969, but trade rumors reported efforts of Italian canners to have the subsidy continued. Early in February, 1970, we learned that the Italian government had renewed and had actually increased its subsidies on canned tomatoes and tomato paste. Confirmation of the increased subsidies was obtained from the U.S. Agricultural Attache in Rome, reproducing Italy's Ministerial Decree of October 14, 1969, as published in the Italian Official Gazette on November 6, 1969. On the basis of this information, the Canners League on March 18, 1970, filed a complaint with the Commissioner of the Customs seeking an increase in the countervailing duty rate to compensate for the increased subsidy. Not having an acknowledgment of this complaint, we sent a followup wire on April 8, 1970. It subsequently developed that an approximate increase in the countervailing duty had been published in the Federal Register of April 7, 1970.

The Bureau of Customs has demonstrated that it is indeed able to move promptly—in a period of only three weeks—and they could be complimented for having done so on the basis of the notice in the Italian Official Gazette with respect to this most recent complaint. It remains a mystery why action could be taken so promptly in this instance and on the reduction of the Italian subsidy, when contrasted to the long delays in acting on our original Italian and French complaints and the most recent Greek complaint.

LEGISLATIVE REMEDY

Our experience with respect to the French, Italian and Greek subsidies has convinced us there is need for insuring more prompt action by the Customs Bureau and Treasury Department in dealing with complaints and instituting countervailing duties as required by Section 303 of the Tariff Act.

Our belief in this regard is reinforced by the remarks of the Tariff Commissioner Bruce E. Clubb, in a speech before the American Importers Association in New York, when he noted that the Treasury Department has rarely invoked the countervailing duty provision, "and then only after a lengthy process which would have discouraged all but the most determined complainants."

Commissioner Clubb is quoted as saying that when a domestic producer complains that he is being ruined by subsidized imports, he should be able to go to the Treasury Department secure in the knowledge that if his allegations are true, his grievances will be effectively redressed and if they are not, this fact will be discovered and no action will be necessary. This has not been the case up to now, Commissioner Clubb said. The Countervailing Duty Law is not being enforced in any substantial way, he said.

Our views are further supported by the remarks of Senator Fannin, a member of the Finance Committee. We quote the following excerpts from the official text of his remarks:

. . . "The countervailing duty concept is almost as old as international trade itself. For centuries it has been recognized that the encouragement of exports through government subsidy distorts the natural and most efficient allocation of resources in international trade and creates false competitive advantages. The device most commonly used over the years to counteract the harmful effects of such subsidies has been the countervailing duty. The countervailing duty is simply a duty imposed by the importing country to offset the unfair advantage created by the subsidy.

"Our general countervailing duty law was originally enacted as a part of the Tariff Act of 1897. It was re-enacted in the Tariff Acts of 1909 and 1913, widened in scope in 1922, and, in its present form, embodied in Section 303 of the Tariff Act of 1930. Under its provisions, whenever a foreign government has subsidized a dutiable import into this country, the Secretary of the Treasury is required to determine the amount of the subsidy and to impose an additional duty on the import equal to the net amount of the subsidy."

. . . "Recently there has been a new flurry of activity, focused in the main on subsidized imports from Common Market countries. Of the 11 countervailing duty orders now in effect, 9 were issued during the last three years and of those 9, 8 were directed against members of the Common Market."

. . . "It is high time, I believe, that the United States began to take full

advantage of its countervailing duties law to meet the crisis of unfair foreign competition—a crisis that threatens our domestic industries and the jobs of countless Americans."

The position of the canning industry is that the Executive Branch should promptly carry out its obligation to impose countervailing duties on subsidized imports into the United States. To ensure that the will of Congress is carried out by the Bureau of Customs and the Treasury Department, we believe it would be wise to amend Section 303 by adding something along these lines to the end of Section 303.

"Provided, That the Secretary shall order the withholding of appraisement with respect to any article, no later than 60 days following receipt of a communication from outside the Custom Service alleging that a bounty or grant is being paid or bestowed with respect to such article imported into the United States, unless he has good and sufficient reason to believe that the complaint is without foundation and unsubstantiable, in which event he shall publish in the Customs Bulletin or the Federal Register, or both, a notice dismissing the complaint and giving his reasons therefor."

We believe that adoption of such an amendment to Section 303 would facilitate the Bureau of Customs' handling of complaints alleging the existence of a subsidy on imports. It is to be recalled that the Canners League based its complaints on information furnished by U.S. Agricultural Attaches through their official reporting, and that the Italian subsidies are in fact documented by publication in Italy's Official Gazette. Adoption of such an amendment to Section 303 would require the Bureau of Customs to give its official credence to and to act on such reports as emanate from the U.S. Agricultural Attaches or to explain its reason for failing to act. At the same time a provision such as we propose would permit rejection of capricious or ill-founded complaints. Withholding Customs appraisements as suggested would not in itself grant imposition of countervailing duties but would result in strong pressure for an early determination of the validity of a complaint, an end much to be desired. In cases where no subsidy existed, other governments could be expected to cooperate promptly with the Treasury in its investigation. The Treasury Department should welcome such cooperation and could well support this legislation.

We strongly urge favorable consideration of our proposal by your Committee.

The CHAIRMAN. Any questions of our colleagues?

If not, we thank all three of you for coming.

Our colleague from Florida, the Honorable Paul G. Rogers, has a statement to present to the committee today. You may come forward and proceed as you wish.

STATEMENT OF HON. PAUL G. ROGERS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF FLORIDA

Mr. ROGERS. Mr. Chairman, I appreciate very much having the opportunity to present my views on legislation which I have introduced, H.R. 9656, the Fresh Fruits and Vegetables Market Sharing Act.

I understand that the Florida Fruit and Vegetable Association, the principal supporter of this legislation, has submitted its views to the committee and, therefore, I will not take up much of the committee's time.

I wish to commend the distinguished chairman and the members of this committee for undertaking these hearings into the foreign trade policy of the United States which I believe is lacking in strength and practicality, particularly insofar as the Florida fruit and vegetable industry is concerned.

I believe it is encumbent upon the Congress of the United States to remedy the injurious effects of an undue increase of imports on the domestic economy and to provide equitable safeguards against serious

injury or a threat of serious injury caused by a substantial loss of the domestic market by any industry or agricultural operation to imports, while providing for the orderly expansion of imports in equal proportion to the growth of the domestic market for the products concerned.

A case in point is the tremendous influx of Mexican tomatoes into the United States which results in a significant reduction in prices adversely affecting the domestic tomato growers.

I have been in frequent contact with the Secretary of Agriculture urging that appropriate discretionary action be taken by him to reduce the flow of these Mexican tomatoes, but he has declined to take such action.

In hearings held by this committee in 1968, data was furnished which demonstrated that between 1963–64 and 1968–69, the tonnage of Mexican tomatoes imported into the United States rose from 241,100,000 pounds to 445,062,000 pounds—an increase of over 81 percent.

The Florida fruit and vegetable industry is simply unable to compete with production from low-wage areas which pay workers one-eighth to one-tenth of the wages paid by Florida growers.

I believe that an equitable solution to the problem, similar to that proposed in H. R. 9656, can be agreed upon and I wish to again thank the committee for permitting me to present my views on this critical issue.

The CHAIRMAN. Thank you for your statement Mr. Rogers.

Our colleague from Minnesota, the Honorable Odin Langen, will be the next witness before the committee. We look forward to hearing your testimony today. You may proceed.

STATEMENT OF HON. ODIN LANGEN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MINNESOTA

Mr. LANGEN. Mr. Chairman and members of the committee: In appearing before this committee today I wish to state that the purpose of these hearings, as instituted by Chairman Mills, will help substantially in spelling out what type of trade policy the United States should follow during the 1970's.

The educated opinions, expressed here by Government officials as well as by private experts, pro and con, about the President's trade proposals, will thus set the terms for the larger discussions that are sure to follow before the trade bill is finally enacted.

I not only support Chairman Mills' proposals for a flexible quota on textiles and shoes, but I will support the same type of quota arrangements to be applied to other commodities whose excessive importation tends to disrupt our domestic production, affect our labor and in general have an injurious effect on the industry in question. In my opinion, this flexible quota arrangement should be applied to all those commodities, manufactures, semimanufactures, metals, minerals, and agricultural products when affected by imports that tend to disrupt their orderly marketing and trade in this country.

I wish to see a law enacted by which a new mechanism will be created which will tend not only to offset injury to an industry, but will do so before rather than after the damage becomes apparent. It

has been proved time and again that efforts to restore an industry or a segment of that industry or an individual factory are useless once the doors have been closed, the workers dispersed and the factory in question has lost its economic impact on a community.

It is very easy to say that at last the new procedures applied by the Tariff Commission and the Labor and Commerce Departments will revivify a factory, retrain its workers, provide loans and tax relaxations through adjustment assistance. Thus far we have no statistics or evidences of success that adjustment assistance will succeed or has succeeded. What we do have, on the other hand, are evidences of factories closed, retrenchments in labor ranks, a shorter and shorter work week and a general lack of economic activity wherever excessive imports of like or competitive products have undercut our own production at home.

Mr. Chairman, the very reasons that sparked these hearings on textiles and shoes are because the effects of unregulated import competition were such that something drastic had to be done. The effects of deleterious injury caused by excessive imports are all too evident in rubber, electronics, glass, ceramics, automobiles, steel manufactures, wearing apparel, chemicals, fertilizers and other everyday commodities used so bountifully in this society of ours.

But I am here today to draw attention also to the effects of import competition on the agricultural sector of our economy. As a representative of the largly agricultural State of Minnesota, I came to voice my deep concern not only about imports, but also the various devious ways by which our agricultural production and trade are being undercut.

In the latter part of my testimony I will speak in greater detail about import competition in the meat and mink industries, but first I want to draw the attention of the committee to the very evident fact that our agricultural exports are sagging, that the value of agricultural imports is increasing beyond reaonable levels and that as a result, our agricultural economy is deeply affected. Yet, unlike the industrial sector of the economy, we cannot go into other lines of endeavor. The farmer is bound by the very limits of his land, his type of machinery, the product he can produce, and the market demand for his grains, vegetables, fibre, meat, or forest products.

Not only are the limits set by what he can produce but he is also peculiarly subject to his environment, the vagaries of the weather, his type of soil, and the continental area in which he is—all factors beyond his control as the producer of food and fiber, he is vitally concerned about his sector of the economy and the part he plays in it as compared to that of the industrialist and manufacturer.

In trade our agricultural commodities like what, corn, feed grains, fats and oils, tobacco, soybeans, et cetera have constituted a highly important element in our total exports. All in all, they have contributed greatly to our foreign exchange earnings. But our agricultural exports have been falling. From a peak a $6.8 billion in fiscal year 1967, they declined to $6.3 billion in fiscal 1968 and to $5.7 billion in fiscal 1969, and are still falling. At the same time, agricultural imports rose to an alltime high of $4.9 billion in fiscal year 1969. In fact, this fiscal year 1970 may see agricultural imports exceeding our agricultural exports.

Our Government's support policies for wheat, feed grains, cotton and tobacco and other commodities under section 22 of the Agricultural Adjustment Act and the Steagall amendment have been applied not to support extra production here, but to offset the disruption of production. Yet disruption is being caused by the newer policies of high guaranteed prices instituted by foreign governments, particularly in Europe. The common agricultural policy of the Common Market countries rests on high support prices. Yet the revenues for these supports derive directly from variable levies placed on our agricultural exports to those countries. These levies therefore encourage agricultural production in the Common Market at prices substantially above those prevailing in free world markets. Thus, our agricultural exports contribute substantially to their own agricultural production while raising the prices of our agricultural commodities in their home markets. Consequently, European agricultural output has risen phenomenally and given rise to export support to third countries. This support for export products also affects our agricultural trade with third countries. Now that the Common Market might be substantially increased by the accession of Great Britain and other countries, I foresee even greater difficulties in the volume of our agricultural exports to Europe.

These difficulties are increased by the newer restrictive measures continually being invented against our agricultural exports to Europe. These include turnover taxes, value added taxes, mixing regulations, crop year restrictions, sanitary and pesticide tolerations, labeling, washing of fruits, packaging, and other types of unjustifiable import restrictions against U.S. agricultural products. Naturally, the President has the power under existing laws to move against foreign countries that institute unreasonable trade restrictions against our agricultural exports. We have applied quota year restrictions in the past. The time has come to apply them more strictly now unless an accommodation can be reached with the Common Market countries.

In this regard, I am also vitally concerned about the evasion of quota restrictions by our major trading partners. Why, just lately, barley from France entered the United States at the port of Milwaukee. This barley was subsidized for export after being produced under a subsidy obtained by taxing our agricultural exports to the Common Market.

Other examples of evasion concern the percentages of milk fat or sugar in cheese and milk products by changing the content by minute degrees and shipping the commodities under different names. We have specific quotas on cheese and milk, but these evasions nullify our restrictions. We have a sugar quota but prepared substances, ostensibly concocted for ice cream manufacture, evade this quota. We have certain administrative regulations on fresh fruits, fruit juices, fruit fillings, frozen and processed berries, canned fruits, and so on, but they are all being evaded or bypassed by mislabeling in some degree or other. Frozen fish often arrive from third countries where no packaging or freezing facilities exist.

Mr. Chairman, one of the biggest features of our new legislation on forthcoming trade policy should contain the specific proviso that the benefits of our concessions through tariff reductions are condi-

tional on the reciprocal elimination of hidden trade barriers and restrictions by our major trading partners. Reciprocal concessions mean access to their markets without penalties attached to our exports in the form of taxes or other inhibitions. With a law on the books which provides for a flexible quota to be applied on any commodity that materially damages any one industry or sector of that industry in the United States of America, I think we will be able to enhance our bargaining position with our trading partners.

With this in mind, I wan to draw attention to my bill H.R. 17792, introduced on May 25, 1970, so as to insure fair international trade between us and other nations.

The bargaining power which the President needs for effective international trade negotiations with other countries which have a major stake in the American market, is provided by provisions of my measure.

Mandatory quotas would be imposed upon imports which exceed the stipulations set by my bill H.R. 17792. Annual adjustments would be made to increase the quota in proportion to the growth experienced in domestic consumption of those commodities which might be regulated. The specific proviso obtains, however, that in no instance would such a quota be applied for a period of more than 5 years without a complete reassessment of the import and consumption figures of the article in question and the impact on the domestic scene.

I think that the outstanding feature of my bill is its reasonableness in providing an incentive for our trading partners to come to the bargaining table, particularly for those commodities which are being imported in such excessive quantities as to constitute an injury or possible injury to the domestic production of a like or competitive article.

Mr. Chairman, I feel that our American market is today the freest and most open in the world, but it is also true that many of our trading partners who derive the greatest benefits from this open market, have perhaps more restrictions against our exports than other countries. If you take just three countries that have a surplus of $1 billion each annually in their trading activities with us, namely Japan, West Germany, and Canada, then you can find an excessive amount of hidden trade barriers prohibiting our imports. Japan, which benefits the most from our open market for their cars, textiles, and electronic products, is today probably the most protectionist of all major industrialized nations. Yet she is also the most vociferous in speaking against our relatively minor trade barriers. Reciprocity in eliminating trade distortions seems to be a matter of which their businessmen have heard nothing. Nor, for that matter, does it seem to be the case in voluntary export restrictions on a private or even on a government-to-government basis. This is particularly true in the case of textiles and steel and some agricultural exports.

Let me now revert to the two items of particular interest to me, namely beef and mink.

I mention meat, because as it is one of the basic staples of the American diet, the American producer is under great pressure in today's inflationary market to keep the price as low as possible. The foreign meat import situation, however, is such as to cause the greatest concern to our domestic producers.

During the last few years, annual world shipments of beef have amounted to around 5 million pounds. With many countries, particularly in Europe, expanding their own beef production, it is axiomatic that a larger percentage of all beef exports will be directed to our shores.

Consider the increase in all our meat imports during the last half dozen years:

U.S. IMPORTS OF LIVESTOCK PRODUCTS, 1964 AND 1969

[In million pounds]

Meat	1964	1969
Beef	1,067.1	1,614.8
Veal	17.5	25.7
Pork	267.4	408.8
Variety meats	1.2	5.6
Lamb	10.4	43.9
Mutton	68.6	108.4
Total (rounded)	1,431.6	2,201.6

Source of figures: USDA.

Our imports of meats have increased consistently with the increase of our population. Yet prices to our farmers have not increased significantly, despite the fact that costs of land, feedstuffs, machinery, and labor have all increased over the years.

The beef cattle industry is our largest agricultural industry. Total cash farm income in 1969 was around $47 billion. Cash income deriving from beef amounted to just over $12 billion, or approximately 27 percent of all farm income. Anything to upset this industry will, therefore, affect our total agricultural income.

Beef consumption on a per capita basis was 63 pounds in 1950 when our production totaled 11 billion pounds. In 1969, per capita consumption had risen to 111 pounds while total production was 21 billion pounds. In 1969, beef imports comprised 7.5 percent of total beef consumption.

I mention all these facts only incidentally to draw attention to the model quota law which is on the books—Public Law 88–482—which can be applied whenever beef imports become injurious. The model statute covering imports by quota was enacted in 1964 due to the phenomenal increase in beef imports at a time when domestic beef prices were slumping. Out of the financial distress experienced in our cattle markets at that time a model statute in the field of import controls was born. Foreign beef producers were assured the same percentage of our market as they had before the new law was passed. In addition, an annual adjustment for increased U.S. domestic production was included.

This statute provides that beef quotas must automatically be imposed if imports threaten to go above a certain level determined by formula in the act itself. In order to prevent the automatic trigger arrangement for import quotas to be applied, the U.S. Department has set up a program of agreements with countries supplying beef to our markets. The volume of imports from individual countries has since 1968 been linked to the formula established by the statute.

This negotiated control over beef imports has proved to be very

moderate and benign and gives foreign exporters a fair share of the U.S. market. Actually, total beef imports have surpassed the voluntarily agreed amounts due to the fact that newer producers have been given limited approvals.

New difficulties are now in being. Voluntary agreements have been made for the total importation for 1970 with those countries supplying beef as in 1964. Now some of these countries are not spacing their shipments evenly but exhausting their quotas in less than 10 months, hoping that there might be a relaxation in the overall import totals. On the other hand, newer countries are getting a disproportionate share of the voluntary totals. Also, the United States is importing beef and other products which have been previously imported by the trading partner who now profits by acting as a middleman. On top of it all, certain domestic consumer groups are demanding increased imports of cheaper beef, regardless of the effect on the domestic beef producers' economic situation.

The opening of the floodgates to unlimited beef imports will undoubtedly drive down domestic prices with a temporary saving to the consumer but at the expense of the domestic producer whose profit margin is small enough as it is. Since the American consumer is dependent on the U.S. producer for nearly 93 percent of his beef supply, I feel that if that supply is jeopardized by unwisely increasing beef imports, then both consumer and producer will suffer in the long run.

In my judgment, we should adhere to our beef quotas law as enacted in law. No foreign supplier should expect preferred treatment in our domestic market. Many industrial countries have enacted rigid, exclusionary measures against our farm products—even to the extent of promoting their own high-cost production by taxing our agricultural exports to them.

Our beef import control law is very moderate indeed. It should be left as it is and the President should apply its provisions as soon as the allowable quotas are contravened.

Based on this entirely feasible quota import law with its flexible annual increase and voluntary agreements I propose that this law be used as a model for all other agricultural imports that might tend to injure domestic production of like or competitive products.

Insofar as the mink import situation is concerned, I feel that such a voluntary quota agreement should also be formalized.

On May 18, 1970, I introduced a bill H.R. 17671 for the import regulation of mink pelts. Under this bill I advocated giving foreign producers 30 percent of our market. This percentage is eminently fair at this time also. I wish to include my remarks at that time, since the position insofar as imports of mink pelts has not changed.

Mr. Speaker, three years ago I introduced legislation to put some semblance of order in the Federal treatment of United States mink ranchers. I warned at that time that a continuation of the policy of free and unlimited imports of minkskins would lead to a further deterioration of the American mink industry. The warning went unheeded and hundreds more of our ranchers have had to cash in their chips at a time when their contributions to our smaller communities are badly needed. That is why I am again introducing a bill to amend the Tariff Schedules of the United States with respect to the rate of duty on whole skins of mink. This bill would not only benefit our own mink ranchers, but foreign producers would benefit as well from stable prices and markets.

The history of the American mink ranchers is a commendable one. Our ranchers

have assessed their own sales receipts for well over 25 years to the extent of many millions of dollars for market development. The result was the building of a world-wide demand for mink. Our ranchers became responsible, tax-paying members of their communities, contributing much on the local, State, and national levels. But this is a story very familiar to American agriculture. American farmers have, time and again, created their own markets, only to see their efforts usurped by foreign suppliers who then got on the bandwagon at the expense of our farmers.

The mink ranching problem really came to the forefront in 1959 when the U.S. Tariff Commission decided, unwisely, that duty-free and unlimited foreign imports of mink skins were not injuring the American ranchers. This policy has prevailed from that time forward and the results are alarming at the very least. With assurances that there would be no restrictions on our imports, foreign producers went into high gear, producing cheap and inferior pelts that flooded our markets.

Imports rose from 2.8 million skins in 1960 to 4.1 million in 1961. That was a percentage increase of almost 31 per cent. In 1961, the American rancher, unable to generate new consumer demand for such unprecedented supplies, began tightening his belt from a price break of more than 23 per cent. From that point onward domestic producers fell out of competition at the rate of several hundred each year. The situation hit another crisis point in 1966 when imports of undressed minkskins reached a peak of 5.7 million pelts. And following the disastrous 1967 pelting season, 1,000 domestic ranchers dropped out of business.

Up until 1967 there had been a continuous increase in imports. The domestic market was able to absorb these large numbers of mink pelts because of the demand created by the fantastically successful advertising campaign conducted and paid for by United States mink ranchers. In this campaign they appealed directly to the consumer and developed a lucrative market for furrier's garments made from American raised mink sold by U.S. Fur Auctions.

During most of the sixties the opinion that mink was the ultimate fur along with the great affluence of the American public made it possible to absorb increasing quantities of mink at profitable levels and the image of mink remained relatively untarnished.

But in 1966 and 1967, the inevitable happened, imports captured 54% of the U.S. market. Even the tremendous image and desirability that had been so carefully and expensively nurtured by the American ranchers could not withstand the terrible weight of eleven million pelts imported in two years, especially since millions of these pelts were of low grade quality.

The result of all this has been the reduction in number of domestic mink ranchers from 7200 in 1962 to 2400 in 1969, with the number now estimated to be less than 2000. The overall comparison of figures between 1959 and 1969 shows that imports have increased by about 22 per cent, prices have fallen about 24 percent, ranchers have lost 11 more percentage points in a market which they originated and built, and well over fifty per cent of the domestic producers have been annihilated.

Pelt prices have now reached disaster levels. After suffering the price break due to the flood of imports in 1967, the market is now further depressed by slowing business, restricted credit, and a major decline in the stock market.

It should be noted that our domestic producers are not the only ones to feel the effects of falling prices. Some foreign producers have also become disturbed over declining prices for their mink pelts. Both American and foreign ranchers would benefit from realistic controls of imports. The market would stabilize, and the increasing annual U.S. consumption of mink, shared by both, would provide an orderly expansion. But under the present, uncontrolled conditions, everyone loses, including the United States Government through the balance-of-payments deficit.

Under the bill I am introducing today, the imports of minkskins in future years would be limited to the average number of skins imported over the past five years, and would be further limited to 30 per cent of the domestic consumption for any particular year. These skins would be duty free, but any quantities that exceeded those limits would be subject to a 50 per cent ad valorem tax.

This bill not only enables foreign suppliers to participate in the existing U.S. market at a fair level, but would assure foreign producers to share in any expansion of the U.S. market at approximately a 30 to 70% ratio. That

market would surely be expanded once the foreign encroachment has been arrested. American marketing associations would then be in a strong position to go back to surviving ranchers to raise the funds necessary to rebuild the market and to stimulate exports.

Otherwise, in the not too distant future, cheap foreign mink imports will surely bring about the total eclipse of mink as a prestige fur, and thus also eclipse the entire fur industry both at home and abroad.

I ask early consideration of this bill, so badly needed by our mink ranchers who are literally with their backs to the wall. We must maintain these people who are paying taxes, supporting local schools and merchants, and contributing substantially to the economic well-being of our Nation, States and local communities.

A bankrupt rancher can pay no taxes, can support no payroll, can provide no market for other farmers who provide feed, or merchants who supply equipment. A bankrupt rancher leaves no incentive for his children to remain on the farm or in the community; provides no jobs for others. This Nation simply cannot stand any further deterioration of the countryside.

Mr. Chairman, in our relations with our major trading partners, insofar as agricultural commodities are concerned, I have come to the inescapable conclusion that agricultural imports are of greater potential danger to our farmers than imports of industrial or commercial products.

As I have said before, in manufacturing a man can turn to other lines, but the farmer is tied down.

In conclusion, I wish to state that agriculture has as important a stake in our economic future as any other sector of our economy. Hence, specific safeguards, as envisioned in my bill and in the model import quota bill on beef, should be part and parcel of our future trade policy.

The CHAIRMAN. If there are no questions of Mr. Langen, we will proceed with our next witness.

Will the Honorable Earl B. Ruth from North Carolina please come forward? We are glad to have your statement today and ask that you identify yourself for the record.

STATEMENT OF HON. EARL B. RUTH, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NORTH CAROLINA

Mr. RUTH. Mr. Chairman, I have introduced H.R. 17822 which is similar to a number of measures to contain trade in textile articles and leather footwear. I also am among a majority of the Members of Congress who are now supporting textile import restrictions.

Our industries in North Carolina have been unable to compete with low-cost Asian textiles. As a result, for the 12-month period ended last January, North Carolina's textile industry had to eliminate more than 8,400 jobs, which means more than $40 million in lost wages.

We have a domestic problem. Congress must move forward and put new limits on textile quotas to protect the most basic industry in in North Carolina and in my Eighth Congressional District.

We have come to a point where it is ridiculous for us to continue believing that Japan or any other textile exporting nation will feel any moral obligation toward American manufacturers, or a growing unemployment problem.

There are nations that have achieved astounding economic growth records at the expense of the United States, and without comparison to America's problems.

I realize this administration has had trying times in attempts to negotiate a new trade bill. There are difficulties involved that are more easily interpreted than understood. Our domestic problem concerns foreign products that have been like a creeping paralysis, and it has come time to protect ourselves before we are crippled.

It is unreasonable to continue with a policy that gives a nation liberal rights to trade in this country at the risk of our businessmen and workingmen. It is inconceivable that we have Americans begging their American Government to let them work.

Mr. Chairman, it certainly is time that we realize that our troubles at home are injuries and tragedies to hundreds of thousands of American working families. We know that this is a bad time to have to live on a $48 per week unemployment compensation check. But there are families who have been forced to do so in North Carolina, almost directly the result of foreign textiles.

It should be clearly understood that jobs and livelihoods are what we are talking about. A new trade contract to the man who has lost his job; to the man who has closed his mill due to the imports, is a scrap of paper.

I understand that we cannot be overly protective of our American businesses at the risk of jeopardizing our own exports. But foremost, I want to look out for America and for the families that are suffering in my district. The layoffs have become daily; the reduction of shifts almost weekly, and mills that have been operating since the 1800's have gone out of business in the past year.

I urge the Congress to now assert itself for the protection of the men and women who work in our American industries.

The CHAIRMAN. We thank you for appearing here before the committee. If there are no questions, we will proceed to the next witness.

The Honorable John S. Wold of the State of Wyoming will be the committee's next witness. We are pleased to have you with us today; please come forward and present your testimony.

STATEMENT OF HON. JOHN S. WOLD, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WYOMING

Mr. WOLD. Mr. Chairman and members of the Committee on Ways and Means, I very much appreciate the opportunity to testify this morning before this distinguished committee on the alarming deterioration of our world trade position. I also plan to take this opportunity to speak in behalf of the chairman's bill, H.R. 16920, and my identical bill, H.R. 17648, which aim to provide for more orderly trade in textile goods and articles of leather footwear.

Let me say at the outset that I would be remiss in not acknowledging and complimenting the chairman and members of this committee for the public service you are performing in conducting these hearings on foreign trade and tariffs. Although the subject is complex and cannot compete in the public limelight with other current events, the committee is conducting these hearings in a manner that truly reflects the importance of foreign trade on the economic and social welfare of every man, woman, and child in this country. The committee has under taken an enormous task, focusing on the issues, and putting the

administration and foreign countries on notice that unless we reach voluntary agreements for more equitable balance and understanding in international trade, then Congress will take the initiative to impose selective import quotas.

Gentlemen, today we are facing a crisis. For the first time in the past 76 years, the United States imports more from foreign countries than we export. During the past decade, this country has experiences a serious setback in foreign trade.

Let me briefly highlight some of the development during the sixties, facts which I think speak for themselves. In total world trade, foreign imports to the United States increased 146 percent, while U.S. exports to foreign countries went up only 84.6 percent.

The significance of this trade inbalance is best understood when we look at some of the more notable examples of foreign countries enjoying a most favorable trade relationship with the United States. In the last decade imports from Japan increased 325.4 percent while our exports expanded by only 141.1 percent. Imports from West Germany rose 190.2 percent while U.S. exports went up only 66.4 percent. Imports from Asian countries swelled by 204 percent and our exports to these countries increased by 97.4 percent. Italian imports expanded to 206.8 percent while U.S. exports rose to only 76.4 percent.

The current trade situation did not develop overnight. United States and many foreign trade policies derive from a U.S. decision in the early 1930's to reduce barriers to international trade. This position was based on the principle that expansion of international trade and investment under fair and competitive conditions was vital to the economic, social, and political order in the international arena. As Secretary of State Rogers aptly noted in recent testimony before this committee:

> We learned from the bitter experience of the 1930's that protectionism was self-defeating economically, and the breakdown of international trade was a large factor in the breakdown of international order during that unhappy period.

Since World War II, major trading nations have moved to liberalize trade policy by relaxing some of their restrictive trade barriers. As always, the United States led the way and bent over backward to remove tariffs and other restrictions on trade. We took a particularly relaxed trade posture with countries like Japan and Germany to aid in their speedy recovery from the war. When one considers that 20 percent of all foreign imports in 1969 came from Japan and Germany and in view of the thriving economies and world trade positions enjoyed by these countries, there can be no doubt that the recovery has been complete and our objectives have been achieved.

Our trade position today is further complicated by the fact that many foreign products have become increasingly competitive in price and quality with U.S. products. This development can be attributed to inflation caused by spiraling costs of goods and services in the United States, rapid transfer and assimilation of our technological improvements and marketing capabilities in foreign countries, aggressive foreign export practices, and growing U.S. consumer preference for foreign-made goods.

What I have just said is perhaps best understood by looking at the U.S. textile industry.

Today, the textile industry employs about 2.4 million with an

annual payroll of more than $10 billion. In addition, this important industry provides the principal livelihood for 2 million more people in related service industries.

The textile industry has plants in all the States of the Union and constitutes the Nation's largest rural manufacturing employer. Moreover, the industry is a major employer of underskilled, minority workers, and women.

The industry annually buys more than $4 billion in fibers, including all domestically produced wool. This is important to the economic well-being of my State of Wyoming, which ranks second in the United States in pounds of wool sheared. As one might expect wool and sheep represent an important segment of the State's agricultural economy and is the main source of income for about 8 percent of Wyoming's farm and ranch families.

Textile businesses last year spent $420 million for power and fuel, $100 million for trucking services, and added more than $2.5 billion in taxes to the Federal, State, and local treasuries.

Clearly, then, the textile industry is a powerful force in the economic fabric of America. Yet the industry is in serious trouble.

During the past 10 years, textile imports increased from $744 million to $2.1 billion.

In 1960, this country exported considerable more textile goods than it imported. Within a few short years the situation degenerated to the point where in 1967 the deficit of imports over exports exceeded $500 million; last year textile imports to the United States exceeded our exports by more than a billion dollars.

The trade deficit in wool products increased from $192 million in 1961 to $400 million in 1969. As a result 1 out of every 4 yards of wool products sold in the United States comes from foreign sources. Increased imports are having a severe financial impact on the wool industry in Wyoming and in other States throughout the Nation. Excessive imports coupled with rising production costs and the stiff competition with synthetic fibers and cotton for a share of the consumer apparel dollar, place the sheepmen in a very untenable economic position.

According to Secretary of Commerce Stans, the increased textile imports in the last year alone was directly responsible for the loss of 53,000 jobs in the industry.

It is conservatively estimated by labor experts that excess textile imports have eliminated 250,000 potential jobs which could have helped in alleviating some of the economic and social problems associated with this country's unemployment and underemployment crisis.

Under present circumstances, the future does not lok promising. Japan, the world's leading textile exporter, with more than 25 percent of direct shipments to the United States, is daily pulling ahead in the competitive race with our textile industry. Continued inflation is one reason. Another reason is the growing wage disparity between the United States and Japanese textile workers, which has increased from an hourly rate difference of $1.44 in 1960 to $1.98 in 1969. Another reason which is often overlooked is the fact that Japan has imposed restrictions on access to their markets for the same products they ship so heavily to our markets. For example, in 1968, the United States

imported 71 percent of Japan's textile mill products and apparel exports while they permitted only 8 percent of our textile goods to enter their marketplace. Last year the U.S. trade deficit with Japan was $1.5 billion of which textiles acounted for $504 million.

The time has come for action. The textile problem has been festering for 10 years. The Kennedy, Johnson, and now the Nixon administration have grappled with what is admittedly a complex and internationally sensitive problem. To date the results have been less than encouraging.

During the past year the Nixon administration has been actively negotiating with Japan and other countries to voluntarily reduce shipments of textile goods to the United States. The administration has publicly indicated disappointment with these discussions.

Since there are no effective ways under our existing foreign trade policy to control excess textile imports and inasmuch as Japan seems unwilling to keep exports within reasonable bounds—particularly considering the depressed state of our textile industry—and is not willing to lower restrictive barriers on textile products coming into its country, then legislative action is needed.

I for one am not willing to see a major industry like textiles go down the drain in the interest of maintaining "peace and tranquillity" on the international trade front or because of the niceties of foreign policy and diplomacy. We can no longer sit by while others deny us access to their markets while they freely exploit ours. The time has come when we must consider our own economic well-being before we precipitously stand up and play the international "good guy" and economic guardian of the free world.

We must follow the rules of the marketplace and the policies employed by our foreign competitors which are to develop trade policies designed to best meet the needs of their people and economy.

Business is business and the sooner we recognize this in our trade policy the sooner we can improve our bleak trade position, our balance-of-payments crisis, and unemployment arising out of excessive imports.

The need for trade adjustments in textiles is imperative. And just as imperative is the need to continue import quotas on foreign oil and beef. There are those in Congress who are making emotional and uninformed statements calling for the relaxation of import quotas on oil and beef. Should such action ever come to pass, I predict that we will witness the same kind of chaos gripping the textile industry today.

One has only to go back 6 years to determine why this country established a firm but moderate system of control over beef imports. This system bailed the domestic cattle industry out of a catastrophic situation in 1963 when the U.S. market was flooded with cheap foreign beef which precipitated a 30-percent drop in the price of cattle. Cattlemen were put out of business, the amount of good cattle coming to market was reduced, and the price to the consumer was not measurably affected.

I am firmly convinced that any changes in the oil import quota system would seriously jeopardize this Nation's security and deal a striking blow to the petroleum industry, particularly the small independent operator. At first glance, importing low-cost petroleum

might appear worthwhile, however, upon reflection, it becomes eminently clear that continued or increased dependence on foreign sources, particularly in the troubled Middle East, is neither economically nor militarily sound. The present oil import system, which has been in effect since 1959, it also justified on the basis of our balance of trade problems. Furthermore, it has strengthened the domestic oil industry by encouraging continuous exploration for new domestic oil reserves that will remain secure in time of peace and conflict.

Turning once again to the textile problem, let me say that I am proud to be a sponsor of the bill which was introduced by the chairman of this distinguished committee, to provide for orderly trade in textile goods and articles of leather footwear.

The bill is sound because it moderates imports by encouraging negotiated agreements specifying reasonable levels of imports. If the parties cannot voluntarily reach an agreement, then specific import limitations come into play. The bill also includes important new escape and adjustment assistance provisions which would make it easier for industries and employees impacted by excessive imports to obtain more effective monetary, retraining assistance, reemployment help, and other relief than is now available.

The practical implications of the measure are obvious. It put major importing nations on notice that the United States will no longer tolerate inequities and trade disparities which adversely affect our economic well-being and growth. It achieves this objective by providing for voluntary agreements on controlling imports in trade categories in trouble in either the United States or the foreign country. And just as importantly, the bill establishes a workable mechanism for preventing an excessive and damaging buildup of foreign goods in new trade categories.

The bill assures speedy and effective monetary, retraining, relocation, and reemployment assistance for workers and their employers in situations where rapidly shifting trade patterns create economic dislocations or when increased imports result from a national decision to allow tariff concessions. There is no reason why a few Americans should bear the cost of unemployment or underemployment in situations that benefit the Nation as a whole.

I am convinced that this trade bill will aid national planning and decisionmaking both in the Congress and in the executive branch in better managing the impact that some imports have on low skilled jobs which are so essential to the national effort to retrain and employ disadvantaged minority workers and older people. Continuation of a trade policy that minimizes employment opportunities in fields for which we are presently training the disadvantaged is sheer folly and only adds frustration and discontent to those who are seeking to enter the social and economic mainstream of America.

In conclusion, Mr. Chairman, I believe the Textile and Leather Footwear Trade Bill will provide a foundation for assuring a more evenhanded and reciprocal international trade balance, all of which will further advance our affirmative and liberal trade policy. This legislation will correct trade deficiencies that if allowed to continue unabated would only play into the hands of those who would establish rigid and exclusionary trade policies. Such protectionism would be

self-defeating and would only feed the trade barrier flames which could severely impact our multibillion dollar high productivity, high wage export business.

Again, Mr. Chairman, I want to thank you and members of this committee for allowing me to speak on this vital national issue. I hope this committee is as impressed as I am on the merits of the textile trade bill presently under consideration and acts promptly to report out this important piece of legislation.

Thank you.

The CHAIRMAN. If there are no questions, we thank you for giving us your statement.

We will go to our first public witness, Mr. Healy.

Mr. ANDERSON. He is on his way up.

The CHAIRMAN. Are you Mr. Anderson?

Mr. ANDERSON. Yes, Mr. Chairman.

The CHAIRMAN. Mr. Anderson, do you want to make the statement for Mr. Healy?

Mr. ANDERSON. Yes.

The CHAIRMAN. If you will identify yourself for the record, we will be glad to recognize you.

STATEMENT OF ROBERT F. ANDERSON, EXECUTIVE SECRETARY, AMERICAN BUTTER INSTITUTE AND NATIONAL CHEESE INSTITUTE, INC.

Mr. ANDERSON. My name is Robert F. Anderson. I am executive secretary of the National Cheese Institute, Inc. and the American Butter Institute, and this statement is made on behalf of those organizations.

The National Cheese Institute is a nonprofit corporation whose members are manufacturers, assemblers, and wholesalers of all types of natural and process cheese and who distribute between 80 and 90 percent of all cheese marketed in the United States.

The American Butter Institute is a nonprofit corporation whose members throughout the United States include manufacturers of butter, and the assemblers, printers, wholesalers, and distributiors of butter and milkfat products.

I have read the testimony to be given by the National Milk Producers Federation and we wish to add our support to it. In addition, I appreciate this opportunity to present the views of the National Cheese Institute and the American Butter Institute regarding the use of the authority granted under the provisions of section 22 of the Agricultural Adjustment Act, as amended. In particular, the lack of proper and effective administration and enforcement of dairy product import control provisions.

One reason for the current and persisting problem centering on the importations of dairy products which evade quotas appears to stem from the 1953 tariff hearings. It seems it developed this way. In the early 1950's section 104 of the Defense Production Act of 1950 (65 Stat. 132) controlled imports, but it was allowed to expire on June 30, 1953. The Secretary of Agriculture requested the President on April 8, 1953 to institute section 22 proceedings on dairy products then under section 104.

The crucial decision and the genesis of today's dairy import problems began when the Secretary set the precedent of using the name and import class number of individual dairy products instead of asking for overall controls. The concept of overall milk equivalency controls was not adopted and the product-by-product practices established under section 104 were continued.

In addition, the Tariff Commission, who for all practical purposes frame the wording used in the Presidential quota proclamations, used the description of products found in the Tariff Schedule of the United States.

But, to the domestic producers and processors of milk the emphasis should have been on the product milk, rather than on the piecemeal classification of individual milk products. The facts of trade show that, regardless of their character and composition, each foreign dairy product displaces and interferes with a domestically produced dairy product.

Section 22 does not confine the President to product quotas to correct interference with the domestic dairy markets. Section 22 gives rather broad alternatives in stating:

> Then in designating any article or articles, the President may describe them by physical qualities, value, use or upon such other bases as he shall determine.

We ask for your consideration and, if necessary, legislative support of the proposal to strengthen the administrative authority granted to the President under section 22 to describe any article as he shall determine. Instead of assigning quotas on the basis of product name, we ask that the President:

1. Set an overall milk equivalency (m.e.) for dairy product imports consistent with the aims of the several dairy programs of the Department of Agriculture and the needs of international trade. Such milk equivalency should be based on total milk solids.
2. Reproclaim the quotas already assigned to specific dairy products and deduct the calculated m.e. volumes from the overall milk equivalency figure.
3. Consider the unassigned milk equivalency volume as a bank account on which foreign dairy product exporters could draw. The use of the unassigned volume should be equitably distributed in the interest of fair trade.

We believe that this interpretation of section 22 faithfully represents the original intent of Congress. It would relieve some of the problems associated with the classification of dairy products, encourage profitable dairy production in this country, provide domestic processors with protection as they develop new products, supply the consumer with the wide range of exotic dairy products available, and reduce the drain on the Federal Treasury for the dairy support program. In addition, it would provide a basis for meaningful, enlightened international trade with both the importer and exporter advised in advance of the volume of dairy products available.

The second suggestion we have deals with the interpretations of the application of the authority granted by section 22.

Section 22 provides for action to be taken when any articles are imported under such conditions and in such quantities as to tend to render ineffective or materially interfere with any program or opera-

tion undertaken by the Department of Agriculture, or reduce substantially the amount of any product processed in the United States to which any such operation is being undertaken.

Our contention is that, if the only reason for section 22 action were interference with the price support program, then Congress would have so stated. The overriding precedence which restricts action to price support interference has stifled the use of optional remedies to the problem of injury by imports to programs or operations undertaken by the Department of Agriculture.

For example, if commercial outlets for the valuable food components of our annual 20 billion pounds of whey are not encouraged, then the problem becomes one of whey disposal or pollution. The Agricultural Research Service of the Department of Agriculture has, and is, spending considerable time and money researching and developing new whey products, and similar whey utilization operations. Private enterprise is encouraged to invest in the development of commercial uses of whey. The primary products of these operations are lactose and dry modified whey.

In the past years lactose imports have accelerated from less than 400,000 pounds per year to over 4 million pounds last year and it is expected the volume will be greater this year. Domestic whey processors are finding their markets undercut 2 cents to 3 cents per pound by lactose imported from Holland and West Germany. As a result, domestic producers of lactose have several months' production on hand and have curtailed their operations. Cheese plants are being deprived of outlets for their whey. This, in turn, adds to the potential for pollution of our lakes and streams.

The case of the imported lactose was not considered by the USDA to be interference with the price support program. This conclusion is debatable, but the point is extension work and expensive research projects sponsored by the Department of Agriculture are being undermined and made ineffective because of the imports. We believe that part of an important tool provided by Congress for the control of dairy imports is being overlooked. This in turn, weakens the battle against quota evasion and loophole dairy products, and against the new fight being waged against waste and pollution.

We suggest that the President be encouraged to use the powers given him under section 22 to not only protect the price support program, but all Department of Agriculture programs including the considerble investment in research and extension services.

In summary, we recommend legislative support of a policy to protect Government investments in all Department of Agriculture programs and the classification of dairy product imports under a milk equivalency umbrella.

A fairer system of administering international dairy trade is needed. A system that recognizes not only the interest of the exporter, but the very real need for the domestic producers to have an indication of the volume of imports to expect. We urge adoption of a policy, not of unilateral free trade, but a policy of enlightened free trade.

The CHAIRMAN. Thank you, Mr. Anderson.

Mr. Healy, we will be glad to recognize you if you will identify yourself for the record.

STATEMENT OF PATRICK B. HEALY, SECRETARY, NATIONAL MILK PRODUCERS FEDERATION

Mr. HEALY. Yes, sir.

Mr. Chairman, my name is Patrick B. Healy. I am the secretary of the National Milk Producers Federation.

The National Milk Producers Federation is a national farm commodity organization. It represents dairy farmers and the dairy cooperative associations which they own and operate.

These are agricultural marketing cooperatives which enable farmers, by acting together, to bargain more effectively for the sale of the milk produced on their farms.

In some of these cooperatives, farmers have banded together to build and operate their own dairy plants. Through these plants, they process, on a cost basis, the milk produced on their farms and market it in the form of finished dairy products.

Practically every form of dairy product produced in any substantial volume in the United States is produced and marketed by dairy cooperative plants represented by the federation.

The federation is, therefore, directly concerned with the adverse effect of excessive dairy imports on American dairy farmers and on the suppply of milk produced in this country. We also are directly concerned with the effect of excessive imports on dairy plants operated in this country and with the effect of such imports on the domestic market for dairy products.

OUR AGRICULTURAL PROGRAMS

There are presently in effect in this country important agricultural programs authorized by Congress, including one for milk and dairy products. Under this program, prices paid to farmers for milk are supported at levels ranging between 75 and 90 percent of parity. This is accomplished by removing surplus supplies from the market through purchases made by the Commodity Credit Corporation.

Parity is a formula for measuring the relationship between the prices farmers receive for the commodities they sell as compared with the prices farmers pay for the things they buy.

One of the objectives of the dairy program is to maintain the purchasing power of dairy farmers as an important factor in the national economy.

Another objective, of great importance to the security of the Nation and to its general welfare, is to assure adequate supplies of essential foods produced from sources within our own shores. We would be most foolish to rely on an overseas source of supply of dairy products which could not be depended upon in times of emergency.

THE IMPORTANCE OF IMPORT CONTROLS

Neither this important agricultural program, nor the American dairy industry, as we know it today, can exist under present conditions of world trade without effective import controls.

PRINCIPLES OF FOREIGN TRADE

The federation has no quarrel with the principle that foreign trade should be expanded, provided such trade is beneficial and not destructive.

Broad general principles of free trade, however idealistic they may sound in the abstract, are often impractical and unrealistic when applied to specific commodities. This is particularly true when they are considered in the light of the adverse conditions which prevail today in world trade.

Beneficial foreign trade does not result to the United States from excessive imports of dairy products which are already in surplus supply and which we do not need. Such imports burden the support program with millions of dollars of wasted and unnecessary cost, undermine the Nation's agricultural production and markets, and result in loss of opportunities for our own people.

This country is committed to a high standard of living, high wage rates, and the maintenance of agricultural prices at levels which will protect the purchasing power of farmers. As a result of lower production costs in some countries, and the use of heavy export subsidies by many foreign nations, our agricultural prices, in most cases, even though still below parity, are far above world price levels.

As long as this condition exists, import controls will be necessary to prevent world surpluses from being drawn to our more attractive stabilized markets. The same price differences make export price adjustments necessary if we are to retain a fair share of the world agricultural market.

REAPPRAISAL NEEDED

A reappraisal of our foreign trade policies by Congress in a more practical and realistic light is long overdue, and I think, Mr. Chairman, this committee and you as chairman are to be highly commended for going into this matter at this time.

The European Common Market has sharpened the need for such a review by rendering obsolete earlier concepts of foreign trade, particularly in the agricultural field.

Aside from this, the extremely wide varitions in prices, wages, costs, and other factors which exist between different countries make the general application of free trade policies impractical.

We believe Congress is becoming increasingly aware of the fact that our foreign trade policies are seriously out of line with realities. The large number of Members of Congress who have introduced import control bills so indicates. For example, a total of 59 Senators and over 200 Members of the House introduced legislation in the previous Congress to provide more effective quotas on dairy imports under the proposed Dairy Import Act. Numerous similar bills have been introduced in the present Congress.

Import bills on other commodities also have had an impressive number of sponsors in both the Senate and the House.

TARIFFS ARE OBSOLETE—QUOTAS ARE ESSENTIAL

It is our firm conviction that quotas are the most effective form of import control and also that they are the fairest to all parties concerned.

Tariffs have been rendered meaningless by currency devaluation and manipulation, by steadily increasing inflation, and by export subsidies in whatever amounts are necessary to move the product into our markets. The volume of imports, which will enter under a fixed tariff, is uncertain and cannot be predicted for future years.

On the other hand, when quotas are set, foreign nations know exactly what they can depend on in the American market, and they can adjust their production and marketing accordingly.

In the same manner, American producers know what the volume of imports will be, not only currently but for several years ahead, and then can make long-range plans, as they must do, if this country is to enjoy assured supplies of an essential food.

Furthermore, it is our belief that a definitely known volume of imports causes less disruption of the market than would the same volume when coupled with uncertainty as to whether the imports would stop at that level or possibily go far beyond it.

NEW LEGISLATION NEEDED

We have been through an almost continuous series of situations where imports got completely out of hand and where the use of controls has been too little and too late. The effect has been to drive farm prices to the support floor, add many millions of dollars of wasted and unnecessary cost to the support program, and demoralize and discourage American's dairy farmers.

Legislation is desperately needed to prevent this from happening again. Unless Congress steps in to bring some measure of dependability and respectability to our dairy import controls, we fear other similar fiascos will result. One is in progress now and new ones are building up for the future.

Import controls are presently in effect on some dairy products under section 22 of the Agricultural Adjustment Act.

This section has not been adequate, and controls under it have been weak and ineffective. It has been characterized by a long history of easy and repeated evasion of its quotas.

Another reason section 22 controls are inadequate is that they are available only to protect certain agricultural programs. Legislation is needed not only to provide more positive controls but also to provide coverage for agricultural commodities which may not be subject to a support program.

Without such legislation, the American dairy industry can never rise above a support program, because, as soon as it becomes self-sufficient, import controls will be removed and imports will force it back into a new support program.

It is, therefore, most important to reevaluate the import control program for dairy products and to provide positive and effective controls under new legislation.

The current evasion product is another butterfat-sugar mixture used in the manufacture of ice cream.

This will be the fourth time that butterfat-sugar mixtures to be used in ice cream have been the subject of Tariff Commission hearings to stop the evasion of previously established inadequately worded quotas.

The first evasion product was Exylone which contained 76.6 percent butterfat. The second evasion product was Junex which contained just under 45 percent butterfat. The third product was Junex which purported to be packaged in retail wrappers.

The present product contains from 20 to 24 percent butterfat, with the more recent imports running at 24 percent, an average of about 14 percent nonfat milk solids, and about 17 to 18 percent sugar. The majority of the imports have had an overrun of about 30 percent, that is, 30 percent air in the mixture and some imports have been admitted with an overrun as low at 10 percent. Domestic ice cream normally contains from 10 to 12 percent butterfat, 10 to 12 percent nonfat milk solids, about 17 to 18 percent sugar, and an overrun of about 80 to 90 percent.

The new evasion product is labeled ice cream, and the Customs Bureau has classified it as ice cream, thus enabling it to avoid the import quotas on butterfat-sugar mixtures and on ice cream mix.

This is strictly an evasion product developed and imported for the purpose of evading the quotas on other ice cream ingredients.

The mixture would not be sold as ice cream because of the extremely high butterfat content as compared to normal ice cream. Retail purchasers would not buy it or eat it as ice cream because of its high butterfat content and low overrun. The Department of Agriculture will not permit it to be distributed as ice cream and requires it to be reprocessed in this country as ice cream mix. This is because great quantities of it have been coming from countries infested with foot-and-mouth disease.

This presents the incongruous situation of the Commissioner of Customs holding in one hand a frozen conglomerate mess, overloaded with butterfat and overloaded with nonfat milk solids, which no one would sell, no one would buy, and no one would eat as ice cream and at the same time holding in the other hand an affidavit of the importer to the general effect that the product will not be used as ice cream, but will be used only as ice cream mix. The Commissioner then declares the product to be ice cream and free of the import quotas on butterfat-sugar mixtures and on ice cream mix.

It further presents the incongruous situation of one Government agency saying the product is ice cream, thus enabling the product to avoid the import quotas, while another Government agency says the same batch is not ice cream but ice cream mix, thus enabling the product to avoid the regulations on ice cream imports from foot-and-mouth disease countries.

Here is one Government agency winking at another one. The Customs Bureau says it is ice cream and therefore it can come in, that it is not stopped by the ice cream mix quotas. And the Department of

Agriculture says, no, this is ice cream mix. It is going to be reprocessed and therefore it is not subject to the foot-and-mouth disease embargoes.

Now, as to this one item alone, the cost of removing an equal amount of nonfat solids and fat during 1969 and the first quarter of 1970 was an added $6.5 million to the Commodity Credit Corporation, $6.5 million which absolutely did not have to be spent. There was no reason to spend this money.

Next year's evasion product will be lactose. This product should have been but is not included in the current section 22 proceedings. We have written the Secretary of Agriculture. We have called it to the attention of the Bureau of Customs. This is a milk product, the sugar which we obtain from the whey, which results from the making of cheese. It is produced in great surplus in this country. We have plants which now produce 83 million pounds of it. We imported, in 1968, about 400,000 pounds of the product. In 1969, we imported 4 million pounds, a tenfold increase.

We can see this thing building because no provision has been made under section 22 to take any effective action to stop it. It should be stopped, but we cannot get the Department of Agriculture to do anything about it.

One of the other gaping loopholes in the import quotas established under section 22 is the 47 cent price break on cheese. For some inexplicable reason, when quotas were set on imports of certain cheeses, it was decreed that cheese, costing 47 cents or more, could come in quota free. We protested at that time. We have protested since that time. We have asked that this matter be looked into by the Tariff Commission. As a matter of fact, all they have done is look into the idea of putting skim milk cheese under the same price break.

Our price-support level for cheese in this country is now 5 cents above the 47 cent price break. This means that the cheese producers of this country, our own dairy industry, and I am sure Mr. Anderson talked to you about this, but our own dairy industry will shortly be relegated to the position of producing only the lowest grade cheeses, cheeses which can be used only for processing. We are in the process of turning all of our finer markets over to imported products—markets for which this industry has geared itself and is perfectly capable of meeting.

It is something which should not be, but it is, and apparently, unless the Congress takes some action, there is nothing that we can do about it.

It would be a foolhardy thing, indeed, to leave the American dairy market unprotected against a destructive level of imports in the face of the extremely heavy export subsidies which are being used by foreign nations to dump their surpluses in our country.

Practically all nations use export subsidies in one form or another but the most serious problem occurs in the Common Market. The Common Market is exporting under the following subsidies: Butter, an average of 60 cents a pound; butterfat, an average of 78 cents a pound; nonfat milk, almost 10 cents a pound; canned milk, almost 5 cents a pound; powdered cream and sugar, 26 cents; swiss cheese, 17 cents; blue mold cheese, 13 cents; Edam and Gouda cheese, 12 cents; Cheddar cheese, 30 cents.

Mr. Chairman, these are not our figures but these are figures which

are developed and published by the U.S. Department of Agriculture in its official publications.

In connection with our foreign trade policies, Congress did cognize that some form of counteraction would be required to prevent foreign nations from dumping their surplus products on our markets through the use of export subsidies. To this end, it enacted the countervailing duty statute providing for the colletcion of additional duties on articles if their exportation had been subsidized by a foreign nation.

The countervailing duties are equal to the export subsidy and are in addition to the regular duties. The effect, when the statute is enforced, is to offset the advantage which otherwise results from the use of the export subsidy.

There never has been a time, so far as we know, in the history of dairy imports when there was greater need for this statute. Export subsidies being used by foreign countries, are in some cases five times the world market price for the commodity being subsidized. In the common market, with a wholesale butter price of 78 cents per pound, butter for processing for export is priced at 11 cents per pound. The subsidy of 67 cents is more than six times the sale price of the exported butter.

The export subsidies of the common market enables its exporters to undercut competing prices at all times.

The countervailing duty statute is positive and mandatory. It contains no exceptions and the Secretary of the Treasury has no discretion as to its application. He cannot select the nations or the articles against which the law will be applied or wave its application as to any particular nation or article.

The statute provides that there shall be levied and paid in addition to other duties, an additional duty equal to the export subsidy. It provides that the Secretary of the Treasury shall determine the amount of the export subsidies and provide for the assessment and collection of the additional duties.

The National Milk Producers Federation on July 26, 1968, almost 2 years ago, requested the Commissioner of the Customs to make an immediate investigation into export subsidies being used with respect to dairy products being imported into the United States. We requested also that countervailing duties be imposed promptly in accordance with the mandatory provisions of the Tariff Act.

The request was supported by reference to official U.S. Government statements and publications showing the amounts of subsidies and the foreign nations using them.

It should have been possible within a few days to have imposed the countervailing duties required by the law.

Almost 2 years have elapsed and the Secretary of the Treasury has not collected a single countervailing duty on a single dairy product.

Since our original request of July 1968, we have on numerous occasions further requested action to impose countervailing duties, and have supplied additional information as to the amounts of export subsides being used by foreign nations. Most of this information has been taken from official publications of the U.S. Government.

In addition to our efforts, many members of Congress also have brought this problem to the attention of the Secretary of the Treasury and the Commissioner of Customs and urged that the law be enforced.

The countervailing duty statute imposes a clear responsibility on the Secretary of the Treasury to collect these charges. This responsibility is fully comparable to that which exists with respect to the collection of other import duties enacted by Congress.

The failure of the Secretary of the Treasury to impose the countervailing duties required by Congress has resulted in the loss of substantial revenue to the United States. This loss is continuing and the total is increasing for each additional day that the Secretary fails to act.

Mr. Chairman, our Board has looked at this thing quite carefully and feels very strongly that the Secretary of the Treasury is no more above the law than any of us. When he has the responsibility to enforce the law or has a responsibility imposed by Congress on him he should meet it.

Mr. Byrnes has a bill before the Congress to transfer from the Bureau of Customs to the Department of Agriculture the jurisdiction over defining dairy products in connection with the importation of them. We fully support this bill. It would do away with this winking between the Department of Agriculture and the Bureau of Customs to which I referred earlier. It is certainly something which should be enacted.

DAIRY IMPORT ACT

The National Milk Producers Federation has developed and is strongly supporting a proposed Dairy Import Act.

This legislation would provide a fair and practical approach to the dairy import problem. Furthermore, it would be effective, and it would put a stop to the long history of evasion and subterfuge which importers and foreign nations have engaged in under our present laws. It would be efficient because it would be self-activating at the prescribed level of imports.

It would bypass the present time-consuming and most unsatisfactory proceedings before the U.S. Tariff Commission.

Basically, the Dairy Import Act would limit imports by quotas to the average level imported during the historical base period of 1961–65. Later years would not be included in the base period because they are not normal import years. They are years in which imports have been developed through subterfuge and evasion and certainly should not be used as the basis for setting imports in future years.

The Dairy Import Act would permit foreign nations to share in the future development of our own domestic market. This would be accomplished by increasing or decreasing the permitted level of imports in proportion to increases or decreases in domestic consumption. New products could be allocated a share in the imports but this would be done within the limits of the overall quota.

In the same manner, special needs could be recognized by varying the import level of particular products or varying the relative shares of the quota by country of origin within the overall quota limit.

Furthermore, we make provision for emergency conditions in any overriding consideration of national interest which the President of the United States might feel was warranted.

Mr. Chairman, we urgently need this Dairy Import Act. We have had it before Congress for many years. Many Members of Congress,

261 Members of Congress, have indicated their support for this legislation. We feel that the strong support for the Dairy Import Act is the vehicle which forced the Administration to conduct the hearings which resulted in the latest import controls. We feel that the hearings which the Tariff Commission has currently announced in four broad categories were prompted by the action of this committee in having these hearings here today and during this period.

We have never seen the administration move on import controls unless the Congress threatened to move if they did not. I am not referring only to this administration. This has been going on since 1953, and every administration has handled it exactly the same. They have never effectively administered this law. They have allowed every loophole to be exploited.

Until the Congress acts to set limits which the Congress feels should be set, then we will continue to be plagued by a constant series of evasions through subterfuge which keep the domestic industry in a constant state of turmoil.

Mr. Chairman, we earnestly solicit the support of this committee for our bill.

(Mr. Healy's prepared statement follows:)

STATEMENT OF PATRICK B. HEALY, SECRETARY, NATIONAL MILK PRODUCERS FEDERATION

SUMMARY

THE FEDERATION

The National Milk Producers Federation represents American dairy farmers and the cooperative dairy plants which they own and through which they process and market, on a cost basis, the milk produced on their farms.

OUR AGRICULTURAL PROGRAMS

Prices paid to farmers for milk are supported at levels ranging between 75 and 90 percent of parity. This is accomplished by removing surplus supplies from the market through purchases made by the Commodity Credit Corporation.

Imports increase the total surplus, displace a commercial outlet for domestic dairy products, and results in millions of dollars of wasted and unnecessary cost to the support program.

THE IMPORTANCE OF IMPORT CONTROLS

Neither our agricultural dairy program, nor the American dairy industry, as we know them today, can exist under present conditions of world trade without effective import controls.

We dare not rely on an overseas source of supply for such essential foods as milk and dairy products.

PRINCIPLES OF FOREIGN TRADE

Broad principles of free trade in many cases are impractical when applied to specific commodities. This is particularly true of dairy products, considered in the light of the adverse world trade conditions which exist today.

Unneeded imports add millions of dollars of unnecessary cost to the support program, undermine the nation's agricultural markets, and result in loss of opportunity for our own people.

REAPPRAISAL NEEDED

Our foreign trade policies are seriously out of line with realities.

The advent of the European Common Market completely changed the whole concept of international trade. All efforts to get the Common Market to go back to

idealistic free trade concepts and to abandon its import controls and exports subsidies have failed.

The United States cannot continue to close its eyes to this fact and go on living in the dreamland of the past.

TARIFFS ARE OBSOLETE—QUOTAS ARE ESSENTIAL

Exports subsidies, steadily increasing inflation, and currency manipulation have rendered traiffs meaningless.

Import quotas provide a definite and known level of imports to which the market can adjust and against which both foreign nations and our domestic producers can make long range plans.

NEW LEGISLATION NEEDED

Section 22 of the Agricultural Adjustment Act has been tried and found wanting. It has been characterized by a long history of easy and repeated evasion of its inadequate quotas.

A new evasion fiasco is now in progress in the form of imports of a butterfat-sugar mixture labeled ice cream. Another costly and time consuming Tariff Commission hearing will begin July 7, 1970. The last one ended only a year and a half ago.

The present proceeding already is inadequate, and a new round of evasion is building up for next year in the form of lactose, cheese priced at 47 cents or more, and other items.

This means more damaging imports, more waste to the support program, and another round of costly Tariff Commission hearings.

ICE CREAM

The current evasion product is another butterfat-sugar mixture used in the manufacture of ice cream.

It contains 20–24 percent butterfat, about 14 percent nonfat milk solids, and 17–18 percent sugar. It has an overrun of 10–30 percent.

Domestic ice cream normally contains 10–12 percent butterfat, 10–12 percent nonfat milk solids, 17–18 percent sugar, and an overrun of about 80–90 percent.

The evasion product is classified as ice cream by the Commissioner of Customs, which enables it to evade the quotas on butterfat-sugar mixtures and on ice cream mix. The Secretary of Agriculture treats it as ice cream mix, thus enabling it to avoid the foot and mouth disease regulations on ice cream.

Imports in 1969 were over 20 million pounds and resulted in wasted and unnecessary cost to the price support program of $4.20 million.

Imports in the first quarter of 1970 were 11 million pounds and cost the price support program $2.29 million. First quarter imports were at an annual rate of 44 million pounds.

LACTOSE

Lactose imports jumped ten fold from less than 400,000 pounds in 1968 to more than 4 million pounds in 1969. First quarter imports in 1970 were at an annual rate of 5.48 million pounds.

It is not included in the present Tariff Commission hearing, which means that another hearing will be necessary.

47 CENT CHEESE

The present quota on Emmenthaler, Gruyere-process, and "other" category cheese priced under 47 cents per pound was inadequate when it was applied in January 1969.

Imports in the first quarter of 1970 expressed as a percentage of 1969 were as follows: Emmenthaler Jan. 276, Feb. 261, Mar. 131; Gruyere-process Jan. 179, Feb. 226, Mar. 126; "Other" cheese Jan. 307, Feb. 369, and Mar. 210.

In the case of "other" cheese, 40.5 percent of the 1969 total was priced free of quota. In the first four months of 1970, the imports priced free of quota had reached 64.7 percent of the total.

Cheese priced at 47 cents or more is not included in the present Tariff Commission hearing which means that another hearing will be necessary.

EXPORT SUBSIDIES

Heavy export subsidies are being used by foreign nations to dump their surplus dairy products into world trade channels and to undercut our domestic markets.

In the Common Market, butter is price supported at 78 cents per pound and is sold for processing of export products at 11 cents per pound. The subsidy in this case is six times the export sale price.

Other sample export subsidies are: butterfat 78.93 cents per pound, nonfat dry milk 9.98 cents per pound, and cheddar cheese 30.84 cents per pound.

COUNTERVAILING DUTIES

The Secretary of the Treasury is required to collect countervailing duties on imports equal to the amount of the export subsidy used by the exporting nation.

In July 1968, we requested that countervailing duties be applied in the case of dairy products.

It is now almost two years later and no such duties have been collected.

REPRESENTATIVE BYRNES BILL H.R. 17743

This bill would transfer from the Bureau of Customs to the Department of Agriculture the classification of products subject to quota.

Classification for quota purposes should be made by the same agency that administers the quotas.

DAIRY IMPORT ACT

This proposed legislation would put a top limit on imports of butterfat and nonfat milk solids in any form, thus ending the ever continuing rounds of evasion we have experienced in the past.

CONCLUSION

Effective import controls are necessary, in the light of present world trade conditions, if our dairy industry is to survive. We dare not depend on off-shore supplies of essential foods such as a milk and dairy product.

Section 22 has proven itself ineffective. It has been characterized by repeated evasion and by repeated costly hearings. More are in the making.

Congress should step in to stop the continual waste we have experienced under section 22 and should provide permanent and effective import controls.

This could be done through the proposed Dairy Import Act which would put an overall ceiling on imports of milk and milk solids in any form.

The continual evasion could be stopped also by imposing an overall quota on milk and milk solids in any form not covered by specific section 22 quotas.

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These are agricultural marketing cooperatives which enable farmers, by acting together, to bargain more effectively for the sale of the milk produced on their farms.

In some of these cooperatives, farmers have banded together to build and operate their own dairy plants. Through these plants, they process, on a cost basis, the milk produced on their farms and market it in the form of finished dairy products.

Practically every form of dairy product produced in any substantial volume in the United States is produced and marketed by dairy cooperative plans represented by the Federation.

The Federation is, therefore, directly concerned with the adverse effect of excessive dairy imports on American dairy farmers and on the supply of milk produced in this country. We also are directly concerned with the effect of excessive imports on dairy plants operated in this country and with the effect of such imports on the domestic market for dairy products.

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As long as this condition exists, import controls will be necessary to prevent world surpluses from being drawn to our more attractive stabilized markets. The same price differences make export price adjustments necessary if we are to retain a fair share of the world agricultural market.

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Aside from this, the extremely wide variations in prices, wages, costs, and other factors which exist between different countries make the general application of free trade policies impractical.

We believe Congress is becoming increasingly aware of the fact that our foreign trade policies are seriously out of line with realities. The large number of members of Congress who have introduced import control bills so indicates. For example, a total of 59 Senators and over 200 members of the House introduced legislation in the previous Congress to provide more effective quotas on dairy imports under the proposed Dairy Import Act. Numerous similar bills have been introduced in the present Congress.

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This section has not been adequate, and controls under it have been weak and ineffective. It has been characterized by a long history of easy and repeated evasion of its quotas.

Another reason section 22 controls are inadequate is that they are available only to protect certain agricultural programs. Legislation is needed not only to provide more positive controls but also to provide coverage for agricultural commodities which may not be subject to a support program.

Without such legislation, the American dairy industry can never rise above a support program, because, as soon as it becomes self-sufficient, import controls will be removed and imports will force it back into a new support program.

It is, therefore, most important to reevaluate the import control program for dairy products and to provide positive and effective controls under new legislation.

ICE CREAM

The current evasion product is another butterfat-sugar mixture used in the manufacture of ice cream.

This will be the fourth time that butterfat-sugar mixtures to be used in ice cream have been the subject of Tariff Commission hearings to stop the evasion of previously established inadequately worded quotas.

The first evasion product was Exylone which contained 76.6 percent butterfat. The second evasion product was Junex which contained just under 45 percent butterfat. The third product was Junex which purported to be packaged in retail wrappers.

The present product contains from 20 to 24 percent butterfat, with the more recent imports running at 24 percent, an average of about 14 percent nonfat milk solids, and about 17 to 18 percent sugar. The majority of the imports have had an overrun of about 30 percent, but some imports have been admitted with an overrun as low as 10 percent. Domestic ice cream normally contains from 10 to 12 percent butterfat, 10 to 12 percent nonfat milk solids, about 17 to 18 percent sugar, and an overrun of about 80 to 90 percent.

The new evasion product is labeled "ice cream," and the Customs Bureau has classified it as ice cream, thus enabling it to avoid the import quotas on butterfat-sugar mixtures and on ice cream mix.

This is strictly an evasion product developed and imported for the purpose of evading the quotas on other ice cream ingredients.

The mixture would not be sold as ice cream because of the extremely high butterfat content as compared to normal ice cream. Retail purchasers would not buy it or eat it as ice cream because of its high butterfat content and low overrun. The Department of Agriculture will not permit it to be distributed as ice cream and requires it to be reprocessed in this country as ice cream mix. This is because great quantities of it have been coming from countries infested with foot and mouth disease.

This presents the incongruous situation of the Commissioner of Customs holding in one hand a frozen congomerate mess, overoaded with butterfat and overoaded with nonfat milk solids; which no one would sell, no one would buy, and no one would eat as ice cream and at the same time holding in the other hand an affidavit of the importer to the general effect that the product will not be used as ice cream, but will be used only as ice cream mix. The Commissioner then declares the product to be ice cream and free of the import quotas on butterfat-sugar mixtures and on ice cream mix.

It further presents the incongruous situation of one Government agency saying the product is ice cream, thus enabing the product to avoid the import quotas, while another Government agency says the same batch is not ice cream, but ice cream mix thus enabling the product to avoid the regulations on ice cream imports from foot and mouth disease countries.

The new evasion product is not a normal historical import. It was developed in late 1969 to avoid inadequate controls set up to close loopholes left open in previously established inadequate quotas.

By August 8, 1969, imports had reached approximately half a million pounds, and it was obvious that the break in the dike would reach serious proportions if left unchecked.

At that time, we requested the Secretary of Agriculture to take immediate emergency action to control the imports and at the same time to initiate a proceeding under section 22 of the Agricultural Adjustment Act to establish a permanent quota.

No action was taken on these requests, and the flood of unneeded imports, which we had warned against, did develop.

During the latter part of 1969, in a period of about 5 months, imports reached a total of 20 million pounds.

In the first quarter of 1970, imports of the new evasion product were over 11 million pounds. This is at an annual rate of 44 million pounds. April imports were over 3 million pounds.

It is estimated that the cost of removing a corresponding amount of domestically produced butterfat and nonfat milk solids through the purchase program of the Commodity Credit Corporation was:

	Million
1969	$4.20
January-March 1970	2.29
Total	6.5

(Using 14 percent nonfat milk solids with a removal cost of 25 cents per pound and 20 percent butterfat with a removal cost of 69 cents per pound.)

The cost to the support program will be higher per pound of imports after April 1, 1970, due to the increase in the support price.

This added and unnecessary cost to the support program is continuing and the total is increasing each day that action to control this new evasion effort is delayed.

This is a substantial amount of money under any circumstances in a tight budget year; but it takes on special significance when it is a useless and preventable waste.

On April 22, 1970, we again requested emergency action to stop this flood of imports and to cut off this useless waste of price support funds.

No emergency action was taken, and the Tariff Commission proceeding announced May 13, 1970, was not accompanied with any provisions for emergency controls.

LACTOSE

Next year's evasion product began entering the United States market even before this year's Tariff Commission hearings had been announced. This product should have been, but is not, included in the current section 22 proceeding.

The new evasion item is Lactose. This is a form of milk sugar derived from whey, which is a surplus product within the United States. Imports jumped ten fold from less than 400,000 pounds in 1968 to more than 4 million pounds in 1969. Imports in the first three months of 1970 were 1,370,000 pounds. This represents an annual rate of 5,480,000 pounds. April imports were 443,000 pounds.

Earlier imports were primarily from West Germany, the Netherlands, and Switzerland. More recent reports show Holland getting into the act. If previous evasion history repeats itself, other nations will come in to reap as big a profit as possible at the cost of the support program before any effective action is taken to close this loophole.

Lactose is a normal historical import, which heretofore has been used primarily in drugs. The import level for 1968 was less than 400,000 pounds. However, it is not a normal historical import in the quantities and for the purposes now being imported, but is another evasion type of import.

It now is being used in low fat fluid milk, candy, baby foods, and, most importantly, as an ingredient in ice cream.

In these uses particularly, it displaces a market for nonfat milk, a quota product, which is then forced into the hands of the Commodity Credit Corporation at additional cost to the support program.

Lactose is produced in the United States, the 1968 production being 83 million pounds. Two of our member cooperative associations are currently building a new plant to produce lactose in this country.

On March 30, 1970, we requested the Secretary of Agriculture to take action under section 22 of the Agricultural Adjustment Act to control this sudden upsurge in lactose imports on an emergency basis and at the same time to initiate action to establish permanent controls.

The Secretary did not use the emergency powers authorized by Congress, and the section 22 proceeding announced May 13, 1970, does not include lactose as one of the items to be considered.

This means that this loophole will be left open; that unneeded imports will continue to add unnecessary and wasted cost to the support program; and that, after much additional harm has been done, we will again have to go through another round of time consuming hearings before the Tariff Commission to stop another round in the almost continuous history of evasion.

47-CENT CHEESE

One of the gaping loopholes in the import quotas established under section 22 of the Agricultural Adjustment Act is the 47 cent price break.

This device was initiated in the last hearing over repeated warnings that it would constitute another open invitation to evasion.

In spite of these warnings the price break was included in the quotas for Emmenthaler and Gruyere-process Cheese and in the quota for cheese designated as "other" cheese.

This did result in a loophole, as had been predicted, and foreign nations responded promptly to exploit it.

The pending section 22 hearings not only leave this loophole open but further expand it to include low fat cheese.

What this means is that another round of section 22 hearings is already in the making for next year.

This will come about after much unneeded imports have been dumped on the American market, after many thousands of dollars of wasted cost have been incurred under the price support program, and at a further waste of time and expense involved in going through another Tariff Commission hearing.

This is in line with the previous history of the inadequate and wasteful administration of section 22 which we have experienced over many years.

Under the 47 cent price break, quotas on Emmenthaler, Gruyere-process, and "other" category cheese apply only to cheese priced below 47 cents per pound.

The figure of 47 cents per pound was the price at which the Commodity Credit Corporation was buying domestic cheese under the price support program at the time the price break was adopted.

Since that time the CCC purchase price was increased to 48 cents on April 1, 1969, and to 52 cents on April 1, 1970.

This increase, of course, has the effect of rendering further ineffective and impractical the already ineffective and impractical price break of 47 cents.

The new hearings for this year do not correct the defect of the 47 cent price break nor take any recognition of the increase in the price support level which has occurred since the 47 cent break was adopted.

The 47 cent price is the export price ready for shipment to the United States. To this would be added transportation and insurance costs of about 2.5 cents per pound and the U.S. duty. The duty on Swiss cheese for 1970 is 11 percent and on "other" cheese is 14 percent. Both of these rates are scheduled for further reductions in 1971 and again in 1972.

This means a duty paid cost in this country of about 54.7 cents for Swiss and 56 cents for "other" cheese.

The trouble with a price break is the ease with which it can be evaded through rebates and other artificial pricing arrangements.

Another objection to a price break is that it drives our domestic production down to the level of processing quality cheese while our domestic markets for high quality cheese are given away to foreign nations. This results from lower production costs in foreign nations and from the use of export subsidies in whatever amounts are required to take over the American market.

We produce substantial quantities of high quality cheese in this country, and we ought not to destroy this important segment of the dairy industry.

Furthermore, the invasion of our markets by uncontrolled imports of higher priced cheese, deprives our own producers of this outlet and forces a corresponding quantity of domestic production into the support program at added and unnecessary cost.

The Department of Agriculture after discussing the 47 cent price break predicted that cheese imports will approximate quota levels for types which are under quota, but will rise for nonquota varieties. (Dairy Situation, March 1970.)

The import figures bear out this prediction.

Article	*1970 as a percentage of 1969*
Emmenthaler:	
January	276
February	261
March	131
Gruyere-proceess:	
January	179
February	226
March	126
"Other" Cheese:	
January	307
February	369
March	210

April imports were down slightly, possibly as a result of the announcement of this hearing, or possibly as a result of the impending section 22 hearing. The 47 cent cheese was not included in the current Tariff Commission hearing.

That the present quotas are ineffective is further indicated by the volume of cheese now priced above the 47 cent price break. We do not have figures on the percentage of cheese priced below 47 cents prior to the establishing of the quota on such cheese, but we believe they would show a sharp shift to quota free cheese priced at 47 cents or more.

For 1969, in the case of "other" cheese, 40.5 percent of the total was priced free of quota and 59.5 percent was priced within the quota. For the first four months of 1970, these figures were practically reversed with 64.7 percent of the total being priced free of quota and only 35.3 percent within the quota.

In the first four months of 1970, in the case of Swiss cheese, 88 percent of the Emmenthaler imports were priced free of quota and 71 percent of the Gruyere-process imports were priced free of quota.

Failure to include the 47 cent cheese in the present Tariff Commission hearing means that the stage already has been set for another round of evasion and for another round of Tariff Commission hearings.

EXPORT SUBSIDIES

It would be utterly foolhardy to leave the American dairy market unprotected against a destructive level of imports in the face of the extremely heavy export subsidies being used by foreign nations to dump their surpluses into world trade.

The relatively higher prices prevailing in this country as compared to world prices make our markets a prime target for the surplus dairy production of the world.

While some European countries have now set their domestic prices at a level reasonably comparable to ours, they have set up strict import controls to prevent imports from entering at cheaper prices to upset their domestic markets.

The dairy farmers represented by the Federation have no quarrel with the efforts of the Common Market countries to improve the lot of their dairy farmers. Neither do we have any quarrel with their use of import controls to protect their domestic price system against cheaper world price imports.

We do part company with them, however, when they use export subsidies to dump their surpluses into world trade, and, particularly, when they use every conceivable device to unload their surpluses on our markets and undermine our efforts to provide a reasonable economic standard for our own farmers.

We disagree, also, most strongly, when they oppose our efforts to maintain reasonable import controls to protect our domestic price support program from the effects of a destructive level of lower priced imports.

In the case of export subsidies, the National Milk Producers Federation has consistently maintained the position that we should use export subsidies only to the extent necessary to move into world trade our fair share of such trade at prices which will not be disruptive. We never have advocated the dumping of our surpluses on world markets. We maintained this position in 1963 and other years when we had a serious surplus problem.

Other nations have not accorded us the same considerations we have accorded them in the area of international trade.

To be brutally blunt about it, but realistic, they have taken every possible opportunity to raid our markets, evade our import controls, and undermine our agricultural programs.

That is the reason we have had to look to Congress, and must continue to look to Congress, for help, if the dairy industry in this country is to survive.

We must maintain within our own shores a dependable source of supply for such vital foods as milk and dairy products.

The advent of the European Common Market completely changed the whole concept of international trade. This has been quite obvious for many years.

The United States cannot close its eyes to this fact and continue to live in the dreamland of the past.

All efforts to get the Common Market to go back to the idealistic free trade concepts of the past and to abandon its import controls and export subsidies have failed. There is no ray of hope on the horizon to indicate that this will come about for many years, if ever.

We must be realistic and protect our own markets against subsidized exports, and the protection must be effective and not subject to continual evasion.

Practically all nations use export subsidies of one form or another, but the most serious problem is the Common Market.

Listed below are some examples of the export subsidies.

In the Spring of 1968, France with an average domestic wholesale price of over 80 cents per pound was exporting butter at 13–29.5 cents per pound. The Dutch with an average wholesale price of approximately 72 cents per pound was exporting butter at 15–25 cents per pound. Nonfat dry milk with a Paris wholesale price of about 21 cents per pound was being exported at 10–13 cents per pound. (Foreign Agriculture, U.S.D.A. 3/4/68.) At about the same time, evaporated milk was being dumped on the American market through the use of export subsidies ranging from 4.67–5.86 cents per pound (U.S.D.A.).

Following the application of the EEC's new dairy regulations on July 29, 1968, common export subsidy rates for dairy products were set. These have remained basically the same up to the present time. (Foreign Agriculture, U.S.D.A., 8/26/68.)

The Wall Street Journal reported in its September 25, 1968, issue that some foreign nations were subsidizing domestic butter production at 85 cents per pound and selling it for export at 10 cents per pound.

Foreign Agriculture, U.S.D.A., March 16, 1970, reporting on Common Market export subsidies noted that "butter—price supported at 78 cents per pound—is sold for processing of export products at 11 cents a pound."

The butterfat used in the butterfat-sugar mixtures, including the current evasion product labeled ice cream, is obtained from such butter or from heavily subsidized butteroil.

The following are sample export subsidies used by the Common Market.

Article:	*Export subsidy (cents per pound)*
Butter	60.33
Butterfat	78.93
Nonfat dry milk	9.98
Canned milk	4.99
Powdered cream and sugar	26.08
Swiss cheese	17.24
Blue-mold cheese	13.61
Edam and Gouda cheese	12.50
Cheddar cheese	30.84

Source: U.S.D.A.

Processed products receive export subsidies based on their content of base commodities.

Some of the export subsidies vary by destination and are set at the level necessary to penetrate a particular market. This leads to some fantastically high subsidies in comparison with world prices. The subsidies on nonfat milk solids, butter, and sugar exceeded the world price level for the same product. For butter, it was almost five times the world price.

As noted above, with a wholesale butter price of 78 cents and a price for processing for export of 11 cents, the export subsidy of 67 cents is more than six times the sale price of the exported butter.

The export subsidies of the Common Market enables its exporters to undercut competing prices at all times. (Foreign Agriculture, U.S.D.A., 3/16/70.)

This makes it absolutely necessary for this country to maintain effective import controls to prevent the dumping of foreign surpluses on our markets and to protect our domestic agricultural programs from destruction.

The failure of the Administration to take effective action in this matter means that foreign nations will continue to raid the American markets with some 3.5 million pounds per month of a subterfuge ice cream product, and that the imports of this one item alone will cost the American taxpayers over $750,000 per month in wasted and preventable extra cost to the support program.

The above figures are based on the average monthly imports for January–April 1970. Foreign nations are quite likely to use the time remaining, before the Tariff Commission can act, to dump every possible pound of their surplus on our shores.

In the last Tariff Commission hearing more than 6 months elapsed between the President's request of June 10, 1968, and the final action imposing quotas on January 6, 1969.

In 1969, Belgium was the principal supplier of the evasion ice cream imports, sending in 77 percent of the total.

However, in 1970, this picture changed, and New Zealand, one of our most persistent loophole exploiters, clobbered us with imports of approximately 7.8 million pounds in the first quarter. This was over 70 percent of the total imports of the evasion product for that quarter. New Zealand imports in April were 1.3 million pounds with Belgium climbing back from 98,650 pounds in January to 1.7 million pounds in April.

COUNTERVAILING DUTIES

In connection with our foreign trade policies, Congress recognized that some form of counter action would be required to prevent foreign nations from dumping their surplus products on our markets through the use of export subsidies.

To this end, it enacted the countervailing duty statute providing for the collection of additional duties on articles if their exportation has been subsidized by a foreign nation. The countervailing duties are equal to the export subsidy and are in addition to the regular duties. The effect, when the statute is enforced, is to offset the advantage that otherwise results from the use of the export subsidies.

There never has been a time, so far as we know, in the history of dairy imports, when there was a greater need for this statute.

Export subsidies being used by foreign countries are, in some cases, five times the world price.

In the Common Market, with a wholesale butter price of 78 cents per pound, butter for processing for export is priced at 11 cents per pound. The subsidy of 67 cents is more than six times the sale price of the exported butter.

The export subsidies of the Common Market enable its exporters to undercut competing prices at all times. (Foreign Agriculture, U.S.D.A., 3/16/70.)

The export subsidy on butterfat in the Common Market is 78.93 cents per pound compared to our current support price of 71.5 cents per pound.

The countervailing duty statute is positive and mandatory. It contains no exceptions and the Secretary of the Treasury has no discretion as to its application. He cannot select the nations or the articles against which the law will be applied or waive its application as to any particular nation or article.

The statute provides that "there shall be levied and paid," in addition to other duties, an additional duty equal to the export subsidy. It provides that the "Secretary of the Treasury shall" determine the amount of the export subsidies and provide for the assessment and collection of the additional duties. (Sec. 303 of the Tariff Act of 1930, 19 U.S.C. 1303.)

The Federation on July 26, 1968, requested the Commissioner of Customs to make an immediate investigation into export subsidies being used with respect to dairy products being imported into the United States. We requested also that countervailing duties be imposed promptly in accordance with the mandatory provisions of the Tariff Act above mentioned.

This request was supported by reference to official United States Government statements and publications showing the amounts of subsidies and the foreign nations using them.

It should have been possible within a few days time to have imposed the countervailing duties required by law.

Almost two years have elapsed, and the Secretary of the Treasury has not collected a single countervailing duty on a single dairy product.

Since our original request of July 26, 1968, we have, on numerous occasions, further requested action to impose countervailing duties and have supplied additional information as to the amounts of export subsidies being used by foreign nations. Most of this information has been from official publications of the United States Government.

In addition to our efforts, many members of Congress also have brought this problem to the attention of the Secretary of Treasury and the Commissioner of Customs and urged that the law be enforced.

The countervailing duty statute imposes a clear responsibility on the Secretary of the Treasury to collect these charges. This responsibility is fully comparable to that which exists with respect to the collection of other import duties enacted by Congress.

The failure of the Secretary of the Treasury to impose the countervailing duties required by Congress has resulted in the loss of substantial revenue to the United States. This loss is continuing and the total is increasing for each additional day that the Secretary fails to act.

REPRESENTATIVE BYRNES BILL H.R. 17743

The bill H.R. 17743 proposes to transfer from the Bureau of Customs to the Department of Agriculture, the jurisdiction over defining dairy products in connection with the importation of dairy products.

The enactment of the proposed legislation will help to correct situations such as described above with respect to ice cream.

It is obvious that the Department of Agriculture is more knowledgeable on what constitutes a dairy product than the Bureau of Customs.

We hope this Committee will give favorable consideration to this import proposal.

DAIRY IMPORT ACT

The Federation helped develop and is strongly supporting the proposed "Dairy Import Act."

This legislation would provide a fair and practical approach to the dairy import problem. Furthermore, it would be effective, and it would put a stop to the long history of evasion and subterfuge which importers and foreign nations have engaged in under our present laws. It would be efficient, because it would be self-activating at the prescribed level of imports and would bypass the present time-consuming and unsatisfactory proceedings before the United States Tariff Commission.

Basically, the Dairy Import Act would limit imports by quotas to the average level imported during the historical base period of 1961–1965. Later years would not be included in the base period, because they were not normal import years.

Limiting total dairy product imports to the 1961–1965 average is more than fair to foreign nations, because these years include relatively high levels of imports which had been steadily increasing.

The Dairy Import Act would permit foreign nations to share in future developments of the domestic market. This would be accomplished by increasing or decreasing the permitted level of imports in proportion to increases or decreases in domestic consumption.

New products could be allocated a share in the imports, but this would be done within the limits of the overall quota. In the same manner, special needs could be recognized by varying the import level of particular products or varying the relative shares of the quota by country of origin within the overall quota limit.

Provision is made for emergency action and for overriding considerations of national interest to be exercised by the President.

CONCLUSION

Effective import controls are necessary, in the light of present world trade conditions, if our dairy industry is to survive.

We dare not depend on off-shore supplies of essential foods such as milk and dairy products.

Section 22 has been tried many times and has proven itself to be inadequate. It has been characterized by repeated evasion and by a continual series of costly hearings. More are in the making.

Congress should step in to stop the waste we have experienced under section 22 and should provide permanent and effective import controls.

This could be done through the proposed Dairy Import Act which would put an overall ceiling on imports of milk and milk solids in any form.

The continual rounds of evasion could be stopped also by imposing an overall quota on milk and milk solids in any form not covered by specific section 22 quotas. This would leave section 22 fully operative in all respects, but would merely put a catch-all basket quota under it. The basket quota would not interfere with the normal level of normal historical imports but would block off abnormal evasion items and the raiding of our markets by abnormally high levels of export-subsidized foreign surpluses.

We have waited a long time and have put up with fiasco after fiasco under section 22. We are faced with another one now, and more are already in the making for the future.

We have waited long enough and section 22 has been given more than a fair chance to work—but it has failed.

It is time now for Congress to act.

The CHAIRMAN. We thank both of you, Mr. Healy and Mr. Anderson, for your very fine statements.

Let me ask just a few questions, if I may.

Have you found any evidence that some of the importers in the United States and some of the exporters abroad have entered into some kind of arrangement wherein cheeses for purposes of coming in outside the quota are priced in excess of 47 cents and a rebate is made for the difference in the actual value of the cheese and that stated price for import purposes?

Mr. HEALY. Yes, sir. There is continuous talk around our industry of this. I cannot tell you of a specific instance in which it happened but there is so much talk about it that I feel sure that it does happen.

The CHAIRMAN. I think there are some letters possibly available within your industry that nail this matter down completely.

Mr. HEALY. I think you are probably right, Mr. Mills. We will be glad to dig them out and make them available for your records.

The CHAIRMAN. I would like you to make them available for the record, if you will.

Mr. HEALY. This is so easy to do, you see. It is so easy to do.

(The letter referred to follows:)

MILCH-FETT-UND EIER-KONTOR GMBH,
Hamburg, February 24, 1970.

S. & R. CHEESE CORP.,
Plymouth, Wis.

CONFIDENTIAL

DEAR MR. SARTORI: We acknowledge with best thanks receipt of your kind letter dated 12th inst. contents of which found our most careful attention.

We inform you that it is not allowed to import in the USA Butteroil, Ghee and milk powder.

Furthermore you need an import license for cheese if the price per lb fob Hamburg is under US$–,47. In order to avoid this we will increase the price to US$–,48/lb and the difference amount will be credited to a special account.

Regarding the smoked cheese we inform you that this is a processed cheese and not a provolone cheese.

With reference to Mozzarella cheese please be assured that we exported already big quantities to the United States and that the moisture-content is in accordance with the American Regulations.

The normal Mozzarella cheese will be supplied with 40% fat in dry matter, due to the fact that same suits very well for the Pizza Industry.

Our following offers are given without engagement, fob Hamburg and are valid provided that subsidy will not be reduced. In the latter case we have to increase our prices.

Smoked process cheese, 45% fat, 6x2 sausages	US—.39/lb
Same with ham or salami, 45% fat, 6x2 kg sausages	US—.485/lb
Mozzarella cheese, 40% 6x2.5 kg loaves	US—.33/lb

Payment: against sight draft.

We hope that you will find our offers competitive and that same will enable you to book an order which will be executed with the greatest care.

Please note that we are very anxious to establish regular business connections with your esteemed house and assure you that you may always count on our fullest cooperation in every respect.

Looking forward to your prompt and favourable reply, we remain for today, dear Mr. Sartori,

Yours faithfully,

——— ———.

The CHAIRMAN. Is it true that dairy imports in 1969 were higher than anticipated by this or the previous administration?

Mr. HEALY. Yes, sir. Dairy imports in 1969 were between 1,600 million and 1,700 million pounds of milk equivalent.

In the last hearings which were held, the Tariff Commission recommended imports at 1 billion pounds. So, we are importing over 600 million pounds of milk equivalent which we were promised would not happen to us under this current law.

Unless something is done to protect our ice cream industry, which is a major part of our dairy industry in this country, from this so-called ice cream, ice cream mix thing, this import rate will continue to rise.

Mr. Chairman, in 1953, when section 22 was first imposed, quotas were set which would allow 189 million pounds of milk equivalent to come into this country. Those are the quotas which were established right after this law was first applied and that has increased to 946 million pounds, just through subterfuge, through evasion, through the winking of our own Government at what is going on. And it should be stopped.

The CHAIRMAN. What is the annual percentage increase in imports in 1970 so far over 1969?

Mr. HEALY. The big item this year is this ice cream.

The CHAIRMAN. Is it about 150 percent more?

Mr. HEALY. 1970 imports are about 150 percent of 1969.

The CHAIRMAN. 1970 over 1969, and 1969 was in excess of what was anticipated?

Mr. HEALY. In some cases, in the early part of this year, imports ran as high as 300 percent of 1969.

In cheese, for instance, Mr. Chairman, the 1970 rate of import for Emmenthaler in January was 276 percent of 1969; February, 261; March, 131; for the Gruyer, it ran as high as 226 percent in February.

In "other" cheeses, this big catchall thing, it ran as high as 369 percent of the 1969 rate in February of this year.

So, I think we can look for this steady increase in imports to be continued.

And then the terrible thing, Mr. Chairman, is that when imports come in in contravention of what the Congress intended, then we use the high evasion years as a base upon which to fix a permanent quota. It should not be allowed to be done.

The CHAIRMAN. The sad thing to me about it is that through really dereliction of responsibility the Government is out so much additional money. It is my understanding that for every 1 billion pounds of milk equivalent that the Government buys it is out about $65 million to $70 million.

Mr. HEALY. About $55 million.

The CHAIRMAN. The dairy farmers of the country are assured of a price, the Commodity Credit Corporation has to step into the picture to support that price by buying surplus amounts of milk product. If they come from abroad, the Government is then subsidizing through purchase the price of milk products from abroad. Is that right?

Mr. HEALY. We are trying to run a price support program for the entire world. We are not required to do this, Mr. Chairman.

The CHAIRMAN. The result of what we are doing is to do that, is it not?

Mr. HEALY. That is exactly right.

The other thing, of course, is that it affects dairy farmers in this way. We have a support price today of about 85 percent of parity.

The CHAIRMAN. If the Government is out too much money on that kind of support price, in all probability it will be lowered, will it not?

Mr. HEALY. That is correct. Not only that, with the way the imports come in, these dairy farmers are guaranteed, practically guaranteed, that their income will never go above the support level. This is not the intent of Congress. The intent of Congress in that the price support program is aimed at achieving parity for these farmers, the announced support level is a floor.

The CHAIRMAN. As I understand, President Nixon has asked the Tariff Commission to make a study of this matter. He has not yet imposed any temporary restraint upon imports, has he?

Mr. HEALY. That is correct. He has not.

The CHAIRMAN. It would be desirable, I think, if he would.

Mr. HEALY. We asked him in August of 1969 to impose a temporary

restraint pending an investigation by the Tariff Commission. This he did not do. Our experience indicates that between the time he requests an investigation, and the time that a final quota is imposed, about 6 months elapse. That was about the amount of time used in the last Tariff Commission hearing.

The CHAIRMAN. Understand, I am not criticizing. I just think he should follow through by imposing this temporary limitation until this study is completed. My concern is more basic. I do not think that there is any way that the Tariff Commission can come up with a solution based upon this present study for several reasons:

First of all, it will not take into consideration the importation of cheese that is in excess of 47 cents. It will not take into consideration the importation of lactose, will it?

Mr. HEALY. No, sir.

The CHAIRMAN. What will it take into consideration that will tend to bring about the desired facts on which the President could act? It is in these areas that you are having your greatest increase, is it not, the very areas that the Tariff Commission will not consider?

Mr. HEALY. Yes, sir, in the case of lactose and cheese. They are going to look at ice cream which is one of the big items.

The CHAIRMAN. I understand that. I did not say ice cream.

Mr. HEALY. But they will let these 6 or 8 months go by and these people will use this time to dump huge quantities on our shores.

The CHAIRMAN. You are here today because you don't see in this study, even though it is completed promptly, any real relief.

Mr. HEALY. No. And, Mr. Chairman, when they finish the study and issue their finding, and if the President acts on their finding, it will again be fraught with loopholes.

We have had 17 years of experience under this thing, and every time a proclamation comes out it is so constructed that there is always a way to get around it.

It would be possible, Mr. Chairman, for the President to accomplish the objections of this dairy import act as a proclamation under section 22.

The CHAIRMAN. Not on the basis of present classifications.

Mr. HEALY. Not on the basis of this hearing; no, sir.

You know, we are led to believe, after we watched this for so long, that perhaps the hearing, itself, is so called as to provide loopholes.

The CHAIRMAN. I am convinced from my personal knowledge that an agreement has been made with the European market not to apply these countervailing duties. This is the law of our land. They have just traded it away and they should not be allowed to do it.

I am just trying to find one group that will come before the committee and tell us that those who carry out the acts of Congress are acting in such a way as to protect, in accordance with the intent of Congress, the interests of that American industry. I have not heard of them yet.

Mr. HEALY. Mr. Chairman, I think it would be impossible to find such a group.

The CHAIRMAN. It might be that one of the great things that the present administration should do is fire some of these people.

Mr. HEALY. We are most grateful that we have a committee of the Congress to come to, a knowledgeable committee, to lay these facts

before. We certainly hope that this committee will act so as to preclude such actions on the part of the bureaucracies which are acting in direct contravention of the intent of this committee and the intent of Congress.

The CHAIRMAN. Mr. Healy, I think you are asking for too little. Just merely the transfer of the definition of what constitutes milk, as Mr. Byrnes proposes, from one department to the other does not seem to be enough. That is a desirable step, I agree with you, but what you need is some overall effective limitation, I would think, that is foolproof and not susceptible to manipulation by our friends abroad.

Mr. HEALY. Mr. Chairman, we have such a program before this committee currently in the proposed Dairy Import Act which would eliminate evasion, subterfuge, and contravention, by setting top limits on the amount of nonfat solids and butterfat, or parts of butterfat. They have learned now, you see, to divide the fat, fractionate the fat.

Then if these people want to import it as fat, if they want to import it as cheese, if they want to import it as ice cream, fine. It makes little difference to us how it comes provided that once the limit is reached there is no more.

That, in essence, is what we have pending before this committee. It has widespread support in this Congress. Two hundred and two members of the House introduced this bill in the previous Congress.

The CHAIRMAN. Do you think the inclusion of this matter within the overall bill reported by the committee would enable us to pick up more support for the passage of the overall bill?

Mr. HEALY. I did not hear you, Mr. Chairman. I am sorry.

The CHAIRMAN. I am trying to pass a bill through the House as chairman of the committee and I know other members of the committee are so interested.

Do you think that if we include in it the Dairy Import Act that it would add to the strength of the bill?

Mr. HEALY. Yes, sir; without question, it would.

The CHAIRMAN. I understand that some of the members of the Ways and Means Committee have introduced the bill.

Mr. HEALY. Yes, sir; they have. I think Mr. Byrnes has introduced it.

The CHAIRMAN. And Mr. Watts.

Mr. HEALY. Yes.

I cannot remember all of them but I think probably six or eight members of this committee have introduced it.

Mr. Chairman, of these 200 Members of the House who introduced this bill heretofore, I would venture to say that most of them are still in the House and certainly this would add support to whatever overall import legislation comes out of this committee. As a matter of fact, if it would serve any purpose, Mr. Mills, we can get you evidence of that support.

The CHAIRMAN. I have gotten a little weary of some of the decisions that have been made in the past, particularly in the recent past, with respect to the intentions of Congress about some of these matters.

Do you know of any time that countervailing duties have been utilized with respect to the importation of any milk product?

Mr. HEALY. No, sir.

The CHAIRMAN. You have given the Treasury Department repeatedly evidence of direct subsidy.

Mr. HEALY. Mr. Chairman, we have written them. We have sent them copies of official U.S. publications listing the amount of subsidy and the country which is paying it and the product on which it is being paid. All we get back from them is that the matter is under study. This has been going on for 2 years.

The CHAIRMAN. When the European market ships these products to us—not all of it comes from there; some of it comes from New Zealand, of course, but most of it from the European market—when they ship these products to us through these devious devices to get around our quota, do they rebate any taxes paid by the individuals as they do with respect to manufactured goods?

Mr. HEALY. I am not sure of that but the subsidies which are paid on these items are direct subsidies. When you start selling butter at 11 cents a pound in a market where it is supported at 78 cents or thereabouts, our own tariffs are meaningless, completely meaningless.

The CHAIRMAN. I wish you would look into that because if it is not clear in the act, itself, that the remission of these taxes at the border on exports is within the purview of our own statute on countervailing duties, I want to see to it, if the committee will go along, that these rebated taxes are subject to the application of countervailing duties in the United States.

Mr. HEALY. This would be helpful.

(The following was received for the record:)

EC export subsidies are paid from the European Guidance and Guarantee Fund (FEOGA), which consists of variable levy collections, contributions from the national treasuries and other funds. For 1968–69, the costs are estimated at slightly over $1 billion, broken down by commodity groupings as follows:

Dairy, $320 million.—For dairy products, the EC Commission estimates a total outlay in 1970 for market support and export subsidies of $900 million. If export subsidies account for about 53 percent of this total, the cost of dairy export subsidies would amount to about $477 million.

Since EC's subsidies enable its exporters to undercut competing prices at all times, the system can only tend to depress the level of world agricultural export prices (Foreign Agriculture, U.S.D.A., 3/16/70).

Mr. HEALY. Mr. Chairman, the helpful thing, of course, right now would be if we could get the Secretary of the Treasury to apply the law as it now exists.

The CHAIRMAN. That won't help you. If you apply the law as it now exists, they will find some way to get around the law.

Mr. HEALY. I am talking strictly of the countervailing duty thing at this point. This would be a matter of about 67 cents of duty on this butter.

Mr. Chairman, there is in storage in Western Europe today great quantities of butter. They have demonstrated their willingness to sell this for 11 cents a pound. You and I both know that they would just as soon have 11 American cents as 11 cents from some other place. They will move that in here.

The CHAIRMAN. We might be better off if we just purchased it and saw that it did not come here but went to some country that needed it.

Mr. HEALY. They would produce more.

The CHAIRMAN. They would?

Mr. HEALY. Yes, sir.

What we need, if your committee would see fit to report this Dairy Import Act is some reasonable top level—we are not asking you to roll the clock back—if we could stop this thing where it is today, the dairy industry in this country could learn to live with it. If we could set some top limits on the amount of fat and the amount of nonfat solids which can come into this country, there would be an end to evasion; we would learn to live with what is coming; we would know what is coming, and the importers would know what they could import. There would not be this constant fighting among themselves.

As a matter of fact, our State Department, itself, I think would be better off.

If they were told foreign nations can bring in this much fat and this much nonfat, that would be the end of it, rather than go through this thing year after year after year and know good and well when we go to the Tariff Commission for hearings it just is not going to work, because it never has. It never has, and it never will.

The CHAIRMAN. Mr. Byrnes?

Mr. BYRNES. Mr. Chairman, I want to compliment both Mr. Healy and Mr. Anderson for their presentation this morning. I think they have pointed up the impossible situation facing the industry, particulary under section 22 which has given the impression that there is protection for the industry.

But the history of the administration and operation of section 22 has been one of using ingenious devices for avoiding its consequences. I have suggested to the Tariff Commission and to the President that we have a responsibility for trying to uphold the integrity of an executive order, but what we have done is to issue invitations to foreign countries, figuratively speaking, to thumb their noses at an Executive order.

After the President has signed the proclamation establishing quotas, we let them circumvent it. I think we have done much to stimulate the ingenuity of some foreign producers of dairy products in developing new products by the way we have administered section 22.

Mr. HEALY. Yes.

Mr. BYRNES. For instance, right now there is a new world patent under consideration on fractionating fat. Already they are taking orders in this country for fractionated fat which will serve some purposes better than common butterfat. It is a new evasion item, already in the making.

Maybe we are aiding science at the expense of the CCC operational efforts and at the expense of the American dairy farmer. But I do not think that the industry, either domestically or worldwide, has profited by the pressure we have put on them to develop new techniques or new items.

Mr. HEALY. Mr. Anderson tells me that the fractionating process was developed in the Department of Agriculture.

Mr. BYRNES. That does not surprise me any.

The CHAIRMAN. It is not available in the United States, though?

Mr. HEALY. Not yet.

Mr. BYRNES. I think you make very clear the problem that we have experienced and continue to experience under the operation of section 22. Because section 22 does not work, you have to rely on something better.

Also, I think one factor which you brought out in your statement might be emphasized now. And I am referring to the idea that the only time section 22 comes into play is when there may be a dollar-and-cents situation involved, as far as this support program is concerned. But you can have situations such as exist today in whey, where the industry has a problem which needs to be resolved, yet it is doubtful whether section 22 could be brought into play to take care of it. Maybe it could, but I think it is questionable.

Mr. HEALY. I do not wish to raise that question here, though.

Mr. BYRNES. I think the law as it is written certainly could be interpreted to cover that problem.

Mr. HEALY. And probably will not be, however, Mr. Byrnes.

Mr. BYRNES. That is what I mean; it probably will not be interpreted that way.

Mr. HEALY. It probably will not be.

Mr. BYRNES. So that the industry can be in dire trouble, but if the problem is not affecting the support program, there is no relief available under the present state of affairs.

Mr. HEALY. That is correct.

Mr. BYRNES. I think we have to look to the problem of what does this industry do, in terms of taking care of its waste, which can be an economic item as you point out, through the conversion of whey. If it is not utilized, what happens to cheese factories where whey is a byproduct that has to be gotten rid of some way. If you don't turn it into an economic item, what do you do with it?

Mr. HEALY. There is a good use, a practical and economic use, for the major component of whey. Why in the world should we go to West Germany to import it when our own industry—a great industry in this country, an industry capable of making its own whey—can produce it.

Mr. BYRNES. Do you know whether whey is coming in under a subsidy?

Mr. HEALY. We don't have subsidy figures for it.

Mr. BYRNES. Do you know if any is coming in with a subsidy?

Mr. HEALY. Most products are subsidized on the basis of the milk solids used to make them.

Mr. BYRNES. When you were mentioning the subsidies that are granted, particularly in some of the Common Market areas, those would be specific subsidies, not the effects of rebates under generalized taxes.

Mr. HEALY. No; it is a specific subsidy and it is one which has been investigated and announced in the official publication of our foreign agricultural service. Why should it take the Secretary of the Treasury 2 years to read one piece of paper, one piece of paper is all he has to read. I have talked to people in the Government. We are convinced that an agreement has been made with the Common Market not to apply this law of our land.

Mr. BYRNES. I wonder whether we might get further in seeking action if New Zealand, or some of the other countries that export to the United States, would complain about the Common Market subsidy.

Mr. HEALY. Mr. Hood of the New Zealand Embassy here applauds

every effort we make to get this countervailing duty imposed. Yes, sir; he does.

Mr. BYRNES. If they got into the act more actively maybe we would get more action out of the Treasury than we would through our own people importuning.

Mr. HEALY. So far, all they have done is stand on the sidelines and clap when we did it.

Mr. BYRNES. Thank you very much.

Mr. ANDERSON. Could I make one additional statement?

On this Dairy Import Act, it is vitally important that we not only set an overall milk equivalent or a total dairy product volume, but we also maintain quotas for specific products. If we leave it open, a foreign processor could use all of his quota for one product and destroy that segment of the industry in this country. So, we must keep the quotas that have been established over the years through section 22 action on dairy imports and fit these quotas under the umbrella of the overall milk equivalency.

Mr. HEALY. This, of course, is contemplated in this Dairy Import Act.

Mr. WATTS. If I understand what you have said, you think that there ought to be an overall quota of milkfat.

Mr. HEALY. Milkfat and nonfat solids; yes, sir.

Mr. WATTS. That would cover everything that came into this country that had any milk at all in it or any milkfat in it?

Mr. HEALY. Yes, sir. Well, with certain minor exceptions. These are imported chocolates, for retail consumption, for instance, that have a minute quantity of milk in them. There would be no intention to do away with such imports. Anything that is used commercially in the manufacture of food would be covered.

Mr. WATTS. That is right, and that amounts to anything, except a minimal amount.

Mr. HEALY. Yes, sir. It would do away with all the evasion.

Then, as Mr. Anderson points out, the specific items which came in cold still be controlled by section 22 but, once this top limit of the components of milk were reached, that would be the end of it.

With one further exception, we understand that there might be some national emergency and we have made provisions for the President to proclaim such a state, and to allow certain additional items to come in if and when that ever happened.

But, in the normal course of foreign trade, there would be an absolute top limit and an end to all of this foolishness that we go through every year, Mr. Watts, down at this Tariff Commission. It is just plain foolishness.

Mr. WATTS. Now, this overall limit would probably carry with it some growth factor?

Mr. HEALY. Yes. We have written our domestic consumption in and said, if that goes up, say 4 percent, then the overall limit would go up 4 percent. Similarly, if it goes down 2 percent, the overall limit would go down 2 percent.

Mr. WATTS. Why is it that they can't consider cheese a part of milk now?

Mr. HEALY. Well, they do. You see, these proclamations are documents of words.

If, for instance, there were one on ashtrays and they would say red ashtrays, they would be limited. But if you painted a white stripe on it, then it would not be limited because then it would not be a red ashtray; it would be a red ashtray with a white stripe, and it could come free of the quota.

At one time, Mr. Watts, we had a quota on Italian cheese in the original loaf. This is the way it was written. What did they do? They cut the loaf in half and put it right back in the same box and it came in quota free. It is ridiculous.

Mr. WATTS. Now we are setting this overall quota. Then, if I followed Mr. Anderson, he said we should still keep the various categories and break the overall quotas down into the various categories but see to it that the total of the categories did not exceed the national quota.

Mr. HEALY. This is absolutely correct. That is contemplated in this bill which we have pending now before your committee; yes, sir.

Mr. WATTS. I think I introduced one.

Mr. HEALY. I think you did.

Mr. WATTS (presiding). That is all.

Any further questions?

Mr. CHAMBERLAIN. Mr. Chairman, I would like to associate myself with your comments on the inclusion of your dairy import bill in the legislation the committee is considering. I think it would add a lot to any bill that we would report.

Mr. HEALY. Yes, sir; it is vitally needed. I am sure that it would bring tremendous strength on the floor of the House to whatever came out of this committee.

Mr. CHAMBERLAIN. Thank you, Mr. Chairman.

Mr. WATTS. Mr. Gibbons.

Mr. GIBBONS. Thank you, Mr. Chairman.

I am always glad to see a group—I guess you are Wisconsin dairy people; is that right?

Mr. HEALY. I represent the dairy farmers all over the country and a substantial number in Wisconsin.

Mr. GIBBONS. We have a little dairy industry in Florida that says you are going to put them out of business.

Mr. HEALY. I represent the Florida farmers——

Mr. GIBBONS. I realize you do. Most of the people you represent are in milk producer cooperatives; is that right?

Mr. HEALY. All of them are; yes, sir.

Mr. GIBBONS. It is my general impression that in regard to all the rest of the American economy you have done pretty well. Am I mistaken?

Mr. HEALY. The cooperatives, I think, have proved themselves to be the most effective tool the farmer has operating for him in the marketplace and we in the dairy industry have used this tool perhaps more effectively than any other group.

Mr. GIBBONS. I realize there is always a great deal of pressure on anybody to continue to make a profit and I think that is a good thing. But what segment of the dairy industry has been so seriously hurt? I have not caught that in your testimony here today.

Mr. HEALY. The major group within the dairy industry that has

been most severly hurt by the import of these dairy products is the dairy farmer, himself, because we are very close to achieving a balance between the amount of milk we produce and that which is consumed in this country. Any time we import items which take the edge off that balance, prices fall to the support level and countless hundreds of millions of dollars have been lost to these dairy farmers which losses are directly attributable to the import of dairy products.

Mr. GIBBONS. I would assume, then, sir, if the farmer is not making any money the cooperative would soon go out of existence; is that right?

Mr. HEALY. I would think just the opposite, that when the farmer is in trouble at home he needs his cooperative most.

Mr. GIBBONS. But if we were being forced out of business by these imports, the cooperative would go out of existence; is that right?

Mr. HEALY. The farmer is not forced out of business by it. He is merely forced into a position where he cannot take out of his farm enterprise a reasonable return on his investment in both money, capital investment, and his time. The farmers of this Nation are entitled to reasonable returns on their time, also.

Mr. GIBBONS. I agree with you on that.

Mr. WATTS. Will the gentleman from Florida permit me to——

Mr. GIBBONS. I will make one observation and then I will yield.

I have heard my dairy farmers complain for years and years and they are all doing pretty well.

Mr. HEALY. Prices today are better than they have been; yes, sir. I know your dairy farmers, I know them quite well. They are very large farm operators. These men are businessmen in every sense of the word. They are doing well.

But I can tell you they are not doing as well as if they had that capital available today to put elsewhere.

Mr. GIBBONS. Within our free economic system or semifree economic system, we expect those kinds of things to happen and people will go out of business and transfer their labors and their capital to other businesses.

Mr. HEALY. Yes, sir. As a matter of fact, in the past 20 years we have lost many of the dairy farmers of this Nation.

Mr. GIBBONS. That happened because many of them consolidated into bigger farms and established more economic production units and distribution units.

Mr. HEALY. Yes, sir.

Mr. GIBBONS. I realize there has been a growth in the size of the farms in my own area.

Those are all the observations and question I have.

Mr. WATTS. I just want to comment.

As a former dairy farmer, at one time I operated four dairies. They were not large ones like Mr. Gibbons has down his way but I was forced out of business on all four. I cannot say for certain exactly whether it was the importation of milk that contributed to it, because the price got so low that it became uneconomic for me to operate and I had to quit.

Mr. HEALY. Mr. Watts, the imports of dairy products from abroad cost every dairy farmer in this country.

Mr. WATTS. I am sure the data are present. I had not examined it all. All I know is that they kept hammering the price of my milk down to the point I had to quit; I could not afford to stay in any longer. I lost all the money I can afford to lose.

Mr. CONABLE. Mr. Chairman.

Mr. WATTS. Mr. Conable.

Mr. CONABLE. What efforts are being made to export milk products in this country at this point?

I can give you an example of what is happening in my area where a number of milk cooperatives have gotten together and created a cooperative of cooperatives, thus providing adequate funding to build a very substantial dried milk plant. Much of this dried milk is being exported. It has provided a floor under our fluid milk market in my area and it indicates the use or potential use of the cooperative system to encourage further marketing efforts and to provide stability for an otherwise somewhat unstable market.

I am wondering if this is going on all over the country and whether milk exports are a substantial factor in our dairy picture at this point or whether the very heavy subsidization in the European Economic Community simply puts in a position where we cannot compete in the sale of dairy products except in some of the developing countries?

Mr. HEALY. Really, I know of very few areas in which there is a commercial export of milk on a regular basis. Normally milk which we export is under Public Law 480; it is a giveaway to underdeveloped countries or to hungry children, certainly a laudable thing.

We have no substantial export of milk from this country in any form. There are some few special items. One area where we ship to the Philippines. Most of the rest of it is given away under Public Law 480. Our market is our domestic market.

If we are to maintain a viable dynamic dairy industry in this country, we must continue to have that domestic market available for our domestically produced milk.

Mr. CONABLE. Now, we have had some problem in the past with ice cream mix with sugar added, and this has been redefined from time to time to close loopholes in the import market mostly from the low countries, I believe. We had a serious problem at the time of the completion of the Kennedy round in that the administration at that time was unwilling to move against these imports for fear of rocking the boat at the time they were apparently selling agriculture down the river in the interest of the more industrialized parts of our economy. I would like to know if during the past 2 or 3 years there has been a greater aggressiveness on the part of our Department of Agriculture and on the part of our Government in seeking out these loopholes in imports, or whether we are continuing to find a practice of variance in the ingredients in the ice cream mix or whatever it happens to be, if we are continuing to find substantial leakage into this country through that route. If so, I would like to know if this gap can be effectively closed by legislation and if you are advocating this course here before us today.

Mr. HEALY. Yes, sir.

As an example of the breakdown or the development of loopholes in these proclamations, earlier I talked about the current big item

which is coming in which is labeled ice cream. It is not ice cream. You could not eat it; it would not taste good. But, in order to evade the quota on ice cream mix, they label it ice cream.

The people in the Customs Office go along with the label so that it can come in outside the quotas.

The interesting thing about this is that at the same time the people in the Department of Agriculture who are charged with enforcing the hoof and mouth embargo say, no; it is not ice cream, it is ice cream mix and therefore is not subject to our embargo on ice cream from hoof and mouth disease countries.

So, there are loopholes on top of loopholes which are exploited by exporters from abroad and importers here and I am led to believe with the full knowledge and concurrence of the people in the bureaus who are charged by this Congress with applying our laws.

Mr. CONABLE. How is legislation going to close this?

Mr. HEALY. Now we have some legislation pending before this committee which says that after you import this much butterfat and this much solids not fat, the two components of milk, no more in any form can come in. We would put a top limit based upon the primary components of milk, so that no matter how they were mixed, no matter with what they were mixed or no matter how they were labeled, once that total quantity were imported, the imports would be finished.

Mr. CONABLE. The Russians have recently been buying butter from the European Economic Community because of apparently some deficiencies in Russian agriculture. Has that taken any pressure off imports to this country or has there been a demonstrable impact on the stream of dairy products flowing in?

Mr. HEALY. No, sir. Today, within the European Economic Community there are large amounts of butter in storage that they will sell or are anxious to sell to anybody for any price.

Mr. CONABLE. Is that related to the flow of——

Mr. HEALY. Part of that goes into the ice cream mix which is coming in today. I feel that as a result of these hearings which the Tariff Commission is preparing for, we will get some quota on this item but again it will be a document of words which will again be subject to evasion. The evasion will be found and will be applied and we will be right back down there in another year looking for another round of foolishness.

Mr. CONABLE. In summary, then, you feel you have taken all the administrative steps you can to try to protect the American dairy industry from this kind of subsidized imports; is that correct?

Mr. HEALY. We have asked for all the administrative remedies that are available under the law. They have not been taken by any stretch of the imagination; no, sir.

Mr. CONABLE. And you find no change in the attitude of the Government over the past 2 or 3 years that would indicate some hope for more aggressive administration?

Mr. HEALY. None whatsoever. This 47-cent cheese break, for instance, we asked that that be corrected. Instead they added a new category of cheese to it. It is ridiculous.

Mr. CONABLE. Thank you, Mr. Chairman.

Mr. WATTS. Any further questions?

If not, thank you very much for your appearance.

Mr. HEALY. Mr. Chairman, before we leave, I would like to express the appreciation of all of America's dairy farmers and their dairy farmer cooperative associations for the availability of an understanding committee of this Congress before which we can spread our woes. We deeply appreciate it.

Mr. WATTS. Well, in view of the fact that every member on this committee was probably raised on milk, we ought to have some understanding of your problem.

Thank you very much.

(The following letter was received by the committee:)

DEPARTMENT OF STATE,
Washington, D.C.

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

DEAR MR. CHAIRMAN: It has come to our attention that on June 16, 1970 Mr. Patrick B. Healy, Secretary, National Milk Producers Federation, testified in public session before the Ways and Means Committee to the effect that the Department of State has entered into an agreement with the European Community to set aside Section 303 of the Tariff Act of 1930, providing for countervailing duties, in relation to dairy product imports from the members of the European Community.

The statement is without basis in fact. Mr. Healy has been so informed.

I would appreciate it if this letter could be made available to the members of the Ways and Means Committee and be made part of the record of the Committee's hearings.

Sincerely yours,

DAVID M. ABSHIRE,
Assistant Secretary for Congressional Relations.

Mr. WATTS. The next witness is Mr. Robert G. Lewis.

Come around, Mr. Lewis. Give your name and capacity in which you appear to the reporter.

STATEMENT OF ROBERT G. LEWIS, APPEARING ON BEHALF OF WISCONSIN CHEESE MAKERS' ASSOCIATION; ALSO ON BEHALF OF GEHL'S GUERNSEY FARMS

Mr. LEWIS. I thank you, Mr. Chairman.

My name is Robert G. Lewis, and I am appearing here on behalf of the Wisconsin Cheese Makers' Association, comprised of licensed cheese manufacturers in Wisconsin; and also on behalf of Gehl's Guernsey Farms, and several other manufacturers of milk crumb, chocolate milk crumb, dry whole milk, and certain specialty dairy products. The pertinent addresses and telephone numbers are furnished at the end of this statement.

Mr. Chairman, we endorse and urge enactment of H.R. 17743, introduced on May 21, 1970, by the Honorable John W. Byrnes, the ranking minority member of this committee.

This bill, and its companion bills in this House and in the Senate, embodies recommendations that have been advanced by the Wisconsin Cheese Makers' Association over a period of several months, and which have been and are in accord with the objectives of each of the organizations and firms which I represent in this hearing.

We believe this bill would make it possible to avoid most of the

problems of "loophole" import competition, such as have plagued the dairy industry during much of the past two decades.

We believe also that enactment of this bill might make it possible, through clarification and correction of some of the classifications of items that move in international trade, to overcome existing problems of import competition that have arisen as a result of faulty classification actions made in the past.

Most of the problems that have arisen in the administration of section 22 of the Agricultural Adjustment Act of 1933, as amended, have been matters of classification of the products offered for entry into the United States. The classification of products, as it has been conducted by the Bureau of Customs, has been performed in a manner that is concerned solely with duty charges. This purpose, important though it is, is totally unrelated to the central purpose for which the import quotas are established.

It may be a useful exercise for each of us to review section 22 of the act. This review would remind us that this is part of the price support law, and that it is intended to function as part of a price support program for farm commodities. Section 22 explicitly calls for control to be exercised over imports of "any article or articles" which:

> * * * are being or are practically certain to be imported into the United States under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, any program or operation undertaken under this title or the Soil Conservation and Domestic Allotment Act, as amended, or Section 32, Public Law No. 320, 74th Congress, approved August 24, 1935, as amended, or any loan, purchase or other program or operation undertaken by the Department of Agriculture, or any agency operating under its direction, with respect to any agricultural commodity or product thereof, or to reduce substantially the amount of any product processed in the United States, from any agricultural commodity or product thereof with respect to which any such program or operation is being undertaken * * *

In the face of the clear and explicit intent of the statute, import controls have not been administered as the law intended. The problem is based on the inappropriate assignment to the Bureau of Customs of responsibility for functions that are concerned with agricultural price supports. This was aggravated by the proclamation in 1963 approving the revised tariff schedules that had been worked out by the Tariff Commission under the Tariff Classification Act of 1962. The proclamation failed to provide any direction at all to signify that classifications for quota purposes might need to be different from classifications for duty purposes. Accordingly, the Tariff Commission continued to recommend to the President that new quotas also should be placed in the tariff schedules.

The result has been a constnt erosion of our import control system, with exporters continually designing products and procedures to evade the limits of the product definitions for duty purposes.

A classic example is that of "animal feeds" comprised mainly of nonfat dry milk, an item which is at present under investigation by the Tariff Commission at the request of the President pursuant to section 22. Since 1953, dry skim milk has been under a quota of 1,807,000 pounds annually. No distinction was made as to whether the product was being imported for human or for animal use. About 2 years ago, the Bureau of Customs ruled, under its duty procedures, that dry skim milk mixed with tallow or grease could be entered as animal feed.

Following this ruling, millions of pounds of dry skim milk which could not have been entered as such have been allowed to enter in adulterated form. This has added greatly to the cost of the Department of Agriculture's dairy price support program by displacing domestic milk products from their market.

Let me review a few of the other major problems during the past two decades also, to illustrate the central importance of the classification function, and how the legislation provided in the Byrnes bill would have avoided the problems that did, in fact, arise.

Beginning about 1960, large quantities of "Colby" cheese began to enter the United States from New Zealand. Imports of "Colby" cheese grew to millions of pounds over a period of several years before the time-consuming procedures authorized under section 22 were invoked to establish a quota to limit further imports. While the greatest dairy surpluses in the history of the world were piling up in U.S. Government inventories, directly adding millions of dollars to the cost of the dairy price support program by displacing domestic dairy products into CCC inventories, the imports of Colby cheese grew to millions and then tens of mililons of dollars worth. So-called "voluntary restraints" were negotiated with the principle exporting countries, only to prove futile.

The failure to avoid this huge and costly burden on the price support program was the direct consequence of a decision made by the Bureau of Customs, which classified the first trial shipment of a cheese labeled "Colby" as not subject to the existing quota then in effect for Cheddar cheese. It is true, of course, that the Food and Drug Administration's standard of identity for "Colby" cheese is slightly different than for "Cheddar" cheese. The most significant difference is that "Cheddar" cheese may not contain more than 39 percent moisture, whereas "Colby" cheese may contain as much as 40 percent. Frequently, cheeses of the two types cannot be distinguished from each other even by experts. As a matter of fact, Customs did not even subject the first shipment of "Colby", by which New Zealand got its favorable classification, to examinatnon. Customs simply accepted the shipper's invoice and the importer's entry without question, although even to an expert's eye the cheese could not have been distinguished from Cheddar.

Most important, Colby and Cheddar cheese are freely interchangeable in the manufacture of processed American cheese.

What ought to be the point of central significance in determining the classification for quota purposes is that the effect upon the price support program of a pound of imported Colby cheese is identical to that of a pound of imported Cheddar. Nevertheless, the Bureau of Customs strained at the gnat, and swallowed the camel of a multimillion-dollar burden on the price support program.

It is reasonable to assume that an administrator, charged with responsibility for administering the price support law, would have perceived, in administering section 22 of that price support law, the camel in that situation, and reacted appropriately by simply brushing off the gnat. This Colby cheese should have been subjected to the Cheddar quota. And this the Secretary of Agriculture presumably would have done if he had had responsibility in this case.

Another illustration of the troubles that have plagued this program over the past decades is the series of butterfat products which have been concocted with the specific object in mind of escaping the limits

of definitions of products subject to quotas, so as to enable importers to enter low-cost milk fat into the United States, where it was used in lieu of domestic products for the manufacture of consumer dairy products. Here again, what has occurred could be regarded as comical, if it were not so costly to the U.S. price support program, and such an embarrassing reflection upon the efficacy of the U.S. governmental operations.

There is now, and has been for many years, a quota limiting imports of butter to 707,000 pounds annually. Butter contains no less than 80 percent of milkfat and about 20 percent moisture. By squeezing out the water, exporters turned the butter into butteroil, which Customs obligingly classified as a substitute for butter. By this slight-of-hand, the milkfat became quota-free, notwithstanding that the difference was totally irrelevant as far as its effect upon the price support program. By the time the Department of Agriculture had gotten around to initiating action under section 22, there was an historical record of imports and, under the law, a quota was set allowing annual imports of 1,200,000 pounds of butteroil. This is equivalent to 1,500,000 pounds of butter, more than twice the original annual quota for butter!

When the new quota for butteroil was established, the trade devised a new concoction, comprised of 76 percent milkfat and 24 percent sugar. When quotas were established in turn on these articles, defined as containing more than 45 percent milkfat, the importers simply lowered the proportion of milkfat to 44 percent or less, and continued their entry of low-priced products into the U.S. market. Further revisions were greeted by similar steps to evade the limits of the new definitions of controlled products. This cynical game of loophole is still going on; the Government of the United States is made to appear as a foolish and ineffectual boob, incompetent to accomplish his lawful purpose of making the dairy price support program effective without underwriting the world's dairy industry and absorbing the world's dairy surplus.

Here again, the central purpose of import quotas needs to be kept foremost in mind. This is what should be expected from the Department of Agriculture, the agency charged by law with the responsibility for administering the price support program generally, if USDA were to get the responsibility as well for the small part of that program represented by section 22. It is reasonable to hope that the Government's performance under such an arrangement might not have been repeatedly to strain at the gnat while swallowing the camel over and over again.

I acknowledge that it may not be easy, nor even feasible at all, to administer section 22 import quotas by means of ever-more-specialized product definitions. But if the means to the objective are viewed in terms of the real objective itself, it should be easy to see that the product definitions approach to the job is completely inappropriate. The objective is to prevent interference with the price support program, not to split hairs over whether to admit an item containing 44 percent milkfat while excluding one containing 45 percent or more. It is reasonable to expect that the Department of Agriculture, enabled by its comprehensive responsibility for the price support program, would look to some such criteria as the use of the product in determining its classification for quota purposes. By such an approach the milkfat-sugar mixtures which have plagued the dairy import control program

down through the years, for example, would have been recognized for what they were—as imports of milkfat for use in competition with domestically-produced milkfat in the manufacture of ice cream—and subjected to the applicable quotas on such mixtures.

We believe it should be possible under the proposed legislation to correct errors in administering this feature of the price support programs that have been made in the past as a result of clumsy and ill-considered classification decisions. A case in point is the decision of the Bureau of Customs to classify dried and grated cheese for quota purposes on the basis of its actual weight, rather than on the basis of its equivalent in terms of normal moisture content. I have been informed that Customs will allow cheese to enter free of quota under the 47-cent price break notwithstanding that its value on a normal moisture basis might be less than 47 cents a pound.

Now here you get the picture: The moisture is taken out of cheese and it is entered at 4 or 5 or 6 percent moisture. Therefore, what normally weighs a pound will weigh only about two-thirds of a pound. Cheese of a 40-cent value on a normal moisture basis, therefore, on the actual moisture basis, after it is dried and presented for entry, will have a value somewhat above the 47-cent price break, notwithstanding that for making processed cheeses and processed cheese foods that the actual value of this cheese is less than 47 cents.

We believe this product should be reclassified in such a manner that the quota would be applied on the basis of the product value on a normal moisture basis.

This bill would not give to the Secretary of Agriculture the power to set quotas on bona fide items currently being imported. He could not, for example, decide that Roquefort cheese should be subjected to the quota on Blue Mold cheese. If the Secretary felt that imports of Roquefort cheese were affecting the price support program, in order to obtain relief he would have to resort to the procedures specified under section 22 as at present. But the change proposed would make it possible to avoid such abortions of the intent of Congress and the purpose of the law as I have described today.

This legislation does not in any way diminish the importance of the investigation by the Tariff Commission that is now underway at the direction of the President. Nor does it in any way diminish the need for an emergency proclamation by the President to restrict present imports, pending the completion of the current investigation, as some have urged.

But these actions will by no stretch of the imagination solve the problem unless the Byrnes bill is passed. The ingenuity of importers is likely, even surely, to yield still new compounds of dairy raw materials which may fit nicely into some niche devised by the Bureau of Customs to suit its concerns for administering customs duties, but which will directly burden and impede the price support operations in precisely the manner that section 22 of the Agricultural Adjustment Act is intended by Congress to prevent.

We do support the Dairy Import Control Act which was discussed by the representatives of the National Milk Producers Federation and the National Cheese Institute.

We think that this Byrnes bill, H.R. 17743, to shift the authority from Customs to the Department of Agriculture, for administering the import control program, makes administrative sense, and that it

will accomplish a substantial measure of the reforms that are needed to make the section 22 program workable.

Thank you.

The CHAIRMAN. Does that complete your statement, Mr. Lewis?

Mr. LEWIS. Yes, sir.

The CHAIRMAN. Mr. Byrnes will inquire.

Mr. BYRNES. I want to compliment Mr. Lewis on his statement.

Even should the Dairy Import Control Act be adopted, there would still be the essentiality of establishing quotas for certain types of cheese as is now done under section 22.

Mr. LEWIS. Yes, sir.

Mr. BYRNES. Therefore, you would still have the problem of proper classification. The point I am trying to make here, and I am asking you whether I am right, is that, regardless of whether we pass a dairy import control bill, it still will be necessary to perfect or try to check the operation of, section 22 to make sure it is not just a frustrating operation with all kinds of loopholes that constantly have to be closed or looked at with new hearings, and so forth.

Mr. LEWIS. Yes, sir; I agree. I think that your bill, Mr. Byrnes, is the first and easiest step that could be taken in a reform of the dairy import control program, and would be useful with or without the Dairy Import Control Act.

Mr. BYRNES. Thank you.

The CHAIRMAN. Are there any further questions?

If not, again we thank you, Mr. Lewis, for a very fine statement.

Mr. LEWIS. Thank you, Mr. Chairman.

(The names and addresses referred to by Mr. Lewis in the introduction of his statement are as follows:)

Wisconsin Cheese Makers' Association, 115 West Main Street, Madison, Wis. 53703

Mr. John Gehl, Gehl's Guernsey Farms, Inc., Germantown, Wis. 53022, Telephone: (414) 251-8570

Mr. R. C. Fuller, Niagara Dairy, c/o 228 Old Country Road, Mineola, N.Y. 11501

Mr. Milt Kinate, Forrest Milk Products, Forrest, Ill. 61741

Mr. Fritz Kielsmeier, Crystal Dairy Products, Inc., P.O. Box 326, Watseka, Ill. 60970

Mr. Verne Johnson, Vern Dale Products, Inc., 1350 East Atwater, Detroit, Mich. 48207

Mr. C. Arthur Nilsson, Dietrich Milk Products, 16 Wellington Blvd., Wyomissing, Pa. 19610

Mr. Wayne Wallar, Dyer Creamery Co., Inc., Dyer, Ind. 46311

Mr. Harold C. Brackett, Halwin Dairy Products, Inc., P.O. Box 104, Hinsdale, Ill. 60521

Mr. H. Charles Christians, Consolidated Creamery Co., Oak Brook, Executive Plaza, 1301 West 22nd Street, Room 713, Oak Brook, Ill. 60521

The CHAIRMAN. Our next witness is Mr. Eckles.

Mr. Eckles, we would appreciate your identifying yourself for our record, and we will recognize you.

STATEMENT OF WILLIAM C. ECKLES, GENERAL MANAGER, PURE MILK PRODUCTS COOPERATIVE

Mr. ECKLES. I am William C. Eckles, general manager of Pure-Milk Products Cooperative. Our offices are located at 500 N. Park Avenue in Fond du Lac, Wis.

The CHAIRMAN. We are glad to have you with us. You are recognized.

Do you wish Mr. Miller at the table with you?

Mr. ECKLES. No; Mr. Miller could not get here. He had trouble with air travel.

Pure Milk Products Cooperative is a bargaining and marketing association of some 14,000 active dairy farmer members whose farms are located throughout Wisconsin, northern Illinois, and the Michigan Upper Peninsula. Milk of our members is delivered to more than 200 dairy plants where it is processed into a wide variety of dairy products. Dairy farming is the primary source of income for most of these members.

The UDSA Farm Income Situation reports that dairy products in 1969 accounted for $6,143 million, or more than an eighth of the Nation's $47,848 million of cash farm income. Our Wisconsin farmers are far more dependent upon dairying; with more than half of all Wisconsin farm income being from the sale of milk. A substantial additional percentage of farm income is from the sale of cull dairy cattle and veal calves. Dairy farmers provide an important segment of the nonfarm economy which is geared to meeting their heavy demands for production supplies and to the handling, processing and storage of the highly perishable dairy products after the milk leaves the farm.

Dairy farmers compete in a world of protected and subsidized markets. The production items which they must purchase are generally produced by a limited number of sources reflecting organized labor costs and minimum wages which are far in excess of both farm returns and the very low farm costs of many foreign nations. The same is true with respect to most services which farmers must buy, and with the specialized costs of getting America's milk to the processors and its products to consumers.

Foreign nations have dairy production incentive and export subsidy programs which help them obtain ever larger shares of the world markets and the currency which goes with it. Of course, they are particularly anxious to obtain our American dollars, and their activities include continuing efforts to circumvent our own tariff and quota regulations as they seek means of getting their products into the American market.

The extent of production changes is shown in the February 1970 issue of Foreign Agriculture Circular, published by the Foreign Agricultural Service, USDA, in a report of milk production for 36 leading milk producing nations of the world, a summary of which follows:

[Pounds in millions]

	United States	35 other leading milk producing nations
1961–65 average	125,660	511,908
1967	118,769	581,540
1968	117,281	593,542
1969	116,200	596,325
Change from 1961–65 average to 1969	−7.53%	+16.43%

The result of this increasing world supply at a time when we are adjusting our own supplies downward to more nearly equate our own needs and maintaining a dairy price support program at considerable Government expense to assure our consumers a long-range adequate supply of domestic dairy production has been a continuing battle to prevent imports from undermining our markets and the price support program.

In spite of the efforts and the limitations of a few months ago, imports continue to increase. On May 14, 1970, the U.S. Department of Agriculture reported the cumulative U.S. imports of dairy products for the 3 months of January through March 1970, to be up 77 percent from the corresponding months of 1969 on a milk equivalent, fat solids basis, while March 1970 dairy imports were up 92 percent from March 1969.

The dairy imports amounted to 479,124,000 pounds of milk equivalent for January through March 1970, with March 1970 imports alone amounting to 207,213,000 pounds.

As long as our Government is purchasing dairy products to maintain domestic milk prices, it is absurd to think that any imports does not replace an equal quantity of our own milk. On May 14, 1970, USDA reported CCC purchases of dairy products for April 1970 as follows:

	Thousands of pounds	
	Contract basis	Delivery basis
Butter	34,501	30,394
Cheese	12,466	403
Nonfat dry milk	20,547	35,678

Based on current purchase price levels, this means that the CCC contracted in April 1970 for purchase of about $36 million worth of dairy products and actually took delivery of about $31 million worth of dairy products in that single month.

Based on present CCC purchased prices and normal yields of manufactured dairy products we estimate that the reported imports of dairy products in March 1970 alone replaced in the market enough milk to account for in excess of $10 million worth if milk used in dairy products bought by the Government under the dairy price support program. This estimate is based on 207 million pounds of imported milk which replaced in the market our own domestic milk and forced it into price support channels at a finished product purchase in excess of $5 per hundredweight to return dairy farmers the announced manufactured milk price of $4.66 plus processing allowances for manufacture as reflected in purchase price.

Equally as important to our American consumers as Government cost is the danger of obtaining imported dairy products of inferior quality. Probably no better evidence has come to our attention of the inferior and contaminated quality of many imported dairy products than the reports of the Food and Drug Administration of the Department of Health, Education, and Welfare some of which were included in the June 16, 1967 issue of the Congressional Record at the request

of our own Senator Gaylord Nelson of Wisconsin. The report published at that time showed contamination with poisonous substances, pesticides, mites, insect filth, mold, manure, rodent hair, fly eggs, and maggots in dairy product import detentions from 19 different countries.

It is our belief that the Food and Drug Administration is able only to random sample such imports, and the above sample amply demonstrates the dangers to the American public from consumption of imported dairy products. We are also concerned that the damage to human health from consumption of such contaminated imports will have a serious side effect upon demands for our domestic products. Once a dairy product is served on the table, the consumer has little opportunity to determine its source. Once the consumer gets a bad product, his taste for dairy products may be forever diminished or lost.

We believe that the May 14, 1970, announcement of Presidential request for a Tariff Commission investigation of imports does not go far enough. The directive to investigate imports of cheese containing not more than 0.5 percent butterfat does not begin to cover the problem. The 0.5 percent butterfat practically limits the study to skim milk cheeses.

The problem of mislabeled cheese and the question of "wash sales" and credit allowances to establish a fictitious 47-cent value generally involve cheese of a much higher butterfat percentage.

Experience has shown that any set of specific product quotas brings immediate action by cagey importers to circumvent such rules whether by renaming products or by developing new mixtures and compounds, or changing the mold or form.

We believe the only practical approach is to establish maximum quotas of both butterfat and milk-solids-not-fat on an all inclusive basis without regard to product designation or mixture. If foreign dairy products are contained in any imported food product, we believe they should be identified and counted against any applicable quotas.

It is our recommendation that current dairy quotas be made all inclusive on a fats and milk solids-not-fat basis, and that no dairy product imports in excess of such quotas be permitted.

At the same time, we believe the proposal of our Wisconsin Representative John W. Byrnes to transfer from the Bureau of Customs to USDA the responsibility for determining whether an imported dairy product falls within import quotas is an excellent move. The experience with acceptance of subterfuges and evasions by the Bureau of Customs leads us to believe that the Bureau is not sensitive to either the intent of quota laws are the influence of imports upon the citizens or dairy and general economy of our Nation.

Mr. Chairman, that concludes our statement. We are happy to have the opportunity to present it. If there are questions, I shall be happy to try to answer them.

The CHAIRMAN. Mr. Eckles, we appreciate your bringing your very fine statement to the committee.

Are there any questions of Mr. Eckles?

Mr. BYRNES. Mr. Chairman.

The CHAIRMAN. Mr. Byrnes.

Mr. BYRNES. I just want to compliment Mr. Eckles and call the attention of the committee to the fact that Mr. Eckles is one of the really outstanding people in the dairy field. He represents probably one of the finest and broadest milk cooperative marketing associations in the country, basically operating in central and northern Wisconsin and the Upper Peninsula of Michigan, and to some degree in northern Illinois. We always find his testimony and his opinions most helpful.

Thank you very much.

Mr. ECKLES. Thank you, Mr. Byrnes.

I would add that we do represent dairy farmers shipping to both manufacturing plants and grade-A markets, which is a little different from the way a lot of the other organizations are operating.

The CHAIRMAN. Thank you for coming to the committee.

Mr. ECKLES. Thank you, Mr. Chairman.

(The following statements were received for the record:)

CHEESE IMPORTERS ASSOCIATION OF AMERICA, INC.,
New York, N.Y., June 3, 1970.

Representative WILBUR D. MILLS,
House of Representatives,
Washington, D.C.

DEAR CONGRESSMAN: We take this opportunity to express our opposition to the imposition of import quotas. Our industry has been living under import quotas for a period of twenty years, and we well know the shortcomings and inequities implicit in import quotas.

As you well know, our economy is strongly dependent upon our balance of trade. The imposition of quotas serves only to antagonize our best foreign customers and invites retaliation, which far outweigh the claimed benefit of import restrictions. It is time we stopped considering the good of a single industry or product at the expense of the entire nation. The good of the entire nation is based upon maintaining the favorable balance of trade we now enjoy, and no legislation should be enacted which endangers its continuance.

Sincerely yours,

MARTIN A. FROMER, *Counsel.*

STATEMENT OF FRED J. GREINER, EXECUTIVE VICE PRESIDENT, EVAPORATED MILK ASSOCIATION

The Evaporated Milk Association is a trade association representing the manufacturers or processors of canned evaported milk and canned sweetened condensed milk in the United States.

The Association has consistently supported the philosophy that effective import controls are necessary if domestic producers of evaporated milk and sweetened condensed milk are to survive.

On June 10, 1968, the President of the United States was forced to declare emergency import quotas on canned evaporated milk and canned sweetened condensed milk under Section 22 of the Agricultural Adjustment Act.

In the ensuing months, importers have not attempted to evade the quotas established for these products. However, we have watched with increasing alarm as the importers of many other dairy products find means of circumventing existing quotas by simply changing the name of the product, or changing the fat-solids ratio or by some other deceptive act intended to specifically evade quotas. If importers were to make similar efforts in the canned milk field, it would be disastrous to our industry. We would literally be "out of business" in a matter of weeks.

Rather than repeat the story of the tragic failure of Section 22 to stem the tide of imports, the Evaporated Milk Association calls attention of the Committee to the June 16, 1970 statement of the National Milk Producers Federation. We are in wholehearted agreement with that statement.

The inadequacies of Section 22 can only be remedied by passage of the proposed

Dairy Import Act to put an overall ceiling on the importation of milkfat and milk solids-not-fat in any form. We sincerely urge the Committee to give serious and prompt attention to this legislation.

The CHAIRMAN. Mr. Tindal, we will be glad to recognize you, sir, if you will identify yourself for the record by giving your name, address and capacity in which you appear.

STATEMENT OF D. LESLIE TINDAL, PRESIDENT, AMERICAN SOYBEAN ASSOCIATION

Mr. TINDAL. Thank you, Mr. Chairman.

My name is Leslie Tindal. I farm approximately 1,600 acres near Pinewood, S.C., where I raise cotton, corn, soybeans, cattle and hogs.

I am appearing before the committee today as president of the American Soybean Association, a growers' organization with 17 affiliated State soybean associations.

The CHAIRMAN. Ye are glad to have you with us, sir. You are recognized.

Mr. TINDAL. Thank you, sir.

The American Soybean Association favors the stated objective of the proposed Trade Act of 1969 to move toward fewer trade restrictions and agrees with the four goals outlined in the President's message last fall. The Association opposes legislation creating additional import restrictions that could result in retaliation by other countries causing a reduction in exports of U.S. soybean products.

The United States has a good trade record imposing fewer restrictions than most countries. Our Association recognizes the need for reasonable protection from unfair foreign competition, especially dumping by another country. We recognize this committee and Congress have a difficult job weighing the threat to employment in the textile and shoe industries against the possible loss of sales to our major trading partners.

I appreciate the opportunity to testify on behalf of the American Soybean Association to call your attention to the fact that the tremendous overseas demand for soybeans and soybean products means jobs for hundreds of thousands of Americans; creates billions of dollars in new wealth in our rural areas and our cities; and contributes more towards the U.S. balance of payments than any other agricultural commodity.

Our association, representing soybean growers, is concerned that restrictive action, such as that proposed in House bill 16920, may limit the potential for increased sales of soybeans and soybean products in one of two ways * * * by retaliation in the form of new trade barriers or failure to reduce present tariffs, or by lack of funds with which to buy because of reduced trade currency. Trade begets additional trade, and production, on a multiplier basis. As the money turns over and over, $1 in trade leads to many additional dollars in production and trade in the United States. The Marshall plan, for example, proved that. Conversely, a limitation that stops a dollar in trade shrinks economic activity, also on a multiplier basis. So where bill 16920 deals specifically with textiles and footwear, soybean growers are equally concerned with any other restrictive action that would materially affect our major trading nations.

I would like to enlarge on those points in a minute.

On behalf of the American Soybean Association I want to commend the chairman, and members of the House Ways and Means Committee who participated, for their strongly worded effective resolution last year that aided in preventing an EEC tax on soybean products. It was a critical period for farmers, the soybean industry and the Nation. The threat remains which is one of the reasons for my appearance here today. Mr. Chairman, I hope you and members of the committee will continue to take positive action whenever the EEC threatens to impose either a tax or a levy on soybeans, meal or oil. It may take the action of the full Congress in the final round.

I also want to commend the President's Special Trade Representative, Ambassador Carl Gilbert, and his staff, for their prompt action 5 months ago which played a significant role in preventing EEC consideration of a compensatory levy on soybeans and soybean products.

Now to develop the points I made in my opening summary statement.

SOYBEANS PROVIDE JOBS AND CREATE WEALTH

U.S. farmers harvested 41 million acres of soybeans last fall. That means some $2.6 billion in new wealth to farmers. Since every bushel harvested is sold through the local elevator, 60 percent are processed through 132 plants in this country, and all are transported by truck, rail, and barge from 2 miles to 10,000 miles, this means more jobs and money, not only to hundreds of thousands of producers but thousands more workers in industry, transportation, and shipping. It means jobs and profit for those who sell farm machinery, chemicals, and other soybean production inputs plus the man on Main Street selling groceries and shoes. A lot of jobs and a lot of money ride on keeping, and increasing, that 40 percent of the soybean crop that goes overseas each year, then brings back trade dollars, an estimated $1.4 billion this marketing year.

Let me take it to the State level. House bill 16920 deals with shoes and textiles.

St. Louis is concerned about a possible loss of jobs and revenue because of competition for their shoe industry, and rightfully so. It deserves the fullest study, but, I want to remind you that 45,000 farmers, ASCS estimates, in Missouri raise soybeans. They have hundreds of elevators, four large processing plants and major river terminals at Kansas City, St. Louis, and other points—all creating jobs and revenue.

Last year soybeans created $246 million in new wealth at the farmer level in the State of Missouri. With the Missouri River running through the State and the Mississippi River running the entire length of the State, Missouri has a major stake in foreign trade for soybeans and the products of their processing plants.

In my own State of South Carolina the textile mills are important to the economy of the State. They provide jobs, salaries, and a tax base. But so do soybeans. You don't see a lot of men coming together at one place for the 8 a.m. shift. You don't see a parking lot full of cars. We don't have a weekly payroll figure. But soybeans provide a job and

income for 22,000 farmers, several hundred elevator operators, seven processing plants, and transportation workers. We are proud of the great sales job our Charleston port has done so that a great percentage of our market is overseas. In 1968 we had a severe drought and soybeans still returned farmers $30 million in South Carolina.

I recognize soybeans do not return anywhere near as much in my State as textiles but I want to point out my State is number 13 in the Nation in size of crop. Sales from the 1969 crop in South Carolina will likely total $54 million, figuring a $2.40 per bushel average on 22.5 million bushels. The value of the crop in the other major producing States goes up to over $500 million in Illinois. It is not possible to estimate the salaries paid to those handling the beans from the time the farmer sells them until they reach the consumer.

Soybeans are the No. 1 or No. 2 crop throughout much of the Cotton Belt of the South in States like Arkansas, where soybeans are valued at an estimated $200 million at the farm level, Mississippi and the Carolinas as well as the Corn Belt States of Illinois, Iowa, Missouri, Indiana, et cetera.

As I said earlier, I am a cotton farmer and I have been a booster for cotton for years. But I am also a soybean grower. I have studied this problem for a long time and I am here to speak up for soybeans.

While employment in the northeast is important to the Nation, so is employment of farmers and a vast segment of agribusiness through the great soybean producing areas of the Midwest and Midsouth from Ohio to Minnesota to Arkansas and Louisiana.

A FAVORABLE EXPORT CLIMATE IS ESSENTIAL

I have pointed out that to farmers and different segments of the industry soybeans provide employment and generate money in the United States. Much of the success of this industry depends on exports. First, over 40 percent of the crop goes overseas as I have pointed out. While there has been a growth in domestic consumption this year, as in past years, the greatest growth has been overseas both for soybeans and soybean meal. As of last month, soybean and soybean meal exports were each up by one-third this marketing year compared with last year. Soybean exports are expected to increase from 287 million bushels last year to an estimated 405 million this marketing year.

The reason soybean production has increased year after year has been largely due to increased foreign sales. This has provided farmers with a profitable cash alternative crop when all other major crops have been under acreage restrictions. This has meant more jobs, helped make the farm program work, and cost the taxpayer relatively little.

Our negotiators success in gaining binding duty free entry for soybeans and meal into most of our major markets during the Kennedy round of GATT has proven more meaningful than many realized at the time. At that time Japan agreed to cut her high tariff in helf in 5 years. She met that commitment 20 months early. Japan should eliminate the tariff, which remains at 6½ percent, or 2.40 yen per kilo, which is $6.67 per metric ton or 17.7 cents per bushel, but talks are stalled now while Japan waits to see the action taken by this

Congress before giving away and bargaining power on her most important import from the United States—soybeans.

Here it is appropriate to point out that Japan bought $220 million worth of soybeans in calendar year. This is an increase of nearly $6 million over the year before. Taiwan bought over $40 million worth of soybeans, an increase of $3 million over the year before. See the attached fact sheet. We can expect an 8 percent to 10 percent increase in sales to both countries in the years ahead.

So Japan and Taiwan, the No. 1 and No. 2 sellers of textile products to the United States are also the No. 1 and No. 2 buyers of soybeans in the Far East.

Europe buys over half of all the soybeans sold and more than three-fourths of the soybean meal. The EEC accounts for about a half billion dollars in sales of soybeans and soybean meal. Sales to the EEC from this one crop equals $100 million more than all the textile fabrics and apparel combined the common market countries sold to the United States.

Germany is our No. 1 buyer of soybeans and meal in Europe paying $216 million last year with the dollars earned as the No. 1 European seller of textile products to the United States. The other major buyers of our commodity in Europe in order are the Netherlands, France, Spain, and Italy. You quickly recognize that the ones who sell to us are the ones who buy from us.

Figures for Germany, France, and the Netherlands are for calendar year 1969. This is an estimate since much of the meal and beans are transhipped through the Rotterdam port. These figures present a more true picture than export figures which list the destination of the ship, not the eventual destination of the beans or meal. Figures for the other countries are actual for the 1968–69 marketing year, figuring a price at port of $2.82 per bushel, 1967–68 and $2.75 per bushel 1968–69, and meal at $93 per ton and $90 per ton.

Country	Value of beans and meal	Increase over year before
Germany	$216,000,000	$21,000,000
The Netherlands	115,000,000	18,000,000
France	111,000,000	6,000,000
Spain	101,500,000	11,000,000
Italy	67,000,000	6,500,000
Japan	220,000,000	6,000,000
Taiwan	41,000,000	3,000,000

Earlier I spoke of the major trade crisis that developed between the United States and the European Economic Community. The threat of an EEC tax, or worse yet, a compensatory levy is still very much alive. When I was in Europe last fall several leaders of the soybean industry in different counties, especially the German oil millers and the German margarine manufacturers, warned there are certain EEC leaders waiting for an excuse to rally world support behind their scheme to raise money by taxing their major agricultural imports—soybeans and soybean meal. The German organizations and others in Europe have worked hard to prevent this unjustified tax or levy but they frankly said we have done all we can and what really counts

is what you folks in the United States do. EEC leaders have said if the United States restricts imports of textiles and shoes they will do the same to soybeans. Congress must keep in mind this half-billion dollar market and weight the consequences not only directly to soybeans but indirectly to the whole world trade attitude, when considering special legislation for two industries, important as they are to certain States, including my own State.

As you know, the American Soybean Association administers a sizeable market development program in seven countries. Our studies indicate Italy deserves top priority as we expand our market development work. So while some view Italy as the No. 1 exporter of footwear to the United States, we view Italy as the No. 1 potential to increase sales of soybeans and soybean meal.

As growers we want to be sure that just because our numbers are spread out over a wide area that the committee members and Congress remember there are 500,000 to 600,000 growers plus the many others I have mentioned depending on soybeans for all or part of their living.

Every survey shows a continued upward trend in world-wide demand for protein. For example, FAO predicts 25-percent increase by 1975. Soybeans have been capturing an increasing share of that increase and it can continue to do so with good salesmenship and free entry into the major markets of the world. (USDA February 1970, World Exports of Meal, average 12 percent increase per year 1960–69.)

We are here to ask you not to jeopardize the present favorable export position for soybeans. Soybeans and soybean meal are the major farm commodity in world trade and at the same time have fewer tariffs and non-tariff barriers than any other major commodity. Restrictive action by Congress could result in retaliation by the offended country against our major export to them.

In Spain, for example, there is a very strong demand for both soybean meal and soy oil. Purchases are limited by opposition from the Olive Oil Syndicate, which is to be expected, and a shortage of trade dollars. They must sell in order to buy.

In Taiwan hard currency is very short and while over 40 percent of all grain purchases are soybeans the potential increase in sales would be endangered because of a lack of trade dollars if Taiwan cannot sell her mushrooms, asparagus, textiles, canned vegetables, and other commodities to the United States. Taiwan would be especially hard hit by using 1967–68 figures as a base for setting textile product imports.

Japan's policy of diversification would be stepped up should the Congress take unwise steps toward import restrictions. The costly Longshoreman's strike of over a year ago prompted Japan to move rapidly in the direction of finding new sources of farm commodities where they could in turn sell their products. Japan is now backing work in Thailand to start a major soybean growing industry there. Japan is also studying the advisability of buying competitive oilseeds from other countries and developing a synthetic industry in Japan.

Other countries may be compelled to buy such exclusive items as computers, certain aircraft parts, and other special items from the United States but any country can buy their protein and oil needs

from any number of salesmen eager to sell competing products such as sunflower, peanuts, cottonseed, rapeseed, and fishmeal. There is a high substitutability and availability of competing products, especially for soybean oil.

I would like to depart for a moment to speak on a different but related subject, and that is the U.S. policy of maintaining an American selling price on certain select products. This provocative policy is all out of proportion to its importance to the American economy. It is the thorn in the side whenever the United States is involved in trade negotiations. It is used as an argument for similar protective tariffs overseas by many countries as I learned when in Europe last fall. The EEC uses ASP as an excuse to impose the tax or compensatory levy against soybeans and soybean meal.

The American selling price not only jeopardizes continued free access of soybeans into its major markets around the world but increases consumer costs in this country and farmers are major consumers.

I know that you men are fully aware of this interplay of conflicting interests in this complex arena of world trade. I appreciate the opportunity to appear before you so that our voice might be heard.

In summary, weigh the jobs and the income to farmers—$2,600 million—and many segments of our economy in many States of this multibillion dollar industry. It is overseas sales that make the market at the local elevator and that was never more clear than this year. Not only does 40 percent of the crop go overseas but much of the increase in the years ahead will come from overseas demand if soybeans and soybean products have access to the major markets as they do now. We cannot stand on one foot and call for reduced trade restrictions in other counrties and then stand on the other foot and pass special legislation to protect certain industries in the United States.

The total agricultural complex, especially soybean farmers and those in town who depend on soybeans for their pay check, will be the first to be hurt if there is retaliation, or, a lack of trade dollars with which to buy because of a general downward spiral caused by escalating protestionism. For that reasons, we oppose legislation creating additional import restrictions that could result in retaliation by other countries and cause a reduction in exports of soybeans and soybean products.

Thank you, gentlemen.

The CHAIRMAN. Mr. Tindal, we thank you, sir, for coming to the committee and bringing your very fine statement and delivering it to us. We appreciate it very much.

Are there any questions?

We thank you, sir.

Mr. TINDAL. Thank you, Mr. Chairman.

(The following statement was received for the record:)

STATEMENT OF NATIONAL SOYBEAN PROCESSORS ASSOCIATION

The National Soybean Processors Association appreciates this opportunity to outline its official position on U.S. trade policy, as it relates to the U.S. soybean industry.

This year, members of NSPA will crush 700 million bushels of soybeans—95 percent of the nation's total crush. Most of this crush will produce oil for edible purposes, and protein meal for use in livestock and poultry feeds.

The soybean economy in the United States has grown rapidly in recent years—the most dramatic sector being export markets. Currently, more than 44 per-

cent of the total U.S. soybean crop is exported as soybeans and soybean products. This movement in world trade of soybeans and products processed in the U.S. provides an estimated $1.4 billion in currency toward the U.S. Balance of Payments—more than from any other single commodity.

Exports of soybeans and their products now provide a viable market for about 500 million bushels of the nation's soybeans. These soybeans are produced on more than 20 million U.S. crop acres. Benefits from these exports are spread among farmers, marketers, processors, and the nation as a whole.

Our industry supplies over 90 percent of the soybeans and soybean products currently traded on world markets. This remarkable growth in foreign sales stems mainly from these factors:

1. A rapid increase in the demand for livestock and poultry products, especially in Japan and Western Europe.

2. Domestic farm programs that have encouraged expanded production of soybeans, and permitted them to be priced competitively on major world markets.

3. Relatively favorable conditions allowing access of U.S. soybeans and products to growing markets abroad.

Prime examples of these current conditions include:

a) *European Economic Community*—The EEC has no duties on soybeans or soybean meal as bound under terms set down by GATT. Use of soybean meal in the EEC's livestock and poultry rations has also been encouraged by EEC policies which have held grain prices at relatively high levels.

b) *Japan.*—This nation has low duties on soybeans as a result of concessions obtained in the Kennedy Round of trade talks. Current duties are about 6 percent ad valorem. The Japanese more recently put further duty reductions into effect on May 1, 1970, although these will not become mandatory until 1972. Less favorable conditions, however, exist for soybean meal in Japan. This product is currently subject to quotas established annually by the Japanese Food Agency (about 50,000 metric tons will be imported during this fiscal year). Our industry has the assurance that Japan will remove these quotas by the end of 1971, with an effective 5 percent ad valorem duty remaining.

The soybean foreign trade outlook, although generally favorable now, does have problems. Consider these potential problem areas:

1. The European Economic Community has discussed the implementation of a domestic tax on soybean meal and oil. This would, if enacted, sharply reduce consumption of these products within the EEC. No action has been taken on this proposal to date, mainly due to a clear indication from the U.S. that it would retaliate. This warning was strongly supported by a resolution introduced by Chairman Mills last year. But the threat of the EEC tax still lingers. It is still too early to determine if the EEC Commission intends to drop its original plans.

2. Developing nations still press for an international fats and oils agreement. Such an agreement would seriously limit export prospects for both U.S. soybeans and soybean products. These nations' plans—especially those in Africa and Southeast Asia—are currently stymied due to firm insistence by the U.S. that such an agreement is impractical. We agree, especially now in view of strong world oil prices.

NSPA is aware that other U.S. products have not fared as well as soybeans and products have on world markets. The nation's textile industry has likely suffered as a result of low-cost imports, although it is difficult to determine at this time where the major impact has fallen.

Efforts to redress any such injuries to trade—outside the framework of GATT—can jeopardize both the present position of the soybean processing industry, and the institutional framework within which its gains have been made and secured. We are referring specifically to legislated or "voluntary" quotas.

Here is our position on the nation's foreign trade legislation:

1. We believe that the proposed Trade Act of 1969 represents a constructive approach to the nation's trade problems.

2. We support the proposal that would grant the President authority to reduce tariffs by 20 percent (or two percentage points ad valorem below the rate established on July 1, 1967). We understand this proposal is designed to facilitate use of an escape clause to provide relief—within GATT rules—for industries injured by low-cost imports.

3. We support amendments designed to make escape clause relief more readily available.

4. We support provisions that would make the adjustment assistance pro-

gram a more useful tool in assisting industries threatened by low-cost imports. We feel the proposal to drop the link between increased imports and prior tariff concessions is constructive.

5. We urge the House Ways and Means Committee to act on the Bill during the current session of Congress. Enactment would provide tools that are badly needed to protect the existing institutional framework for international trade. It would allow the Congress and the Administration to develop constructive proposals for comprehensive long-term trade policies.

NSPA feels it is imperative that the U.S. maintain a favorable free trade climate throughout the world. The nation's agricultural commodities must be allowed to compete on major world markets, while maintaining the freedom to aggressively expand sales. Sound economic and trade policies are needed to meet these goals.

The nations must also maintain its ability to respond swiftly and effectively to any future threats to its world agricultural trade. To this end, the NSPA takes special note of the inestimable value of the Office of Special Trade Representative, The White House. We feel that this Office should be strengthened and expanded to meet its increasing world trade role. It has provided a valuable vehicle for swift communication between the nation's commodity groups and the Administration on past trade policies and problems.

We submit this official position paper in the hope that sound and effective trade legislation will be forthcoming.

The CHAIRMAN. Without objection, the committee will recess until 2 p.m.

Our colleague, the Honorable John S. Monagan, will be the first witness at that time.

(Whereupon, at 12:35 p.m. the committee was recessed, to reconvene at 2 p.m. the same day.)

AFTER RECESS

(The committee reconvened at 2 p.m., Hon. Sam Gibbons presiding.)

Mr. GIBBONS (presiding). The meeting will come to order.

Mr. Monagan, you are recognized.

STATEMENT OF HON. JOHN S. MONAGAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CONNECTICUT

Mr. MONAGAN. Thank you, Mr. Chairman.

Mr. Chairman and members of the committee, I represent a highly industrialized district and trade problems and trade legislation have been matters of deep concern for this district for many years.

This concern has not been lessened by the feeling that too often decisions on trade matters are made by bureaucrats who have no relation to the industries and their workers on the ground but are motivated purely by international considerations and believe that industries and people can be manipulated like counters on a chess board while following a line of doctrinaire adherence to the principle of free trade.

Disraeli long ago said that "free trade is not a principle, it is an expedient," and this implied counsel of moderation should be heeded today. What we must do is look at the facts with a sense of proportion and decide whether or not we want to happen what is happening in the world of trade and whether or not the continuation of present policies will advantage the people of the United States.

I favor an enlightened trade policy and I believe that this is the attitude of the majority of the people in our country. At the same time,

I believe that the continued gradual reduction of trade barriers on our part which increasingly opens the gates to imports, reduces our share of our own domestic market, cuts down our industrial production and employment and eventually closes factories should be viewed with the greatest concern.

It is not easy to generalize about these matters and when I say that they are matters of degree in all cases I realize that this does not provide an easy and understandable rule for guidance. At the same time, one can understand the difference between an industry where the rate of imports is 4 or 5 percent of the domestic market and one in which the rate is 20 percent or 30 percent. There are, of course, advocates of free trade who look with complacency upon the closing of industries and assert that adjustment assistance is an adequate remedy for such industrial hari kari.

Some validity might be accorded this theory if it could be applied evenly and with corresponding benefits in imports, but clearly this is not the case. For example, the Japanese who provide our greatest industrial competition have quotas which prevent their importation of our industrial goods while the volume of their products sold in this country has shown a sharply increased volume over recent years. The existence of similar tariffs, quotas and subsidies in nearly every other country in the world raises serious doubts as to the reciprocity of our trade.

We have long felt the effects of the flood of imports in my district—bicycles, clocks and watches, pins, plumbing fittings, rubber footwear, and stainless steel flatware are only a few of the products which have been affected or even eliminated. Because of the stimulation of a war economy many of the effects of the reduction of activity in these fields have not been noticed but with a return to peacetime levels, the loss of business and jobs is beginning to be glaringly apparent.

Two stainless flatware plants in my district have just closed. One large company, Uniroyal, has already closed two footwear plants in Woonsocket, R.I., and Mishawaka, Ind., and threatens to close another in Naugatuck in my district where 3,600 people are presently employed. This decision has been reached in part because of the tremendous upsurge of imports of footwear products produced in competition with these plants. The impact of the loss of this number of jobs in a relatively small community with the accompanying effects upon rentals, mortgage payments and purchases, tax payments and purchases generally can well be imagined. When implemented it is nothing short of a disaster.

To add to the difficulty, the general unemployment rate in this area is now over 7.2 percent.

I opposed the Trade Assistance Act of 1962 because I felt that it would not be administered fairly and subsequent experience has borne out this contention. In my judgment the trading situation increasingly becomes one in which agricultural products and certain limited manufacturing products where the United States has a surplus or a monopoly are favored while the average manufacturer who must pay top wages for his labor and has no better technology than his overseas competitor is allowed to go down the drain.

In addition, experience has shown that resort to the Tariff Commission and the escape clause has proven to be generally unsuccessful.

I opposed the Trade legislation in 1962 and I oppose the Mills bill as well.

Although the latter contains certain improvements, some of which I have advocated such as the liberalization of standard of proof for adjustment assistance, nevertheless I am opposed to the concept which views with equanimity the substitution of adjustment payments for actual jobs and business.

I am opposed to the Mills bill for a more specific reason and that is the inclusion of two industries in the bill for broad and general relief by a roll-back of quota restrictions. This is clearly and blatantly discriminatory.

Why should two industries be singled out for preferential treatment when others equally worthy are neglected?

A cynical observer might conclude that the reason for the provisions was to line up behind the bill the support of Representatives from districts whose industries would be benefited by the inclusion of this relief. I would like to propose an amendment to the bill which would cover industries in my district which I believe to be conspicuously deserving of assistance, but I am sure that these amendments would not be accepted and I will therefore oppose the bill for the reasons indicated.

In the consideration of the Mills bill we should be influenced by employment figures showing that rubber footwear employment fell 5 percent from 1968 to 1969, and more than 8 percent from 1965 to 1969. Meanwhile, the textile industry has experienced a decline of 1 percent since 1968 but an increase of 5 percent since 1965.

The workers in our industries have reached a commendable level of income and also receive fringe benefits which are equally valuable. Labor costs represent in excess of 50 percent of the total cost of rubber footwear production. It is also a high-wage industry, with average earnings as high as $4.50, including fringe benefits. It is manifestly unfair to permit to an unreasonable degree the competition of workers who are paid at most 20 percent of the wages and fringes received by our industrial workers. It has taken a long time to reach this point and their security should not lightly be jeopardized.

In 1968 the percentage of imports to domestic shipments in waterproof footwear was 56.9 percent and the total imports of rubber soled footwear was 32.1 percent of domestic shipments. This competition is far too keen for the health of our economy. I have recommended remedies which would be more equitable to the Nation's industry and for the protection of American workers. I refer specifically to H.R. 15213 which is designed to encourage the growth of trade on a fair and equitable basis by providing American industries with a limit against the adverse effects of an undue rise in imports on industral growth, employment, and profits. This bill would amend the Trade Expansion Act of 1962 by relaxing the criteria for determination of the question of serious injury to domestic industry and would insure the actual availability of a remedy to industries that have suffered or stand to suffer from rising imports.

My other bill in this area, H.R. 11148, is to amend the Trade Expansion Act of 1962 to assist domestic industries in unfair competition from foreign imports. We would accomplish that result by substitut-

ing more flexible relief criteria for the rigid criteria now embodied in this act.

I ask the Ways and Means Committee to give serious consideration to these proposals and to weigh the responsibility all of us face in the contemplation of economic disaster resultant from the competition of foreign imports.

This is a matter of great concern to me because of the type of district that I represent. We are very critically affected by the wave of imports that are coming in at the present time. Some of our industries have actually been forced to close their doors for this reason and others are threatened. Some of them are the largest employers in our area.

So because of this I wish to record my opposition to the bill that is proposed. I feel that it is discriminatory and that it deals with only two particular industries rather than to deal with the difficulties that are faced by a whole mass of industries in my district and throughout the country, and I refer to bills that I myself have introduced that I believe deal with this problem.

Thank you very much, Mr. Chairman.

Mr. GIBBONS. We appreciate very much your taking the time to come here and present your views.

Mr. MONAGAN. Thank you, sir.

Mr. GIBBONS. Mr. John A. Buzzard.

Would you identify yourself for the record, sir.

STATEMENT OF JOHN A. BUZZARD, CHAIRMAN, IMPORT-EXPORT ADVISORY COMMITTEE, NATIONAL CONFECTIONERS ASSOCIATION

Mr. BUZZARD. Mr. Chairman, I am John A. Buzzard, president of Inmont Confections, a subsidiary of Inmont Corp., headquartered in New York City. Our candy manufacturing divisions are located in Bridgeport, Pa., and Brooklyn, N.Y. This appearance is entered in my capacity as chairman of the import-export committee of the National Conferences Association which is the national trade association of candy manufacturers and suppliers of goods and services to the industry.

Our association, the National Confectioners Association, has been very interested in and affected by the subject of tariffs and trade for many years and we believe in expanding and furthering international trade on a sound economic basis. We have always recognized, however, that costs of production in the United States cannot be completely ignored in furthering a sound and economic climate for U.S. industry. This is particularly true when some of the higher costs of U.S. production actually are dictated by our own Government.

By this statement I mean that our confectionery industry is required to pay higher prices than our foreign competitors for practically all the agricultural commodities used as ingredients in the manufacture of confectionery because of price-support operations and other programs employed by the Department of Agriculture. Our national labor policy, both concerning minimum wage and labor negotiations, results in labor costs which are above those of foreign manufacturers.

Nevertheless, on June 9, 1970, Secretary Clifford M. Hardin, in his address to the national convention of the National Confectioners Association, stated that from 1960 to 1968, which are the latest figures available, the rise in confectionery prices was at a slower rate than all other consumer prices. The Department of Commerce records show an increase of less than 5 cents a pound between 1960 and 1968. Our industry's record in the fight against inflation had our concern for the American consumer who is our customer should strengthen our position against unfair import competition.

Now it seems that for the past 35 years, under successive trade agreement statutes, industry in the United States has continued to be placed at a competitive disadvantage. Our association was one of those which presented a witness in opposition to the Trade Expansion Act of 1962 which adversely affected many industries.

We forecast that our industry and other industries would suffer from the Trade Expansion Act and that the U.S. balance of trade and balance of payments would do likewise. Many other industries and labor groups which favored the Trade Expansion Act when it was before Congress in 1962 now have seen problems created by that position. Many who supported the Trade Expansion Act are now encouraging a different approach to the problem of the Nation's industry and the Nation in general.

Now we are particularly grateful that the attitude toward our trade policy seems to be different from the attitude expressed in 1962. More members of this committee, including the chairman and other prominent members, recognize that action must to taken in the interest of U.S. industry and the U.S. balance of Trade. It is refreshing that this committee has before it and is considering various legislative proposals, practically all of which, in our view, would constitute a significant improvement over existing law, which suggests that at least we are looking for a solution to our problems.

Now we have studied with interest H.R. 16920 by Chairman Mills, and there is much to be said in favor of this bill because it would proceed immediately to adjust the unfair import competition problem for textiles and shoes. Also it would sensibly modify the escape procedure to be of assistance to other industries.

The administration bill, H.R. 14870, in our opinion is also a good bill in that it would constitute a significant improvement over existing law. It contains no broad and ruthless tariff cutting authority as did the 1962 act, even though there are not many significant tariffs left to cut.

More importantly, it would also establish a more reasonable escape clause criteria. In effect, it would seem to restore the escape clause as a means of dealing with unfair import competition which the committee knows was almost completely emasculated by the 1962 Trade Expansion Act.

The basic legislation of the fair internation trade bill with provisions added on to it such as are contained in the Mills bill for specific action concerning textiles and shoes would also seem to be a fair and reasonable approach to this problem.

All three of these proposals—Mr. Mills' H.R. 16920, the fair international trade bill, and H.R. 14870—offer legislation that would

assist our industry in competing with the products produced by foreign manufacturers.

Now fundamentally the position of the National Confectioners Association is a belief in hard competition with import duties being imposed only to the extent necessary to equate the higher costs of production in the United States which our manufacturers must pay and over which they have virtually no control. We favor such import duties to equate the costs of production of the most efficient manufacturers but not to protect any company which is not functioning at maximum efficiency. Our thinking is that reasonable import duties would represent a sounder and wiser U.S. policy. Unfortunately, that approach is now essentially precluded because practically all of our tariffs have been negotiated away at international negotiations and in some instances we have bound ourselves against increasing them.

With this tariff approach seemingly out of reach, the next best approach, in our view, is the quota approach and in this connection, again, we specifically recommend the fair international trade bill which has been introduced by approximately 65 Members of Congress. As you are aware, this in effect would permit foreign manufacturers in any industry to share in the growth and prosperity of the United States, but it would not let foreign suppliers continue to exploit the unfair advantage of their lower production costs to take over the U.S. market from efficient U.S. manufacturers.

In the case of the confectionery industry, until 1955 imports of confectionery and chocolate represented a quantity equivalent to less than 1 percent of U.S. production. In 1960, imports were less than 60 million pounds but by 1969 imports had increased to more than 135 million pounds.

When the full effects of the Kennedy round become operative in 1972, confectionery will be dutiable at only 7 percent, except that solid chocolate will be dutiable at only 5 percent. History indicates that imports will continue to increase both quantitatively and as a percentage of U.S. production.

Our higher raw material and production costs, coupled with the downward direction of U.S. import duties on confectionery, accelerate this increase. If action is not taken, confectionery imports, which now represent a quantity approximately equivalent to 4 percent of domestic industry production, quickly can become 10 percent, 20 percent, or more. The fair international trade bill will permit imports to continue to grow, in the case of confectionery as well as other items, but it will place foreign suppliers on notice as to how much the United States is agreeable to letting them use their competitive advantage to penetrate the U.S. market.

In our view, U.S. foreign trade policy for some years has been developed and sold to the United States based on a number of myths. One is that the United States has a favorable balance of trade. This contention is not true. If a correct value is placed on U.S. exports—that is, if foreign aid and surplus agricultural commodity shipments abroad are excluded—and a true value is placed on imports which requires a landed value rather than a declared foreign value, then the United States has an unfavorable balance of trade.

Another myth is that in international tariff negotiations when the

United States gave something, it got something. We certainly question whether we have received concessions of meaningful economic value equal to that which the United States has given. We grant concessions on manufactured items which are heavily competitive with U.S. industry but, in turn, receive concessions on items which seem to have little, if any, effect on the shipment of U.S. products abroad.

Now there is one additional matter I would like to mention that to our knowledge is not specifically referred to in any of the bills now before the committee. It concerns the proposition of the U.S. Government of some months ago to other industrially advanced GATT countries to eliminate entirely import duties from the less developed countries on manufactured and semimanufactured goods except textiles, shoes and petroleum if other advanced countries would also eliminate entirely such duties along with the United States.

Now we agree that the less-developed countries should be assisted in establishing facilities to produce manufactured and semimanufactured goods to improve their economic status but we think that a reduction of duties would tend to jeopardize the current level of raw material exports now flowing from these underdeveloped countries to the United States and other industrially advanced countries.

These products are, to many of them, a prime source of revenue and they are not going to be easily replaced by a new weak, noncompetitive, and subsidized manufacturing economy. We oppose such an action as unwise and we would like to see this committee take appropriate action to make it clear that it does not favor such a proposal.

Now, in conclusion, I would like to state that we are very pleased that the committee is taking this intelligent approach to our foreign trade policy and we are hopeful that the committee quickly will report legislation which will deal constructively with this question by providing the machinery to enable U.S. industry, harassed by unfair foreign import competition, to obtain corrective action and also to place foreign suppliers on notice that the U.S. market is their to participate in, to grow with, but not to preempt.

Thank you, Mr. Chairman.

Mr. GIBBONS. Thank you, sir.

Mr. Betts.

Mr. BETTS. No questions.

Mr. GIBBONS. Mr. Collier.

Mr. COLLIER. Thank you, Mr. Chairman.

I make this request primarily because those in the past, who have disagreed with my position on the Trade Expansion Act of 1962, have made a point of the dollar volume of exports that the State of Illinois directs abroad. This gentleman represents industries which produce in my State alone, one-third of the total confectionery produced in the United States.

Specifically you said that the U.S. confectionery industry is required to pay much higher prices for the ingredients it uses than its foreign competitors which manufacture confections abroad for shipment to the United States. Why would this be true and in what area does this difference develop?

Mr. BUZZARD. I probably can give you the answer best by specific illustrations. We have heard a lot about milk this morning, so may I

take that as an example? The world price of dry whole milk in March of 1970 was approximately 21 cents and the U.S. market was at 46 cents, or more than double. For nonfat dry milk, currently we are paying 24 cents a pound in contrast to the world price of 9 cents per pound. For refined, we are paying 12 cents a pound, in contrast to the world price of 5 cents a pound.

By the way, we use 10 percent of the sugar consumed in the United States. For peanuts, we pay approximately 23 cents against a world price of 15 cents. For butter, which we heard a lot about this morning, the Australian price of butter in London was at 31 cents in April. We are paying 71 cents, or almost 40 cents a pound more.

That is what I mean by the subsidy increasing our ingredient cost over world or competitive prices.

Mr. COLLIER. Since I represent Illinois, one of the largest agricultural producing States, I am prompted to ask this question. You refer to agricultural commodities used by the confectionery industry in this country. How important is the confectionery industry in this country to the U.S. Department of Agriculture?

Mr. BUZZARD. Having been born down in southern Illinois in a cornfield, we are using right now about $50 million a year or about a quarter of all the corn syrup produced in the United States as an industry. We use about two-thirds of the total almond crop and 20 percent of the total peanut crop. In milk, we use about 275 billion pounds of milk a year in the confectionery industry. We are a major customer of the people that you have heard today and of the agricultural farmers in the country.

Mr. COLLIER. The impact in terms of our present policy and on a wide range basis does not affect just the confectionery industry but in turn has an obvious major impact upon agriculture not only in my State but throughout the country.

Mr. BUZZARD. Very much so. I wish more people when they bought a candy bar would realize this. It is quite true that we are very, very large consumers of many agricultural products produced in the United States.

Mr. COLLIER. Thank you, Mr. Chairman.

Mr. GIBBONS. We appreciate very much your coming and making yourself available. I think your statement speaks for itself, I think we understand your problem. These hearings have been going on a long time and your problem is parallel to other people's problems.

Mr. BUZZARD. I was very appreciative to be put on with the milk and sugar people. We are pretty good customers and I appreciate being included.

Mr. GIBBONS. I think we realize that some of our domestic agricultural products or domestic agricultural programs tend to make it hard for you to consume their product and remain competitive in a world market. We understand the predicament in which you find yourself.

Mr. BUZZARD. Well, I understand that you come from Florida but not the peanut growing area. We are paying something like 7 cents a pound, if my memory is correct, for peanuts grown in this country over those that are available in the foreign market, as an example.

The same is true of sugar. That is about 7 cents a pound, and in an industry that had a manufacturer value last year $1,800 million of

candy and 19.9 pounds per capita consumption. It is of concern to us and to our congressional friends that have been before the committee before.

Mr. GIBBONS. I have the confectionery businesses in my district and I know the problems they have. The peanuts that they grow in my district are boiled peanuts and not roasted peanuts and therefore they don't come under the crop support programs and acreage programs.

Mr. BUZZARD. I don't know whether we can claim to use 20 percent of your type or not but we do the national crop.

Mr. GIBBONS. Thank you, sir.

Mr. Reuben L. Johnson, director of Legislative Services, National Farmers Union.

Would you please come forward.

If you would just, sir, identify yourself for the record and then proceed.

STATEMENT OF REUBEN L. JOHNSON, DIRECTOR OF LEGISLATIVE SERVICES, NATIONAL FARMERS UNION

Mr. JOHNSON. Thank you very much, Mr. Chairman.

I do have a statement I would like to file. I have a brief summary of the statement which I would like to present to the committee.

Mr. GIBBONS. Fine.

Mr. JOHNSON. Mr. Chairman, as you point out my name is Reuben L. Johnson. I am the director of Legislative Services of the National Farmers Union in Washington, D.C.

Mr. Chairman, I want the record to show that we in the Farmers Union are most appreciative of the support of the chairman of the committee for the concerns of farmers. I know that Mr. Lewis Johnson, president of the Arkansas Farmers Union, would want me to bring greetings to Mr. Mills. I would like the record to show that this message was relayed to him.

Farmers Union has traditionally supported international commodity arrangements that provide for trade expansion in an orderly manner. We believe trade expansion is good for the American farmer. However, expansion for the sake of expansion is not necessarily helpful. Trade expansion must be accomplished in the context of the general welfare. It must be orderly. This can best be accomplished through international commodity arrangements. Only through such orderly development of trade can all of the diverse interests both within our Nation and within the nations with which we trade be protected.

Obviously, exports and imports are opposite sides of the same coin.

There is no such thing as an automatically operating free marketing system. Markets exist under frameworks of law, property rights, wealth distribution, economic conditions and other factors. Orderliness and justice in foreign trade are best served by a well-defined set of rules and with the mechanism for negotiation permanently accessible.

It is a matter of commonsense to realize that everybody might be better off if each country produced what it could most efficiently produce, trading its excess for the excess of goods produced more efficiently in other countries. Yet this is, at best, a rather distant goal. Each country has its own network of institutions—such as laws, cus-

toms, investment in plants, et cetera. Each nation attempts to solve its economic problems in its own way.

It is politically unrealistic to expect that all fair-trade laws, tariffs, patents, union, preferential freight rates and subsidies, both direct and indirect, would be repealed.

If such changes were made abruptly, none would be more damaged than the producers of raw materials. Raw materials prices are among the most unstable aspects of the market system. That is true in this and other countries as well.

Our effort in the United States has been to build economic institutions which tend to stabilize raw material prices.

Thus, Farmers Union has supported the General Agreement on Trade and Tariffs, the trade expansion acts and streamlining of customs procedures. These laws and procedures are fully consistent with and complementary to our support of programs which are designed to give farmers an increase in their bargaining power on the domestic front.

We oppose efforts to reestablish the mid-Victorian competitive or so-called "free" market system. Throwing domestic or foreign producers on an unguided and uncontrolled market dominated by traders or cartel-dominated industries is not advisable.

International economic stability is best served by trade negotiations, conducted rationally and practically, with a view to expansion under existing framework of laws and economic realities in the nations concerned.

We do not believe that U.S. farmers who produce for export, or who produce commodities that must compete with imports, should be asked to bear the full cost of stabilizing U.S. foreign policy or of earning a better position concerning the "Balance of Payments" problem.

We accord the same right and privilege to other domestic raw material and industrial producers. The benefits of better international economic cooperation accrue to all the people. Programs and policies should be established for both exports and imports to spread the cost to all of the people instead of putting it directly on the small number of producers that may be involved.

Two methods of spreading such costs are readily available: (1) direct to consumers through prices on producers; or (2) direct to taxpayers through government programs that protect producers. If a tariff on imports raises the prices of finished goods, consumers contribute to the returns of U.S. producers, of course. If, on the other hand, imports result in lower prices to producers and through government programs, producer income is increased, then, of course, the cost is spread through the tax system.

As a general principle, no U.S. farmer should be expected to compete with foreign producers, either against imports or for exports. Prices to U.S. farmers should be geared to parity, which in turn is geared to the realities of the U.S. economy and our standard of living.

In some cases, it may be that the entire need and demand of the United States can be met continuously and safely through complete dependence on imports. In such a case, we recommend that the injured domestic industry be helped to make adjustments by means other than excluding imports. These would include conversion to other lines,

extension of unemployment insurance, assistance in retraining workers, and outright purchase, if necessary, or deemed desirable.

We see no difference in agricultural business or industrial business.

The crucial factor in such decisions is the national interest. If reliance on imports is considered to serve the national interest, then the cost of altering the production mechanism in our economy should be borne by all.

We must recognize the European Common Market as a reality. It increases the need for negotiations.

Price wars can accomplish nothing but hardship—either for American producers or foreign producers. Such hardship, anywhere, does not serve the interests of the United States.

Commodity-by-commodity and product-by-product negotiations provide the route for orderly change.

Every major agricultural producing nation in the world which has a democratic government responsible to its primary producers has developed programs and policies designed to increase the bargaining power of such producers in the market place. This will undoubtedly continue.

Exporting countries should be ready to insure that their production is at levels in line with outlets. They must be prepared to make their fair contribution to the establishment of a sound balance in world markets.

That concludes my statement, Mr. Chairman.

Mr. GIBBONS. We appreciate your coming here and presenting a very reasoned and scholarly presentation.

Mr. Betts.

Mr. BETTS. No questions.

Mr. GIBBONS. Mr. Collier.

Mr. COLLIER. No questions.

Mr. GIBBONS. Thank you.

Mr. JOHNSON. Thank you, Mr. Chairman.

(The written statement of Mr. Johnson follows):

STATEMENT OF REUBEN L. JOHNSON, DIRECTOR OF LEGISLATIVE SERVICES, NATIONAL FARMERS UNION

Farmers Union has a long history of support for the reduction of barriers in the international trade of agricultural products. Our organization has traditionally supported international commodity agreements that provide for trade expansion in an orderly manner. We have supported the international wheat and sugar agreements, the Trade Expansion Act of 1962, United States participation in the General Agreement on Tariffs and Trade (GATT) and recent agreements under the Kennedy Round negotiations.

Further, Farmers Union recognizes that critical decisions in the liberalization of world trade must necessarily include the developing two-thirds of the world. Farmers Union has long contended that social and economic development can proceed only on the basis of trade policies which enable the least able member of the economic community to have access to its rightful share of developing markets.

We believe that the interests of the American farmer will be best served by expanding trade in agricultural commodities. However, the farmer must not be expected to produce in competition with farmers of other exporting countries at prices which are unrelated to higher United States costs of production.

It is a matter of common sense to realize (1) that everybody would be better off if we produced and distributed more goods and services in the most economical manner possible and (2) that people all over the world have common aspirations,

needs and vested interests similar to our own. In terms of the total economy of the free world, we believe this means that each country should produce what it can more efficiently produce, trading the excess for the excess of goods produced more efficiently by other countries. This is the premise underlying the European Common Market.

In the existing ways of conducting trade we have an intricate network of human institutions such as laws, customs, investment in plants and so forth. Every nation has attempted to solve its own economic problem in its own way. In United States agriculture it has been to raise the relatively low income of farm families. In this connection, the justification for assisting farmers in the United States needs no amplification. Congress on many occasions has passed vitally needed and important legislation to give some measure of stability to prices and to income of agricultural producers.

In the United States this has been accomplished in various ways. Two examples of such Congressional action on the trade front are Sec. 22 of the Agricultural Adjustment Act, as amended, and Sec. 8(a) of the Trade Agreement Extension Act of 1951.

Income parity with the non-farm population is a frequently mentioned goal of farm people everywhere and basic legislation has been enacted toward this end by all those nations with democratic governments.

Farm families have a direct and important interest in the terms under which imports are allowed to enter the domestic market. For these families the advantages gained from the exportation of non-farm products are generally diffused and indirect while the competitive nature of supplementary imports is direct and immediate.

It is not surprising that farm families take the attitude they do toward supplementary imports of agricultural commodities. They understand that markets and other institutions are made by man and can be changed by man.

The fact is that there is no such thing as an automatically operating free market system. Any market is free only under a framework of law, property rights, wealth distribution, economic conditions, etc. In our present way of doing things trade is best carried on where it is a well-defined set of rules in operation and where the mechanism for negotiation remains permanently accessible when refinement in the rules is needed.

The General Agreement on Trade and Tariffs, Trade Expansion Acts and customs procedures simplification have attempted to establish the climate for mutually-advantageous trade opportunities.

It is due to the need for even greater economic cooperation that the Farmers Union has supported a well-defined world food policy, additional international commodity agreements on the order of those in effect for sugar, wheat, and coffee.

In the United States it would be both foolhardy and foolish to abolish all fair-trade laws, tariffs, patents, unions, preferential freight rates, subsidies to airlines, maritime operators, and the rest. It would be equally unrealistic to expect that the people and governments of other countries are going to give up the myriad institutional interferences with the free, privately controlled market of the type visualized by mid-Victorian economic theorists.

But even if it were possible to get the people and the governments to eliminate government assistance and regulation of international markets, we are convinced that this would not be the best thing to do. The reason is this: The instability of prices of raw materials, especially agricultural commodities, is a two-edged sword that cuts down economic progress for both producers and consumers.

Investments in economic expansion designed to increase the total output of raw materials must be made far in advance of the time when the products will be marketed. Instability in raw material prices presents such an added and serious factor of uncertainty in the calculation of returns on such investments. This problem can result in low levels of investment in the production of raw material.

Likewise, the investments in processing and manufacturing industries that use raw materials must be made well in advance of their ultimate recovery of the investment from profits made from the sale of processed or manufactured products. Consumer need, and in some respects consumer demand, is relatively stable, and can be fairly well gauged. But faced with wildly fluctuating raw material costs, the manufacturer like the raw materials producer must introduce a large uncertainty factor into his investment calculations.

The meaning of this, to us, is clear. It means that the most effective means of promoting greater international economic cooperation is not a futile attempt to establish some kind of mid-Victorian competitive market equilibrium, but rather through the bold, imaginative, conscious building of workable international economic institutions. What we must have is neither this Victorian free-market internationalism nor monumental national isolationism. The correct answer is in the direction of more trade negotiations. Adjustments agreed to must be rational, practical, and saleable within the existing framework of affected governments and existing laws.

Farmers Union favors an intelligent international approach to the problem. We do not believe that such an approach lies in throwing domestic or foreign producers upon the unguided and uncontrolled trader and cartel-dominated private international free-market system. The approaches we have suggested are negotiated publicly-directed approaches to closer international economic integration. We do not believe, for example, that tariff elimination, as such, by unilateral action by the United States is either a sensible or a politically feasible approach. Nor do we believe that import quotas and/or tariffs by arbitrary action necessarily fits every circumstance where domestic manufacturers complain of unfair competition.

Trade Expansion Acts, the Kennedy Round negotiations and International Grains Arrangement are examples of consciously directed international economic cooperation that should be encouraged.

We do not believe, for example, that United States farmers who produce for export or who produce commodities that must compete with imports should be asked to bear the full cost, respecting this production, of an intelligent United States foreign policy. We accord the same right and privilege to other domestic raw material and industrial producers. The benefits of better international economic cooperation accrue to all the people and the temporary costs involved should be borne by all the people. This means that in the case of both exports and imports, programs and policies should be established, as they have been in the case of the International Grains Agreement and the Sugar Act program, to spread the cost to all the people instead of putting all of them directly on the small number of producers concerned.

With respect to such measures, there is always a clearcut choice of how the cost can be spread to all the people; (1) by some methods the cost is spread to all in their capacities as consumers and they pay the bill in increased retail prices of the things they buy in relation to the quantities of such purchases. (To the extent that tariff on imports of wool raise prices of finished goods, consumers contribute to the returns of United States wool producers.) (2) By another method the cost is spread to all the people in their capacity as taxpayers and they pay in accordance with the ability-to-pay principle incorporated in the Federal personal and corporate income tax schedules.

As a general principle, no United States farmer (or other raw material producer), who we expect to remain in production should be required to produce for export or to meet the competition of imports, at prices which ignore costs of production. The Congress has wisely provided in farm legislation for support programs based on a mechanism for calculating parity prices.

There are probably some industries in which the entire need and demand of the United States can be met continuously and safely through complete dependence on imports. In such cases, we recommend that the injured domestic industry be helped to make adjustments by means other than excluding imports, such as through conversion to other lines, extension of unemployment insurance, assistance in retraining workers, and outright purchase, where required.

Programs and policies affecting agricultural imports and exports should be designed to provide full parity returns to domestic producers in ways that will be consistent with minimum hindrance to international trade and economic cooperation, and preferably by methods that will spread the costs to all the people in accordance with ability to pay rather than through increased retail prices to consumers. To be more specific, notwithstanding any other provision of law, whenever a reduction in import duties will result in decreased income and employment in a domestic industry or result in reducing prices received by farmers so that such prices reflect less than full parity, we believe that the Secretary of Agriculture should be authorized to initiate and put into operation a domestic farm price support program for the affected agricultural commodities through compensatory payments or other means of price support.

We need to realize that the European Common Market is a reality. It would seem reasonable that the inevitable should be approached with a creative vigor. We should not wait for time and events to drag us in, but move in at the greatest point of advantage.

Therefore, we believe that it is in the interests of the American farm economy to enter into negotiations with the Common Market on trade problems to assure farmers expanded two-way trade opportunity without price-wars that reduce economic gains for all concerned.

Since World War II, we have known that movement toward an Economic Union of the Free World Community, whether we like it or not, is inevitable. It is high time that we move toward greater economic cooperation with other nations of the free world in ways that protect the economic welfare of family farmers.

Differences in agricultural policies, cost of production, inflationary pressures, investment in farming and custom and tradition are all factors that must be considered in trying to arrive at some common trade policy. The European Economic Community, for example, has not fully resolved these differences between member countries and this continues to be a perplexing problem. It was a major roadblock to the successful conclusion of the Kennedy Round.

Every major agricultural producing nation in the world which has a democratic government responsible to its primary producers has developed programs and policies designed to increase the bargaining power of such producers in the market place. We find this true in farming, fisheries and lumber. International agreements, therefore, continue to afford our country instruments through which to expand trade to the benefit of both importing and exporting nations.

The treatment of agriculture in the Kennedy Round trade negotiation prompted resolutions and response from major European and American farm groups who are members of the International Federation of Agricultural Producers. IFAP outlined considerations for the negotiation to increase agricultural trade in the Policy Statement of the Seventeenth General Conference of IFAP held in Tokyo, Japan, October 24–November 1, 1969:

"The areas in which developing countries should be particularly active and will have to take important and difficult initiatives include more especially exporter cooperation in commodity trade and the promotion of greater trade among themselves, implying coordination of economic development policies.

"There are a number of ways that have been suggested for countries exporting those primary agricultural products for which the demand is price-inelastic, and for which prices have been very unstable to take joint action to secure better and more stable prices. The crux of the problem here, as in other fields, is the will and the ability for loyal cooperation among exporters. Importer cooperation is essential so that goodwill is maintained, other forms of development assistance are not compromised, and arrangements work efficiently. Formal or informal international arrangements could wield the requisite market power to bring and hold prices at improved, yet reasonable, levels. Export quotas, preferably supported by production control, are required for such action. For price stability, agreed buffer stock management is in most cases also essential."

Traditional agricultural exporting countries will continue to seek "concessions" on agricultural products analogous to those obtained for industrial products.

If the negotiations are to be successful in the agricultural sector they must start from the basis that the governments cannot "negotiate" their responsibility to ensure that the incomes of their farm populations bear fair relationship and trend with those in other sectors and that the elimination of serious modification of existing agricultural support measures is not feasible. Governments will therefore be seeking to reconcile the need for income support for agricultural producers and their desire to develop international trade in agricultural products.

The most promising approach will be to examine the position on a commodity-by-commodity basis and to devise—as long as advocated by IFAP—commodity arrangements or agreements, as appropriate, for individual commodities or groups of commodities.

In whatever proposals are made, there must be a basis for reciprocity regarding both obligations and benefits. Thus, to the extent that exporting countries are ready to ensure that their production is at a level broadly in line with outlets, countries must be prepared to make their fair contribution to the establishment of a sound balance on world markets.

Governments must at all times remain conscious of the fact that trade among

North American and European countries is only part of world trade, and that recent experiences have shown that great opportunities exist for expanding agricultural exports to countries outside the North Atlantic areas.

SUPPLEMENTAL STATEMENT OF REUBEN L. JOHNSON, DIRECTOR OF LEGISLATIVE SERVICES, NATIONAL FARMERS UNION

I am privileged today to offer testimony on behalf of our organization in support of restrictions on dairy imports as authorized by the Dairy Import Act and Sec. 22 of the Agricultural Adjustment Act of 1933.

For a number of years we have called for action to end dairy imports which threaten our price support programs—both manufacturing milk and market order programs. But the problem persists because of loopholes which the Tariff Commission's Proclamation continue to afford exporters.

The volume of milk equivalent imported is up 146 percent through April, 1970 as a percentage of 1969. And acquisitions of Commodity Credit Corporation are up and expected to further increase.

It is essential that we break precedence with the past long drawn-out Tariff Commission investigations involving Sec. 22 action and act immediately to establish quotas as the Dairy Import Act provides.

Immediate relief could be afforded producers under Sec. 22 authority. Section 22 authorizes the President to establish import quotas or tariffs, either before or after investigation by the Tariff Commission, if it is found that imports will render ineffective, or materially interfere with, programs to protect United States producers. Section 22 was passed by Congress to support programs of the Department of Agriculture and its agencies consistent with the urgent need to correct income inequities between farm and non-farm sectors of the economy.

Since 1933 the Congress has enumerated in many instances in agricultural legislation its support of parity for farmers and Sec. 22 continues to be of vital importance to farmers in reaching this goal.

In keeping with the intent and purpose of Sec. 22, the Secretary of Agriculture should act now to provide needed increases in the prices and incomes of dairy producers through (1) increases in the price support level of manufacturing milk and (2) an upward adjustment in pricing of milk marketed under market orders.

The price support on manufacturing milk should be raised to the full 90 percent of parity level authorized by existing law. This would raise the price support level to $4.97 per cwt.

Mr. GIBBONS. Mr. Reeve, would you come forward, please.

Would you identify yourself and the gentleman who accompanies you.

STATEMENT OF PERC A. REEVE, EXECUTIVE VICE PRESIDENT, FARMERS AND MANUFACTURERS BEET SUGAR ASSOCIATION; ACCOMPANIED BY DENNIS O'ROURKE, COUNSEL

Mr. REEVE. Thank you, Mr. Chairman.

My name is Perc A. Reeve and this is our counsel, Mr. Dennis O'Rourke, Sutton, Shull & O'Rourke.

I live at Saginaw, Mich., where I am executive vice president of the Farmers & Manufacturers Beet Sugar Association. The Farmers & Manufacturers Beet Sugar Association is an organization composed of all the associations of growers of sugar beets and of all the processors of sugar beets in the States of Michigan and Ohio. The association is governed by a board of directors, one-half of whom are elected by grower associations and one-half of whom are elected by processors.

I appear here today on behalf of the following members of Farmers & Manufacturers Beet Sugar Association:

Eleven associations of sugar beet growers in the States of Michigan and Ohio, with a total membership of more than 4,000 growers.

Buckeye Sugars, Inc., which owns and operates a beet sugar plant at Ottawa, Ohio.

Michigan Sugar Co., of Saginaw, Mich., which owns and operates four beet sugar plants at Caro, Croswell, Carrollton and Sebewaing, Mich.

Monitor Sugar Co., which owns and operates a beet sugar plant at Bay City, Mich.

Northern Ohio Sugar Co., which owns and operates two beet sugar plants at Fremont and Findlay, Ohio.

I also appear on behalf of American Crystal Sugar Co., of Denver, Colo. American Crystal Sugar Co. owns and operates eight beet sugar plants at Chaska, Crookston, East Grand Forks and Moorhead, Minn.; Mason City, Iowa; Drayton, N. Dak.; Rocky Ford, Colo.; and Clarksburg, Calif.

These five companies employ about 1,250 persons on a year-around basis. During the approximately 4-month annual sugar-making campaign they employ, in addition, some 3,400 seasonal workers.

The purpose of our appearance here today is to lay before the committee the facts regarding recent and threatened further excessive, and in some cases subsidized, imports of sugar beet molasses into the United States from certain European and Mediterranean countries; to describe the injury to American sugar beet growers and processors caused by such excessive imports; and to ask the committee and the Congress to take appropriate corrective action.

Sugar beet molasses is a principal byproduct of the manufacture of sugar from sugar beets. It is the heavy viscous liquid that remains when all commercially recoverable sugar has been removed in the sugar-making process. It contains about 50 percent sugar, mixed with salts and other nonsugar solids. It is used as a livestock feed, especially in the Western United States, and for making citric acid, yeast, and pharmaceutical products, for which uses it is in special demand because of its particular constituents. The principal manufacturers of citric acid, yeast, and pharmaceutical products are a few large corporations located in the Northeastern United States where most of the sugar beet molasses produced by the companies I speak for has traditionally been marketed.

The sugar beet growers of Michigan and Ohio for whom I speak share directly with the processing companies in the proceeds realized from the sale of sugar beet molasses. Hence, the disruption of beet molasses markets caused by excessive imports directly injures them as well as the processing companies. We have what we call a 50–50 contract under which proceeds from the sale of products are shared equally between the grower and the processor.

According to our calculations based on publications of the U.S. Department of Agriculture, imports of sugar beet molasses into the United States in 1968 increased by 121 percent over the average quantity of such molasses imported during the preceding 5-year period, 1963–67. For 1969, such imports were 73 percent over such 5-year average. It is too soon to predict with any assurance the level of imports in 1970. However, with heavy surpluses of sugar and presumably of the byproduct molasses in European and Mediterranean area countries, from which excessive imports have come in the past, we are fearful

that the U.S. beet molasses market will be flooded and disrupted again this year and that without corrective action the same disruptions will occur in future years.

Evidence of the disruption that these large increases in imports have had in 1968 and 1969 is the fact that returns realized per ton of molasses sold in 1968 and 1969 by the processors I represent declined more than 30 percent from the average level of the preceding 5 years.

What has caused these sharp increases in imports?

Our experience is that two factors are chiefly responsible: (1) Export subsidies on French and Italian beet molasses in 1968 and on French molasses in 1969; and (2) most important, socalled triangular trading in Cuban molasses by countries otherwise friendly to the United States.

In 1968, export subsidies were granted by France and Italy of 85,000 metric tons of beet molasses. The U.S. market that year bore the full brunt of these subsidized sales with imports from these two countries of approximately 88,000 metric tons.

In late June of last year, 1969, the French Government awarded export subsidies on 70,000 metric tons of beet molasses, with export licenses to be valid until June 30, 1970. U.S. Government reports of molasses imports from June 1969, when the subsidy was granted by France, through February 1970, show that only some 10,000 tons of such subsidized molasses have thus far entered the United States. It was learned late last month (May 1970) that the owner of the unexported part of such 70,000 metric tons of such molasses was applying for extension of the export license beyond June 30, 1970.

U.S. law, section 303 of the Tariff Act of 1930 (19 U.S.C. 1303), calls for the levy of a countervailing duty upon the importation into the United States of any commodity upon which an export subsidy is paid by a foreign country. Since early April 1970, the U.S. Treasury Department, Bureau of Customs, has had underway an investigation under this law. Of this investigation and our part in it I shall say more in a moment.

In order to obtain all possible information concerning the thus far unexported part of such 70,000 metric tons of subsidized French molasses, which threatens further disruption of U.S. beet molasses markets, we have talked directly with the French Government. On June 5, week before last, we were informed by Monsieur Rool, the French Government official in charge of sugar and molasses export subsidies, that the export license for the subsidized French molasses has been extended to September 1, 1970.

Monsieur Rool also told our representative in an interview in Paris that of such 70,000 metric tons of subsidized molasses, 40,000 tons will have been exported from France by July 1, 1970, and the remaining 30,000 tons will have been exported by September 1, 1970. We cannot be positive that all such molasses will be imported into the United States. We know from the owner of such molasses, however, that a substantial quantity, if not all, of such subsidized molasses will enter the United States.

When knowledge of these French export subsidies on molasses was officially obtained by the U.S. Government in April this year, the Treasury Department, Bureau of Customs, initiated an investigation under the U.S. countervailing duty statute. The American sugar beet

growers and processors I represent, by letter of April 20, 1970, set forth to the Commissioner of Customs the fact of these subsidies and asked the Commissioner to take all necessary steps to levy a countervailing duty as quickly as possible. By letter of May 27, when we learned of the application to extend the French export license, we informed the Commissioner of such fact. On June 5, the same day we learned from Paris of the actual extension of the export license to September 1, we informed the Commissioner of Customs of this fact, as well as of the fact that a substantial additional quantity of the subsidized French molasses would definitely enter the United States. We urged the Commissioner to act with all possible dispatch, pointing out that the clear purpose of the countervailing duty statute would be frustrated if the subsidized molasses entered the United States before a countervailing duty is levied.

The French and Italian export subsidies to which I have referred are described in an official report dated March 23, 1970, made by the United States Mission to the European Communities, Brussels. I hereby offer a copy of this report and ask that it be included as an exhibit in the record of this hearing.

Mr. GIBBONS. Without objection, it will be so included in the record of the hearing.

(The report referred to follows:)

U.S. MISSION TO THE EUROPEAN COMMUNITIES, BRUSSELS, MARCH 23, 1970

MOLASSES—EXPORT SUBSIDY PROCEDURES

Molasses first became subject EEC market regulations July 1, 1968. As a by product of sugar production, it undoubtedly benefits indirectly from the high price supports for sugar. Hence direct support for molasses is minimal. There is no market intervention. There are variable import levies, and there are two procedures for granting export subsidies. Export subsidies under either procedure are subject to export licenses and are eligible for reimbursement from FEOGA (European Agricultural Guidance and Guarantee Fund). Under the first procedure the EEC Commission each month establishes and publishes an export subsidy rate for molasses based on the difference between EEC prices and world market prices. To date, this subsidy has always been fixed at zero. Thus under this procedure—regarded as the "normal" one—exports have in fact received no direct assistance.

However, the second—or "exceptional"—procedure has accounted for most exports since the end of 1968. According to the Commission, even though the EEC is a net importer of molasses,* the sugar support system prevents any substantial difference in molasses prices between producing and importing areas of the Community. As a result, intra-Community trade is impeded, surpluses build up in producing areas, and the Commission must authorize an "exceptional" export subsidy valid only for these surplus areas (parts of France and Italy). Under the "exceptional" procedure, the Commission authorizes the Member States in question to grant an export subsidy on a specific quantity of molasses, to be exported from specific ports. The amount of the subsidy is established by tender, but is subject to a maximum rate fixed by the Commission.

According to the Commission, this "exceptional" authority was used once in 1969:

In June 1969, the Commission authorized France to export 70,000 metric tons (about 13 million gallons) of French beet molasses with a maximum subsidy of $0.75 per 100 kilograms (about 4.0 cents per gallon). The notice of tender was published June 14, 1969 (Enclosed). Bids had to be submitted by June 24, 1969. Exports could be made under this authority any time until June 30, 1970.

* (1968 imports 153,000 tons; exports 109,000 tons).

We have no way of knowing how much of this 70,000 tons has been exported so far, or exactly when.

In addition to the 1969 tender, two similar tenders * were authorized by the Commission on November 14, 1968:

France was authorized to export 35,000 tons (6.6 million gallons) with a maximum subsidy of $1.80 per 100 kilograms (9.6 cents/gal), and Italy was authorized to export 50,000 tons (9.4 million gallons), with a maximum subsidy of $2.25 (12.0 cents/gal) for 48,000 tons and $1.00 (5.3 cents/gal) for the remaining 2,000 tons. Bids in both cases had to be submitted by December 10, 1968. Exports could be made under this authority until May 31, 1969. In these two cases the maximum amount of the subsidy was not decided until December 11, after all bids were in. In the 1969 tender the maximum subsidy was published in the notice of tender.

The total of the 1968 and 1969 tenders amounts to 155,000 tons (29 million gallons). According to the Commission, since July 1969, licenses issued for exports of molasses by the normal procedure—without subsidy—amounted only to 6,675 tons for France through February 11, 1970, nothing for Italy, and only small quantities for the Netherlands. It is reasonably clear, therefore, that most exports have been by the tender procedure.

Since beet sugar production in the Community is provisionally estimated at a record of 7 million metric tons for the current 1969/70 season, it can be assumed that the supply of molasses available for export will also be very high. Exports the years 1966, 1967 and 1968 are shown on the enclosed table.

EEC EXPORTS OF MOLASSES 1966-68

[All data in thousands]

	1966			1967			1968		
	Dollars	Metric tons	Gallons	Dollars	Metric tons	Gallons	Dollars	Metric tons	Gallons
EEC	1,333	38.2	7,186	3,129	85.1	16,008	4,459	134.7	25,338
France	1,251	36.8	6,922	1,580	39.9	7,505	1,824	42.7	8,032
Belgium/Luxembourg									
Netherlands				552	14.3	2,690	1,228	36.1	6,791
Germany	80	1.4	263	11	.1	19	11	(1)	8
Italy	2	(1)	1	986	30.8	5,794	1,396	55.9	10,515
To United States:									
EEC	1,130	34.3	6,452	2,629	72.9	13,713	3,759	109.1	20,522
France	1,130	34.3	6,452	1,259	32.2	6,057	1,824	42.7	8,032
Belgium/Luxembourg									
Netherlands				417	10.5	1,975	836	22.8	4,289
Germany									
Italy				953	30.2	5,681	1,099	43.7	8,220

[1] Less than half of smallest unit shown.

Source: EEC Statistical Office Foreign Trade; analytical tables.

TENDER OF THE "FUND FOR INTERVENTION AND REGULARIZATION OF THE SUGAR MARKET, PARIS"

NOTICE OF TENDER FOR THE EXPORT OF FRESH BEET MOLASSES TO THIRD COUNTRIES (NO. 1/1969)

I. Purpose of the Tender, Periods to be Observed and Maximum Amount of the Subsidy

1. A public tender shall be undertaken for the export to third countries from the ports of Le Havre, Rouen and Dunkirk of 70,000 tons of French beet molasses falling under Tariff position 17.03 of the Common Customs Tariff.

2. The tender shall be carried out according to the provisions of Article 6, paragraph 2, of Regulation No. 766/68 [1], to the provisions of Regulation No. 839/68 [2] and to the provisions which follow:

* (See O.J. Nos. L. 279, 11/16/68; L 302, 12/18/68; and C 128, 11/30/68.)

[1] O.J. No. L 143 of June 25, 1968, p. 6.

[2] O.J. No. L 151 of June 30, 1968, p. 47.

3. The present notice of tender invites all interested parties to submit bids concerning the subsidy necessary to exportation. The bids, accompanied by an affidavit for a bank guarantee or for a proof that the tender surety has been established, must be sent sealed in two envelopes, at the latest by Tuesday, June 24, 1969 at 10 hours to the following address, placed on the outside envelope:

"Fund for Intervention and Regularization of the Sugar Market (FIRS) 46, Ave Victor Hugo, Paris XVI"

The following notation must appear on the inside envelope, also sealed:

"Bid presented according to Tender Notice for Export of Beet Molasses to Third Countries, No. 1/1969".

If the bid is sent by mail, it should be sent by registered letter.

4. The maximum amount of the subsidy in the sense of Article 5 of Regulation No. 839/68, shall be fixed at 0.75 u.a. per 100 kgs of beet molasses.

II. Conditions for the Bid

1. The bid must show:
   a) the name and address of the bidder;
   b) the declaration that the product which is to be exported is molasses, of sound, true commercial quality, having a total sugar content of at least 48%, falling under Tariff Position No. 17.03 of the Common Customs Tariff and produced from beets harvested in France;
   c) the subsidy necessary for exportation expressed in units of account per 100 kgs of beet molasses.
2. A bid shall be valid only:
   a) if it concerns at least 1,000 tons of French beet molasses;
   b) if it is accompanied by a declaration of the bidder by which he obligates himself for the quantity of product for which he may become the awardee, to request an export certificate and to establish the surety required for it;
   c) if it is accompanied by a proof that the bidder has established a tender surety;
   d) if it includes all the information referred to in point I, para 1 above.
3. A bid may state:
   a) that it is not to be considered as submitted unless the tender award concerns the entire quantity bid;
   b) that it is to be considered as submitted only if the tender award decision takes effect June 25, 1969.
4. The bid, as well as the declarations and proofs referred to in points 2 and 3 above, are to be written in French.
5. The bids not meeting the conditions of the tender, or containing conditions other than those provided for, shall not be taken into consideration.

III. Surety

1. The tender surety shall amount to 0.98 French francs per 100 kg. of beet molasses.
2. The surety shall be established in cash or in the form of a guarantee given by a credit establishment in favor of the Fund for Intervention and Regularization of the Sugar Markets (FIRS).
3. The tender surety shall be cancelled for the quantity for which the bidder:
   a) has not become the awardee, or
   b) has obtained an export certificate on the basis of the tender award.
4. The tender surety shall be forfeited for the quantity for which the bidder:
   a) has withdrawn the bid before the decision of award of tender, or
   b) has not requested after the award of tender an export certificate and has not deposited the export surety in the period referred to in point IV, paragraph 2 below.
5. However, the tender surety shall not be forfeited to the extent that, as a result of circumstances to be considered as case of force-majeure, and when there exists a request for taking this circumstance into consideration, the awardee has not been able to satisfy the obligation referred to in point IV para 2 below.

IV. Award of tender

1. The tender shall be awarded to each bidder whose bid does not exceed the maximum amount of the surety.

2. The tender shall give rise to:

a) the right to the issuance of an export certificate, mentioning the subsidy fixed in the bid, for the quantity for which the tender was awarded;

b) the obligation to request an export certificate for that quantity.

The export certificate shall be valid June 30, 1970.

That certificate shall be valid only for a transaction carried out in France. The right and the obligation arising from the award of tender are not transferable. They may be exercised or fulfilled only within a period of two weeks beginning from the day of receipt of the communication referred to in point 3 below.

3. The awardees shall be informed of the result of the award of tender by a declaration of award of tender.

The declaration of award of tender shall indicate:

a) the identification of the tender procedure;

b) the quantity for which the tender is awarded;

c) the subsidy to be granted for the quantity referred to in sub-para b.

Mr. REEVE. We strongly believe, and no reason to the contrary has been cited, that the statute calls for the levy of a countervailing duty. Such a duty would provide, as intended by the statute, a measure of protection against the unfair competition of subsidized imports, if the duty is levied in time.

We must recognize, however, that the countervailing duty would provide only partial, even though valuable relief, from the injury being suffered by U.S. growers and processors. This is because the duty would apply only to imports from the one or two countries which have granted specific export subsidies, while much of the excessive and injurious importation comes from several other countries. Of the reasons for this, I would like to speak now.

Even more important and fundamental, in our view, as a cause of the direct and substantial injury being suffered by American sugar beet growers and processors is the so-called triangular trading with Cuba by countries otherwise friendly to the United States. For the past several years, while the U.S. prohibition on trade with Cuba has continued in effect, one British company is reported to have bought virtually the entire Cuban cane molasses production.

This Cuban molasses, according to our information, is shipped largely to the European area. By using cheap Cuban molasses instead of locally produced beet molasses, European area countries can and do release local beet molasses for export to the northeastern United States where beet molasses, because of its particular constituents, is in special demand by a few large corporate buyers for use in making citric acid, yeast, and pharmaceutical products.

It is revealing to look at exports of sugar beet molasses from the United Kingdom to the United States in the recent past. During the 5-year period, 1960–64, except for an insignificant quantity in 1963, the United Kingdom exported no beet molasses to the United States. During each of the most recent 5 calendar years, 1965–69, the United Kingdom was a major exporter of sugar beet molasses to the United States, with the heaviest exports on record in 1969. Yet, according to our information, during the entire 10-year period, 1960–69, there was relatively little change in the United Kingdom's production of beet molasses. It appears that the molasses traders of the United Kingdom have found a marked economic advantage in substituting cheap Cuban cane molasses for local beet molasses in domestic uses and exporting beet molasses to the United States. We believe the same thing has

occurred in several other European and Mediterranean countries. This triangular trading with Cuba, which defeats U.S. policy prohibiting trade with Cuba, is obviously of economic advantage to the trading countries. The sharply adverse consequences to U.S. molasses producers are even more evident.

The economic advantage of triangular trading in Cuban molasses appears to be the most powerful and widespread incentive to the export of sugarbeet molasses to the United States. The kind of "subsidy" inherent in such triangular trading cannot be reached by statutes such as those that provide for countervailing and antidumping duties. We believe, therefore, that additional legislation is necessary to prevent continued disruption of U.S. beet molasses markets and the consequent material injury to American growers and processors.

To prevent this continued disruption of the market for sugarbeet molasses, a bill, H.R. 17609, that would place reasonable limitations on the importation of sugarbeet molasses was introduced on May 13, 1970, by Congressman Cederberg of Michigan for himself and for Congressman Andrews of North Dakota, Congressman Harvey of Michigan, Congressman Kleppe of North Dakota, Congressman Langen of Minnesota and Congressman Latta of Ohio. At the same time, these Members of the Congress, joined by Congressman Betts of Ohio, a member of this committee, wrote to the President of the United States to urge administration support of H.R. 17609 and to request the President to use his present statutory authority granted by section 204 of the Agricultural Act of 1956 (1 U.S.C. 1854) in an effort to negotiate with foreign governments agreements limiting imports of beet molasses.

We urge the committee to give favorable consideration to H.R. 17609 or to other legislation which would remedy the injury being suffered by American producers from excessive imports of sugarbeet molasses.

We appreciate very much having had this opportunity to be heard. Thank you kindly.

Mr. GIBBONS. The committee thanks you, sir, for coming here and presenting such an informative statement. I was particularly interested in the Cuban triangular trading matter and it has been informative to me.

Mr. Betts.

Mr. BETTS. Mr. Reeve, I suspect that if the Customs Bureau does not act on your application before September, there is reason to suspect that the French might extend that subsidy again. Isn't that right?

Mr. REEVE. Right. And in addition to that, in the industry we negotiate about this time for the sale of all of our molasses. We are holding our customer off at arm's length right now. So there is a real urgency in getting action from the Customs Bureau immediately or it is too late for this year.

Mr. BETTS. Thank you.

Mr. GIBBONS. Mr. Collier.

Mr. COLLIER. Yes, I have one question.

You make reference to the subsidization of the beet molasses industry by the French and Italian Governments. How is the government subsidy paid to the exporters in these countries?

Mr. REEVE. Of course I understand this exactly the same way as the milk boys were talking about this morning. The government over there through some calculations says that you can sell your molasses to the United States or some other place, and they know they cannot get as much as they have been guaranteed in the country where they are being produced so they will give them $5, $6, $7 a ton paid directly to them and then they can go and compete on the foreign markets at that much of a reduced price.

As an example, before this started happening we were getting $33, $34 a ton for our molasses but when this subsidized molasses comes in and they compete with our customers and say, "We will sell it to you for $22," then we have got to meet that $22 price or we are out of luck.

Mr. COLLIER. In reality then this becomes kind of a sneaky back-door way to dump.

Mr. REEVE. Right.

Mr. COLLIER. If the governments of these countries subsidize the exporters and do not subsibize that which is produced for domestic consumption, it becomes in essence the same situation which we face with dumping and which we have attempted to cope with by an anti-dumping program.

Mr. REEVE. I believe I am correct in this. However, let's say in France and these European community countries they are supporting these various commodities at this high price so that they are getting it over there for what they sell within that country and then they subsidize what they sell over here and they come up to that guaranteed support price. Just like on butter as they mentioned this morning, they are being guaranteed, as I recall, 70 some cents in the European community. So when they sell it over here for 11 cents a pound, they are subsidizing some 60 cents for what they sell over here.

Mr. COLLIER. This hardly becomes the trade competitive situation that the proponents of free trade usually talk about.

Mr. REEVE. Not as I understand it.

Mr. COLLIER. Thank you, sir.

Mr. CHAMBERLAIN. Mr. Chairman.

Mr. GIBBONS. Yes.

Mr. CHAMBERLAIN. I would like to raise a question with respect to your statement. In our part of the State of Michigan this is not the problem it is up in the thumb area. I have discussed this problem in times past with both Mr. Harvey and Mr. Cederberg and have been apprised of this problem in a general way. We do appreciate your calling this to our attention.

I gather, Mr. Reeve, that you have not been too successful in trying to get the people down at Customs to act. Is that the burden of your testimony here today?

Mr. REEVE. We have been working very closely with them. They have been investigating and working very vigorously on this. We hope that they will move immediately on it.

Mr. CHAMBERLAIN. Is there any encouragement at all that something will be done, or are they just telling you they are going to keep on investigating it?

Mr. REEVE. The information we have is that they have been making extra efforts to get the facts so they can move rapidly on it, and I

hope they will follow through and really move. We have not been able to determine whether they are going to act tomorrow or a month from now. If they act a month from now, we might just as well throw in the sponge for this year; strictly out of luck.

Mr. CHAMBERLAIN. Yes.

Another question comes to mind, Mr. Reeve, in connection with this triangular trade. This is very alarming. We are relieving Cuba's economic pressures at the expense of our own producers in this country. That does not set too well with me.

I am wondering why we have not been able to do something about stopping this. How has this gotten so far out of hand anyway?

Mr. REEVE. I guess this is just one of these things that was sprung upon us and we let it slip by. As I indicated, it is costing the growers and processors in Michigan over 30 percent in reduction the last 2 years because of the combination of these two.

Mr. CHAMBERLAIN. On the top of page 6 you have a sentence, "It appears that the molasses traders of the United Kingdom have found a marked economic advantage in substituting cheap Cuban cane molasses for local beet molasses in domestic uses and exporting beet molasses to the United States."

Is there any marked distinction between the quality of the cane molasses and the beet molasses for their purposes there?

Mr. REEVE. I think what they are doing as I understand it, when it comes to the feeding value for livestock of beet and cane molasses there is not too much difference. When they have a good market for molasses over there for the feed industry, what they can do is buy this cheap molasses from Cuba and substitute it on their livestock feed and then take their beet molasses which has the special constituents which is needed for this yeast and pharmaceutical use and send it over here at a better price.

Mr. CHAMBERLAIN. Do you know if any representations have been made by our State Department people to the British Government, with respect to what is going on and the end result?

Mr. REEVE. No, we have not. Any information could be gotten.

Mr. CHAMBERLAIN. You have raised a question that is worthy of pursuing.

Mr. REEVE. We would appreciate it very much.

Mr. CHAMBERLAIN. Thank you, Mr. Chairman.

Mr. GIBBONS. Any further questions of this witness?

Mr. BETTS. I just want to make one more statement. I talked to these gentlemen individually but I want the record to show that I sympathize with their position completely.

Mr. WATTS (presiding). We thank you for a fine presentation.

(The following material was received for the record:)

R. B. WILLSON, INC.,
New York, N.Y. June 15, 1970.

COMMITTEE ON WAYS AND MEANS,
House of Representatives,
Room 1102 Longworth House Office Bldg.,
Washington, D.C.

Att: Mr. John M. Martin, Jr.—Chief Counsel

HONORABLE SIRS: I, as President of R. B. Willson, Inc., wish to thank you for the invitation to testify before your Committee. Unfortunately, I have been

unable to do so and respectfully submit herewith my statement in opposition to the four HONEY bills which I hope will be accepted for the record.

The Chairman of our Company, Mr. R. B. Willson, and who was President two years ago, testified before your Committee in June of 1968 in opposition to bill HR-10677 and similar bills which were being considered by you.

This firm has been in existence since May 1st, 1946 and is one of the world's leading specialists in Bulk Honey.

In reviewing Mr. Willson's testimony, I find that if anything, our position opposing any restrictive legislation on the importation of HONEY to the United States, has been strengthened by subsequent events.

Our principal argument continues, namely—that such legislation would be detrimental to our Nation and harmful to the two friendly countries who are the chief importers of HONEY to the United States. These two countries are Mexico and Argentina and account for about 95% of such exportation.

We wish to up-date Mr. Willson's figures by citing U.S.A. HONEY production for the years 1963 through 1969 averaged 250,270,000 pounds per year (all statistics herein are U.S. Government-published figures). Our exports during that period averaged 10,922,540 pounds per year. Our imports of HONEY averaged 13,689,000 pounds per year; representing only 5.46% of our average annual production. It is interesting to note that the greatest part of our imports is from Mexico:

	Pounds
1968 imports from Mexico	11,670,271
From Argentina	1,987,774
1969 imports from Mexico	9,121,878
From Argentina	3,288,449

HONEY from Mexico is used solely for industrial purposes in our country—most of it entering the United States along our Atlantic Seaboard, lesser quantities through the Port of New Orleans; all of it well removed from our major sources of HONEY production. None of it, to the best of our knowledge, is used for consumer packages that one finds on the shelves of our grocery stores and supermarkets.

We may add that the supply of dark industrial grade of HONEY in the United States has been declining steadily. In fact, at the present time, there is a critical shortage of such honey.

If, for some reason or other, the importation of HONEY from Mexico were to be cut off entirely, we can predict that there would be drastic changes in many baking and industrial formulas which now include HONEY in that HONEY would be drastically reduced or dropped completely.

It can be argued by some producers that the White HONEY from Argentina does compete against our White Clover Honey. From the high average ARGENTINE HONEY imports for the period 1963 through 1967 of 3,500,000 pounds, we have seen a steady decline as follows:

	Pounds
1968	1,987,774
1969	3,288,449

For the first quarter of 1970, importations totaled 475,000 pounds. THIS WILL DECLINE FOR THE BALANCE OF 1970 BECAUSE ARGENTINA IS SHIPPING ALL OF ITS HONEY TO EUROPE AND JAPAN. Hence, the 1970 figure is expected to be less than the 1968 importations or well under 2,000,000 pounds.

In terms of the U.S.A., record honey production in 1969 of 281,000,000 pounds, the 1969 ARGENTINE HONEY imports amount to seven-tenths of 1% of our production! Surely, this cannot be considered a menace to the welfare of the American HONEY industry. But suppose the argument is made that even though the quantities of importations are small, they nevertheless have a depressing effect on our market and thus cause distress to U.S. HONEY producers. Let us also take the following into consideration.

HONEY, a minor agricultural crop, is under mandatory price support like the basic crops of Cotton, Corn, and Wheat. HONEY is supported to encourage the keeping of an abundance of honeybees that will insure the pollination of more than one hundred important fruit and seed crops valued at one billion dollars annually by the U.S. Department of Agriculture in its publication, "BEEKEEPING IN THE UNITED STATES"—Handbook No. 335. Many professional beekeepers are paid a fee to move their bees into orchards, melon farms, alfalfa fields, etc. thereby getting an added income for their operations.

Despite the fact that Government price support levels for HONEY have been above world market price levels, the great bulk of our American honey has been marketed and only relatively small amounts have reverted to the C.C.C. under the Loan and Price Support Program. Such honey has been distributed under the School Lunch Program.

In closing, we should like to stress the effect of the proposed legislation on our international relations with our friendly neighbors, Mexico and Argentina. This legislation, calling for quotas, etc. comes in an era where world-wide efforts are made to break down trade barriers and not putting them up higher.

Most of our Mexican HONEY imports are from Yucatan where beekeeping only got under way some twenty years ago. The annual production of HONEY in that comparatively poor region of Mexico has been as much as 30,000,000 pounds during good years.

The gathering of this great natural product has been accomplished by the people of Yucatan with their own resources with not one cent from any form of foreign aid. HONEY is a cash crop for these people.

Mexico has little to export to us except her agricultural products. The trade balance between us is overwhelmingly in our favor and according to the United States Department of Commerce Statistical Abstract, the favorable balance for the three-year period 1964/1966 came to $448,000,000 per year.

Even more striking is the picture with Argentina—as our trade with their country is only about one-quarter of what it is with Mexico. The trade balance in our favor for the years 1960 through 1966 total over one and one-quarter billion dollars. Any ill-advised legislation in restricting one of their exports would greatly invite retaliation. We should be reminded of the disastrous blows to our foreign trade that followed the Smoot-Hawley protective tariffs of 1929/1930.

In conclusion, we wish to state that there is no distressed situation with HONEY producers in the United States. The problems that beset the HONEY industry are internal ones that can only be resolved by proper planning and leadership here and not by the punishment of a whipping boy—IMPORTED HONEY.

We respectfully request that the commodity HONEY be eliminated from consideration in the matter of restrictive quotas and that the tariff on HONEY not be increased.

Respectfully submitted,

F. H. MATTUTAT, *President.*

STATEMENT OF JOHN W. SCOTT, MASTER OF THE NATIONAL GRANGE

I am John W. Scott, Master of the National Grange, with headquarters at 1616 H Street, N. W., Washington, D.C.

The National Grange is the oldest general farm organization presently embracing 7000 local community Granges located in 40 of our 50 states and representing over 600,000 residents of rural and suburban America.

During our nearly 104 years of service to agriculture and rural America, we have maintained a keen interest in matters affecting foreign trade, tariffs and quotas. Throughout this century of service, the Grange has opposed the restrictive trade policies which would adversely affect the exportation of American agricultural products.

There are many problems facing U.S. agricultural trade interests. In fact, foreign trade of any kind can no longer be discussed between trading nations without the results of such deliberations having an effect on world agricultural trade. The failure in the past to consider agriculture as an equal partner with commerce and industry in our trade negotiations has led to many of our present day problems in agricultural trade.

We would point out to this Committee that America was built on the profits from agricultural exports. In the beginning of our Republic, the importance of this export trade was recognized even during the debate on the protective tariff suggestions which eventually became law in an effort to protect our so-called "infant industries" from foreign competition. The nation at that time recognized the importance of developing its industrial and agricultural capacities for production at the same time. This has been the basis of our foreign economic policy for almost 200 years.

It should be pointed out also, if it has not already been done, that it was recognized that agriculture was going to pay a price for this protective legislation which was thrown around American industry, and it was suggested by Mr. Alexander Hamilton that a substantial amount of the receipts from duties on imported manufacturing goods should be devoted to the development of agriculture. This was the prelude to the Section 32 funds which still are used for this same purpose.

The Grange movement began in an attempt to make agricultural products readily available for European markets and its first struggle was against the barriers of trade that had been erected within the United States, primarily the monopoly in the field of transportation. So, the century of history has been written and it finds today as it has in the past the Grange on the side of as little restrictions on international trade as is necessary, whether those restrictions come from our domestic policies, both economic and trade, or whether they come from our foreign trade policies, or the foreign trade policies of our trading partners around the world.

At its 102nd Annual Session, the elected delegate body of the National Grange adopted the following statement as a reaffirmation of Grange policy:

"FOREIGN TRADE"

"In the field of foreign trade policy, *the National Grange reaffirms its support of the principle of expanding international trade through trade agreements under which tariffs and non-tariff abrriers to trade can be progressively reduced and eliminated on a reciprocal and mutually-benefitting basis.* We stand firm in our belief that a prosperous and expanding world economy is vital to the economic progress of the United States and to the attainment of peace.

"The policies of the National Grange emphasize that the traditional aim of our foreign trade policy is to bolster our domestic economy by expanding international commerce on a basis which is equitable and which will be of mutual benefit to all trading nations.

"In adopting measures to expand trade *we recommend that the U.S. continue to adhere to the principles of the General Agreement on Tariffs and Trade under which our nation has taken the lead in working toward a reduction in the obstacles to trade and in expanding trade on the basis of sound economic principles.*

"Although encouraging progress has been made under the GATT in promoting less restrictive trade between the nations of the world, we are concerned by the growing obstacles to trade in agricultural products through the use of non-tariff trade barriers such as gate prices and the variable levy system of the EEC. These measures oppress our commerce and deny our agricultural exports market access on an equitable basis and deny access on terms which are consistent with the terms of access which their goods enjoy in the United States.

"Because of the importance of exports to the well-being of our economy and to our balance of payments problem, *the National Grange recommends that far more vigorous action and hard bargaining needs to be undertaken on the part of our government to bring about the elimination of non-tariff trade restrictions beinng maintained against U.S. agricultural products through the use of powers provided under Section 252 of the Trade Expansion Act.*

"The support of Foreign Trade policies essential to the expansion of trade for our agricultural products does not require the exposure of any segment of our domestic economy to unfair competition or to economic aggression. The National Grange has consistently supported Section 22 of the Agricultural Adjustment Act of 1933 as amended, and other measures designed to protect against unfair competition and it recognizes that it may be necessary to adopt other measures to this end which are designed to permit the sharing of markets on an equitable and reciprocal basis.

"In the area of East-West trade, *the National Grange reaffirms its position adopted at the 98th Annual Session, p. 147, Journal of Proceedings.* Under this policy, the National Grange favors the conduct of trade in non-strategic goods with Communist countries whenever economic gain clearly outweighs any foreign policy consideration.

"Trade in non-strategic materials, conducted on a realistic business basis and which serves the interests of both the U.S. and the Eastern countries, we be-

lieve, could become an effective instrument in our foreign policy and in our quest for peace.

"*The National Grange, therefore, recommends that the policies of our government be reviewed and that dollar trade in non-strategic materials on a competitive basis be permitted in the absence of overriding foreign policy considerations to the contrary.*

"In such review, consideration should be given to the elimination of restrictions which would impede and burden trade in U.S. agricultural products even when permitted—such as unnecessary export licenses, the requirement that fifty percent of grain shipments be shipped in U.S. flag vessels and other restrictive shipping requirements which would tend to make U.S. agricultural products less competitive.

"Since trade in non-strategic materials with Communist countries would necessarily involve trading with the governments of such countries, *the National Grange recommends that East-West trade should be conducted under special trading rules established through direct bilateral negotiations with such countries.*"

That the Grange should adopt such a position should come as no surprise to those who are familiar with the history of the Grange. One of the most forthright and influential statements to guide the delegate body was made by the then National Master, Herschel D. Newsom, in his annual address at Syracuse, New York, in 1967. (See Appendix A)

As early as 1960 the National Grange sounded the alarm against non-tariff trade barriers of the Common Market. While we supported the principles of the European economic and political unity, we did not believe that this should be obtained at the expense of the American farmer through restrictions on U.S. farm exports to the Community.

At the 94th Annual Session of the National Grange, the delegate body adopted the following statement regarding increased action by our government in trade negotiating:

"The National Grange reaffirms this policy and continues its support of the basic principle of expanding international trade on a reciprocal and mutually benefitting basis.

"In its reaffirmance of this basic policy, the National Grange believes that far more vigorous action on the part of our government is needed to bring about the elimination of discriminatory trade restrictions which are being maintained against U.S. agricultural products by many of the friendly nations of the world. These restrictions came into being and were tactitly accepted by the U.S. following World War II because of the so-called dollar shortage which existed at that time. This dollar shortage no longer exists in many nations of the world. On the contrary, their dollar and gold positions are sound and their currencies are strong, but these restrictions are being continued in effect.

"In view of the greatly improved economic position of these countries, it is obvious that these discriminatory restrictions against U.S. agricultural commodities are totally unjustifiable and should be removed. Not only should the discriminatory restrictions be eliminated, but a vigorous policy should be adopted and put into action by our government to prevent the erection of new barriers to trade, which are threatening to arise from the development of the European Common Market. Although the general agreement on tariffs and trade recognizes and permits the formation of custom unions, it is clear that it was intended that such unions should result in the broadening of trade rather than providing a mechanism for the establishment of protectionist and trade restriction policies.

"The National Grange recommends the adoption of a stronger and better defined policy position on the part of our government aimed directly at the removal of the discriminatory trade barriers against U.S. agricultural products and to prevent the establishment of proposed restrictive new devices under the Common Market which will have the effect of impairing markets for U.S. agricultural products. Such a policy, we believe, to be vital to American agriculture. If firm steps are not taken now to eliminate the outmoded restrictive devices being used against U.S. agricultural products and to prevent the establishment of new barriers to agricultural trade under the proposed European Common Market, opportunity for progress may be lost and the trend toward greater freedom of trade will be reversed."

Today American agriculture is confronted with the trade problems that the

Grange foresaw in 1960. The Common Market is threatening the levying of a use tax on soybean products and with the proposed expansion of the E.E.C., the protectionist policy of the Common Agricultural Policy of the E.E.C. will be expanded to the United Kingdom and the northern countries. In addition, because of the colonial ties of the Common Market members to countries in the Mediterranean and northern Africa, including the British Commonwealth countries of Australia and New Zealand, we are no longer talking of a European Economic Community, but a much broader and more power European Economic Empire. In the face of all these threats to agricultural exports, we in the United States are placing the remaining export markets in serious jeopardy because of the spread of protectionist thinking of our own commerce and industry.

The overly protectionist system of the Common Market is hurting our exports in several ways. First, high prices in the protecting countries mean a general reduced demand for the protected products. Second, the trade barriers, such as the variable import levies used by the E.E.C., effectively keep our farm products from competing in the protecting countries. Third, the stimulated production often piles up as commodity surpluses, which the protecting countries try to dispose of abroad by subsidizing exports into our traditional overseas markets.

We dare not, I repeat, *we dare not*, permit the passage of restrictive trade legislation similar to the Tariff Act of 1930. This brought retaliation from foreign countries. As a result, in 1931–34 our agricultural exports dropped to an average of about $800 million, as compared with $1.8 billion in the preceding four years. We have problems now, but we will have even greater problems if we allow restrictive legislation to be passed, either in agriculture or other areas of foreign trade. We must push forward toward a more liberal trade position.

Let me try to summarize for the Committee the basic concepts of the Grange in terms of international trade. *First, restraint of trade has generally been directed toward raising price and wage levels in non-agricultural production.* As these items or products which have been protected enter into agricultural use, and they range from tractors and automobiles, barbed wire and baling twine, to pesticides and drugs, these protective devices behind which they have hidden have widened the disparity between the income of agriculture and the rest of the economy. This again proves an axiom in this field that *"one man's profits automatically become another man's cost."*

The second major reason why we believe in a freer trade policy is that restrictive policies adversely affect the exportation of American agricultural products. One of the most notorious of these from our standpoint is the variable levies system of the European Economic Community. However, they learned this system from the United States and its use of the American selling price as applied to chemicals. *Not only is the ASP at present a stumbling block for the negotiations towards the expansion of agricultural trade, but that which it has spawned in terms of the variable levy is a major problem in which the producers of agricultural products in the Common Market have retreated behind their common agricultural pricing system and made it impossible for most agricultural products to enter into their market on a competitive basis, regardless of the efficiency of the producers of these commodities.*

We strongly support continuing efforts to resolve the complex textile trade issue through negotiated restraints on imports which may be unduly troublesome to our domestic textile industry. We fear that unless efforts are successful in achieving a voluntary arrangement which is in the best interest of the U.S., Japan and the world trading community, unilateral Congressional import restraints by the U.S. might trigger a series of trade confrontations and additional foreign import restrictions which could seriously threaten the goal of world trade expansion.

American farmers are in no position to lose substantial parts of their foreign markets, as they surely would if textile and other proposed import quotas are imposed. We can ill afford to risk these exports so that industries already registering record sales and profits can become even more profitable at the expense of U.S. farmers, consumers and exporters. The Grange cannot and will not support the efforts of a single commodity group when it does much greater damage to another commodity group.

The third result of restraint of trade and production policies is that agricultural production is stimulated out of proportion to that which previously had been the case in many of these countries and the resulting demoralization of markets both domestically and externally is a source of great concern.

The stimulation of dairy production in the European Economic Community, primarily in France, which resulted from the increased demand for beef and higher quality protein foods which in turn resulted from a more affluent society, all contributed to some market disruption in both Europe and the United States.

The Grange recognizes that every government has the obligation of trying to protect the income and investment of their own agriculture and other industries. In some instances, as in the United States, we have set support levels for strategic commodities at rates which attempt to at least avert disaster and in some instances to maintain a profitable operation in the production of these commodities. We have also, in our judgment, wisely provided that when the importation of agricultural commodities seriously threatens the continuation and effectiveness of these support programs and increases the cost to the Federal Government, we have a right to limit the importation of these commodities. We exercised this right in the case of milk three times during recent years when we were faced with a tremendous cost to the Federal Government for the support programs. In addition, the Grange will support reasonable import restraints on agricultural imports that are not under Section 22, if such quotas are in the best interest of American producers and in the long-run interest of consumers.

Mr. Herschel D. Newsom stated in 1967, when he was a member of the "Public Advisory Committee for Trade Negotiations", the following regarding quota bills then pending before Congress:

"The natural and normal export position of American agricultural products,

"The natural and normal export position of American agricultural products, on a basis of competitive efficiency, must not be sacrificed to protect non-competitive and high-cost production of non-agricultural products, when such restriction will give rise to retaliatory action against our own United States natural exports.

"We therefore urge the Senate Finance Committee to take a critical view of all proposals to place import quotas on either agricultural, or non-agricultural, items when such quotas would result in the following consequences:

"(1) A disavowal of our treaty commitments already in existence, and thereby an invitation to retaliatory action against the United States' exports.

"(2) A repudiation of the Kennedy Round agreements, before the results have been properly placed before this Committee.

"We have consistently supported, and here and now support, the basic principles as outlined in the Trade Expansion Act, and believe firmly that there are sufficient provisions in that legislation to deal justly with aggrieved, or potentially damaged, industry without inviting a reversal of our U.S. national policy to expand trade on a basis of competitive efficiency.

"We would urge, therefore, that if this Commtitee finds that there are real illustrations, in view or in prospect, which would seem to require imposition of quotas in violation of the above outline, then the alternative of making restitution to such damaged industry in direct manner must clearly be given careful consideration, rather than to provide quota or tariff protections that would be vastly more costly to American consumers and in terms of damage to the total economy or to the United States' trade position.

"It should be clearly understood that we cannot demand from the rest of the world the right that our efficiently produced agricultural or non-agricultural products must have the right of access to the markets of the world on the basis of efficiency, and then turn around and insist that we be permitted the right to erect artificial trade restrictions in order to provide for growth of domestic industries, which cannot achieve that growth in terms of actual competitive efficiency.

"Finally, we must always examine any proposal that interferes with, or unnecessarily retards, our progress toward the sort of an expanded trade program and national policy, which was the declared purpose of the Trade Expansion Act, and which will give to our own American consumers and our total American economy the benefits of the greatest efficiency of production that is available; and through this efficient production, the best guarantee that we can reasonably provide that living costs and production costs will not be artificially increased; but that, on the contrary, the maximum pressure of efficient production will be exerted to hold those cost rises to a minimum, consistent with the above enunciated policies of reasonably adequate protection to the integrity of current investment and current levels of employment.

"These we believe to be the essential ingredients of a progressive and aggressive, though temperate and equitable, trade policy for the United States."

DUMPING

The Grange will stand behind our treaty obligations assumed as a member of the General Agreement on Tariffs and Trade. We will not condone "dumping" on our part, nor will we accept it when we are affected by it directly or when it affects our markets indirectly when practiced by a third party.

At the same time, it should be pointed out that we have exempted certain kinds of dairy products, primarily cheeses, which are classified generally as the more exotic and more expensive cheeses that sell on the American market at prices above similar kinds of domestically produced cheese. This permits those who produce these commodities in our foreign trading partner countries to have access to at least a part of the American market, as we claim the right to have some access to the markets which we have helped to develop.

We recognize the rights of other governments, indeed their responsibility, to do some of the same things which we are talking about at the present time. We have faced this in the IFAP and we have faced it honestly in our relationship to the Kennedy Round.

NORMAL TRADING PATTERNS

We believe that, as far as possible, *neither the trade barriers which are created by tariff duties nor the non-trade barriers which are created by quotas, either those imposed domestically against exports or those imposed domestically against imports, should be of sufficient quantity to seriously disrupt normal trading patterns.*

In the absence of other overriding national issues, foreign trade should not be conducted on the basis of political ideology but rather on the basis of economic advantage. This has been a major shift in Grange position in recent years. One exception which we have made is that we should not carry on trade with nations with whom we have no diplomatic relations. The problem of collecting for goods and settling accounts becomes pretty difficult at that point and for that reason we would prefer not to have any substantial amount of trade with those countries.

The Grange also holds that trade should be mutually advantageous. It is inconceivable that we should continue to be a nation with a favorable balance of trade with all nations. The fact is that we shall probably have to adjust our sights to one which is more reasonable and assume that a favorable balance of trade in total is the objective of American trade policy and not with individual nations, except those with whom we have especially close ties in terms of military alliances or historical trading patterns.

It is obvious that some assistance is necessary to help developing countries to expand their economies before they can become good trading partners. The investment that we made in Japan, Germany, Spain, Korea, Taiwan, and a number of other nations at the end of World War II has paid off handsomely in every sense of the word.

International Commodity Agreements have a place in our trade policies for some commodities. This is especially trade of those commodities which tend to be in over supply on the world's markets. Although there is a difference of opinion on the desirability of trying to allocate markets, there is little argument against attempts to develop international agreements to prevent the collapse of international markets for strategic food needs and supplies.

H.R. 14870—TRADE EXPANSION ACT

The Grange has studied with great interest the message of the President transmitting the proposals for the Trade Expansion Act of 1970, the analysis of the proposal, and the language of the proposed legislation.

In relationship to agriculture, which is the primary concern of the Grange, we believe that the Kennedy Round was in itself a major breakthrough in trade negotiations in that agriculture for the first time stood on equal ground and received equal consideration and treatment by the delegation representing the United States. However, we do not believe the job is done, nor could it be completed within the context of time and the political situations of the world during the time limitations placed upon the Kennedy Round.

We believe there are still major problems to be attacked and areas in which concessions that are mutually beneficial may be possible. The relationship of

United States agricultural trade to the Common Market is of particular concern to us. However, we recognize that the EEC could not make final and definitive commitments on trade policy at a time when their own internal agricultural policy had not been finalized. Even though they have finally arrived at a common agreement on dairy which was the last major agricultural commodity to be considered by the Community, the amount of dissension and the internal problems within the European Economic Community and its relationship to the rest of the world indicate that there is no finality about the decisions that have been reached. Therefore, the United States should be in a position to continue negotiations at every opportunity when it appears that we will be able to reduce not only the tariff barriers, but the non-tariff barriers which stand as impediments to an expanded world trade and an increasingly profitable agriculture, both domestic and foreign.

We strongly support the objective of expanded world trade, in the interest of U.S. economic and political goals and as a crucial element in world economic development and political stability.

Administration efforts to broaden trade through expanded market development and through efforts to reduce trade barriers are highly commendable. We endorse the major aims of the Administration trade bill to give substantial Presidential negotiating authority toward removal of non-tariff barriers to trade and to give further government assistance to industries damaged by imports.

We are increasingly concerned, however, with major threats to the President's trade expansionist, outward-looking foreign policy stance. Non-tariff trade barriers of the European Economic Community which are inconsistent with the concept of trade liberalization and violative of the General Agreement on Tariffs and Trade threaten to be further expanded because of the possible entry of the United Kingdom into the EEC. The failure of the Kennedy Round negotiations to deal effectively with the most notorious and damaging of these NTB's, the EEC's variable import levy system, has been a source of continuing frustration to broad U.S. agricultural interests which have consistently supported a trade expansionist position.

Major U.S. farm markets in Europe have already suffered severe losses because of the variable levy system, *which in effect is a means of charging the U.S. and U.S. farmers for high support farm programs without production restraints.* U.S. agricultural groups understand that European political unity may be desirable, but the maintenance of such non-tariff trade barriers against U.S. agricultural products is not essential to achieving that unity. We also believe that Europeans should now assume a much larger share of the burdens of unity.

We believe it is urgent that variable levies be the subject of prompt negotiation with a view to seeking a modification and eventual elimination of such levies before a decision is reached on the question of UK entry into the EEC. The extension of the variable levy system to the UK and other areas would sharply reduce U.S. farm exports, hurt the U.S. balance of payments position and lend support to those who seek a more protectionist trade policy by the United States.

We believe that a foreign economic trade policy which is aimed at expanding mutual trade in accordance with the principle of sound economics and on a reciprocal basis is essential to the welfare of American agriculture and to our national economy. We also agree that there are burdens as well as benefits which must be shared in the process of liberalizing world trade. The United States has been a leader in the policy of limiting trade restriction measures primarily to instances where serious injury or threatened injury is established. The variable levy system of the EEC, however, was unilaterally established contrary to the principles of the GATT and without any showing or claim of injury. Such a system is regressive and should not be extended to other areas. Unless it is modified, it will not only continue to be a source of friction but it will ultimately force the United States, as well as other nations, to shift away from an expansionist trade policy position and adopt similar restrictive measures.

THE AMERICAN SELLING PRICE

The provisions for the modification of the legislation establishing the American Selling Price which were agreed upon at Geneva and which are before this Committee once more in our judgment, are not destructive nor disruptive to our chemical industry. We believe that this industry, which is one of the major growth industries of the nation, can absorb the changes which might be forth-

coming and yet which are not even proven to be certain. The provisions in this legislation would assure that no great damage would be done to these companies nor to their workers. The ASP stands as a major stumbling block towards better trade relationships between the United States and other nations and therefore the proposals to modify it should be adopted. It should also be pointed out that the passage of this legislation does not remove all protection from the chemical industry. The protection that they retain still is much greater than that of most other industries.

The tremendous increase in the use of chemicals in American agriculture has made pesticides, herbicides, insecticides, rodenticides, and fertilizers a major cost item for American farms. Some of these are protected by duty rates of as much as 150%. The intermediates have a duty rate of 140%. Benzenoids such as penicillin have 80% rates.

We believe that these rates can be reduced, although we would not eliminate them. The American Selling Price agreement as a part of the Kennedy Round proposes to do just this. For instance, the benzenoid penicillins would be reduced to between 20 and 30% compared with the present 60%. These are substantial savings for American agriculture, but we believe that they also provide adequate protection for an American industry that can no longer hide behind the title of an infant industry. The fact is that American chemical firms are among the giants of the world and certainly should be able to compete, not only for world markets, which they are doing at the present time—our net exports of chemicals are far greater than our imports—but for the domestic market as well.

FARM PROGRAMS AND TRADE POLICY

American agriculture has a high stake in mutually advantageous world trade. Exports represent a significant part of the total market for our agricultural production; the production from approximately one acre out of four is exported.

In 1967 our agricultural exports reached an all-time high of $6.8 billion. They declined 9% in 1968–69 and have regained some of that loss in 1970 when $6.5 billion in agricultural products were exported.

Many factors caused the decline in farm exports during the marketing year of 1968–69, the most important being a lengthy dock strike along the Atlantic and Gulf shoreline. In addition, the "Green Revolution" in India, Pakistan, and other countries reduced their need for farm products from U.S.A. But perhaps most importantly, the European Common Market and other European countries increased their production through domestic farm programs that provided price incentive without any restraint on production.

Carl Gilbert, in a recent talk before "The International Center of New England, Inc.," summed it up this way:

"At the moment our main problems are concerned with the Common Agricultural Policy of the EC which involves a complicated price support system without production controls; variable levy system to protect domestic production from import competition; and so-called restitution payments which, in effect, subsidize exports. As a matter of internal policy, the EC has elected to fix price supports at unduly high levels which induce uneconomic production, creating surpluses of certain commodities. Surplus production is moved into world markets with the aid of subsidies, which not infrequently amount to several times the value of the commodity. Examples include dairy products, poultry, barley and soft wheat.

"These policies have taken their toll on U.S. agricultural exports to the EC. Exports declined from $1.6 billion in calendar year 1966 to $1.3 billion last year, and all of the decline was in commodities protected by the EC variable levy system. We have noted with interest that the EC apparently has begun to recognize the need to curb production of some commodities in surplus. The Community has, for example, instituted slaughter payments for dairy cattle, and there are payments for the uprooting of certain fruit trees. To date, measures to restrict production have been quite modest; the most effective measure—to reduce domestic agricultural support prices on grains—has yet to be taken."

The problem of the decline in our agricultural exports *does not lie with our own domestic farm programs* but with our inability to negotiate meaningful trade agreements with our trading partners.

We made some headway during the Kennedy Round but our own failure to live up to and use the proper procedures of the International Grains Arrangement has almost brought that agreement tumbling down. Our failure to come to grips with the real problems of world trade has led us to the brink of a worldwide trade war—in which no country will be the winner.

Meeting our trade problems calls for a re-examination of all of the institutions that have been created to govern world trade. The most important of these is the GATT—the General Agreement on Tariffs and Trade. The problem does not necessarily lie with the Agreement, but the manner in which the Agreement has been carried out. The provisions of the Agreement have been abused, and these abuses could have been arrested—had use been made of the provisions for correcting and disciplining these practices.

If GATT has been ineffective in dealing with agricultural trade problems, it may be because we have failed to look at agricultural production in global context. We can correct the flaws in GATT, but we still can have the same trade problems because of the tremendous production capacity of all industrialized nations and some of the developing nations.

The domestic programs of the U.S. have centered around production controls, with income-stabilizing measures, to provide some equality of income to producers in relationship with other segments of our economy. We believe that they have served farmers well, helped obtain the greatest amount of agricultural exports, with little disruption in world trade patterns.

We are encouraged to see other surplus-producing nations—Canada, Australia and others—taking steps to curb production of primarily grain crops that are in a world state of overproduction. (See Appendix B)

Differences in agricultural policies, cost of production, inflationary pressures, investment in farming and custom and tradition are all factors that must be considered in trying to arrive at some common trade policy. The European Economic Community, for example, has not fully resolved these differences between member countries and this continues to be a perplexing problem. It was a major roadblock to the successful conclusion of the Kennedy Round.

Every major agricultural producing nation in the world which has a democratic government responsible to its primary producers has developed programs and policies designed to increase the bargaining power of such producers in the market place. We find this true in farming, fisheries and lumber. International agreements, therefore, continue to afford our country instruments through which to expand trade to the benefit of both importing and exporting nations.

The treatment of agriculture in the Kennedy Round trade negotiation prompted resolutions and response from major European and American farm groups who are members of the International Federation of Agricultural Producers. IFAP outlined considerations for the negotiation to increase agricultural trade in the Policy Statement of the Seventeenth General Conference of IFAP held in Tokyo, Japan, October 24–November 1, 1969:

"The areas in which developing countries should be particularly active and will have to take important and difficult initiatives include more especially exporter cooperation in commodity trade and the promotion of greater trade among themselves, implying coordination of economic development policies.

"There are a number of ways that have been suggested for countries exporting those primary agricultural products for which the demand is price-inelastic, and for which prices have been very unstable to take joint action to secure better and more stable prices. The crux of the problem here, as in other fields, is the will and the ability for loyal cooperation among exporters. Importer cooperation is essential so that goodwill is maintained, other forms of development assistance are not compromised, and arrangements work efficiently. Formal or informal international arrangements could wield the requisite market power to bring and hold prices at improved, yet reasonable, levels. Export quotas, preferably supported by production control, are required for such action. For price stability, agreed buffer stock management is in most cases also essential."

Traditional agricultural exporting countries will continue to seek "concessions" on agricultural products analogous to those obtained for industrial products.

If the negotiations are to be successful in the agricultural sector they must start from the basis that the governments cannot *"negotiate" their responsibility to ensure that the incomes of their farm populations bear fair relationship and trend with those in other sectors and that the elimination of serious*

modification of existing agricultural support measures is not feasible. Governments will therefore be seeking to reconcile the need for income support for agricultural producers and their desire to develop international trade in agricultural products.

The most promising approach will be to examine the position on a commodity-by-commodity basis and to devise—as long as advocated by IFAP—commodity arrangements or agreements, as appropriate, for individual commodities or groups of commodities.

In whatever proposals are made, there must be a basis for reciprocity regarding both obligations and benefits. Thus, to the extent that exporting countries are ready to ensure that their production is at a level broadly in line with outlets, countries must be prepared to make their fair contribution to the establishment of a sound balance on world markets.

Governments must at all times remain conscious of the fact that trade among North American and European countries is only part of world trade, and that recent experiences have shown that great opportunities exist for expanding agricultural exports to countries outside the North Atlantic areas.

TRADE RESTRICTIONS

Our interest in the subject matter of proposed and prospective import quota legislation is substantial and is borne out of the compulsion of bringing American agricultural trade requirements increasingly into our national trade pattern. This must be done in such a manner as to equitably serve the rights of agricultural producers in proper relationships with those of other segments of the United States economy.

It should be clear that we must bring about a world trade structure, under which regulations and protective devices designed to protect the financial integrity and the job security of American citizens will clearly take account of fundamental necessity of making reasonable provision for trade expansion over a period of time on the basis of competitive efficiency. In fact, the United States has, in my opinion, been reasonably effective in encouraging a trend toward reduction of trade barriers and increasing recognition of competitive efficiency in a trade expansion program. There is still appeal in the slogan of "More Trade and Less Aid in our Foreign Relations Program."

It of course follows that we, whose major interests are agricultural, must clearly recognize as we must ask all other Americans to recognize, that some of our own artificial devices or protective mechanisms, even though they may have been justified at the time of their invention, now stand as impediments to a progressively expanding trade pattern, increasingly responsive to competitive efficiency. Such protective devices must be progressively modified over a period of time to promote maximum trade expansion on the basis of that competitive efficiency.

I would respectfully urge the members of this Committee to consider the fact that agriculture in America has historically been the victim of protectionist policies, designed primarily to protect non-agricultural industry and non-agricultural labor from foreign competition. This is true of the major quota bills pending before this Committee—particularly H.R. 16920, to provide for orderly trade in textile articles and articles of leather footwear. It may do that but in doing so it will be restrictive on agricultural exports.

The necessity, therefore, of achieving an orderly growth of agricultural export markets demands that all Americans look with great care and concern upon the legislative imposition of any import quotas which might compel our trading partners in the world to take the retaliatory action that is provided in the articles of the General Agreement on Tariffs and Trade.

My yield to none in a genuine desire to protect our own people—in or out of agriculture. We have supported the inclusion of provisions and devices for achieving this level of protection in various pieces of legislation that have come before the Congress for the past many years.

American prices and American wage levels must be given reasonable protection. But we dare not permit that protection to approach the point of stagnation of our economy, or any segment thereof. Nor may we justify permitting a type or degree of protection to develop for any segment of the economy that seriously threatens or impairs existing exports.

We may indeed face the necessity even now of some degree of temporary pro-

tection for some products of industry it is determined that a situation which was beyond their controls may have placed such American industry at a competitive disadvantage, by reason of the fact that industries in certain other countries of the world were virtually destroyed; and thereby, of necessity, rebuilt on a pattern that provide them some measure of competitive superiority in steel, or in textile manufacture, for example, and that this may have been born out of national necessity, rather than corporate or individual complacency.

Surely some method of achieving that degree of protection, short of destroying the prospect of orderly trade expansion and development, can be found without resorting to legislatively established quotas, as seem to be envisioned in some of the proposals with which this Committee must be concerned; and which would surely result in serious reduction in U.S. exports.

May I respectfully again call your attention to the fact that under the Trade Expansion Act of 1962, the United States Congress and the Administration gave to American agriculture the prospect of a National Trade Policy moving progressively toward a realistic *inclusion of agricultural trade requirements in that national policy.* It is my earnest hope that this progress toward organizing the world's trade, in justice and equity to producers and consumers, can be continued over the next several years.

We must not destroy this market potential. We must, on the contrary, take pride in the progress being made, and ask that the more developed countries and the less developed countries join us, as we prove ourselves willing to join with them; in seeking further progress and development of an *expanding trade on the basis of efficiency;* exercising only that caution and care which domestic well-being clearly dictates; and standing ready to consider any unusual compensations that the overall national well-being and economic progress may require in the case of destruction or impairment of financial integrity and/or job security of any industry—which may of necessity be damaged in pursuit of the broad national well-being.

We must seek Trade Expansion—not Trade Restriction as a continuing National Policy.

Appendix A

In the area of frustration and seeming futility, the prolonged Trade Negotiations under the heading "Kennedy Round" provide an additional example of the difficulty of modifying established policies of the past to meet the conditions of the world today.

In the past several years, however, there has been increasing awareness of the urgency of progressively diminishing barriers to international trade. In fact, many people believe that there can be no real prospect for peace in the world without an adequate revision of the traditional protective devices that ever strain trade throughout most of history as we know it. An adequate food supply in the developing countries is linked with modification of trade barriers. Surely, improvement of the prospects for that economic and political stability, upon which peace must be founded, and prosperity grounded, dictated the effort that has been made and compel continuing effort in that direction as opportunities may present themselves.

Transportation and communication facilities in this changing world are exerting real pressure to remove differentials in living standards; differentials in cost of producing important items that enter substantially, or even in limited quantities, into the world's commerce. These differentials in cost, in living standards, in the limiting factors of production have entered into national trade policies and the international trade pattern. In agriculture, there is greater or less importance in certain areas of the world between production per acre versus production per man, or cost per unit, of production. Some of these differences are related to wage rates or labor standards or other aspects of the different economies around the world that have, throughout history, both dictated and justified the protective trade policies built around quotas, tariffs, cartels and other agreements.

In previous annual messages before the National Grange, I have reviewed our own U.S. history in the connection with the development of restraints on trade, and how they have been used to stimulate our industrial development and expansion, but how, since World War I these restraints have operated to the detriment of agriculture and in restraint of trade. For the most part, these have been directed toward raising price and wage levels in non-agricultural

production. In many cases, these items or products enter into the cost of living and the cost of agricultural production, and hence, these protective devices have served the purpose of widening the disparity between agriculture and the rest of the economy.

It, therefore, was to be expected, or at least it was no surprise, that the entire Kennedy Round of Trade Negotiations in the GATT, was punctuated by a succession of crises that threatened to destroy all of the work that had been done previously—indeed, it was in the final days of these negotiations that Mr. Eric Windham White, the Secretary General of the GATT, summoned the chief negotiators to agree upon a statement which in effect said that the "principal countries now feel that it is essential to have final consultation with the authorities in their capitals, with a view of seeking new instructions, thereby enabling them to make a last try to break the present deadlock."

This statement was agreed to after the negotiators had long engaged in intensive bilateral and multilateral talks in an effort to reach an agreement in principle on the major outstanding issues in the negotiations. These basic issues were relatively simple—the protective devices had been designed to protect the well-being of various producers within the several domestic national economies. Some of them, in and out of agriculture, had served that purpose, but had also generated another result. That secondary result had in some instances been the stimulation of production beyond the domestic market requirements. Such production had, therefore, in many instances become the means of "export dumping", of a nature that price levels of producers of these same items (sometimes agricultural items) elsewhere in the world found such dumping practices a serious threat to their own producers, hence, new barriers were developed.

At this point, however, I would like to interject that one of the more encouraging and heartening experiences, which I've enjoyed in the last several years, was to serve as a member of the Public Advisory Committee for Trade Negotiations. Here I found myself working and in discussion with some of the business executives from throughout the United States. Many of them had totally different interests than were mine, as a Midwestern farmer and as a presumed spokesman for rural American families as well as farmers. I should like to salute this group of Americans as a whole, for their dedication to the principle of achieving the greatest measure of success in the Kennedy Round that American business and industry could individually, as well as collectively, afford. There were, of course, a few individuals that found the subject matter very painful. There were a few that felt four years ago that probably we ought to seek to secure the adjustment by sheer force of "efficient competition." The further we delved into the subject matter and the facts surrounding the differences of opinion, however, the clearer it became that, with few exceptions, the entire membership of the Committee felt that success, at least in some substantial measure, was essential and must, somehow, be achieved. Appendix II (Membership of the Public Advisory Committee for Trade Negotiations).

The fundamental concept of "self-protection" or survival, coupled with the necessity of giving all people everywhere, in the final analysis, the benefit of efficient production anywhere, was not easy to reconcile. It will not yet be easy. But progress, in a measure, has been achieved. There must be more.

The Kennedy Round resulted in significant agreement on tariffs and a reasonably satisfactory start on the route to international cooperation on multilateral food aid. Many of us, however, are disappointed at the failure to achieve more significant progress in the fields of market organization for major agricultural products, though we must partially content ourselves with progress in terms of establishing a principle of international cooperation, and even extending previous provisions for "international consultation" when injury and injustice becomes apparent.

"It little behooves Americans to be sharply critical, for example, of the variable levy system" for protection of agriculture in Western Europe; without first taking stock of the fact that the U.S. has used an almost identical variable levy system for protecting certain non-agricultural industries in our United States. The much discussed ASP (American Selling Price) was of our invention. It is no wonder, therefore, that some of our European friends accuse us of "talk with forked tongue" when we condemn them for applying a similar protective device to their agricultural products which we have long applied to U.S. industrial products. In fact, our American Selling Price provision was only admissible in the bargaining at Geneva as a part of a supplemental package which will become

effective only if the U.S. Congress modifies the ASP. In this respect, the U.S. negotiating team had less flexibility than did representatives of other countries.

There were, indeed, serious obstacles to be overcome. And there still are.

To all practical intents and purposes, however, it seems fair to point out that this was the first full national effort, on the part of the United States, to effectively bring agricultural trade patterns and requirements into a U.S. national trade policy.

This in itself is highly indicative. It, therefore, becomes clear, that the new current wave of proposals before the United States Congress to establish import quotas and reduce imports of several items to levels to be fixed by the Congress must be defeated. For the Congress to establish quotas in the age old legislative manner—quotas which are designed to reduce imports without any necessary or administrative jurisdiction to correlate those findings with the historic rights to our own market which producers in other countries of the world have more earned and can, therefore, justify in terms of costs and competitive effectiveness—would clearly, under existing international law, give to those other countries a legal and an economic right to take retaliatory action in corresponding dollar value. Such retaliatory action would, in most cases, take the form of retaliation against American agricultural exports. We have firmly been advised by representatives of Japan and other major farm product importing countries that agricultural exports limitation is the only way that they could effectively retaliate against the imposition of quotas by the United States Congress on many of these non-agricultural items.

Recently, I found a couple of paragraphs in an official publictaion from a great American industry that I should like to quote. These two paragraphs appeared under the heading WORLD TRADE: A MAJOR STEP FORWARD. I quote:

"Just one day behind schedule after four years of hard bargaining, the Kennedy Round of tariff negotiations was brought to a successful conclusion of May 15. In a complex agreement covering an estimated 60,000 trade items, more than 50 countries committed themselves to tariff cuts averaging around 33 to 35 per cent. Although the full tariff cuts will not come into effect until 1972, and a vast amount of work remains to be done on the details of the agreements, the outcome is regarded by specialist opinion as being of the utmost importance to world trade expansion.

"Among the millions of words uttered during and after the negotiations, perhaps the following quote has a special significance. 'Even the greater economic powers,' said Windham White, Secretary General of GATT, 'can no longer pursue their destinies in disregard of others. Still less can they seek solutions to their economic problems by narrow nationalistic policies. Nor can one escape the economic difficulties of the others."

The progress achieved in four years of hard bargaining effort must not be lost by permitting these quota proposals to pass through the Congress.

The Kennedy Round was actually the sixth round of trade negotiations in which the U.S. has engaged, though, as indicated above, it is the first one of these rounds in which agriculture was considered an important factor.

The important elements of the Kennedy Round agreement are:

Tariff cuts of 50 percent on a very broad range of industrial goods, and cuts in the 30 to 50 percent range on many more. The average of industrial cuts is about 35 percent.

Agricultural concessions to which the United States attaches great value because they create new trading opportunities for our farmers and because they support our contention that international negotiation on trade in form products can accomplish something.

A world grains arrangement guaranteeing higher minimum trading prices and establishing a program under which other nations will share with us in the vital but burdensome task of supplying food aid to the undernourished people in the less-developed countries.

Useful if limited progress on the complex and sensitive problems in the steel, aluminum, pulp and paper, and textile sectors, including a 3-year extension of the Long Term Cotton Textile Arrangement.

An agreement on the treatment of chemical products that deals with the American Selling Price issue in a manner that provides major chemical traders with mutually advantageous consessions in the main Kennedy Round agreement and a separate and balanced package that makes additional concessions available to the United States IF it abandons the American Selling Price system.

Non Tariff Barrier liberalization including a very significant accord on anti-dumping procedures as well as European NTB modifications in the ASP package.

Significant assistance to the less-developed countries through permitting their participation in the negotiations without requiring reciprocal contributions from them; and through the food aid provisions of the grains arrangement.

Thus you see the fundamental concept of trying to develop trade and provide markets for the products of these less-developed countries to reduce the foreign aid which has, heretofore, been extended them is actually injected into the Kennedy Round, to good purpose and effect.

As we previously pointed out, our U.S. participation in this trade negotiation was made possible under the authority granted the President of the United States by the Congress in the Trade Expansion Act of 1962. In the Grange we can take some pride in the fact that these negotiations conducted under the authority of this Trade Expansion Act, which established the position of special trade negotiations representative of the President of the United States, were conducted by our distinguished Grange member of long standing, the Honorable Christian A. Herter, former Secretary of State and former Governor of Massachusetts. Governor Herter directed our Kennedy Round negotiations with great spirit and determination and with a wisdom that was born out of a lifetime of interest in foreign affairs.

America and, in my judgment, the world was very fortunate in that Governor Herter had the wisdom and was fortunate enough to choose a very able Deputy Special Representative for Trade Negotiations in the Honorable William M. Roth, who was appointed as successor to Governor Herter himself, following the death of the Governor. It will be with satisfaction that we present Ambassador Roth to the Officers, Delegates and Members of this National Grange Session, later this week.

Herschel D. Newsom, Syracuse, New York, November 13, 1967.

APPENDIX B

AGRICULTURAL PRODUCTION POLICIES AND INTERNATIONAL TRADE

1. The discussion of the "Memorandum" of the European Commission on agricultural policy and the structures of production (Mansholt Plan), studies on United States agricultural policy and, more recently, the report of the Committee, under the chairmanship of Professor Georges Vedel, on French Agriculture in 1985 have set off new currents of thought in agricultural circles within the European Community.

There has been a marked change in the attitude to price supports and production controls and the problem of structural surpluses in certain branches of production, with its inevitable repercussions on international trade, is under close scrutiny.

A further cause for concern is the increasing cost of export supports, which are tending to aggravate the depression in world markets rather than stimulate trade and are becoming increasingly burdensome whilst failing to remove the underlying difficulties.

2. The few international commodity agreements that exist are for the most part ineffective. Their provisions fail to stand up to a situation in which the imbalance between supply and demand on domestic markets as well as in the world market continues to grow. The result is that as fast as the importing countries escalate their tariff and non-tariff barriers, the exporting countries multiply the number of expedients designed to circumvent such customs barriers.

3. In the cas of some commodities at least we are now faced with the need to adapt our production capabilities to existing markets—a complete reversal of the policies of stmulating production that were regarded as so essential in the past.

4. No country will, however, be prepared to adopt or to follow such a course if the abandonment of any part of its capacity engaged in the production of surplus commodities is not to be undertaken jointly and in concert with other producing countries in the same plight. Otherwise each country will regard its efforts or outlay as nugatory or merely serving to release others from their responsibility to themselves participate in measures designed to avoid repeated market upsets.

5. A concerted international effort to organize and dove-tail production should go hand-in-hand with negotiations on the organization of trade in the interest

of joint economic development. Even if it were possible to tolerate the economic convulsions of harsh and relentless competition or the cost of import barriers following export supports in endless succession whenever surpluses exist, there would still be no assurance that productive capacity would be brought into line with actual need on terms and within time limits that were politically acceptable.

A continuing confrontation of conflicting demands has frequently been the outcome of accentuating the points of difference rather than achieving a reasonable consensus. A more methodical approach would hold out greater hope of success with less economic and social risk. The renewed trading difficulties might well be reduced and perhaps removed by action at the production level, which might, for instance, take the form of systematic and concerted efforts by States to reconcile their production policies or the aims of such policies.

6. This opinion, at least, is widespread amongst agricultural groups in the EEC. Some of the positions recently taken up have been:

(a) The Permanent Assembly of Chambers of Agriculture (APCA), A French agricultural organization, in the course of its meetings on 4 and 5 June, 1969, unanimously adopted the following recommendations:

"If customs and other trade barriers are to be progressively lowered, the confidence of producers in the countries concerned must be gained by opening up every prospect of *joint and cooperative action* on a footing of equality in areas of *national agricultural policy* and in the field of international trade."

"The permanent Assembly of Chambers of Agriculture recommends a policy of broad international cooperation on a basis of equality and reciprocity and is prepared to consider *new approaches to the development of trade between EEC and third countries, after consultation with them on their respective domestic, agricultural and commercial policies with a view to the ultimate adoption of voluntary agreements on the limitation of production.*" "In the final analysis it will be the influence of agricultural policies on the volume of supply that will be decisive in maintaining a balance between domestic and international trade."

(b) In a resolution adopted at its General Assembly in July 1969 the European Confederation of Agriculture advocated:

"A market organization that can reinforce the bargaining power of farmers and contribute to a better balance of supply and demand." It stressed the need for "*a remodelling of domestic markets that would link these closely to the structure of world markets for farm and forestry* products and a multilateral program of food aid. The States should," it continued, "*direct their negotiations* to this end with greater determination and *on a basis of reciprocal concessions and advantages.*"

(c) Even more significant will be the decisions of the Economic and Social Committee of the Community, if this should act on the Opinion prepared by its rapporteur, Mr. Constant Boon, and adopted by its "Agriculture 80" Sub-committee, which reads:

"Being in favor of measures to eliminate structural surpluses and advocating a system under which producers are sensitive to the consequences of market imbalances and associated with their correction, the Sub-committee regards it as equitable to *establish a certain correlation between, on the one hand, programmed output and a reduction of surpluses within the Community and, on the other imports of agricultural products* that might upset the equilibrium of the EEC market, . . ."

"The Sub-committee believes that the Community should use its influence to organize producers and world trade to seek along these lines a progressive lowering of trade barriers. The Community should pursue this objective in close association with its trading partners, taking full account of the farming interests of importing and exporting countries."

(d) Lastly, on 29 September last, the Chairman of the Committee of Agricultural Organizations of the six EEC countries, Mr. Jean Deleau, wrote to the Presidents of the National Grange, the National Farmers' Union and the American Farm Bureau, as follows:

"At the General Assembly of the International Federation of Agricultural Producers (IFAP), to be held between 24 October and 6 November, it is my intention to discuss with you the projects which Mr. Georges Breart mentioned to the Director of your organization in Washington when he visited him some months ago."

"It is the view of our Committee, composed of the national agricultural asso-

ciations of the six member States of EEC, that it would be a particularly valuable undertaking to seek, in association with the major farmers; associations of the United States, solutions to certain farming problems, important both to your country and to EEC. They affect the status of agriculture in our respective countries and the International trading of a number of important commodities."

The American agricultural associations and those of the six member countries of EEC have recently agreed to hold their first meeting in Washington. The date envisaged is some time next September.

STATEMENT OF ROBERT N. HAMPTON, DIRECTOR OF MARKETING AND INTERNATIONAL TRADE, NATIONAL COUNCIL OF FARMER COOPERATIVES

I am Robert N. Hampton, Director of Marketing and International Trade of the National Council of Farmer Cooperatives. The National Council is a nationwide federation of farmer-owned business engaged in the marketing of agricultural commodities or the purchasing of farm production supplies, and of 34 state cooperative councils. The cooperatives making up the Council are owned and controlled by farmers as their off-farm business operations.

The National Council is pleased to have this opportunity to express its views on trade policy issues of such vital importance for our national economic welfare and our entire foreign policy stance. Trade matters are critical not only because of their economic significance but because in the broadest sense an expanding trade represents our best avenue toward breaking down political barriers and misunderstandings which so often give rise to international strife.

World trade expansion is a desired goal of the National Council to broaden market opportunities for our cooperatives and their farmer members in selling higher quality or lower cost U.S. agricultural products throughout the world. Many witnesses before this committee have pointed out the merits of expanded trade as a stimulus to competition, as a means of retarding excessively rapid inflation in this or any other country and as a spur to world economic development. We would like to point out that the Council's interest in reducing trade barriers is not based on some unrealistic or impractical "free trade" stance, but is predicated on the traditional priniciple of reciprocity, as clearly enunciated in the following current policy statement adopted by our members:

"*Expansion of Foreign Trade in Farm Products.*—The National Council of Farmer Cooperatives endorses the objectives of expanded world trade and encouragement of market opportunities abroad for American agricultural products. We recognize also that the lowering of barriers which now limit world trade may create serious economic dislocations and that adjustments in trade patterns must normally come about through careful and gradual reduction of trade barriers.

"Under GATT (General Agreement on Tariffs and Trade) other international trade negotiations, expanded trade to benefit all countries is possible only if offers by all trading partners represent comparable concessions. This principle of economic reciprocity must continue to be the keystone of U.S. trade policy.

"The National Council recommends renewal of Presidential authority to enter into further trade agreements based on true reciprocity. Many forms of non-tariff barriers, such as quotas, embargoes, unrealistic inspection procedures, and lack of uniformity of grade regulations and tolerances hamper efforts to achieve such reciprocity and severely limit U.S. export opportunities. Negotiations toward trade agreements should be focused on reduction of such non-tariff barriers, and particularly on the variable levy system widely used by the European Economic Community (EEC)."

The National Council is also concerned over import problems which face us, especially those due to foreign government subsidy or other such factors which put U.S. industries at an unfair disadvantage. The following policy statement stresses the need for prompt relief to protect domestic producers or industries when faced with such undue import pressures:

"*Import Trade.*—The National Council of Farmer Cooperatives recognizes the need for safeguards in any nation's trade policy against excessive imports of commodities already produced domestically in substantial quantities. Such provisions should allow domestic producers of agricultural products to enjoy their fair share of an increasing market at home as well as in world markets.

"Provisions of Section 22 of the Agricultural Adjustment Act and of the Trade Expansion Act of 1962 should be promptly invoked when necessary to protect domestic producers or industries against undue import competition. Procedures for adjustment assistance under the provisions of the Trade Expansion Act should be liberalized to provide for more effective and prompt relief. We are greatly concerned over the restrictiveness of interpretation of Congressional intent in this regard, and the negligible benefits which have been available in efforts made to date to otbain such assistance.

"United States legislation pertaining to international trade negotiations or arrangements should include:

1. Reaffirmation of the "peril-point" principle, with such determination to be made by the Tariff Commission, and mandatory requirements that the Executive Branch be accountable to Congress for exceptions made in peril-point proceedings.

2. Liberalization of "escape clause" provisions of the Trade Expansion Act of 1962, with emphasis on strengthening of procedures for prompt review and action to protect domestic producers and industries against abrupt or critical damages from imports.

3. Specific recognition that the producers of any agricultural product used in the manufacture of a commodity involved in peril-point or escape clause proceedings shall be considered part of the domestic industry producing that commodity, and any organization or group of such producers shall be considered to be interested parties in such proceedings."

We strongly support the major objectives of the Administration trade bill, (H.R. 14870) to facilitate and liberalize the assistance available to import damaged firms, workers and industries, and to enlarge the Presidential trade negotiating authority, particularly with respect to reduction of nontariff barriers. Establishment of international institutional machinery for continuous review and negotiation of non-tariff barrier issues and other trade problems should have the highest priority in our trade policy deliberations. Trade in agricultural products is among that most affected by internal policies as well as other non-tariff "distortions", and a continuous strong effort will be needed by all nations to develop an effective international negotiating forum for the harmonization of policies which are central to national sovereignty. H.R. 14870 represent a most important step in that direction.

We also believe that strengthening of the Office of the Special Trade Representative, through greater executive and legislative support for its key role in trade policy coordination and negotiation, is vital to U.S. success in international trade negotiations. Conflicting views of the various government agencies can otherwise greatly weaken our negotiating effectiveness. The Chief Trade Negotiator is in the best position to guide our efforts to achieve fair and reciprocal concessions which duly take into account economic interests of all trading groups as well as political considerations involved.

The damage done by subsidies and other such trade distorting export practices, not only to U.S. farmers, cooperatives and our national interests, but to the long range prospects for world trade expansion and world political stability, deserves much attention. Programs of adjustment assistance proposed in H.R. 14870 will help greatly in some situations where imports cause overly abrupt or serious dislocations. In addition, some provision should be made to speed up and make more effective other measures such as U.S. countervailing duties to offset subsidized products from abroad. Export subsidies have been a serious and continuing problem for farm commodity interests, and administrative relief has often been too limited and slow. This has been a contributory factor in the growing demands for import quota or other U.S. retaliatory action in recent years.

The National Council has worked closely with other farm groups in recent months to express our concern over current trade situations which have hurt or threatened U.S. agricultural interests. We are alarmed at the lack of more rapid progress in effectively negotiating to reduce trade distortions caused by such critical issues as the variable levy principle applied to many agricultural imports of the European Economic Community and in resolving the touchy U.S. textile import problem. While we believe that removal of the American Selling Price system for applying tariffs to certain U.S. chemical imports would be helpful in important respects in future negotiations with the EEC, we urge that our

trade negotiations capitalize on the fact that Europe's own variable levy barriers against U.S. farm exports is far more sweeping and inequitable than is ASP.

The attached letter sent by the National Council and several other organizations expresses these views widely shared among U.S. farm and agribusiness interests most deeply involved in international trade. Our overriding concern is that the EEC's variable levy principle, which represents a flagrant and unfair departure from the trade expansionist goals of the General Agreement on Tariffs & Trade, be subject to negotiation, or, above all, not be extended further to Great Britain or otherwise.

In summary, the National Council views the need for continuance of long-standing U.S. trade expansionist policy as the most important consideration in these hearings. Trade problems from inequities and trade distortions caused by export subsidies and unfair barriers such as the EEC's variable levy system should be given top priority, and international institutions such as GATT should be improved, strengthened and organized on a more "permanently in session" basis to negotiate multilateral solutions wherever possible. As more efficient international negotiating procedures and forums are developed, and more effective and fair means are developed for international enforcement of agreements, the need for disruptive and risky unilateral actions should be lessened and world trade can continue to grow in a more orderly fashion.

Our Special Trade Representative should have more authority for developing and coordinating our foreign trade policy, and more strength and responsibility for conducting negotiations on an aggressive, reciprocal basis. This offers our best hope for developing the more clear-cut, cohesive and balanced national trade policy which we need. Agricultural interests should be viewed as an integral part of all our major international negotiations sinec they are vital, both economically and politically, throughout the industrial as well as in the developing areas of the world.

Special import problems such as those resulting from the use of undue export subsidies or other devices prohibited by GATT, or by shipments into the U.S. of products which are below standards of quality or sanitation designed to protect U.S. consumers should be given special consideration. We support, too, the principle of reciprocity as provided for under GATT for resolving these special import problems.

We urge this Committee to give the most careful consideration, however, to the risks involved in establishment of unilateral import quotas to solve import-induced difficulties of many industries whose deeper problems may prove to be those of excessive inflation, obsolescence, or other inefficiencies. Before taking the dangerous risks of initiating restrictions which might lead to widespread retaliation and a possible reversal of world trade expansion, every avenue of investigation to establish conclusive proof of injury and desirability of government assistance should be taken in appropriate cases while all possible efforts to negotiate a solution are being taken. We applaud the recognition of the value of this approach in the Administration's current recommendations opposing import quotas on shoes pending Tariff Commission study, and encouraging government assistance as an interim measure. We strongly support this technique, which would be further encouraged by Title III of H.R. 14870.

We strongly endorse the efforts toward negotiating reduction of non-tariff barriers to trade, under Title IV of H.R. 14870. Along with other major farm and agribusiness trading interests, we deplore the particularly sweeping and unfair NTB of the European Economic Community, the variable levy system which not only acts as a complete barrier to certain farm imports, but in turn causes the U.S. and U.S. farmers to finance export subsidies which are used to ship European farm products to this country.

We thank the Committee for the opportunity to present our views and commend you for your thorough efforts to develop a sound legislative program to further our trade and thereby some of our most crucial foreign affairs interests.

NATIONAL COUNCIL OF FARMER COOPERATIVES,
Washington, D.C., June 5, 1970.

The PRESIDENT,
The White House,
Washington, D.C.

DEAR MR. PRESIDENT: We strongly support your objective of expanded world trade, in the interest of U.S. economic and political goals and as a crucial element in world economic development and political stability.

Administration efforts to broaden trade through expanded market development and through efforts to reduce trade barriers are highly commendable. We endorse the major aims of the Administration trade bill to give substantial Presidential negotiating authority toward removal of non-tariff barriers to trade and to give further government assistance to industries damaged by imports.

We are increasingly concerned, however, with major threats to your trade expansionist, outward-looking foreign policy stance. Non-tariff trade barriers of the European Economic Community which are inconsistent with the concept of trade liberalization and violative of the General Agreement on Tariffs and Trade threaten to be further expanded because of the possible entry of the United Kingdom into the EEC. The failure of the Kennedy Round negotiations to deal effectively with the most notorious and damaging of these NTB's, the EEC's variable import levy system, has been a source of continuing frustration to broad U.S. agricultural interests which have consistently supported a trade expansionist position.

Major U.S. farm markets in Europe have already suffered severe losses because of the variable levy system, which in effect is a means of charging the U.S. and U.S. farmers for high support farm programs without production restraints. U.S. agricultural groups understand that European political unity may be desirable, but the maintenance of such non-tariff trade barriers against U.S. agricultural products is not essential to achieving that unity. We also believe that Europeans should now assume a much larger share of the burdens of unity.

We believe it is urgent that variable levies be the subject of prompt negotiation with a view to seeking a modification and eventual elimination of such levies before a decision is reached on the question of UK entry into the EEC. The extension of the variable levy system to the UK and other areas would sharply reduce U.S. farm exports, hurt the U.S. balance of payments position and lend support to those who seek a more protectionist trade policy by the United States.

We strongly support your continuing efforts to resolve the complex textile trade issue through negotiated restraints on imports which may be unduly troublesome to our domestic textile industry. We fear that unless your efforts are successful in achieving a voluntary arrangement which is in the best interest of the U.S., Japan and the world trading community, unilateral Congressional import restraints by the U.S. might trigger a series of trade confrontations and additional foreign import restrictions which could seriously threaten the goal of world trade expansion.

We believe that a foreign economic trade policy which is aimed at expanding mutual trade in accordance with the principle of sound economics and on a reciprocal basis is essential to the welfare of American agriculture and to our national economy. We also agree that there are burdens as well as benefits which must be shared in the process of liberalizing world trade. The United States has been a leader in the policy of limiting trade restriction measures primarily to instances where serious injury or threatened injury is established. The variable levy system of the EEC, however, was unilaterally established contrary to the principles of the GATT and without any showing or claim of injury. Such a system is regressive and should not be extended to other areas. Unless it is modified, it will not only continue to be a source of friction but it will ultimately force the United States, as well as other nations, to shift away from an expansionist trade policy position and adopt similar restrictive measures.

Any further trade restrictionist moves such as extension of the variable levy system to an enlarged EEC will lead to destructive trade conflict between regional blocs. Because we believe a worldwide climate for trade expansion is so essential to American agriculture and to our nation, the undersigned respectfully request the opportunity to meet with you to discuss these matters.

Sincerely yours,

National Council of Farmer Cooperatives, Washington, D.C., Kenneth D. Naden, Executive Vice President; National Grange, Washington, D.C., John W. Scott, Master; National Farmers Union, Denver, Colorado, Tony T. Dechant, President; National Farmers Organization, Corning, Iowa, Oren Lee Staley, President; American Soybean Association, Hudson, Iowa, D. Leslie Tindal, President; Institute of American Poultry Industries, Washington, D.C., Harold M. Williams, President; National Canners Associ-

ation, Washington, D.C., Milan D. Smith, Executive Vice President; National Corn Growers Association, Boone, Iowa, Walter W. Goeppinger, President; National Federation of Grain Cooperatives, Washington, D.C., R. K. Bauer, President; U.S.-National Fruit Export Council, Santa Clara, California, D. F. McMillen, President.

Mr. WATTS. The committee will stand adjourned until 10 o'clock tomorrow morning.

(Whereupon, at 3:10 p.m., the committee adjourned, to reconvene at 10 a.m., Wednesday, June 17, 1970.)

TARIFF AND TRADE PROPOSALS

WEDNESDAY, JUNE 17, 1970

House of Representatives,
Committee on Ways and Means,
Washington, D.C.

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

The Chairman. The committee will please be in order.

We are very happy this morning to welcome to the committee a distinguished member of the other body, the Senator from the State of Arizona, the Honorable Paul J. Fannin.

STATEMENT OF HON. PAUL J. FANNIN, A U.S. SENATOR FROM THE STATE OF ARIZONA

Senator Fannin. Thank you, Mr. Chairman and members of the committee.

I thank you for this privilege of being with you this morning.

The foreign trade policy of the United States since World War II has been to support and stimulate free trade.

Free trade requires the removal of nontariff barriers as well as tariff barriers, and it requires fair methods of competition among trading partners.

Although designed to regulate trade in a fair manner, the Countervailing Duty Act, the Antidumping Act, the Unfair Trade Practices Act, and the Trade Expansion Act of 1962 all have been largely ineffective.

These measures have been ineffective, I believe, because the responsibility for their administration has been shared, and because indecision has been permitted without judicial recourse.

The result has been increasing demands of domestic firms upon Congress for import quotas. For this Congress has only itself to blame. Worse yet, the setting of quotas put upon Congress essentially an administrative function of determining that a domestic produced has been harmed by international unfair methods of competition.

I am introducing a bill to put our foreign trade regulatory laws on the same basis as those that regulate domestic trade.

Administrative authority would be placed in one jurisdiction, with power to make findings and direct that dumping and countervailing duties be imposed where justified.

Further, the regulatory agency would have authority to effectively enjoin unfair methods of competition by excluding imports as pro-

vided in section 337 of the Tariff Act, and to recommend mandatory action under the Trade Expansion Act of 1962.

To make the administrative procedures responsive and to eliminate uncertainties, a time limit is placed by the bill upon the regulatory body for decision. And for fairness, judicial review is provided for both negative and affirmative decisions.

This committee is well aware of the substantive provisions of the four regulatory acts which I have proposed to amend; therefore, I will only briefly discuss such provisions in order to point out the existing procedural defects.

The first of the regulatory laws is the Countervailing Duty Act. The countervailing duty dates back to the American Tariff Act of 1890. The duty has been defined as a surtax added to goods benefiting from a bounty or similar assistance from the exporting country.

Thus, the intention is to neutralize the foreign subsidy and thus prevent injury to domestic producers of comparable products who operate without benefit of such bounty.

Under present law, the Secretary of the Treasury determines whether the goods have been subsidized and, if so, imposes the appropriate balancing duty.

However, there is no time limit set in which he must act, or if he does act and decides against the complainant, there is no procedure for appeal provided by Congress.

The legislation I am introducing would amend this act to provide that an administrative decision must be made within 120 days and to give a complainant the right to appeal an adverse ruling to the U.S. Circuit Court of Appeals for the District of Columbia.

The antidumping duty likewise has been defined as a surtax. The additional tax is intended to equalize the price of imported goods when less than a predetermined fair value is received for such goods.

This law was enacted in 1921 following a Tariff Commission report on dumping practices. Large concerns were selling at lower prices in the United States than in their own home market abroad. The purpose was to dispose of surplus production or to drive a U.S. competitor out of business.

Therefore, in enacting the antidumping provisions, the Congress provided that where a domestic producer was injured by such dumping, a special duty would be imposed. The Treasury Department determines when imports are sold at less than fair value and the Tariff Commission determines if there is injury to a domestic producer or industry.

Again, like the Countervailing Duty Act, no time limit was set for administrative action. In addition, no appeal procedure was provided in cases where the Treasury Department decided not to act on a complaint. But, on the other hand, if dumping duties are assessed against an importer, provisions were made for him to appeal.

The bill I am introducing would amend the Antidumping Act to provide a 120-day time limit in which the administrative agency is to act upon a complaint, and to allow a procedure for appeal against an adverse ruling or failure to act within the time limit.

The Unfair Trade Practice Act declares that unfair methods of competition or unfair acts in the importation of articles into the

United States are unlawful if they have the effect or tendency to destroy or substantially injure an industry in the United States.

If the President determines the act has been violated, he may direct that the imports involved be excluded from entry. To assist the President, the Tariff Commission receives complaints, investigates them, and reports its findings. Appeal may be taken to the Court of Customs and Patent Appeals on questions of law.

After these procedures, the Tariff Commission's report is forwarded to the President for final action. If a violation is found, the President may, but is not required to, order that the customs authorities forbid entry of the involved goods.

The legislation I am introducing would eliminate presidential review and provide that the Tariff Commission's determination be final, subject to judicial appeal.

The Trade Expansion Act of 1962 contains a method for securing tariff increases under the escape clause procedure. The term "escape clause" is a provision in a treaty or a statute which permits the withdrawal or suspension of a tariff concession because of serious internal disorders attributable to the concession. The procedure is invoked by the filing of a complaint with the Tariff Commission.

After the complaint is filed, the Tariff Commission conducts an investigation and makes a report and recommendations to the President. However, the final responsibility for granting relief lies with the President. The Tariff Commission report, although a statutory prerequisite for relief may not be followed by the President.

Unlike the Countervailing Duty Act, the Antidumping Act and the Unfair Trade Practice Act, the escape clause provisions provide that an administrative decision must be made within specified time limits; 6 months in industry cases, and 60 days in firm and worker cases. It does have in common with the other acts the failure to provide a means of appeal for the complainant. In escape clause cases, however, the importers can appeal if the Tariff Commission decides against him.

The legislation I am proposing would make the decision of the Tariff Commission final which would permit an appeal by the aggrieved party. More importantly, the legislation would provide that the decision is mandatory and not merely advisory to the President as it now is.

Finally, the proposed legislation would provide that the administration of the above acts and their remedies be placed in one agency. The Tariff Commission, because of its expertise in dealing with foreign unfair trade practices, logically would administer these acts.

Hopefully, the procedure requiring action within a time limit with right of appeal would tend to develop the technique of self-enforcement in trade matters that we have in our domestic trade laws, and would provide a deterrent to the rise of international unfair trade practices.

In addition, Congress would have a record of Commission and judicial opinions from which to review the operations and effectiveness of the acts toward producing a more efficient, consistent and speedier administration of the regulatory acts.

By amending these acts, as I have proposed, the Congress would assure that foreign producers selling their products in the U.S. market

in competition with domestic producers would be subject to the same standards of fair trade that the domestic producers must observe.

These amendments would in no way impede or restrict legitimate imports nor provide protection to any domestic industry against legitimate competition, or deprive any foreign industry of any fair competitive advantage which it might otherwise have. The results of the bill merely forecloses to the foreign supplier any unfair advantage which he might derive from a subsidy, price-cutting or other activities which have been recognized as unfair trade practices in the country for many years and which have been universally condemned.

The U.S. unfair trade practice laws prohibit domestic producers from uncertain unfair competitve conduct. The proposed bill would do no more than impose a similar prohibition against such unfair practices when they are engaged in by foreign competitors.

Mr. Chairman, after seeing the economically depressed border area come alive in the last few years through the Border Industrialization program, I wish to emphasize the support of my constituents in Arizona for the retention of Tariff Schedule Item 807.00.

Jobs have developed in both Mexico and Arizona because of the program. Approximately 3,500 new jobs have been created in Arizona in the past 3 years, and an estimated 3,250 jobs in the neighboring state of Sonora in northern Mexico.

With this increase in jobs have come increased retail sales, growing bank deposits and increased community prosperity.

Nogales, Arizona has reported retail sales per person totalling $2,320 compared with $1,676 for the State.

This same stimulation of economy has been reported in other border communities.

In 1968, U.S. imports under the terms of 807.00 totaled $1,432 million. Imports alone from Mexico accounted for $73.5 million under 807.00.

The value of U.S. components in the case of these imports from Mexico under terms of 807.00 was $50 million with a value added of $24 million.

Mexico is a heavy user of goods of U.S. origin, thus creating a share of jobs for U.S. citizens. The continuation of our tariff policy will assist our good neighbor policy with Mexico with our favorable balance of trade being maintained.

Mr. Chairman, I very much appreciate this opportunity to be with you this morning.

I do feel that we have a special opportunity with Canada and Mexico to have a trade relationship that would be greatly advantageous to these bordering countries. Further, it would be extremely beneficial in times of stress, in times of emergency and, of course, we do have the great advantage of the time element and many other advantages in working together in trade programs.

The CHAIRMAN. We thank you, Senator, for taking time from what all of us know is a very busy schedule to come to the committee and discuss with us the matters that you have.

I appreciate particularly your discussion of the other side of the argument with respect to 807. I introduced a bill on the matter, as you probably know, at the request of representatives of the AFL-CIO

who were quite concerned that this development might result or be caused at least by an unintended provision in the Tariff Act.

They testified in favor, as you know, of the elimination of this provision.

It has meant a great deal, however, to Americans as well as to Mexican citizens in your opinion?

Senator FANNIN. Yes; I feel very confidently that it has done a great deal to help our two countries.

Furthermore, I feel it has been of great benefit to the unions. I feel that way because many jobs have been retained in the United States that otherwise would have gone across the waters into, say, Taiwan, Hong Kong, or Korea. Many of the firms are still able to operate in the United States because of the advantages they have under 807 and the border industrialization program, especially.

Incidentally, I was in business in Mexico years ago; I have no interest there now but I did work in Mexico for several years; I know Mexico well. I have worked with the Mexican people for years; I have developed a program between our two countries, especially between the State of Arizona and the State of Sonora, so I have been in a position to observe just what has happened.

So, I must disagree with the findings of the AFL–CIO in this particular instance because I do feel that they have benefited greatly rather than been hurt by this program.

The CHAIRMAN. We appreciate again your coming to the committee.

Are there any questions of Senator Fannin?

If not, we thank you, sir.

Senator do you have a copy of your bill?

Senator FANNIN. No; I do not have one with me.

The CHAIRMAN. If you will furnish one, without objection we will include a copy of your bill at this point.

(The bill referred to follows:)

[S. ——, 91st Cong., second sess.]

A BILL To transfer to the United States Tariff Commission certain functions and duties now vested in the President and Secretary of the Treasury under the Antidumping Act, 1921, the Tariff Act of 1930, and the Trade Expansion Act of 1962

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) section 201 of the Antidumping Act, 1921 (19 U.S.C. § 160) is amended to read as follows:

"DUMPING INVESTIGATION

"Sec. 201. (a) Whenever a class or kind of foreign merchandise is being, or is likely to be, sold in the United States or elsewhere at less than its fair value and an industry in the United States is being or is likely to be injured, or is prevented from being established, by reason of the importation of such merchandise into the United States, there shall be levied, collected, and paid on such merchandise, in addition to any other duties imposed thereon by law, a special dumping duty in an amount equal to the difference between the purchase price or the exporter's sales price and the foreign market value (or, in the absence of such value, the constructed value).

"(b) The United States Tariff Commission (hereinafter called the 'Commission') is hereby authorized to investigate on complaint or upon its initiative and, within 120 days after the commencement of an investigation, to issue orders to effectuate the provisions of this title. Commission proceedings and actions under this title shall be in accordance with the provisions of subchapter II of chapter 5 of title 5 of the United States Code. Any final order entered in any such proceeding shall be made on the record after opportunity for a Commission hearing and shall be subject to judicial review in the United States Court

of Appeals for the District of Columbia Circuit in the manner prescribed in chapter 158 of title 28 of the United States Code and to the provisions of section 706 of title 5 and section 2112 of title 28 of the United States Code.

"(c) Whenever the Commission has reason to believe or suspect from information presented to it that the purchase price is less, or that the exporter's sales price is less or likely to be less, than the foreign market value (or, in the absence of such value, than the constructed value), it shall forthwith publish notice of that fact in the Federal Register and shall direct the withholding of appraisement reports as to such merchandise entered, or withdrawn from warehouse, for consumption not more than one hundred and twenty days before the question of dumping has been raised by or presented to it, until the further order of the Commission, or until the Commission has completed its investigation in regard to such merchandise.

"(d) Whenever the Commission determines that the continued imposition of a special dumping duty imposed under this section on any class or kind of foreign merchandise is unnecessary, it shall issue an order cancelling such duty."

(b) Section 202 (a) of such Act (19 U.S.C. § 161) is amended to read as follows:

"(a) Upon information of the issuance of an order by the Commission providing for the imposition of a special dumping duty, and prior to information of the issuance of an order by the Commission providing for the cancellation of such duty, the Secretary of the Treasury (hereinafter referred to as the 'Secretary') shall, through the proper officers, impose the special dumping duty on all imported merchandise, whether dutiable or free of duty, of a class or kind prescribed in the Commission's order, entered, or withdrawn from warehouse, for consumption, not more than one hundred and twenty days before the question of dumping was raised by or presented to the Commission, and as to which no appraisement report has been made before such order was issued."

(c) The first sentence of sections 208 and 209 of such Act are each amended—

(1) by striking out "as to which the Secretary has made public a finding as provided in section 201" and inserting in lieu thereof "as to which the Commission has issued an order under section 201"; and

(2) by striking out "such finding has been made public" and inserting in lieu thereof "such order was issued".

(d) Section 407 of the Act of May 27, 1921 (42 Stat. 18) is amended by striking out "for the enforcement of this Act" and inserting in lieu thereof "to carry out his functions and duties under this Act."

Sec. 2. Section 303 of the Tariff Act of 1930 (19 U.S.C. § 1303) is amended to read as follows:

"Sec. 303. Countervailing duties

"Whenever any country, dependency, colony, province, or other political subdivision of government, person, partnership, association, cartel, or corporation shall pay or bestow directly or indirectly, any bounty or grant upon the manufacture or production or export of any article or merchandise manufactured or produced in such country, dependency, colony, province, or other political subdivision of government, and such article or merchandise is dutiable under the provisions of this Act, then upon the importation of any such article or merchandise into the United States, whether the same shall be imported directly from the country of production or otherwise, and whether such article or merchandise is imported in the same condition as when exported from the country of production or has been changed in condition by remanufacture or otherwise, there shall be levied and paid, in all such cases, in addition to the duties otherwise imposed by this Act, an additional duty equal to the net amount of such bounty or grant, however the same be paid or bestowed. The United States Tariff Commission is hereby authorized to investigate on complaint or upon its initiative and, within 120 days after the commencement of an investigation, to issue orders to effectuate the provisions of this section. Whenever the Commission determines that the continued imposition of an additional duty imposed under this section on any article or merchandise is unnecessary, it shall issue an order cancelling such duty. Orders under this section shall be made on the record after opportunity for a Tarff Commission hearing. Upon information of the issuance of an order by the Tariff Commission providing for the imposition of an additional duty under this section, and prior to information of the issuance of an order by the Commission providing for the cancellation of such duty, the Secretary

of the Treasury shall, through the proper officers, impose the additional duty prescribed therein. Tariff Commission proceedings and actions under this section shall be in accordance with the provisions of subchapter II of chapter 5 of title 5 of the United States Code, and any final order entered in any such proceeding shall be subject to judicial review in the United States Court of Appeals for the District of Columbia Circuit in the manner prescribed in chapter 158 of title 28 of the United States Code and to the provisions of section 706 of title 5 and section 2112 of title 28 of the United States Code."

Sec. 3. (a) Section 337 of the Tariff Act of 1930 (19 U.S.C. §1337) is amended to read as follows:

"Sec. 337. Unfair practices in import trade

"(a) UNFAIR METHODS OF COMPETITION DECLARED UNLAWFUL.—Unfair methods of competition and unfair acts in the importation of articles into the United States, or in their sale by the owner, importer, consignee, or agent of either, the effect or tendency of which is to destroy or substantially injure an industry, efficiently and economically operated in the United States, or to prevent the establishment of such an industry, or to restrain or monopolize trade and commerce in the United States, are hereby declared unlawful, and when found by the Commission to exist shall be dealt with, in addition to any other provisions of law, as hereinafter provided.

"(b) INVESTIGATIONS OF VIOLATIONS BY COMMISSION.—The Commission is hereby authorized to investigate any alleged violation under this section on complaint under oath or upon its initiative.

"(c) EXCLUSION OF ARTICLES FROM ENTRY.—Whenever the existence of any such unfair method or act shall be established the Commission shall, within 120 days after the commencement of an investigation, direct that the articles concerned in such unfair methods or acts, imported by any person violating the provisions of this Act, shall be excluded from entry into the United States, and upon information of such action by the Commission, the Secretary of the Treasury shall, through the proper officers, refuse such entry.

"(d) ENTRY UNDER BOND.—Whenever the Commission has reason to believe that any article is offered or sought to be offered for entry into the United States in violation of this section but has not information sufficient to satisfy itself thereof, the Secretary of the Treasury shall, upon its request in writing, forbid entry thereof until the Commission's investigation shall be completed; except that such articles shall be entitled to entry under bond prescribed by the Secretary of the Treasury.

"(e) CONTINUANCE OF EXCLUSION.—Any refusal of entry under this section shall continue in effect until the Commission shall find and instruct the Secretary of the Treasury that the conditions which led to such refusal of entry no longer exist.

"(f) ADMINISTRATIVE PROCEDURE AND JUDICIAL REVIEW.—Commission proceedings and actions under this section shall be in accordance with the provisions of subchapter II of chapter 5 of title 5 of the United States Code. Any final order entered in any such proceeding shall be made on the record after opportunity for a Commission hearing and shall be subject to judicial review in the United States Court of Appeals for the District of Columbia Circuit in the manner prescribed in chapter 158 of title 28 of the United States Code and to the provisions of section 706 of title 5 and section 2112 of title 28 of the United States Code.

"(g) UNITED STATES DEFINED.—As used in this section and section 338, the term 'United States' means the several States, the District of Columbia, and Puerto Rico."

(b) Section 1543 of title 28, United States Code, is repealed.

Sec. 4. (a) Section 301(d) of the Trade Expansion Act of 1962 (19 U.S.C. § 1901) is amended to read as follows:

"(d) Any investigation under subsection (b) or (c) of this section shall be in accordance with the provisions of subchapter II of chapter 5 of title 5 of the United States Code. The final determination of the Tariff Commission entered in any such investigation shall be made on the record after opportunity for a hearing and shall be subject to judicial review in the United States Court of Appeals for the District of Columbia Circuit in the manner prescribed in chapter 158 of title 28 of the United States Code and to the provisions of section 706 of title 5 and section 2112 of title 28 of the United States Code."

(b) (1) Section 302(a) of such Act is amended to read as follows:

"(a) Within sixty days after receiving a report from the Tariff Commission containing an affirmative finding under section 301(b) with respect to any industry, the President—

"(1) shall provide tariff adjustment for such industry pursuant to section 351; and

"(2) may provide—

"(A) that firms of such industry may request certification by the Secretary of Commerce for eligibility to apply for adjustment assistance under chapter 2;

"(B) that the workers of such industry may request certification by the Secretary of Labor for eligibility to apply for adjustment assistance under Chapter 3; or

"(C) for the application of both subparagraphs (A) and (B)."

(2) Section 302(c) of such Act is amended by—

(A) striking out "After" and inserting in lieu thereof "Within sixty days after"; and

(B) striking out "the President may" and inserting in lieu thereof "the President shall".

(c) Section 351(a) of such Act (19 U.S.C. § 1981) is amended to read as follows:

"(a) Within 30 days after receiving an affirmative finding of the Tariff Commission under section 301(b) with respect to an industry, the President shall proclaim the increase in, or the imposition of, the duty or other import restriction on the article causing or threating to cause serious injury to such industry which the Tariff Commission has found under section 301(e) is necessary to prevent or remedy such injury."

(d) Section 352 of such Act (19 U.S.C. § 1982) is repealed.

Sec. 5. Section 330 of the Tariff Act of 1930 (19 U.S.C. § 1330) is amended by—

(1) adding at the end of subsection (b) the following: "Upon the expiration of his term of office a commissioner shall continue to serve until his successor has been appointed and has qualified.";

(2) striking out "Whenever" in paragraph (1) of subsection (d) and inserting in lieu thereof "Except as provided in paragraph (3), whenever"; and

(3) adding at the end of subsection (d) the following new paragraph:

"(3) For the purposes of determining—

"(A) whether a special dumping duty should be imposed under section 201 of the Antidumping Act, 1921;

"(B) whether an additional duty should be imposed under section 303 of this Act;

"(C) whether there exist unfair methods of competition and unfair acts in the importation of articles, and whether such articles should be excluded from entry, under section 337 of this Act; or

"(D) whether there is injury or threat of injury from the increased importation of an article under section 301 of the Trade Expansion Act of 1962;

if the commissioners voting are evenly divided on such determination, the determination shall be considered as having been decided in the affirmative."

Secs. 6. (a) Except as provided in subsection (b), the amendments made by this Act shall—

(1) take effect on the 90th day after the date of the enactment of this Act; and

(2) shall apply to any proceedings of the Tariff Commission commenced on or after such 90th day.

Notwithstanding any other provision of law, the Tariff Commission may terminate any proceeding before it commenced before such 90th day and order such proceeding to be recommenced on or after such 90th day.

(b) For purposes of enabling the Tariff Commission to prescribe necessary rules and regulations and to enable it to prepare to exercise the functions and duties conferred on it by the amendments made by this Act, such amendments shall take effect on the date of the enactment of this Act.

The CHAIRMAN. If our colleague from the State of Virginia, the Honorable Watkins M. Abbitt, will come forward, we will be happy

to hear your statement at this time. We are glad to have you here today; please proceed as you wish.

STATEMENT OF HON. W. M. ABBITT, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF VIRGINIA

Mr. ABBITT. Mr. Chairman and members of the committee, I appreciate this opportunity to appear before you to give you my views on the bills I have introduced, together with many other Members, to limit the importation of woolen and manmade textiles as well as leather footwear.

The story is by now well known to this committee. Imports of textiles have grown greatly in recent years and are causing hardship to our domestic industry. While cotton textile imports are already limited, no limitations have been placed on manmade and woolen textiles. Imports of these items are a menace to the welfare of our manufacturers and to their workers and will work yet greater havoc if the imports are not also placed under a reasonable limitation.

What is true of textiles applies in even higher degree to leather shoe imports. These have mounted rapidly in recent years and now account for about a third of our total consumption.

I have joined in introducing the legislation designed to maintain the imports of both textiles and footwear within reasonable limits. This legislation is the same as H.R. 16920, the Mills bill. I strongly urge the favorable support of this legislation by this committee.

Mr. Chairman, I feel, as I am sure numerous other Members feel, that we owe to other industries and their workers substantially equal treatment, at least to the extent of opening the way for an administrative remedy through the Tariff Commission that will bring them relief. For this purpose I am introducing the Fair International Trade bill that has been introduced by over 70 Members, including four committee chairmen, to place a ceiling on imports if they have penetrated the market to the extent of supplying at least 10 percent of domestic consumption of particular products, and if imports have increased appreciably since 1960, as much as 50 percent or 100 percent, for example, thus demonstrating their sharp competitive advantage over domestic producers.

This legislation would permit imports to grow in proportion to the growth of domestic consumption, thus avoiding a straitjacket effect. A special feature of the bill is that import quotas would be imposed only if imports should break upward through the ceiling.

Congress would under this bill say what constitutes serious injury or a threat of serious injury, thus relieving the Tariff Commission of making the determination, other than finding and affirming the sustaining facts. We have seen a number of our industries shrink almost to the vanishing point under the escape clause. The clock and watch industry is down to a shadow of what it was. The same is true of household sewing machines, portable typewriters, household electronic goods, our fisheries, binoculars, fine chinaware, cordage, and other items while the escape clause was on the statute books.

I have no faith in the adjustment assistance approach as a remedy because it actually represents little more than a requiem. We want our industries to live; not to be buried at Government expense.

The Fair International Trade bill would, however, not eliminate these remedies. It would add the ceiling on imports as a third option to be available to any and all industries that would seek that remedy if they qualify under the criteria spelled out in the bill.

By making this alternative remedy available I feel that we would not be discriminating in favor of the two industries, textile and footwear, as provided for in the Mills bill. The latter also has some general provisions but these would still leave the discretion, first, to the Tariff Commission and, second, to the President. We should in Congress lay down the criteria of injury so that any industry meeting these conditions would be assured of a remedy rather than depending in the end on the judgment of the Executive or especially the State Department.

Mr. Chairman, I strongly recommend this approach as the most suitable, which is to say a combination of the Mills bill and the Fair International Trade bill. Thank you.

The CHAIRMAN. Are there any questions of Mr. Abbitt? If not, we thank you for appearing before us with your testimony.

The Honorable Harold D. Donohue, our colleague from the State of Massachusetts, is the next witness before the committee today. We are pleased to have the testimony you will present to us at this time.

STATEMENT OF HON. HAROLD D. DONOHUE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MASSACHUSETTS

Mr. DONOHUE. First, I would like to thank the distinguished chairman and the diligent members of this esteemed committee, on behalf of my constituents and myself, for initiating these timely hearings on the vitally important subject of urgent, sensible import quota regulation.

For many years, the United States has enjoyed a healthy international trade surplus. In the early 1960's, our exports exceeded our imports by $5 billion to $6 billion a year. But such a trade surplus is only a memory, Mr. Chairman. The figure for 1968 was less than a billion dollars, and experts agree that we will soon, if indeed we are not already, be confronting a trade deficit.

If international bankers and the balance of payments were the only concerns in this matter, important as they are, I would be inclined to view it more dispassionately. But this rising tide of imports has had and is continuing to have a severe disruptive effect on the market development of certain American industries, with inescapable and intolerable consequences for the workers employed in those industries. The secretary of commerce has estimated that, "If imports of textiles and apparel continue to grow at the present rate there could be a loss of 100,000 jobs a year in this country." The Labor Department has reported the loss, over the past 2 years, of 48,000 jobs in the manufacture of radio and TV sets and components. Similar concerns have been voiced by those in such industries as steel, chemicals, shoes, and flat glass.

Of course, Mr. Chairman, I would hope, even at this late point in time, that those abroad would take notice and heed the worsening situation in America, especially as it is being documented at these very

hearings. I would suggest that the most constructive and wholesome solution to this domestic difficulty lies in their prompt response to the practical reality that the U.S. Congress will not leave unfairly beseiged American industries, with their employees, continuously vulnerable to unlimited encroachments from foreign sources. Foreign self-restraint and cooperation in the form of voluntary quotas would undoubtedly offer the best avenue toward averting any serious interruption in the further progress toward balanced, free international trade.

But clearly, Mr. Chairman, the situation must be dealt with, whether voluntarily from abroad, or by legislative mandate from Washington. The problem will not dissolve.

The markets for textile articles and articles of leather footwear, Mr. Chairman, have been particularly hard hit. That is why I have cosponsored H.R. 16937, one of literally scores of bills designed to help stem this accelerating avalanche of low-cost imports, produced under foreign economic conditions that our domestic industries cannot possibly meet without violating our own laws and sabotaging our acclaimed civilized and economic progress.

This is not a new concern, Mr. Chairman. For several years, as the trend toward unlimited expansion of imports has become increasingly discernible, a large number of Members of Congress have repeatedly proposed the setting of responsible restraints on this harmful practice. On many past occasions I have emphasized to the House the need "to develop reasonable and equitable relief from the extreme economic hardships resulting from the excessive imports of ungoverned and unfair foreign competition."

Most recently, as a firm, but fair, step toward meeting that need, in this Congress Mr. Chairman, I have cosponsored one of the bills, H.R. 16937, now pending before this esteemed committee.

In brief, it calls for textile and footwear importations from any one country to be limited this year to the average amount allowed in from that country during the 1967–68 period. That limit in succeeding years would then be adjusted up or down, growing or contracting according to the total market for that particular product. In other words, ample allowance is made, not only for continuing imports at high levels, but also for increasing imports of an article as demand for that article increased.

The other key provision of the bill would make the adjustment assistance, previously authorized by the Congress, more readily available for domestic workers and industries suffering substantial economic injury because of increased imports.

We are all very well aware, Mr. Chairman, that this is a most difficult and complex legislative area and we also know of this committee's deep interest and studied diligence in seeking a reasonable legislative solution of this challenging excess import problem. Nevertheless, Mr. Chairman, I am very confident that, from and out of all the measures before you, this renowned committee will find and recommend an appropriate legislative proposal designed to best promote our national and international interest in sensibly controlling excessive imports. We just cannot, in all equity, Mr. Chairman, further ignore the increasingly great economic hardships being visited upon substantial numbers of American workers and industries, in my own home area

and across the country, as unchecked textile and footwear and other imports force layoff after layoff, plant closing after plant closing.

I do not advocate a return to high tariffs, nor a protectionist program. But I do urge a realistic policy, lest the failure to reach a solution to our import problems does result in protectionism and high tariffs. I do not propose complete economic insulation from foreign competition, nor is that what responsible American employers and workers desire; what is proposed and what they rightfully ask is simply an equal chance to sell their products under mutually fair competitive conditions, in an open and undistorted domestic market. I most earnestly urge and hope that this committee will very soon recommend a legislative proposal that will provide this kind of equally competitive market to the great number of American workers and industries who desperately need it in order to economically survive.

May I again express my deep appreciation to you, Mr. Chairman, and to your committee colleagues for conducting these hearings in the interest of so many beleaguered American industries and their employees.

The CHAIRMAN. If there are no questions, we thank you for being with us.

We are pleased to have with us this morning the Honorable Edward P. Boland, our colleague from the State of Massachusetts. Thank you for being with us today. You may come forward and proceed as you wish.

STATEMENT OF HON. EDWARD P. BOLAND, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MASSACHUSETTS

Mr. BOLAND. Mr. Chairman, I want to express my support for legislation to aid our industries injured by excessive imports. In recent years we have found it increasingly difficult to compete with foreign industries in our own and foreign markets. The reasons are not hard to find. Many textile mills, shoe factories, and other industries in foreign countries have been established or rebuilt with our assistance either through foreign aid, technical assistance, or foreign investment. Meanwhile, because of high taxes, increasing labor and raw material costs, and other factors, our industries have found it difficult, if not impossible, to raise enough capital to modernize effectively.

While we produce at high costs, resulting from high wages, adequate safety standards, paid vacations for our workers, and other fringe benefits, foreign nations produce and export products that are produced with few or none of these requirements. Small wonder that we find it impossible to compete. This has long been true for high labor content products, such as shoes and textiles in the past, but today it is even becoming true or more sophisticated products. Secretary Stans admitted the gravity of the problem when he stated:

> There are only a few industries in which our technology is so far ahead of that of other nations that we can still outdistance them in world trade. Those fields include aircraft, computers, some chemical products. But on the broad range of manufactured goods, exporters in other countries have the edge on us, not only because of lower wages but because of tax and credit advantages.

In a revealing computerized study the Trade Relations Council of the United States analyzed the employment, output, and foreign trade

of 349 of the Nation's 425 manufacturing industries. Available data made it possible to correlate foreign trade data with domestic employment and output for 313 industries for the period 1958 through 1966. These 313 industries in 1966 accounted for about two-thirds of the employment in all manufacturing industries and they supplied 85 percent of the value of shipments of manufactured goods.

Of these 313 industries, 128 experienced balance-of-trade deficits in 1967. Twenty-five percent of total employment of all manufacturing industries and 29 percent of the value of shipments of manufactured goods were accounted for by these 128 industries. Articles like or competitive with the output of these industries accounted for about two-thirds of total imports of manufactured products in 1966, but only 12 percent of total exports.

If one were to assess the impact of this imbalance of trade in these industries, at the value of shipments per worker in each industry, there would have been a net loss of about 368,000 jobs to our economy. Although I cannot go into detail, the loss for selected industries would be as follows:

Textile mill products	20,600
Apparel and related products	44,316
Lumber and wood products	16,418
Paper and allied products	13,240

or a total of 94,564 for those four industries alone.

Almost all industries face import competition. When such competition is fair, I have no objection to imports. Unfortunately, in the three industries prominent in New England, which I shall discuss briefly, fair competition does not exist. This has resulted in large part from our own legislation and our own mission in the world as we see it. I shall not belabor my statement with a mass of statistical data, which has been supplied in abundance by others, nor with a detailed analysis of the industries which others, far more competent that I, have provided. Briefly, let me outline why I think that import limitations should be established for electronics, footwear, and textiles.

ELECTRONICS

As I pointed out to my colleagues in the House on March 2, our electronics industry faces a dual threat: "An alarming rise in the importation of electronic products from foreign manufacturers, and on equally alarming rise in the number of American electronic firms setting up operations in foreign countries."

Local 1500 of the International Brotherhood of Electrical Workers—the union representing workers at the Sickles Division of the General Instrument Company in Chicopee, Mass., in my congressional district—has petitioned the Tariff Commission to examine the plight of American electronics workers and to recommend means of redress. I have joined wholeheartedly in this move and will do all in my power to see that action is taken.

In my opinion, anyone who examines the position of the electronics industry cannot fail to recognize the merits of the case. Imports of consumer electronics equipment in 1969 rose 15 percent over the previous year and amounted to 20 percent of apparent consumption. In

value, imports have increased from $71 million in 1960 to an estimated $135 million in 1969. They are expected to increase another 18 percent to $160 million in 1970.

Regarding components, the Business and Defense Services, Department of Commerce has asserted that:

> * * * rapidly increasing imports from overseas low-labor-cost assembly plants have given rise to growing Administration concern about the impact on domestic labor. This is expected to result in a major inquiry, to be conducted by the U.S. Tariff Commission, extending into 1970 and perhaps longer. At issue will be existing tariff treatment based upon value added by overseas assembly plants versus duty applied to the full value of the product shipped back to this country. The study, ordered by the President, is viewed by many as leading to a stringent revision of the value-added duty now applicable to millions of devices coming into the United States after processing in Hong Kong, Taiwan, Korea, Singapore, Mexico, and otherlow-labor-cost countries.

The 2,500 employees at the Sickles Division certainly have every right to demand that administration concern be as deep as is suggested by this Commerce Department statement.

Other indicators of trouble in the industry are Zenith's recent announcement that 3,000 employees would be laid off in 1970 and that the opening of their new plant in Taiwan would mean the loss of about 4,000 additional jobs here at home.

General Instrument Co. has become the largest employer in Taiwan, with 12,000 workers in its plant there, up from 500 employees in 1962. Hourly wages there range from 15 to 20 cents, including fringe benefits. In the last 2 years General Instrument has closed three plants, on in Rhode Island and two in Massachusetts, throwing about 2,000 people out of work. Taiwan in 1966 shipped to our shores $60 million worth of electronics products; by 1972 it is estimated that $250 million TV sets alone will be exported to the United States. Total electronics exports from Taiwan in that year are expected to reach $500 million. Numerous additional statistical data exist which might be cited, but I will content myself with a single statement from, "The Developing Crisis in Electronics and Companion Industries," a study by the AFL–CIO, concerning consumer electronics products only:

> * * * from 1967 to 1969, the dollar value of imports of TV sets, radios, phonographs, radio-phonographs, tape recorders and related consumer products doubled. This doubling follows a previous quadrupling of the value of imports in the years 1962–67.

FOOTWEAR

It is my opinion that the footwear industry will face disaster unless something is done to curb excessive imports.

Shoe and slipper production in 1969 of 582.1 million pairs was 9.3 percent below 1968 production of 642.1 million pairs. It was the lowest production since 1961. Imports, meanwhile, rose from 175.4 million pairs in 1968 to 195.7 million pairs in 1969, a 12-percent increase. This was 33.6 percent of domestic production. Now, for the first quarter, 1970 imports of 68,691,000 pairs were 48.3 percent of domestic production which was 142,287,000 pairs.

I would be the last to say that imports are the only factor causing difficulties in our footwear industry, but certainly they have contributed immeasurably to the situation.

The difference between our wage scale and that of our major com-

petitors certainly encourages import competition. While wages in our footwear industry averaged $2.20 per hour ($2.44 for New England), they are well below the average hourly earnings of $3 per hour for all manufacturing. Contrast that with the following hourly wages: Italy, $1.04; Spain, $0.56; Japan, $0.58, to cite a few examples from our more important competitors. These wage rates include fringe benefits, which, in Italy, exceed 90 percent of base pay. The higher productivity of U.S. shoe workers is more than offset by these low wages.

Other factors, which have helped depress the New England footwear industry, and which are to some extent characteristic of the entire industry, include: (1) the large number of small domestic plants because of limited capitalization; (2) rapid changes in style; and (3) the shifting of labor to more desirable employment.

TEXTILES

Textiles, too, face serious problems in competing with imports. Like the shoe industry, it has been characterized by many small plants with inadequate capitalization. However, today it is becoming an industry of a somewhat smaller number of larger firms that are more highly diversified, more capital intensive, and much more technologically sophisticated.

Many textile industries, that of Japan particularly, have been rebuilt and modernized with American foreign aid funds and American technical advice and assistance. Furthermore, we have followed the same practices in establishing textile industries in developing countries.

At the present time we import about 82 percent of the textiles exported by developing nations, while Japan receives only 1 percent and the EEC 17 percent. In fact, we are the only truly open market for textiles in the world. On the other hand, about 50 nations prohibit the importation of U.S. textile products and another 20 make sales of our textile products virtually impossible by tariff restrictions, import licenses, border taxes, and other nontariff barriers.

Low wages abroad and the development of productive capacity in other countries have resulted in a continually increasing flood of textile imports. Although the industry has sought to stem the flood of imports by the use of peril points, by arguments on the disruption of markets, and by stressing the fact that textiles have been claimed essential to national defense second only to steel, little success has been achieved.

The long-term agreement (LTA) in cotton textiles, which has tried to regulate the flow of textiles to our markets, has been only moderately successful, largely because there are no similar safeguards on wool and manmade fiber imports. Additional import controls appear necessary if we are to maintain a viable textile industry.

Voluntary agreements on textile imports to the United States have partially answered the problem of excessive imports. However, practice has shown that voluntary agreements with Japan on textiles have meant that Hong Kong, Spain, Taiwan, and other nations have filled the gap left by Japan's action and that any voluntary agreement must include all (or at least the major) exporters to American markets if the agreement is to be successful.

Our current negotiations with Japan concerning agreements on wool and manmade fibers similar to the LTA show graphically the difficulty we face in reaching an accord on the perplexing textile problem.

Recent press releases indicate that textile imports in March were 20 percent above February. Totaling 367 million square yards equivalent, imports exceeded the postdock strike months of March and April 1969. For the first quarter 1970 total imports of the three fibers (cotton, wool, and manmade) were 1,021 million square yards equivalent, about one-third more than the first quarter of 1969.

Truly, some legislative means must be found to temper the flood of imports.

The CHAIRMAN. We appreciate your fine statement here today. Are there any questions? If not, thank you for coming to us today.

Our next witness will be our colleague from the State of Illinois, the Honorable John B. Anderson. We are pleased to have you appear before the committee today and look forward to hearing your testimony.

STATEMENT OF HON. JOHN B. ANDERSON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS

Mr. ANDERSON. Mr. Chairman, I am grateful for this opportunity to present a statement at this late hour in your hearings on foreign trade and tariffs. As you begin your deliberations in executive session, I want to commend you and your committee on the long hours and hard work you have already devoted to this most difficult and complex issue. I am certain that we in the Congress who are not privileged to sit on your committee will benefit greatly from your efforts and that the product of your labors will reflect the wisdom and thoroughness we have come to expect from your committee.

Today I want to address myself solely to the problem of shoe imports. I am sure your committee has already been appraised of the extent of this problem, but let me briefly recite some of the factual data which I feel points to the severity of the problem and the urgent need for action. Back in 1955, shoe imports totaled 8 million pairs; by 1960 they amounted to 26 million pairs; by 1965, over 87 million pairs; in 1968 imports soared to 175 million pairs; and last year they were up to 195 million pairs. Put another way, in 1963 foreign shoe imports accounted for 10 percent of the new supply in the United States; last year they accounted for 26 percent of the new supply.

What has all this meant in human terms to the American shoe industry? It has meant 57 factory closings last year alone and the loss of some 25,000 to 30,000 jobs, and the loss of another 74,000 jobs or job opportunities that otherwise would have been created if it weren't for the rapid increase in shoe imports.

President Nixon's Task Force on Nonrubber Footwear, in its report of June 1 of this year, summarized the situation in this way:

> The evidence * * * suggests that market penetration in 1969 was probably not of the sporadic variety, but that foreign suppliers have achieved a degree of efficiency, have established a position in this market, and give every indication of being capable of continuing to offer strong competition.

The Task Force went on to note that in 1969 average profits deteriorated, production was down, and unemployment in the shoe in-

dustry rose above the national average. Can there be any dobut that this industry is seriously suffering due to foreign shoe imports and that it will suffer even more unless something is done to provide relief and insure stability? I think not.

Although the New England States have obviously been hardest hit by this massive infusion of foreign footwear, the problem is by no means confined to that region alone. The nonrubber footwear industry in the United States is composed of some 750 companies operating 1,100 establishments in 38 States. The President's task force informs us that since the midfifties, the number of shoe plants has declined by about 20 percent, and nearly all the recent declines have been in establishments employing fewer than 250 workers. This fact is especially significant when you consider that three-fifths of all shoe-producing establishments in this country employ fewer than 100 workers each. And when you consider further that 40 percent of all shoe production in the United States now originates in communities having 25,000 or less people—communities which are for the most part rural and dependent upon shoe employment as a major source of income—then you begin to realize in tragic human terms what lies behind the cold, hard statistics on factory closings and unemployment. These are people, with families, who, due to their geographic situation, often have no place to turn for another job. Quite often the economic viability of an entire community depends upon the success or failure of the shoe factory in that community.

I happen to represent the 16th Congressional District of Illinois which is in the northwest corner of the State. Up until about a month ago, over 500 of my constituents were employed by the Freeman Shoe Co., about half of which were at the Dixon, Ill. plant, and the other half at the main factory across the border in Beloit, Wisc. One year ago the 250 people at the Dixon plant were producing 125 dozen pair of handsewn shoes per day. Mainly due to foreign competition, the Dixon plant was forced to discontinue making handsewn shoes and convert to cement shoe production. As a result, some 150 workers were laid off and the Dixon plant is now only producing 40 dozen pair a day. Unless foreign imports are somehow checked, it is unlikely that the Dixon plant will be able to increase the volume of production and rehire those 150 workers.

While the Beloit plant has not yet experienced any layoffs, there is a genuine fear that the continued expansion of foreign imports could undercut their operation as well and force still more layoffs. I have received literally scores upon scores of cards and letters from present and former workers at these two plants uging the passage of H.R. 16920 (the Mills bill) which would, by statute, limit textile and shoe imports to the 1967–68 import level.

I sympathize with the concern expressed by many that by enacting quota legislation we might be opening the gates to a global trade war that might have even more serious long-term effects on the health of our national economy and the vitality of our international trade relations.

On the other hand, the concerns and fears expressed by these workers are not unfounded, as those who have already lost their jobs can attest. The situation is bound to get worse before it gets better; and

it is unlikely to get better unless some action is taken now. As I mentioned earlier, last year's imports totaled 195 million pairs which represented 26 percent of the supply in the United States. Statistics from the first quarter of this year indicate that imports this year will reach 220 million pairs and capture over 32 percent of the U.S. market. How long will this be allowed to go unchecked? How many American factories will have to be closed? How many more small communities will be threatened with extinction? And how many more workers will have to lose their jobs?

While I am not in a position to answer these questions with the authority of an expert, I have no reason to doubt the validity of the President's task force report which states that the market penetration achieved by these imports is "not of the sporadic variety," and that it gives every indication "of being capable of continuing to offer strong competition." I also have no reason to doubt the accuracy of the following statement from the task force report:

> The problem of the shoe industry today is a major problem in certain communities heavily dependent upon it and where failures have occurred, where plants have been shifted elsewhere, or where imports offered strong competition to the types of shoe formerly made there.

The task force went on to advise that:

> The specific areas and individuals who have been affected do require attention and assistance. Other areas and firms still in business may well be threatened unless efforts are begun now to improve their competitive abilities.

Mr. Chairman, I was pleased to note that the President took immediate cognizance of the problem and the need for action upon receipt of the task force report. On June 24, 1970, the President announced a 3-point program of assistance to the nonrubber footwear firms in the United States. The first was the initiation of an investigation by the Tariff Commission under the escape clause provision into the impact of increased imports on the leather footwear industry. I understand that this is the first time a President has asked for such an investigation since the beginning of the trade agreements program in 1934. And, as you are aware, an affirmative finding in such an investigation would make available to the industry and its workers a variety of forms of relief and assistance as prescribed by the Congress in the 1962 Trade Expansion Act.

The second action taken by the President was the initiation of a series of Government measures to deal directly with the various problems faced by the industry and its workers. These include joint efforts by the Departments of Labor and HEW to develop and provide special footwear prgrams within the framework of existing manpower and retraining and development legislation; special efforts by the Economic Development Administration of the Department of Commerce to develop programs and attract other industries into communities heavily dependent upon shoe production; loan assistance from the Small Business Administration to assist small shoe firms with adjustment problems; and special consultation between industry officials and the Department of Commerce to explore any further forms of assistance deemed necessary.

Finally, the President, acting on the advice of the Department of Justice, has determined that he has the authority in the case of split

decisions by the Tariff Commission to take action in adjustment assistance cases.

Of course, Mr. Chairman, all of the above are in the way of executive orders which do not require further authorizing legislation for action to be taken. It is now for you and your committee to determine what further legislation may be necessary to alleviate this serious problem which threatens the shoe industry in America. For instance, both the Mills bill and the administration's bill would liberalize both the escape clause provisions in the 1962 Act and the existing adjustment assistance provisions which allow firms and workers to receive loans, technical aid, tax relief, relocation, and training when it is determined that imports have caused "substantial injury." These amendments would obviously be extremely beneficial to all industries severely threatened by import competition.

The two bills differ on the question of quota limitations on shoe imports. As I indicated earlier, the preponderance of opinion among shoe workers in my district and across the Nation is in favor of such statutory limitations. I am confident that this committee will do what is best for the industry and best for the Nation. Thank you.

The CHAIRMAN. Are there any questions of Mr. Anderson? If there are none, we thank you for taking the time to be here today.

Will our next witness, the Honorable Robert H. Mollohan from West Virginia, please come forward? We are glad to have you with us today; you may proceed.

STATEMENT OF HON. ROBERT H. MOLLOHAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WEST VIRGINIA

Mr. MOLLOHAN. Mr. Chairman, it is a privilege to be with you today. There are few other States with a higher stake in trade legislation than West Virginia since most of her primary industries—steel, flat glass, glassware, electronics, chemicals, footwear, and textiles—have been deeply affected by our trade policy in the last 8 years.

Eight years ago when we enacted the Trade Expansion Act, the United States enjoyed a trade surplus of $5 billion. While we exported $30 billion worth of goods and services, we imported only $25 billion worth of goods and services. Today that trade surplus no longer exists and, indeed, the entire shape of our involvement in international trade has changed. Today, while we continue to maintain an extensive investment in security in Europe ostensibly to protect her from the U.S.S.R. and her satellites, Western Europe engages in trade with Eastern European nations worth $8 billion annually. While we are engaged in a "forward defense" action in Southeast Asia, Japan is engaged in extending her markets throughout the world in high quality products developed from a technology acquired by her freedom from military investment.

The day of the supranational corporation has also changed the complexion of international trade. Not only do American companies export their capital to other nations to take advantage of lower wages and unexploited markets, but they have taken a technology with them as well. Technology today is no longer the possession of the United States, it is truly international.

Our international balance of trade reflects these new conditions for today there is virtually no trade surplus, nor can we realistically expect one to return in the future. The economies of Western Europe and Japan are the equal of ours and from this strength we can expect only standoff, not advantage. And it is in the framework of these new realities that we must construct our trade policies. We would be wrong to think that our country can return to past days of dominance in all markets, and we must adjust to those realities.

I think the first thing that must be apparent is that our policy must be a comprehensive policy, not one that covers only selected industries, while leaving others to struggle with the present law. It must cover steel and glass and electronics as well as footwear and textiles.

Secondly, I think it is time we recognized that we must base our policy on quotas, rather than tariffs. In the past 8 years, we have seen an amazing amount of imagination on the part of our foreign competitors in their efforts to circumvent the effects of tariff policy. As a result tariff policy really isn't very effective in many of our markets today.

Third, I think we must recognize that a foreign trade policy has as much to do with the way we structure our internal markets as it does with foreign trade. We have moved past the day when we will enjoy trade surpluses; we can expect only balance, for reciprocity is the dominant factor in trade relations. Consequently, we must decide how much burden we are prepared to place on industries which have been severely harmed by imports for the benefit of our exporting industries. We must decide to what extent we must balance the interests of these two areas.

The specific problems of my State of West Virginia and the First Congressional District which I represent, make a very strong case that we balance those interests reasonably and soon. Common to all six industries, steel, flat glass, glassware, electronics, footwear, and textiles is the problem of labor costs. The nations which import against these industries have labor costs that range between 25 percent and 33 percent of our own costs, and in some cases, particularly textiles, the ratio is even lower.

The second problem these industries have in common is the attitude of their government. From investment subsidies to tariff subsidies to government planning these industries are protected by their respective governments. Yet, in the American flat glass industry, in the face of a housing depression which has caused a very substantial slowdown in the windowpane industry, our Government would allow only for a continuation of present tariff duties for a 2-year period, with the admonition that the industry must develop a better technology.

In the electronics industry, foreign products are nearly dominant in television tubes and consumer electronic equipment generally. Our domestic electronics industry depends to a large extent upon defense business with the Government, and with the winding down of the war in Vietnam, and the curtailment of our defense establishment we are presently witnessing, that industry will find itself having very serious problems.

In the steel industry, Mr. Chairman, the plants in the First Congressional District of West Virginia manufacture tin mill products,

galvanized and cold-rolled sheets, as well as hot-rolled sheets. Nearly 95 percent of the shipments from one plant are in the flat-rolled products. These products have a larger margin of profit and require a substantial labor cost because they are relatively sophisticated products. Much of the output is shipped to the west coast where it is used for food containers.

Yet, the Japanese are increasingly turning to this kind of high-priced product in the steel industry. Originally their competition was limited to the less-sophisticated products but a first-rate technology has changed this situation entirely.

In our glassware industry, the competition comes from Japanese, Italian, Mexican, and East European products generally, and here we are faced with rising labor costs and rising transportation costs, while our competitors have low labor costs and are subsidized on their tariff costs. Technology is generalized, and is not a dominant factor.

The problems in the textile and footwear industries are all too familiar to the committee and I will not elaborate except to point out that West Virginia manufacturers of these products share the problems that are felt throughout the industry.

Mr. Chairman, the question of international trade is, of course, not a one-sided picture. I do not advocate that we attempt to turn back the clock. I do not ignore the fact that some of our foreign competitors have a superior plant and technology to some of our domestic industries. Indeed, as John Galbraith remarked, "the only thing worse than losing a small war, is losing no war at all." Europe and Japan finding themselves with no plant or equipment in 1945 had the opportunity to build anew and incorporate the best technological features into their plant system throughout all industries. Many of our industries however, particularly the steel industry and the flat glass industry, have had such large investments in their plants, that adapting new processes and new technologies has been a terribly expensive proposition.

Mr. Chairman, what I advocate today is that we recognize the realities and deal with them forthrightly. The reality is that tariffs are largely ineffective, and therefore we should consider the quota as our primary tool of policy. The reality is that other governments foster the adoption of more efficient plants and more imaginative technological processes, and our response should be essentially the same. We should give incentive through our tax system for investment that is required by imported-against industries to make those new investments.

And finally, Mr. Chairman, we should recognize the reality that imported-against industries have large investments in areas of this country that drastically need the continuing payrolls these industries bring—the South, the West, Appalachia, and New England.

It is ironic that this Government should foster the area redevelopment program and a host of other programs to help economically depressed areas only to undercut any hope of recovery by allowing the industries which support those economies to falter in the face of imported products. I have introduced legislation to give industries in economically depressed areas the investment tax credit just for this reason, and I would hope that this committee would consider this tool in a new international trade policy, for it would be far more effective

than the present adjustment assistance to plants and employees. The latter forms of aid come far too late to be of any service. Adjustment assistance is payment for the burial rather than a resource for the revival of industries and areas that are affected by imports. Yet, most of the imported-against industries need newer and better technologies that can be better provided through the investment tax credit.

Mr. Chairman, I have dealt at length with our problems, in the hope that we can clear away the facades and the myths that have been developed about international trade. For in my opinion, the realities of our situation today demand that we develop a balanced economy throughout the Nation which can assure full employment on a sensible basis. When industries in our more rural areas of the country close, the migration to the cities begins, and with this migration has come our crime and pollution and overcrowding problems. We should seek through our tax and trade legislation to develop strong regional economies that can give the entire Nation the chance to live a comfortable useful life. That should be the purpose of our economic policies and I hope you will make that the purpose of this legislation before you today.

The CHAIRMAN. If there are no questions, we thank you for your testimony.

Our colleague from the State of Idaho, the Honorable James A. McClure, is here today to present testimony to the committee. Please come forward and proceed as you wish.

STATEMENT OF HON. JAMES A. McCLURE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF IDAHO

Mr. McCLURE. Mr. Chairman, I have either introduced or cosponsored eight of the bills presently before this committee. Those bills were not offered to destroy the reciprocal trade policy that has guided our Nation during the past few decades—the thrust is toward an equitable balance between free trade and protectionist policies.

Trade has historically played an important role in foreign policy and no one denies that such considerations are justified in determining what constitutes the good of our people. However, the reevaluation which this committee is presently embarked upon is long overdue and necessary in light of present day industrial expansion throughout the world. Many of the countries which were devastated during World War II gained the benefit of U.S. production techniques when they began to rebuild—the result of, I might add, grants and loans from us as well as the courtesy and cooperation extended by American industry.

We have reaped the harvest of that postwar phase. Lower production costs and relatively cheap labor afforded our competitors abroad the luxury of improving on the techniques we brought them. Imports, which once kept American industry from monopolizing the marketplace and charging outrageous prices, are now driving our businessmen out of the marketplace for good.

The bills I have introduced cover a variety of products, most of them agricultural: honey and honey products, mink, lamb, meat and meat products, milk and dairy products, textiles, and leather footwear.

Since my district is primarily rural, I suppose it is natural that I would be most concerned with the foreign competition facing American farmers. It seems strange that we continually emphasize the need to redevelop rural America while at the same time we perpetuate trade policies which make it impossible to do so. When miners and farmers feel the pinch of foreign imports, it usually affects the economy of surrounding communities.

I will not take the time to repeat the statistics and the arguments that representatives of the industries involved have advanced for curbing these imports. But I would like to quote from a letter received recently from Mr. George B. Hatley, a cattleman near Moscow, Idaho. While his statement concerns beef imports, it could just as easily be applied to other industries suffering from foreign competition:

Mr. Hatley writes:

> If the price of beef had risen at the same rate as the cost of producing it and the cost of everything else people buy, people would be paying $3.00 per pound for their steak. If the price of cattle had gone up as much in the last twenty years as a man's wages, choice steers would be bringing $52.75 instead of $32.00 per hundred. Today, the rancher pays $5,000 for a tractor that was priced at $1,650 in 1952. The cattleman believes in our free enterprise system, and he is willing to struggle through the lean years as best as he can in hopes that the free moving forces of this system will allow him to eventually make a profit. If the normal forces of the system are not allowed to work by upsetting the supply picture with increased tonnage of imported beef, the cattleman's hope of ever making a profit is eliminated.

Early in the 90th Congress, I cosponsored legislation to initiate a flexible quota system for lead and zinc. This measure was not submitted in the 91st Congress, because, frankly, business was good at the time. But the basic principle behind the flexible quota system was sound nonetheless—when domestic production is up, imports are down and vice versa.

The fact that we did not resubmit the lead-zinc bill may have been a mistake, because of events that have occurred in the past few months: The administration wants to tax leaded gasoline. The automobile industry is not buying as much lead as before. While lead imports are about the same as they were a year ago, domestic production is going up, due to the discovery of a fairly substantial lead deposit in Missouri. So, the picture for lead is deteriorating.

The same can be said for zinc. Demand is down and domestic production has been cut. But Japan is building three smelters, and Mexico is building one smelter. I think this committee should begin thinking now as to whether we want to save the domestic zinc smelting business or whether we want to be dependent upon foreign smelters.

The administration is well aware of these problems, of course. President Nixon said only a few days ago that negotiations with the Japanese on voluntary textile import curbs were not proving fruitful. Regardless of the outcome of those negotiations, the fact that the President made the statement illustrates the futility of relying on voluntary quotas for any product.

In recent years our Government has pursued a policy of planned or controlled inflation. If the competitive nations experience the same inflation to the same extent as our own, then there would be little harm done to the import-export program. But this is not the case.

The farmer and the businessman are not asking for a return to strict protectionism. They are merely asking the Congress to help foster a climate in which all of our people, unhindered by the economic conditions abroad, can share in the abundance enjoyed by most other Americans.

Perhaps our policymakers in the State Department might reflect on the advantage in demonstrating to less developed nations that the free enterprise system does work.

A lot of people would have us believe that fair trade and free trade are one and the same. They are not, of course. Just as freedom itself demands a fair application to all of our citizens, trade must be as fair for the American worker as it is for his counterpart abroad.

The CHAIRMAN. If there are no questions, we thank you for taking the time to be present today.

We are glad to welcome as our next witness the Honorable Charles H. Griffin of Mississippi. Please come forward and proceed with your statement.

STATEMENT OF HON. CHARLES H. GRIFFIN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MISSISSIPPI

Mr. GRIFFIN. Mr. Chairman and members of the committee: I deeply appreciate this opportunity to present my views to the distinguished members of this committee, on the rapidly deteriorating situation faced by certain American industries. Those most accutely affected, as you know, are the textile and apparel industries, the leather footwear industry, ceramic tile industry, and the beef and dairy industries. Imports of these products are now largely unrestricted and we see a tremendously depressing effect on domestic industry. The situation is already grave and yet, the volume of imports is growing at such a rate that nearly all of the Nation's demand is being satisfied by these imports. This has brought the growth of these industries to a virtual standstill and, in several areas, domestic production is being displaced, plants are closing, and jobs have been lost.

In the Nation, as a whole, the high-water mark of expenditures for plant expansion in the textile-apparel industry was reached at a level of $820 million in 1966, according to figures from the Department of Commerce and the Securities and Exchange Commission. Plant expansion has fallen greatly since then to the present level of some $630 million.

Another clear example of the effect of imports is dramatic decline in employment. Textile and apparel industries are not even holding their own in the struggle, as seen in the figures: From the level of 1 million employed by textile industries in January, 1969, there was a decline to 964,000 in March of 1970; a loss of 36,000 in those months. From the level of 1,424,000 persons employed in the apparel industries, there has been a decline to 1,395,000; a loss of 29,000. This is a total loss of some 65,000 American jobs.

While watching these jobs disappear and plant expansion shrink, we have also seen the percentage of profits to sales, a significant economic indicator of the industry's strength, slip far below that of other industries. At the beginning of 1969, after-tax profits of the textile-

apparel industry was some 2.4 percent on sales of $20 billion as compared to a rate of 5.1 percent on sales of $600 billion for American manufacturers as a whole.

In the face of these depressing facts, how have textile-apparel importers fared? From 1959 through 1969, imports of textile and apparel goods have grown in unprecedented proportions. In dollar value, imports rose from $7.4 million to $2.1 billion and, in volume, increased from 976 million yards to 3.6 billion yards in 1969, and is presently anticipated to exceed 4 billion this year.

I think it is appropriate to ask from where these goods are coming? The largest portion of imports is from Asia and the increase is staggering. In dollar value, imports grew over tenfold from $61.2 million in 1959, to $695 million in 1969. The volume of these goods grew from 151 million yards in 1959 to 1.7 billion yards in 1969—an increase of more than 1,080 percent.

There must be some valid reason for the dramatic growth of imports and the contrasting and depressing shrinkage of competing American industries—I don't think one has to look too far. Regardless of what some say, I believe that the problem is found in the disparity of wages paid to employees in America as opposed wages paid in foreign countries. Of course, the problem is not simple, but certain factors are easily seen.

The quality of foreign goods is substantially the same as in domestic made products and, when buyer decisions are made, it is the price which makes the difference.

The labor cost is the biggest factor in the manufacture of textile and clothing and that is precisely where American industries, existing under Government-imposed minimum wage restrictions, are at the biggest disadvantage. Average hourly wages in domestic plants is $2.43. By contrast, hourly wages in the Asian countries, our biggest competitors, are: 45 cents in Japan, 25 cents in Hong Kong, 13 cents in Taiwan, and 11 cents per hour in Korea.

Mr. Chairman, I sincerely believe it is time for the Congress to move to protect our domestic industries. The problem is most serious for the Nation as a whole and particularly grave in my own State, Mississippi, for the textile-apparel industry there employs some 40,000 persons. This is nearly one-fourth (22 percent) the State's total manufacturing employment force; the highest of any State in the Nation.

Of course, it is not only the textile-apparel industry which is so seriously suffering but I have discussed it in detail merely because the situation there is so striking. Imports of construction materials, particularly ceramic tiles for indoor and outdoor facing uses, have also been absorbing large shares of the American market and many domestic manufacturers are finding their plants have many hours of downtime and much idle capacity on their hands.

There are, presently, only some 30 manufacturers of ceramic tiles in the United States and they are primarily small, independent, and efficient firms. These companies are, obviously, most vulnerable to the Government-induced tight money policy. The last tragic example of what can happen when such a situation arises, as we have today, was during the 1966 housing collapse when 13 of these plants were forced to close their doors for good.

In 1970, when one-third of the domestic market is supplied by foreign firms, and when we have seen imports from Britain increase from a volume of 8 million square feet in 1967 to well over 20 million square feet now, clearly something must be done. We simply cannot allow foreign firms to wreck our domestic ceramic tile industry.

Another striking example is that of the leather-footwear industry. In the first 3 months of 1970, domestic production was down by an average of 10 percent while imports were up on an average of 65 percent, and the importers captured 25.2 percent of the total American market in shoes. Clearly, whatever growth potential the market has is being grabbed by foreign firms and any potential increase in job opportunities are being lost if not the existing jobs themselves.

Mr. Chairman, I urge the approval of remedial legislation to authorize the setting of import quotas to protect vital American industries. Our present laws are inadequate and it is apparent in the failure to reach voluntary agreements with foreign nations. This failure, in the case of Japan, was most glaring in view of the fact that Japan is the third largest industrial power in the world, has an unemployment rate of less than 1 percent, and enjoys a far larger share of the U.S. import market, than any other importer.

I urge this committee to approve legislation which will assist our domestic industries and, in particular, the textile and apparel, leather footwear, ceramic tile, and beef and dairy industries.

The CHAIRMAN. Thank you. If there are no questions, we will call our next witness.

Our next witness is our colleague from Wisconsin, the Honorable William A. Steiger. If you will come forward, we will be pleased to hear your statement.

STATEMENT OF HON. WILLIAM A. STEIGER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WISCONSIN

Mr. STEIGER. Mr. Chairman, members of the committee, I want to thank you for this opportunity to present a statement to you this morning.

I would like to discuss three industries which are vital to the Sixth District of Wisconsin, and the impact that imports have had on the people in my district who work in the dairy, mink, and shoe industries.

The task you have before you is a most difficult one. I well realize the delicate balance our country tries to establish in international trade, the implications for our foreign policy and for all our citizens. We cannot ignore, however, the very real plight of some of our domestic industries, and we cannot forget that behind each statistic on workers laid off or on businesses closing there are very real human beings and families whose lives and livelihoods are seriously affected. Many of these people have invested their life's savings in their businesses. Many have worked a lifetime in one industry. In making your decision, you will, I know, keep these individuals in mind. It is hard for the individual to understand why he and his family must suffer while we try to negotiate agreements and plan our trade economy for the future.

DAIRY

Mr. Chairman, Wisconsin is, of course, one of the leading producers of dairy products in the United States. The Congress has provided the executive branch with a tool for regulating dairy imports, section 22 of the Agricultural Adjustment Act of 1933. Unfortunately, the dairy industry's experience with the utilization of section 22 has been less than satisfactory.

I do not need to recount to the committee the history of subterfuge, violation, and evasion which has plagued the application of section 22 in the field of dairy imports. Suffice it to say that in the course of the erratic administration of this section businesses have been damaged and others, including one in my district, Gehl's Guernsey Farms, have been practically destroyed by executive policy.

It appears to me that there are two major problems related to the application of section 22. Our colleague, the distinguished ranking minority member of your committee, John Byrnes, has introduced legislation, H.R. 17743, which would, I believe, solve one of them. His proposal would transfer from the Bureau of Customs to the Secretary of Agriculture the responsibility for determining whether an imported dairy product falls within import quotas established under section 22. A review of Tariff Commission action on dairy imports will show the large number of times the Commission has been asked to act on products specifically tailored to evade our quotas.

The Customs Bureau has been ineffective in administering the quota limitations on dairy imports imposed under section 22. Transfer of the authority to classify imports of dairy products to the Secretary of Agriculture will be an important step toward restoring the intent of section 22 which is to set controls on any article whose importation will render ineffective or materially interfere with domestic agriculture programs or production. Proper classification should prevent a continuation of the loophole game which foreign producers have been playing with so much success and restore faith in the integrity of our laws and executive orders.

The second major problem with section 22 is the time and cost involved in initiating, conducting, completing Tariff Commission investigations and in implementing the recommendations for quota modifications, as well as the damage to domestic producers and the price support program which results in the interim. I am hopeful that Congressman Byrnes' bill will sufficiently halt the flow of subterfuge products to make Tariff Commission investigations under section 22 largely unnecessary.

Should this not happen, however, I feel this committee must give serious consideration to making the procedures for calling and conducting Tariff Commission investigations and for implementing recommendations more responsive and less subject to delay and indecision.

Finally, I would say to the chairman and the committee that I have not specifically requested absolute quotas on dairy imports based on whole milk equivalency, because I would first like to improve and tighten administrative procedures are recommended by Congressman Byrnes.

However, we must not forget, and I quota USDA in its testimony

before the Tariff Commission during the 1968 investigation of dairy imports:

The commodity with which we are fundamentally concerned is milk. This is what the farmer produces. It can be processed into a great variety of products—into whatever forms can be most readily utilized or disposed of. It is a technically simple matter for foreign suppliers to put their surplus milk into any processed form for which an outlet can be found.

Several members of the Tariff Commission at the time of the 1968 investigation suggested that the Department translate its price support position insofar as imports were concerned to a milk equivalent basis and recommend quotas on this basis.

It seems to me that if the Department does not exercise responsible administrative authority under section 22 in the matter of dairy imports that the Congress should give careful consideration to the milk equivalent approach.

FOOTWEAR

I would also like to comment on the legislation sponsored by the distinguished chairman and other members of this committee to regulate imports of textiles and footwear, H.R. 16920. I urge passage of this legislation for the footwear industry.

I spoke previously of the individual and his family who suffer because of import damage to certain businesses. Let me quote to you from letters I've received from workers and businessmen alike.

From Henry and Edgar Jung of the Jung Shoe Manufacturing Co. in Sheboygan, Wis.:

As an employer of 150 people we are deeply concerned with the total picture of rising imports and the general unfairness of world trade policies . . . Last government figures for the first two months of 1970 show that production of domestic leather and vinyl footwear is running 6.7% behind the same period a year ago. Imported leather and vinyl footwear was 77% ahead for the same two months. The average imported monthly pairage for the first two months of 1970 was 21.8 million pairs. A conservative estimate of even 19 million pairs for the average month of 1970 would bring the yearly total to 228 million pairs. This would compare to 195 million pairs imported in 1969 and 175 million in 1968. You will also recall that domestic footwear production was 580 million pairs last year compared with 630 million in 1968.

Carl W. Kimes, of Milwaukee, Wis., writes:

How many thousands of jobs must be lost before everyone in Congress awakens to the danger and supports Wilbur Mills? The destruction of U.S. industry is hardly a proposition that our representatives in Congress should condone.

Theodore Hasse, president of the Oshkosh Tanning Co. writes:

Just for your information, imports for the first quarter were more than 50% of our own output. Now, if you do not think this is serious, just look at your records to see how many shoe factories have closed and tanneries have closed, plus, in Wisconsin, one of the largest closed its doors about three months ago . . . It is a bad situation when we can export our raw stock to Japan and they can turn around and return the finished product to the United States and have them undersell our domestic manufacturers . . . Japan has 22¢ an hour labor against our approximately $3.00.

John T. Justen of the Pfister & Vogel Tanning Co., Inc., says:

With shoe imports up the first quarter of this year by 54% over last year, the shoe and leather industries must have your prompt assistance. In March one out of every three pair of shoes had its origin on foreign soil. How long can this continue, and how many thousands of jobs must be lost to foreign labor . . .?

I have received similar expressions of concern from the men and women at Rueping Leather Co., in Fond du Lac, Wis., and Leverenz Shoe Co., in Sheboygan, Wis.

Mr. Chairman, this is just a sample of the mail I have been receiving on this issue. Each piece of correspondence is important because it reflects individual experiences in this industry.

President Nixon's proposed revisions of the 1962 Trade Act, H.R. 14870, contains several provisions which I believe should be enacted. They should be of some help to both the footwear industry and to the mink industry, which I will discuss later in my statement. As you know, the President has recommended a liberalizing of the "escape clause" which permits the President to increase tariffs or otherwise impose restrictions if it is found that increased imports are causing or threatening to cause serious injury to a domestic industry. Under the President's proposal, whenever increased imports are the primary cause of actual or threatened injury relief will be available to industries. In addition, increased imports would no longer have to be directly attributed to a tariff as is presently the case. This will allow a determination to be made on the real issue—has import competition caused the damage to the particular industry.

To complement this proposal, the administration has also recommended that the existing adjustment assistance provisions be liberalized to allow individual firms and workers to receive loans, technical aid, tax relief, relocation, and training when increased imports are found to be a "substantial" rather than the major cause of actual or potential serious injury.

To quote from former Labor Secretary George Shultz' testimony before this committee:

> It is the intention of the Administration that adjustment assistance be extended to firms and groups of workers when appropriate. In contrast to tariff adjustment relief for entire industries, such decisions do not have nation-wide or international impact. Adjustment assistance is concerned with the problems of individual towns, cities, communities, plants and groups of workers.

The shoe industry has been a victim of the stringent, rigid, and technical language of the present law. While, as Secretary Stans pointed out in his testimony, the infrequent use of the law has made it impossible to know whether further amendments will be necessary in addition to the ones proposed, these initial amendments should make the law much more responsive and provide the type of assistance Congress originally intended to offer.

MINK

Mr. Chairman, the above measures may also be of some help to mink ranchers. As the ranchers have told me, "It will be better than nothing." Based on the recent USDA statistical reporting service survey (June 11, 1970) there are 2,635 mink ranches in the United States. Five States, however, account for 67 percent of U.S. production, and Wisconsin leads the States with 661 ranches producing 1,749,000 pelts in 1969.

The majority of ranchers are small-scale operators who operate and work their own ranches. The 1968 Tariff Commission investigation of the mink industry concluded that "most mink ranches are operated

as single proprietorships; in such operations the owner and members of the family usually perform an important part of the work." In 1966, less than 2 percent of the ranchers were largescale operators, that is, each producing 10,000 or more furskins.

Mink furskins, as you know, enter this country duty free. This represents 97 precent of the imports. In accordance with concessions granted in the Kennedy round of the GATT negotiations, the duty rates on dressed furskins is in the process of being decreased and will reach a low level by January 1972.

Between the late 1940's and 1967 there was a sustained upward trend in imports of mink into the United States. Since then, mink pelt imports have declined somewhat, but the importation of wearing apparel involving fur has increased from $3.9 million in 1966 to $10.2 million in 1969 (value of the produce in the country of origin).

There are many factors which effect the mink business, but imports have played a substantial part. In 1966 and 1967 imports captured 54 percent of the U.S. market. The amount and quality of the imports dealt a severe blow to our domestic mink industry. Pelt prices have dropped drastically. Prior to the import peak, prices averaged $18 per pelt. In 1967, 1968, and 1969 the average was $14.75, a drop of 18 percent. Preliminary figures for the first 3 months of 1970 show a gross average of $12.75, a drop of 30.4 percent from the first quarter of 1969.

But these are gross sale prices. They do not represent net to the rancher. The true net now runs about $9.50. But even this is misleading because so many of the mink ranchers are small operators. A majority of mink ranchers today are operating at a loss at current market levels.

In the 90th Congress and again in the 91st I introduced legislation to limit imports of mink. Recent meetings I have had with mink ranchers in my district have convinced me that even this import level will be damaging.

I would like to quote from some of the letters I have received, so that the committee can understand the urgency of the situation.

Mr. Ben Nelson of the Ben-Nick Nelson Mink Ranch in Oshkosh writes:

> I have built a nice mink farm through sweat and blood similarly to many small business men starting with nothing about 32 years ago. I am raising a family, sending children to school, pay taxes and furnish jobs to people. Now at 59, I am forced out of mink business because of imports. We shall help others but we also must protect ourselves from business destruction. We are not asking for complete quota but a partial mink quota so we can also live and survive with our foreign competition.

Mr. William Smith of the Smith Mink Ranch in Eden, Wis. says:

> Last year I lost money raising mink and will lose again this year and may be forced out of this business if the present policy continues as the other 6,000 that have been forced out of this business. We employ several people and families. They will be laid off. We did not pay taxes last year and won't again this year because we are losing money, because of the present policies of the administration. The days of free import duty should be over with.

From Arnold and Brian Schouten of Waupun, Wis.:

> We are faced with ruin after three years of disastrous markets where we are forced to sell below costs. We've been in the mink ranching business for

over 28 years and now face loss of the ranch since all sources of credit have been used up.

Quotas must be put on the number of foreign mink admitted to this country or the situation is really going to be chaotic.

We are operating a 5000 female Mink Ranch with an average of 20,000 pelts per year. I am in partnership with my father with an investment of over ½-million dollars.

Over 40% of the mink ranches in the Fall of 1969 had pelted out. It is estimated that at least 75% will pelt out during 1970, including *us*, if we do not get a quota or limits.

Fred Pupeter of the Royal Blue Mink Farm in Oshkosh, Wis., writes:

If we do not get relief this year I will be forced out of business and my two hired men will be out of a job and so will I. What kind of a job do you look for when you are sixty-four years old and been self employed all your life?

This is only a sample, but it accurately reflects the desperate tone of my mail.

Congressman Ancher Nelsen has proposed that the formula established in the Mills bill be extended to the mink industry, with the exception that for mink the base year would be 1959–60. The imports of that year would represent a figure equal to 28 percent of domestic consumption last year.

I urge the committee to adopt this provision. Our mink ranchers must have this help.

The CHAIRMAN. Are there any questions? If not, we thank you for appearing before the committee today.

Our next witness is Mr. Robert W. Rutledge.

If you will come forward, we will be glad to recognize you, sir.

STATEMENT OF ROBERT W. RUTLEDGE, EXECUTIVE VICE PRESIDENT, FLORIDA CITRUS MUTUAL; ACCOMPANIED BY WILLIAM AMORY UNDERHILL, COUNSEL

Mr. RUTLEDGE. Thank you, Mr. Chairman.

My name is Robert Rutledge. I am with Florida Citrus Mutual, Lakeland, Fla.

The CHAIRMAN. Mr. Gibbons.

Mr. GIBBONS. Bob, we are glad to have you here this morning, you and Amory. I look forward to your presentation.

I know the problems that you have but we certainly want to get all this in the record so that the rest of the Congress will know the problem.

Mr. RUTLEDGE. I appreciate that. I hope it does get in the record and that you will pay attention to it when the time comes.

The CHAIRMAN. Thank you.

You are recognized, Mr. Rutledge.

Mr. RUTLEDGE. Mr. Chairman, this morning I would like to present a brief or file a brief with the committee.

As well, I would like to enter into the record, please, sir, letters from the Florida Canners Association, Florida Citrus Commission and the Florida Fresh Citrus Shippers Association and Florida Fruit and Vegetable Association, which support the testimony as presented.

The CHAIRMAN. Without objection, the letters referred to will appear in the record at the conclusion of your statement.

Mr. RUTLEDGE. Thank you, sir.

My name is Robert W. Rutledge. I have been employed by Florida Citrus Mutual of Lakeland, Fla., for the past 20 years, and I am executive vice president of this organization. I have been authorized by our board of directors to represent our industry in this hearing.

Florida Citrus Mutual—the world's largest independent organization of citrus growers now numbering over 15,500 grower members—was organized in 1948 under the Agricultural Cooperative Act of the State of Florida and in conformation with the Federal Capper-Volstead Act. It has been in continuous operation since that date.

Florida Citrus Mutual by its charter and bylaws is authorized, among other things, to act for and on behalf of its members in legislative or other matters involving the general welfare of our industry.

It was my privilege, Mr. Chairman and gentlemen of this distinguished committee, to appear before you on July 2, 1968, and to present at that time a statement relating to the overall subject matter of tariff and trade. In that statement, we presented argument for the maintenance of the existing schedule of import duties on foreign citrus. I suggest that the information submitted then continues to be totally valid and perhaps worthy of inclusion in the records of these current proceedings.

On behalf of our people, I am grateful for the opportunity of presenting again oral testimony which expands upon and supplements the brief which is now in your hands.

In so doing, Mr. Chairman, I would first like to discuss briefly the matter of the giving of tariff preference to developing countries and, secondly, I would propose to relate to your distinguished committee some of the actions of our industry in protecting the interests of the consumer, and, finally, to review with you some of the activities that were carried out by Florida Citrus Mutual during the course of the Kennedy round of trade and tariff proposals.

TARIFF PREFERENCES FOR ALL DEVELOPING COUNTRIES

It is our conviction that tariff preferences for the developing countries of the world should not extend to those domestic commodities, agricultural or otherwise, which are in surplus supply. This surplus supply category certainly includes citrus fruits and citrus products as is demonstrated by examination of the tables and charts relating to production and productive capacity published in this brief.

There is just no way for our industry to "adjust" its citrus productive capacity in order to accommodate and tolerate the bringing in of additional supplies from other foreign citrus producting areas.

There is one chief reason why our citrus industry can never become competitive with the industries of many foreign producing nations; that reason being the easily proven fact that the workers in many of these foreign citrus producing nations are paid the same for a full day's work as Florida workers get for a single hour.

Labor costs represent a very significant portion of the overall selling price in the marketplace for our citrus commodity. Our growers have taken pride in the fact that they have supported fully all efforts aimed at the objective of giving the citrus worker in Florida a living wage.

A recent press release from the Office of the Special Representative for Trade Negotiations had this statement:

We do a great disservice to our own national well-being, for example, to seek any protection from foreign competition before exhausting all efforts to compete.

I submit that the record will show that the Florida citrus industry has exhausted all efforts to compete short of placing its workers in a slave labor position.

PROTECTING THE INTERESTS OF THE CONSUMER

Someone has said, "trade legislation generally is caught up between producers who want protection and consumers who have to pay for such protection in higher prices for the things they buy."

We concur in entirety that the American consumer should have the opportunity to purchase essential food products—and in this category we place citrus products—at lowest possible costs consistent with assurances of purity of product, high-quality factor, and continuity of supply.

The record will show that the U.S. citrus industry, and in particular the Florida citrus industry is meeting these conditions in full measure.

For illustration, our major citrus commodity, frozen concentrated orange juice, is produced to specifications substantially higher than the standards required by the Federal Government, and certainly higher than our foreign competitors even attempt. Continuously Federal inspection for this product during all processing operations by agents of the Federal Government quarantee its purity.

Now, as to values and costs. On the index of 1957–59, the consumer food price—all commodities—is currently 131.5 as compared with the index for frozen concentrated orange juice of 95.

Let's state it another way. The average cost to the consumer at this time of heavy inflation for a 6-ounce serving of pure Florida orange juice is about 4½ cents. Actually, this cost figure is less than that for many of the soft drinks sold today. The consumer is paying far less now for orange juice than 15 years ago, in spite of constant spiraling of labor and all other production costs. We doubt that any other food group could have established this record and stayed in business.

We submit, then, that in this important area of protecting the interests of the consumer, the Florida industry rates extremely high.

FOREIGN TRADE ZONES

I could give you many illustrations relating to the efforts of foreign citrus producing countries to gain access to the domestic markets of the United States. Various devices are utilized to accomplish these objectives.

One of the more recent ones has to do with the application of McAllen Trade Zone, Inc., for the establishment of a general purposes foreign trade zone at McAllen, Tex. This application reads in part as follows: "The zone to be used for processing food products for export..."

We are concerned that this effort is not in the public interest and certainly in direct opposition to the continued growth and prosperity of the U.S. citrus industry.

In a publication of the U.S. Tariff Commission, May 1969, this comment appeared:

Repeal Section 81 (Foreign Trade Zones Act). Explanation: The Foreign Trade Zones Act of 1934, the major objective of which was to expedite and

encourage international commerce, has not given rise to the type of commerce for which it was designed. By far the greatest use of the zones in recent years has been storage and manipulation operations.

Some years ago, a somewhat similar application was submitted for a foreign trade zone at McAllen, Tex. We opposed the proposal at that time and currently have communicated to the Department of Commerce our very strenuous objection to the approval of the present application.

The only protection our industry has now against the taking over by foreign orange producing countries of our fully supplied domestic markets is the continuation of the existing import duties for citrus fruits and citrous products.

It is a matter of pride with us that agricultural labor employed in our citrous operations receive a "living" wage. In this connection, we have no objection to favorable action by Congress on H.R. 17596, which, if adopted, will amend the Fair Labor Standards Act to provide for increased minimum wages. In so doing, however, we stress the point that because we subscribe to the Fair Labor Standards Act, there is just no way for us at the same time to compete with imports from foreign countries whose workers receive ridiculously low wage rates.

We hold the conviction, Mr. Chairman, that the current tariff on foreign citrous imports into the United States must be maintained if the U.S. citrous industry is to survive. We believe that the evidence which we have presented now and through the past many years fully justifies this position.

Actually, world production is increasing even faster than Florida's production which is plenty fast enough at this time.

So, we strongly urge the committee in its deliberations to not in any way, shape or form lower the tariff structure of foreign oranges coming into the United States.

In summary, why can't we compete with foreign oranges coming into the United States? One of our biggest costs in getting citrous to the consumer is labor cost. In these underdeveloped countries, they pay in 1 day what we pay in 1 hour for our labor in the citrous industry.

We have always made it very clear that we did not want access, nor did we think we deserved access, into citrous producing countries. We have always said that. We have been against cheap foreign citrous coming in.

At the same time, we did not think that we ought to have access to large citrous producing countries which we have never advocated or been for.

In summary, Mr. Chairman, I can say that the Florida orange producer is well aware of the interest of the consumer. We are currently supplying an adequate and continuous supply of high quality pure orange juice, as I said before, at less than 5 cents per 6-ounce serving and that the entire citrus industries of the United States, Florida being the largest, we produce about 75 percent of the oranges consumed in the United States, would very quickly be forced out of business if there is any lowering of the tariff in any way, shape or form.

On behalf of the many thousands of men and women who are dependent upon the Florida citrus industry for their livelihood, I express

to you our sincere appreciation for the opportunity to appear again before this distinguished committee.

We are grateful to you for your understanding of our problems, for your patience in again listening to our statement of position and for your helpfulness to us in resolving these vital issues in a manner which will permit our industry to stay in business.

Thank you.

(The additional material accompanying the statement, and the brief and letters referred to by Mr. Rutledge follow:)

BRIEF ON BEHALF OF FLORIDA CITRUS GROWERS SUBMITTED BY ROBERT W. RUTLEDGE, EXECUTIVE VICE PRESIDENT, FLORIDA CITRUS MUTUAL

This brief is in opposition to any decrease in presently published Import Duties or Tariff Schedules, or for extension of preferential treatment to any foreign citrus producing country, for citrus fruit or products, because of the paralyzing economic effect that would accrue therefrom.

This brief is submitted by Robert W. Rutledge, Executive Vice President of Florida Citrus Mutual, Lakeland, Florida, on behalf of the 15,560 members of this organization, producers of more than 90 percent of the citrus fruit grown in Florida. This organization is now completing its 22nd consecutive year of service to our industry. Included in the membership of Florida Citrus Mutual are persons who are vitally interested in the proposals incident to this public hearing—persons who are engaged in every phase of the citrus industry, including, but not limited to growers, handlers, nurserymen, plant breeders, and many other specialized and allied interests.

Florida Citrus Mutual—the world's largest organization of citrus growers—was formed in 1948 under the Agricultural Cooperative Act of the State of Florida and pursuant to the Federal Capper-Volstead Act. Under its Charter, Mutual is authorized (among many other things), to "provide means of representation to its members and other patrons in securing appropriate state and federal legislation affecting the Florida citrus fruit industry." It represents its more than 15,560 producer members collectively, as one voice, in seeking solutions to production, marketing, legislative, or other problems that cannot be carried out effectively by individual action.

Its operating policies are determined by a Board of Directors of 21 growers elected annually by its members. Policies so established are carried out by Mr. Robert W. Rutledge, Executive Vice President, who is responsible to the Board for the direction of a staff of experts in particular areas of activity.

Following World War II the Florida citrus industry was faced with bankruptcy. Because of conditions then existing, growers generally did not make a profit growing citrus and the term "economic abandonment"—the practice of letting citrus fruit fall to the ground for lack of a market—was common. An aroused industry, seeking solutions in the spirit of the "free enterprise" system, rose to meet the challenge in the formation of a growers organization—Florida Citrus Mutual . . . citrus growers in Florida now have direction and purpose. They have leadership and representation . . . and factual marketing information on a continuing basis that serves as the medium for informed marketing decisions.

I am authorized to speak for and on behalf of our industry.

It was my privilege and my pleasure on July 2, 1968 to appear as a witness before this distinguished committee in its consideration of tariff and trade proposals. I would suggest, Mr. Chairman, that the information supplied at that time continues to be totally valid and perhaps worthy of inclusion in the record of these current proceedings.

We said then, and we repeat now, "The current tariffs on foreign citrus imports into the United States must be maintained if the United States citrus industry is to survive."

It can be demonstrated quite clearly that the existing tariff schedules for citrus fruit and products are at bare minimum levels that permit us to stay in business as an industry. As an illustration, oranges and tangerines grown in Mexico are shipped into our domestic markets in volume and are strongly competitive to us even after the payment of the existing import duties.

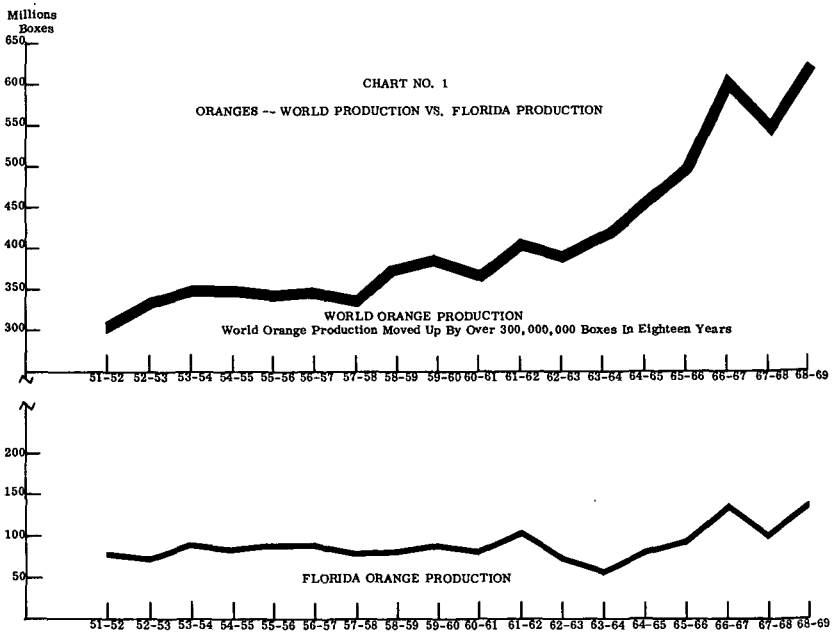
For all practical purposes, the important Canadian market has been taken over by our competition.

The Florida citrus industry is spending this year about $15 million to advertise and promote our citrus commodities in the United States. This money is made available by citrus growers as an assessment in order to build our domestic markets to a point that will absorb our constantly increasing production.

Florida alone now has more than 1 million acres devoted to the production of citrus—most of this is in oranges. A significant portion of this acreage has not come into bearing so that our industry must exercise every possible marketing approach in order to sell in our domestic market outlets this constantly increasing supply of citrus on a basis that would enable our growers to stay in business (we can't possibly accomplish this if our minimum import duties are lowered.)

WORLD PRODUCTION

Chart No. 1 shows the fantastic increase in world orange production. In the latest year for which statistics are available (1968–69) the principal orange producing countries of the world account for 623 million boxes—an increase of about 14% over the preceding year.



This very sharp build-up has been brought about by the fact that many of the foreign citrus producing countries operate under governmental assistance programs totally diverse to our own system of free enterprise.

It is a fact then that production of oranges throughout the world is increasing at a much faster rate than that of the increase in population growth. There is no alternative but that these foreign producing nations must exert every possible means to find new markets for their economy is dependent in a measure upon citrus exports.

The next-door important Canadian market, at one time supplied almost exclusively by the United States, has been taken over for all practical purposes by these foreign citrus producing nations. These inroads will continue to lessen our opportunities for expansion of export markets except for token quantities of processed orange products and a rather negligible volume of fresh grapefruit and grapefruit products.

The more than 2 billion dollar Florida citrus industry cannot survive the ravages of imported citrus fruit or citrus products brought in from the cheap labor countries of the world.

Yes, the impact of imports from overseas can destroy our industry. Remem-

ber what happened to the United States fishing industry? The once flourishing pottery industry? Many others?

Ours would not be a "displaced" industry subject to so called relief by means of "assistance" programs, but an industry supplying livelihood to more than 100,000 persons totally, irrevocably destroyed.

PRODUCTION OUTLOOK FOR FLORIDA ORANGES

It is our contention in this Brief, that the United States citrus industry has a productive capacity for oranges, currently and for the future, considerably in excess of demonstrated marketing capabilities.

It is a fact that Florida's production of oranges accounts for almost three-fourths of all the oranges grown in the United States. Thereby, the impact of any *excess* or *surplus supply* affects Florida to a greater extent than other United States citrus producing areas.

As well, attention is called to the fact that almost one-half of Florida's orange trees are less than 12 years of age. In essence this means that the Florida orange supply can be expected to increase very substantially year by year when these trees come into full bearing status.

The industry anticipates 200 million boxes of Florida oranges as a possibility by the mid '70s and more than a possibility by the late '70s.

Table No. 1 expresses our productive capacity for the years ahead in terms of low, average, and high ranges. This is done in order to compensate for abnormal shifts in production year to year due to weather and other causes.

The tremendous growth of the Florida citrus industry is illustrated by this fact—35 years ago, Florida's orange production was slightly less than 16 million boxes. Currently it is more than 135 million boxes.

The following tabulation records per capita supply of Florida oranges on a farm weight basis for certain periods of time:

	Pounds
1935–39	16
1945–49	34
1955–59	45
1965–69	54
1971–75 (estimated)	72

In order to cope with the problem presented by this massive increase in supply, the industry is undertaking, through the expenditure of many millions of dollars of its own monies, greatly enlarged programs of advertising, promotion, research, and market development. This is being done simply to enable our growers to stay in business on a reasonable profit basis.

The addition of even minimum quantities of foreign produced citrus to this tremendous domestic supply, would have the over all effect of negating all our industry's self-help efforts and programs.

TABLE 1.—FLORIDA ORANGES (INCLUDING TEMPLES) PRODUCTION POTENTIAL IN TERMS OF AVERAGE, LOW OR HIGH RANGES, SEASONS 1969–70 THROUGH 1986–87

[In million boxes]

Season	Low production	Average production	High production
1969–70	120	145	175
1970–71	128	153	182
1971–72	135	160	187
1972–73	142	168	193
1973–74	150	175	200
1974–75	155	180	205
1975–76	160	185	210
1976–77	165	190	215
1977–78	170	195	220
1978–79	174	198	224
1979–80	177	202	227
1980–81	180	205	230
1981–82	182	207	232
1982–83	184	209	234
1983–84	186	211	236
1984–85	188	213	238
1985–86	190	215	240
1986–87	190	215	240

FROZEN CONCENTRATED ORANGE JUICE IS OUR MOST IMPORTANT CITRUS PRODUCT

Frozen concentrated orange juice is our pre-eminently important citrus commodity. It is produced in accordance with extremely high quality and grade standards significantly special to our industry. No other citrus producing area in the world operates under quality and grade standards comparable to ours.

Of significance is the fact that 7 out of every 10 oranges grown in Florida are used in the production of this commodity.

Its quality—its goodness—its purity—are guaranteed under rigid requirements of State law.

Currently, our production of frozen concentrated orange juice this season will supply 2⅓ gallons of pure orange juice for each person in our Nation.

OUR SALES REQUIREMENT AND OUR SALES POTENTIAL

It has been stated previously in this Brief, that currently Florida produces almost 75 percent of all of the oranges grown in the United States, and that 7 out of 10 of these oranges are used in the production of frozen concentrated orange juice.

Our sales task then, for the years ahead, is related primarily to frozen concentrated orange juice and its important companion product, chilled orange juice.

It is a fact that with current orange production and even with massive advertising and promotional programs, there is a strong indication of "market saturation" for frozen concentrated orange juice. Tables 2 and 3 illustrate the severity of our *indicated surplus supply* for the years ahead. ("Surplus Supply" is expressed on the basis of the amount of our annual pack over and beyond the quantity that can be sold at a price level which will return out-of-pocket production cost to the grower.)

For the past several seasons, we have experienced an annual increase in sales of frozen concentrated orange juice of about 3 percent. This is far from sufficient to accommodate our *sales requirement* for the years ahead simply because our industry in Florida has 1 million acres in oranges with a *certain productive capacity that arbitrarily establishes our sales requirement.*

Thus, we re-emphasize again our contention that the United States citrus industry, in particular the Florida citrus industry, produces more than a fully adequate supply of oranges for our domestic market.

TABLE 2.—FLORIDA ORANGES, (INCLUDING TEMPLES): PROJECTED PRODUCTION CONCENTRATE PACK; CONCENTRATE SALES POTENTIAL; CONCENTRATE SURPLUS BEYOND NORMAL MARKET REQUIREMENTS: SEASONS 1970-71—1979-80

[In millions, boxes or gallons]

Season	Orange production	Oranges used in concentrate	Concentrate pack	Concentrate sales potential [1,3]	Surplus	Percent of "available supply" in excess [2]
1970-71	153	105	142	122	20	14
1971-72	160	111	150	125	25	17
1972-73	168	118	160	129	31	19
1973-74	175	124	167	133	34	20
1974-75	180	129	174	137	37	21
1975-76	185	133	180	141	39	22
1976-77	190	138	186	146	40	22
1977-78	195	143	193	150	43	22
1978-79	198	145	196	155	41	21
1979-80	202	148	200	160	40	20
Accumulated surplus					350	198

[1] Sales projected at "break-even" of $1.40 per dozen.
[2] "Available supply" assumed to be annual pack (with inventory carryover held at a constant figure).
[3] An attempt was made to project concentrate sales, using straight line supply-demand techniques, but this clearly indicated that additional sales brought about by a price lower than $1.40 f.o.b. were insignificant, and, therefore, would not change the above sales potential projections materially.

TABLE 3.—FROZEN CONCENTRATED ORANGE JUICE—SALES AND VALUES, SEASONS 1952-53 THROUGH 1974-7

Season	Total sales (million gallons)	Sales retail sizes (million gallons)	F.O.B. average dollars	Consumer dollar expenditures (millions)	Pounds/solids returns (cents)
1952-53	50.5	44.9	$1.30	$145	[1] 30
1953-54	53.7	46.9	1.24	145	[1] 29
1954-55	72.2	63.2	1.20	190	[1] 29
1955-56	66.5	55.9	1.40	195	[1] 38
1956-57	73.7	62.8	1.20	190	[1] 28
1957-58	61.6	49.9	1.97	235	46
1958-59	70.1	57.2	1.92	260	56
1959-60	84.9	70.8	1.54	265	42
1960-61	80.4	66.1	1.76	280	57
1961-62	95.7	75.4	1.39	260	36
1962-63	70.0	51.4	2.29	275	60
1963-64	61.4	46.6	2.35	255	83
1964-65	78.7	57.0	1.62	225	53
1965-66	86.6	64.5	1.62	250	41
1966-67	104.3	81.1	1.19	240	21
1967-68	101.7	80.7	1.62	315	46
1968-69	103.8	81.2	1.78	345	53
1969-70	115.0	92.0	1.53	345	38
1970-71	122.0	98.0	1.40	338	32
1971-72	125.0	101.0	1.40	348	32
1972-73	129.0	104.0	1.40	359	32
1973-74	133.0	108.0	1.40	372	32
1974-75	137.0	111.0	1.40	385	32

[1] Computed on basis f.o.b. average less estimated processing costs and adjusted for yield.

LABOR COSTS

The advocates of trade liberalization explain that the Florida citrus industry must become competitive with any other foreign citrus producing nation if it expects to survive as an industry. Our answer is simply this: Employees in our Florida industry are generally paid more for one hour's work than the workers in many foreign citrus producing countries receive in one day. For example, agricultural workers in some of the citrus producing nations such as Brazil and Mexico receive in wages as little as $40 a month or as much as $1.60 per day. Our citrus workers are paid more than $1.60 per hour.

As to efficiency of operation, the Florida citrus industry is the envy of the world. Modern technology is employed universally, but this alone, important as it is, cannot permit us to compete with foreign producers.

IMPOSSIBLE COMPETITION

The authority for the following statements (in regard to Brazilian costs) is a publication titled *Citrus Processing in Brazil*, FAS M-215 U.S. Department of Agriculture Foreign Agriculture Service, March 1970.

A tabulation in this publication shows that in 1968 Brazil exported a total of 30,096 metric tons of orange juice at a value (U.S. dollar) of $11,631,000. Forty-one percent (about 4 million gallons) of this product was exported to the United States and 21 percent (about 2 million gallons) to Canada. Under the assumption that this product was 65° Brix, the reported FOB per gallon would be approximately $1.75. This compares with the current FOB quotation for Florida bulk concentrate of approximately $3.50 per gallon (65° Brix).

The current FOB quotation for Florida reflects a return to the grower of about 32¢ per pound of solids, or at best, a recovery of production costs only.

Without the continuation of the existing minimum tariff schedules, the United States domestic market for concentrate could and would be taken over, and quickly, by Brazil.

The following quotations from the source report may be of interest.

"A large part of the Brazilian concentrate moving into export is tailored to buyers' specifications. Hence, price can vary considerably. For example, one processor claimed his average selling price for frozen orange juice concentrate was $2.80 per gallon (65° Brix, f.o.b. Santos) in 1968, while another stated he sold a substantial quantity for slightly below $2.00 and made $0.35 to $0.40 per gallon. According to the trade, selling prices early in the 1969 season were about

$3.00–$3.50 per gallon. As the season progressed, prices declined despite rising raw fruit costs and were quoted at $2.70–$3.00 in October. At the time of the survey, some expressed the belief a large Florida crop for 1969–70 would push prices toward the $2.00 level. However, in December one major exporter reported the current price at nearly $3.00. A smaller processor reported that his season's average would be about $2.50."

"Although there are no direct subsidies, the Brazilian Government, in order to expand exports, offers various tax incentives. The main incentive is the exemption of corporation income taxes on export profits. Other tax benefits include the exemption of the manufacturing tax (IPI) and State value-added taxes (ICM) on exports. A processor can utilize the credits from taxes paid on materials used for export to offset taxes due on domestic sales which are not exempted. Sao Paulo exempts fresh citrus from the ICM tax, currently 17 percent; this benefits the industry as it lowers raw material acquisition costs."

CHRONOLOGICAL RECORD AND CONCLUSIONS OF MUTUAL'S ACTIVITIES CALLING FOR MAINTENANCE OF TARIFFS ON FOREIGN CITRUS

December 17, 1963

Presented comprehensive Brief and extensive oral testimony in Hearings held in Washington by Trade Information Committee relating to the necessity for maintaining existing Tariff structure for citrus fruit and products.

December 18, 1963

Presented Brief and comprehensive oral testimony to U.S. Tariff Commission, Washington, on adverse economic effects that will accrue to the Florida citrus industry by reason of any reduction in Tariff schedules for citrus fruit or products.

January, February, March, 1964

Took positive action to prevent the "Ludwig-Virgin Islands Deal" whereby concentrate produced primarily from oranges grown in Panama would have been imported into the United States duty-free.

Finally, in special appeal to President Johnson on March 14, 1964, secured the President's personal interventation and clear cut decision to protect our industry.

April 6, 1964

Fully supported by the Florida Congressional Delegation, held conference in Washington at the Capitol with Ambassador Herter and 35 members of the Congress participating, in which the citrus industry Tariff story was presented by Mutual officials and other industry representatives.

Beginning in December, 1963 and continuing until July 1, 1967, when official announcement was made that only minor changes would be made in the tariff structure for citrus fruit or products published feature articles regularly in Triangle, developed comprehensive news releases, radio and TV programs, etc., relative to various phases of the Tariff and Trade Negotiations and Developments.

During 1964, 1965, and 1966, Mutual officials made many trips to Washington, for conferences with the President's Special Representative for Trade Information, with members of the Congressional Delegation. with officials of the Tariff Commission, and with representatives of other United States citrus producing areas, for documentation of our position on the "Kennedy Round" negotiations.

April 20, 1966

Mutual officials met again with Ambassador Herter and other officials of Trade Information Committee, and with our Congressional Delegation, at a luncheon meeting filing additional briefs updating our previous presentations, and presenting additional evidence of the paralyzing economic effect on our industry if any reductions were made in citrus tariffs.

June, 1966

Mutual officials met again in Washington with Ambassador Herter with particular discussions on the Mexican situation, and the clear cut danger to our industry from increased citrus imports from Mexico.

July, 1967

Received official confirmation of complete victory for our industry at the "Kennedy Round" negotiations at Geneva.

July, 1968

Mutual's Executive Vice President testified orally and filed briefs at a hearing in Washington by the Ways and Means Committee of The House of Representatives, on Tariff and Trade proposals.

April 23, 1969

Submitted Briefs to the United States Tariff Commission, The Trade Information Committee, and The Florida Congressional Delegation, updating previous data to a current basis.

CONCLUSIONS

Basically, a reduction or possible elimination of United States import duties on citrus fruit or products threatens the continued existence of Florida's vitally important, more than 2 billion dollar citrus industry for

(1) *World production of oranges is increasing* at a fantastic rate, to the extent that our competitors throughout the world are seeking exports marketing opportunities by every device of subsidy or otherwise open to them.

(2) *We can not compete*—for in Florida today the average citrus worker, whatever his job, earns more pay in one hour than the average citrus worker in many foreign citrus producing countries earns in an entire day.

(3) United States citrus producing areas would experience uprecedented *economic hardship*, and the national economy as well would suffer substantial loss.

(4) The Florida orange grower is a shining example of the *American "free enterprise" system.* He does not have, nor does he desire price support, production subsidization or any form of regimentation.

(5) *Simply stated, we seek equality of access with all other citrus producing countries into those countries which do not produce citrus.*

(6) Production of oranges within the United States (Florida having 75 percent of total) is *more than adequate* to supply all domestic requirements, even at price levels which return to producers little more than out-of-pocket production costs.

(7) *All U.S. citrus producing areas are extremely vulnerable to* imports of citrus fruit or products from foreign citrus producing countries which, due to location, internal trade policies and governmental assistance programs, have distinct competitive advantages in world trade for citrus.

(8) The Florida orange producer is well *aware* of the *interest* of *consumers*—currently supplying an adequate and continuous supply of high quality, pure orange juice at a cost of less than 5 cents per 6 ounce serving—one of the exceptional values available in today's market place.

(9) The great $2 billion Florida citrus industry is not so organized as to utilize in any manner whatsoever the so-called "assistance" provision sof the President's proposed legislation.

SUMMARY AND CONCLUSIONS—WHAT REALLY IS OUR POSITION?

In view of the very vulnerable position of our industry in relation to additional imports, it is our primary recommendation that this committee exempt citrus fruit and products grown in the United States from those provisions of the "Trade Act of 1970" which would weaken in any manner our existing, but limited, import duty requirements.

During the course of the Kennedy Round, we contended then and we repeat now that the Florida citrus industry does not seek access to the domestic markets of citrus producing nations, but seeks only equality of access to those countries which must import substantially all of their citrus commodity requirements.

Further, we stated during the Kennedy Round, and it becomes more evident with the passing of time. that the United States citrus industry has more than sufficient productive capacity to supply requirements of our total population for citrus products on even a saturation basis. It is no wonder that we are vulnerable to imports of orange concentrate or other foreign produced citrus commodities. The only salvation we have is the maintenance of our existing tariff structures.

FLORIDA FRESH CITRUS SHIPPERS ASSOCIATION,
Lakeland, Fla., June 3, 1970.

MR. ROBERT W. RUTLEDGE,
Executive Vice President,
Florida Citrus Mutual, Lakeland, Fla.

DEAR MR. RUTLEDGE: We have reviewed the oral testimony you propose to present before the U.S. House of Representatives' Ways and Means Committee in opposition to any reduction or liberalization in U.S. citrus import duties. We have also reviewed the brief on the same subject which you plan to file with the House Ways and Means Committee.

The members of the Florida Fresh Citrus Shippers Association wholeheartedly endorse the positions you take in your oral testimony and in the brief in opposition to any reduction or liberalization in U.S. citrus import duties.

The import duties on citrus should be increased instead of being lowered. The duties need to be increased to better protect the citrus producers of the U.S.A. from the cheap foreign competition. With the continuing increase in our domestic labor costs, the Federal-State Market News Service reports show that Mexico has increased shipments to the U.S. market as follows:

	Oranges (cars)	Tangerines (cars)
1966-67	254	312
1968-69	1,052	857

This clearly shows that the citrus import duties must be increased in order for the U.S. grower to just stay even.

The statement of fact you make in your testimony and the brief that the U.S. grower pays his employee as much or more for one hour as the foreign grower pays his employee for a whole day's work is certainly applicable to Mexico.

As you know, the members of this association ship approximately 85% of all Florida citrus that is marketed in fresh form and consequently we are painfully aware of the aggravated marketing problems caused by the importation of oranges and tangerines from Mexico and oranges from Israel. The importation of this citrus compounds an already glutted market and thereby reduces the returns to the U.S.A. grower of citrus. By all means, our citrus growers should not have to subsidize the Mexican or any other foreign citrus grower because of our low import duties. These citrus import duties should be raised to protect the U.S. citrus growers.

Again, we unequivocably endorse your testimony and the brief.

Sincerely yours,

W. G. STRICKLAND,
Secretary-General Manager.

FLORIDA CITRUS COMMISSION,
Lakeland, Fla., May 28, 1970.

HON. WILBUR D. MILLS,
House Office Building,
Washington, D.C.

DEAR REPRESENTATIVE MILLS: I have been requested to convey to you and your committee the thoughts of the Florida Citrus Commission regarding consideration being given to tariffs in the United States on citrus products imported from other countries. The Florida Citrus Commission directs activities of the Florida Department of Citrus, which I serve as executive director, and which, I might explain, is an agency financed solely by the citrus growers and authorized by state law to regulate and promote the citrus industry of the state.

I might describe this communication as an intercession into a matter of life and death—the life and death of one of the agricultural world's finest examples of a free enterprise system.

Florida has reached the position of the largest citrus producer in the world through the hard work and application related to a self-help industry. This has

been accomplished without benefit of governmental subsidies or assistance, a common practice among countries that wish to export citrus fruits and products into the United States.

To permit any quantities of foreign-produced citrus into this nation's domestic market with the advantages of little expense and lower prices would be a heavy blow to a self-sustaining and successful agricultural giant.

Rather than permit a lowering of tariffs which would encourage imports of foreign citrus fruits and products, my organization has asked that I convey a request for an increase in these tariffs affecting agricultural imports.

This nation would be remiss in promoting increased traffic of citrus into a country which produces a majority of the world's supply of citrus. In no instance does Florida export citrus into an area that grows citrus, and I feel this approach and this attitude should be respected by other nations seeking markets for citrus.

The Florida Citrus Commission is appalled by the seriousness of the situation and is asking that you and your group do whatever is necessary to support one of the largest free enterprise systems in the United States. This you can do by seeking increased tariffs that would protect the domestic market in this nation for American-made products such as citrus, whether it be grown in Florida, California, Texas or Arizona.

Sincerely yours,

EDWARD A. TAYLOR,
Executive Director,
Department of Citrus.

(The following statement was received for the record:)

FLORIDA DEPARTMENT OF AGRICULTURE & CONSUMER SERVICES,
Tallahassee, June 1, 1970.

Hon. WILBUR MILLS,
House of Representatives
Longworth House Office Building, Washington, D.C.

DEAR REPRESENTATIVE MILLS: I am extremely grateful to the committee on Ways and Means for its consideration of the serious problem which confronts us in the areas of foreign trade policy, and I am hopeful that the information submitted by the fruit and vegetable industry of Florida will provide the committee with sufficient information in the development of a legislative proposal which can resolve our problems and provide a respected foreign trade policy for our nation.

I would like to go on record in support of the Fair International Trade Bill which would encourage international trade on a fair and equitable basis and the Fresh Fruits and Vegetable Market Sharing Bill (H.R. 9656).

Florida, as an important agricultural state, cannot and neither can the nation afford the economic loss which we are suffering from Mexican imports. The efforts of our government to achieve reasonable business agreements with our trading partners have been largely unproductive. An example would be our negotiations with Mexico for an agreement on the importation of tomatoes.

The Fresh Fruits and Vegetable Market Sharing Bill would provide for such agreements backed by national economic policy.

As you will note from the Federal and Florida Department of Agriculture Market News Report of May 19, 1970, on Mexico fruit and vegetable imports into the U.S. attached, along with Ornamental Crops Imports reporting on air shipment, tomatoes is only one of many commodities of major concern.

If I can provide the committee with further information, I hope you will allow me to do so, and again, Florida agriculture would like to express to you and the committee on Ways and Means our appreciation for conducting hearings on tariff and trade proposals seeking a solution to the serious problems we face in foreign trade policy.

With warm personal regards, I am

Sincerely,

DOYLE CONNER, *Commissioner.*

Attachment.

Ornamental Crops—National Market Trends

(Issued San Francisco, Calif.)

(Week Ending May 22, 1970)

CALIFORNIA PRODUCING AREAS

Trading generally was good for most offering, fair for Carnations, and very slow for Tea Roses. Very hot weather, last week, temporarily caused production to increase substantially for Carnations and Roses and prices dropped considerably. Prices were generally unchanged for other cut flowers. The trade indicated picketing activities in the San Francisco area were stopped the first of week and cut flowers were moving freely.

In the Central Coast area, Tea Roses were 4–10¢ lower for 20–24 inch lengths at 6–12¢ per bloom. Sweethearts were 3¢ lower for 12 inch minimum at 5–7¢. Fancy Carnations were 1–3¢ lower at mostly 8–9¢ and standards were 2–3¢ lower at 5–8¢ per bloom. Miniatures were unchanged to 25¢ lower at $1.25–1.50 per bunch. Large standard Chrysanthemums stayed the same at 20¢ per bloom. China type commenced the season at 12–14¢ and held steady. Spiders remained the same at $1.75–2.00 per dozen. Pompons held firm at mostly 90¢–1.00 per bunch. Iris (including some Oregon and Washington repacks) were unchanged at mostly $1.25 per dozen. Beauty Asters, just getting into light volume, were about unchanged at 6½–7¢ per bloom. In the Central Coast and Oxnard areas Marguerite, Killian, and Majestic Daisies were 50–55¢, $1.00–1.10 and mostly 75–90¢ per bunch respectively.

In the San Diego County area fancy Carnations were 1–2¢ lower at 8–10¢ per bloom. Gladioli remained the same at $1.50 per dozen for fancy grade. In the Oxnard area, Stock was the same at 50¢ per dozen.

The trade implies that the production of Tea and Sweetheart Roses will be in moderate to heavy volume and adequate to meet the Memorial Day demand. Carnations in both Central Coast and San Diego areas will be in moderate supply though probably not sufficient to meet the demand. All varieties of the Chrysanthemum family will be in fair to moderate production, but not adequate for expected demand; however China type will be in very light supply. Marguerite and Majestic Daisies will be in good production, while Killians will be very light. The supply of all varieties of Daisies will be short of demand. Beauty Asters will be in limited supply. Iris—blue, white and yellow—will be in fairly light supply as the season comes to a close. Gladioli in the Central Coast and San Diego areas are in moderate production, probably adequate for demand. Stock from the Oxnard area is in moderate production and will continue providing growing weather remains favorable. The supply of local Cymbidium Orchids is very light as the season nears an end. However there is a light to fair production in the Santa Barbara area.

FLORIDA PRODUCING AREAS

Few advanced orders were received by shippers for Memorial Day. Wholesalers are reporting less demand for flowers on the holiday than in past years. Trading was mostly moderate. Adequate supplies of flowers, Fern and Greens should be available next week.

Several Gladioli growers in North Florida peaked in their harvesting about a week early as the continual warm weather has brought the plantings into production sooner than expected. Some shippers are reporting lower than normal yields of fancy grade Gladioli as the lack of rain is affecting the growth of the spikes. Prices were about unchanged to 10¢ higher this week with Fancys selling at $1.00–1.10 per dozen and Specials at 70–90¢. Shipments should increase for the coming holiday. The season for most growers in South Florida will end next week.

Pompon shipments are declining seasonally. Most of the States production is now coming from the East Coast. Quality is mixed as some growers are using black cloth while others are still cutting from natural plantings. Prices were steady at mostly 60–75¢ per bunch. The supply of Pompons is expected to be about unchanged.

Most Statice and Gypsophila production in the State will end after Memorial Day. A light supply should be available this week. *Last Report.*

The quality of Hardy Greens and Ferns is good and little change in supplies is expected.

Leatherleaf: Demand Moderate. Market Steady. Per bunch approximately 25 sprays 50–65¢, mostly 55–62½¢, occasionally including special packs 70–75¢.

Plumosus: Demand Moderate. Market Steady. Per bunch approximately 50 sprays 50–65¢, mostly 55–65¢, few including special packs 67–70¢.

Sprengeri: Demand Moderate. Market Steady. Per bunch approximately 25 sprays 45–62½¢, mostly 45–55¢.

Pittosporum: Demand Moderate. Market Steady. 1¼ to 1½ pound bunch 85¢–$1.00.

Podocarpus: Demand Moderate. Market Steady. Per pound bunched 40–60¢ mostly 50¢.

SAN FRANCISCO WHOLESALE MARKET

Trading was slow except for some improvements on Friday. Offerings of cut flowers and other ornamental crops were in moderate to heavy volume. Roses were in very heavy volume and prices were considerably lower than previous week as wholesalers were making concessions in order to move supplies. The supply of Anthuriums from Hawaii increased substantially and prices were lower. Carnations and Spiders were also lower in price. Prices on most other primary flowers remained generally about the same. New arrivals on the market were Fresh Yarrow, Artichokes, and yellow Calla Lillies. Potted Azaleas are in very light supply as their season comes to a close.

CHICAGO WHOLESALE MARKET

Trading on the Chicago wholesale flower market was mostly moderate. Roses and Carnations were moving fairly well especially white and yellow Miniature Roses. Supplies of Carnations were plentiful the latter part of the week with Miniatures backing up slightly. Daisies (all varieties) were down slightly in volume and prices held the holiday peak. Corn flowers were of good quality and brought a good price. Proms and weddings were the major source of trading. New arrivals including Gypsophila and Gladioli from North Carolina and Peonies from Illinois.

BOSTON WHOLESALE MARKET

Trading was generally active before Memorial Day. Chrysanthemums moved well at slightly higher prices. Prices held about steady for Snapdragons and other cut flowers remained generally about steady. Roses were in plentiful supply. Potted plants remained in plentiful supply with a good demand reported at unchanged prices.

DALLAS-FORT WORTH WHOLESALE MARKET

Trading was slow at beginning of week, moderate to good at midweek; becoming exceptionally good by weekend. Supplies of most varieties of flowers were very good. Except some wholesalers were reporting difficulty getting yellow and white Sweethart Roses. First arrival of Oregon Sweetheart Roses; California Gerbera Daisies and Crown and King Asters; Alabama Gladioli; Louisiana Jack-in-the-Pulpit; and Kansas and Illinois Peonies were reported. California Stock and Colorado Carnations were slightly stronger. Colorado best roses; California Majestic Daisies, Statice, Sweetheart Roses, and Fancy Carnations were slightly weaker. Other prices were generally steady.

AIR IMPORTS OF ORNAMENTAL CROPS, BY WEEKS, VIA BOSTON, DALLAS, HOUSTON, MIAMI, NEW ORLEANS, NEW YORK CITY, SAN ANTONIO, TAMPA, AND TRUCK IMPORTS VIA SOUTH TEXAS POINTS

[In cartons unless otherwise stated]

Flower and country of origin	Apr. 19–25	Apr 26–May 2	May 3–9 [1]	May 10–16
Agapanthus: Guatemala	2			
Anemone: Holland				380
Anthurium: Guadeloupe			1	
Carnations:				
Colombia	433	381	574	388
Costa Rica	51	54	33	72
Denmark		34		
Ecuador	109	56	85	39
Guatemala				7
Italy				1
Lebanon		29		
Panama	19			
Spain				2
Total	612	554	692	509
Chamaedorea (bundles):				
Guatemala	1,314	950	1,715	1,432
Honduras	835			430
Mexico	4,506	2,807	2,567	1,769
Total	6,655	3,757	4,282	3,631
Chinkerichee: Colombia	2	1	2	1
Chrysanthemums:				
Canada			33	
Colombia	259	252	240	204
Costa Rica		1		2
Ecuador	402	72	128	102
Guatemala	153	85	181	130
Holland			1	
Total	814	410	583	438
Cornflowers: Mexico	2			
Daffodils: Holland				130
Daisies:				
Colombia		1	3	
Ecuador	2	15	11	11
Guatemala	19	26	23	
Holland (Gerbera)			2	80
Total	21	42	39	91
Delphinium: Colombia			1	1
Freesias: Holland	15	11	130	181
Gladioli: Guatemala		24		
Iris: Holland	2	1	8	116
Lilacs:				
England				8
Holland	8	1	4	
Lilies:				
Bermuda	16	10	51	
Holland		2		
Total	16	12	51	
Lily-of-the-valley:				
Holland			1	40
Sweden	3		2	
Total	3		3	40
Mimosa: France	1			
Mixed cut flowers:				
Holland	7	115		1
Italy	1			
Total	8	115		1
Narcissus: Holland			1	
Orchids: Australia	1			
Peruvian lilies: Holland			3	

See footnotes at end of table.

AIR IMPORTS OF ORNAMENTAL CROPS, BY WEEKS, VIA BOSTON, DALLAS, HOUSTON, MIAMI, NEW ORLEANS, NEW YORK CITY, SAN ANTONIO, TAMPA, AND TRUCK IMPORTS VIA SOUTH TEXAS POINTS—Continued

[In cartons unless otherwise stated]

Flower and country of origin	Apr. 19–25	Apr. 26–May 2	May 3–9 [1]	May 10–16
Pompons:				
Colombia	41	137	220	100
Costa Rica	5	16	72	23
Ecuador		158	170	144
Guatemala	99	82	48	106
Panama	3			
Total	148	393	510	373
Roses:				
Guatemala	27	8	3	
Holland	13	17	33	4
Spain				2
Total	40	25	36	6
Statice (stems):				
Guatemala	[2] 2			
Mexico	[3] 3,000	[3] 420	[3] 2,610	
Tritonias: Colombia		1	5	1
Tulips: Holland	112	97	244	466

[1] First report for Boston.
[2] Bundles.
[3] Dozen.

The CHAIRMAN. We appreciate very much, Mr. Rutledge, your consideration of the committee and your discussion of your problem. I am certain that the committee will keep it in mind and consider it when we get into executive session.

Mr. Gibbons.

Mr. GIBBONS. Mr. Rutledge, for the committee can you tell us the dollar size of the Florida citrus industry?

Mr. RUTLEDGE. The Florida citrus industry, I think we have to get back to how big it is; we have almost a million acres of citrus now in the ground in Florida, and about 25 percent of that is not even producing yet. So, you can see we are in an overplanted surplus supply situation very definitely.

This year, our retail sales will be about a billion dollars. Orange concentrate, for example, is selling now at the rate of about $1.5 million per day. So, we are engaged in a pretty big business here and we want to keep it healthy and profitable, if at all possible.

Mr. GIBBONS. So, your annual Florida citrus business is about a $1 to $2 billion a year business; is that right?

Mr. RUTLEDGE. Yes, sir.

Mr. GIBBONS. Where are potentially the greatest competitors from the outside?

Mr. RUTLEDGE. Mexico is one. Brazil is another. Those two countries have the capability of producing considerably more citrus than they are at the present time if they could gain access to our markets.

Mr. GIBBONS. You say their labor costs are about eight times cheaper than our labor costs?

Mr. RUTLEDGE. Yes, sir. Mexico can pay the 1-cent-a-pound labor tariff, and they are, on fresh citrus, and still ship into the United States and be more than competitive under our prices and make a profit. They shipped in about a half million boxes last year.

Mr. GIBBONS. Do you feel that the escape clause provision of the

Tariff Act needs to be amended in order that seasonal shipments of fruits and vegetables can be considered by the Tariff Commission in making a decision to determine injury?

Mr. RUTLEDGE. I do not believe this would affect our industry.

Mr. GIBBONS. The vegetable end of the Florida agricultural business is hurt more by the seasonal impact?

Mr. RUTLEDGE. Yes, sir. This is a tree crop. A citrus tree is going to be there for at least 50 years. So, it presents an entirely different problem.

Mr. GIBBONS. I know this is not your area of expertise but in the areas of strawberries and tomatoes those industries feel the impact greatly by the seasonal glut of the Mexican production, particularly, and some of the others close at hand?

Mr. RUTLEDGE. Yes, sir. They have to adjust to it by taking a chance to plant or not to plant. In the past, as history has shown, they have had to take the course of not planting in the face of this kind of competition.

With us, with the trees in the ground, we are going to run a 50-year cycle here where we are going to have plenty of citrus in the United States and we can't change it without cutting down the trees, and we certainly don't want to do that.

Mr. GIBBONS. You know, we talk about opening a factory and closing a factory. You can build a factory, I guess, in a couple of years but it takes how many years to plant an orange grove and bring it into production?

Mr. RUTLEDGE. It takes 5 to 8 years to bring it in where it is paying for its own production cost. From then on, we have groves well over 50 years old in Florida.

Mr. GIBBONS. During all that time, they require a great deal of tending and care?

Mr. RUTLEDGE. Yes, sir; it costs about $300 an acre to fertilize, tend and take care of a citrus grove.

Mr. GIBBONS. Thank you.

The CHAIRMAN. Mr. Pettis.

Mr. PETTIS. Thank you, Mr. Chairman.

I would like to ask this question about the situation in Florida. I am somewhat familiar with it in California, having been a citrus grower for some 25 years. What is the effect on what I call the small citrus grower? Are these new plantings tending to be corporate plantings or are there more small operators going into the business?

Mr. RUTLEDGE. During the last 6 to 7 years, sir, most of the plantings have been planted by syndicates and corporations and rich people who wanted to have a place to write off expenses against income. Now they can no longer do that because in the Tax Reform Act there is a section in there that makes them now capitalize that expense money until the grove starts producing; I mean for 4 years; so that it has virtually stopped planting.

Where ordinarily as a grower you would plant 10 acres, 20 acres, 50 acres, or 100 acres, we have groves that have been planted recently in Florida of 10,000 acres. We have one grove that has rows in it that are 8 miles long. So, a 5,000, 10,000, even 20,000-acre grove is not uncommon now.

When you were in the citrus business and when I started in the citrus business, a medium-size grower or good-size grower was 50 to 100 acres. So, this has completely changed our picture.

Mr. PETTIS. I want to commend the gentleman for this statement.

This situation which you describe this morning is not limited to the State of Florida, then?

Mr. RUTLEDGE. No, sir.

California, as well, has, in my opinion, over-planted. They had the largest crop last season that they had in 20 years. You have probably heard from them on that.

Mr. PETTIS. That is right.

The CHAIRMAN. Any further questions?

If not, again we thank you.

Mr. RUTLEDGE. Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Rauth? Mr. Louis F. Rauth?

Mr. Wilson?

Although we have known you a long time and quite favorably, for our record we would appreciate your identifying yourself.

STATEMENT OF HENRY H. WILSON, PRESIDENT, BOARD OF TRADE, CITY OF CHICAGO

Mr. WILSON. Yes, sir.

I am Henry H. Wilson, president of the Chicago Board of Trade, and speaking in that capacity in behalf of the Chicago Board of Trade.

The CHAIRMAN. We are glad to have you with us. I hope you feel as comfortable out there as you used to when you were coming to the committee twisting arms.

We are glad to have you.

Mr. WILSON. Thank you, sir.

I must say that my experience in Washington was that it was my arm being twisted by the Members of Congress.

The CHAIRMAN. I imagine that is true.

Mr. WILSON. Mr Chairman and members of the committee:

I am deeply grateful for the opportunity to participate in this review of the proposed Trade Act of 1969 with special reference to agricultural trade. Our association is devoted wholeheartedly to the strengthening and expansion of trade.

The Chicago Board of Trade is the world's leading futures market for agricultural commodities, with member offices in 22 different countries. As such, our memberships recognizes the major importance of expansion of international trade in agricultural commodities.

The world in which we live is growing increasingly interdependent. The United States must depend on many other countries for several of the critical materials and even some of the amenities of life. The United States is one of the factors—but only one—in the determination of world prices and terms of trade. Shifts in production and buying patterns of other nations can have a serious effect on the well-being of our farmers as well as on our balance of payments. As one of the foundation stones of free world viability, in addition to military and political factors, there should be a community of economic interest, too. For we are a community of interdependents.

No group in our economy has a greater stake in international trade than the American farmer. In the 12-months ending with June, we will export over $6 billion in agricultural products—equivalent to the crops from one out of 4 acres of our harvested land. We are exporting some 60 percent of our ride production, 40 percent of the soybeans, in oil equivalent, and about 40 percent of our wheat.

The encouragement of commercial sales for export is of the greatest importance to our farmers, and to labor and business, as well. Increased agricultural exports can provide a basis for the farmer to increase production with profit. They can be a major contribution to maintaining a favorable balance of payments and they can increase job opportunities and profits throughout our expanding agri-business industries.

For these reasons, we must develop new markets and we must expand, or at least maintain, our participation in present markets. We should do everything feasible to keep other nations from curtailing our exports by erecting high tariff and nontariff barriers.

The terms of the President's proposals are well-known to this committee. It is essential that the bargaining authority of the President of the United States be expanded and extended. In general, the proposals of this bill should, if implemented, generate some additional momentum in liberalizing trade and provide authority to take some additional steps in international trade policy.

The Trade Act of 1969 will carry forward this Nation's 34-year-old policy of moving toward freer trade—toward an era of ever greater international cooperation. The Trade Act of 1969 rests primarily on two basic elements of U.S. policy—one, that trade liberalization is an essential step toward the closer integration of the free world economy; two, that liberalization of trade restrictions on all sides will bring a better allocation of world resources, and will stimulate economic efficiency, innovation, and enterprise.

These are the two legs on which U.S. foreign policy stands—a commitment to an economic philosophy of freedom and to a political philosophy of interdependence. In addition, this legislation is based upon the belief that, through export expansion, the United States can achieve equilibrium in its balance of payments without resorting to restrictive policies affecting the movements of goods, services, and capital and without weakening its commitment for defense and economic aid to less developed countries.

Agriculture for too long a time has received insufficient attention in negotiations for trade liberalization, especially since it involves complex problems. Levels of domestic farm income are involved in the economic policies everywhere. As a result, governments intervene in the markets with resultant distortions of world trade patterns. Supports to other measures, as current experience in the EEC is demonstrating, often aim at excessively high price targets. The resultant surpluses are inevitable with today's technology.

To implement programs of high guaranteed prices, unreasonable trade barriers are erected—including such devices as variable levies. The inevitable and logical sequence of these uneconomic actions follows:

1. Announcement of excessive price support level;
2. Expanded production through greater use of fertilizers, im-

proved seeds, pesticides, herbicides, farm machinery, and other inputs which help expand output;

3. Reduced demand;
4. Methods—such as variable levies—to reduce imports;
5. Subsidized exports;
6. Piling up of surpluses.

While there are variations between nations in the techniques by which uneconomic domestic agricultural goals are reached, they usually have one thing in common, restraint of imports and disposal of unwanted surpluses in export markets, often through direct or indirect subsidies.

The current EEC variable levy system for feed grains is creating major losses of exports to the United States and price hardships to meat, poultry, and egg consumers in the ECC. Stimulated, unrestrained production of feed grains is their order of the day.

World trade in feed grains dropped off in 1969 to 39.9 million tons from the 1966 peak of 43.8 million—a decline of 10 percent. U.S. exports in the same period dropped from 35.8 million tons to 16.5 million—a decrease of about 35 percent.

While we are testifying and supporting the Trade Act of 1969, I should point out that enactment of H.R. 16920, the textile and footwear quota bill, would have an extremely harmful effect upon the agribusiness community.

The terms of that bill would result in average rollbacks in imports in 1970 of 33 percent for manmade fiber products and 22 percent for footwear. Significant for the agribusiness community is the impact these quotas would have upon the principal markets for its products—the European Economic Community and Japan. All countries affected would be entitled to retaliate not only against the dollar cutback in trade, but against the loss of growth, as well.

Some interests in the EEC and Japan are searching for an excuse to restrict U.S. agricultural exports to their markets. Enactment of quotas on textile products and footwear would provide just such an excuse, and eliminate a major bargaining lever the United States possesses to open markets in the EEC and Japan, as well as other nations.

At the same time, an increasing number of European and Japanese businessmen who export to the United States are becoming aware that the U.S. farmer cannot continue to support a liberal trade policy without similar support for liberal trade policies forthcoming from abroad.

In order to assist those businessmen abroad who support freer trade, we must trade constructive action to oppose the proposed soybean tax in the EEC and to open restricted markets for the U.S. agricultural community, both in Europe and in Japan. It would be unrealistic to expect such actions if protectionist legislation is passed by this Congress.

U.S. agricultural exports in calendar year 1969 amounted to $5.9 billion. Of this total, $1.3 billion were cash sales to the EEC and $934 million were cash sales to Japan. Together, the EEC and Japan bought over $500 million worth of feed grains, over $700 million worth of oilseed and oilseed products, and close to $200 million worth of tobacco.

In most instances, alternate sources of supply are available to our foreign customers, making U.S. agricultural products most vulnerable to retaliation.

The passage of a textile and footwear quota bill could severely jeopardize this atmosphere and would most likely preclude any meaningful discussion on agricultural trade and nontariff barriers in the future.

The enactment would coincide with announcement by Japanese officials of increased imports by 1977 of 86 percent more soybeans, 22 percent more wheat, 67 percent more feed grains and substantial increases in other products.

I am pleased that the GATT is now working to catalog these various import restricting techniques, item by item and country by country. I am sure that our private trade will cooperate in every way possible to eliminate these subtle and complex barriers to exports. While good will and intent may be helpful here, it will take more, much more. It will take hard work and diligent effort.

I feel that fundamentally there exists in the free world a will to liberalize trade on a mutually beneficial basis. We support the proposed Trade Act of 1969. I am confident that this Congress will write an important and honorable chapter in the history of the free world's progress toward even more beneficial international cooperation.

The CHAIRMAN. My good friend, don't be too confident about that last part. I hope we can develop legislation that will be of greater protection to industries within the United States that are being hurt without, of course, jeopardizing the sale of agricultural products that you are interested in and, of course, that I am interested in.

However, we have an attitude here in the United States, apparently on the part of some, that there has not been reciprocity in treatment of us in our dealings. I have a great deal of evidence submitted to me from day to day to verify that point.

The committee will strive, I think, to develop legislation that will not result in retaliation, at least to the extent that we can. But we will have to take care of some of these situations that are clearly proven injurious.

Mr. WILSON. I think it is clear that there are indeed injurious practices abroad. I would think there is some hope that the current deliberations of this committee could have its impact on these practices.

The CHAIRMAN. What disturbs us, frankly, and I will give you an example, is that after the Kennedy round of negotiations had been completed and some parts of it put into effect both here and abroad, some of the European Common Markets began to raise their border taxes. One of them, for instance, raised from 4 to 11 percent. Then after a period of time dropped from 11 to 7 percent; then went back to 11 percent in more recent weeks or months. You know the country I am talking about.

That change almost nullifies the change in their duty rate.

These are the things that worry us greatly, whether or not they are sincerely wanting to go along on the basis of reciprocal trade and reciprocally freer trade. It is not just one country I am talking about. You can point to something that all of them have done.

We are very keenly aware of the fact that agriculture is very dependent upon export markets.

Are there any questions of Mr. Wilson?

Let me thank you again for coming back to the committee. You are always welcome.

Mr. WILSON. Thank you, Mr. Chairman.

The CHAIRMAN. Our next witness is Mr. Leonard K. Lobred.

STATEMENT OF LEONARD K. LOBRED, DIRECTOR, INTERNATIONAL TRADE DIVISION, NATIONAL CANNERS ASSOCIATION

Mr. LOBRED. The National Canners Association is supported voluntarily by approximately 600 firms engaged in the production and sale of canned foods. The members of the NCA produce some 90 percent of all canned foods packed in this country, including canned fruits, vegetables, juices, meats, poultry, fish, and shellfish, and many formulated canned food products such as soups and baby foods, and other specialties. U.S. exports of canned foods in 1968 totaled $128.9 million, all for cash. The principal export markets are the European Economic Community, which accounts for about one-third of the industry's total exports, the EFTA countries, Canada, and Japan.

NCA SUPPORTS RENEWAL OF PRESIDENT'S TARIFF AUTHORITY

The National Canners Association supports legislation:

(1) To renew the President's authority to adjust U.S. tariffs; and

(2) To authorize the President to take appropriate action against other nations which use subsidies to compete unfairly against U.S. exports in third country markets.

We believe that such authority could be constructively utilized to protect existing foreign market acess for U.S. canned foods.

In supporting such legislation, however, we are obliged to emphasize that the effective administration of the trade agreements program does not rest on the enactment of legislation but depends on forceful and effective pursuit by the executive branch of U.S. trade objectives. We consider that the executive branch should pursue more forcefully and more effectively the rights of market access to which U.S. canned foods are entitled.

NTB'S AND TRADE DISCRIMINATIONS, THE CHIEF OBSTACLES TO CANNED FOOD EXPORTS

Although the major items of canned food exports are covered by bound fixed tariffs in the most important markets, market access and equality of trade opportunity for U.S. canned foods are being curtailed by nontariff barriers and trade discriminations against the United States.

The most serious export trade problems confronting the U.S. canning industry at the present time are:

The EEC variable levy on calculated added sugars in canned fruits;

Import quotas in France;

Import quotas in Japan;

Discriminations in Japan against canned foods from the United States; and

Discriminations in the EEC against canned foods from the United States.

Each of these problems has been an obstacle to U.S. canned foods for a number of years and is well known as such to the executive branch. Each is illegal under the GATT or is inconsistent with trade agreement provisions.

At the end of this statement are descriptions of each of these export trade problems, together with estimates of their dollar impact on U.S. exports.

May I ask, sir, that this be included in the record immediately following my statement?

The CHAIRMAN. Without objection, it may may be included in the record.

EEC TRADE ABERRATIONS

Mr. LOBRED. Without minimizing the importance of any other trade problems, we wish to focus on the trade aberrations of the EEC, whose member states comprise the largest foreign market for our industry production.

(*1*) *The variable levy*

We regard the variable levy as an absolute violation of GATT principles. It is the basis for a complicated regulation under which the EEC assesses a variable levy on the calculated added sugars in canned fruits, varying in ad valorem effect from one shipment to another, in addition to the tariff. The variable levy also is the source of funds with which the EEC subsidizes its canned foods in export markets, including the United States, in competition with U.S. canned foods. Moreover, the levy system is the basis on which the EEC seeks to develop new market regulations, in the form of minimum import prices, on canned fruits, vegetables, and fishery products, that would also be in clear violation of GATT.

The variable levy concept is in direct conflict with the GATT in the following respects. It is incompatible with the basic principle of the GATT which calls for import protection exclusively through the customs tariff (article XI). The variable levy, reference prices, and minimum import prices are even more trade restrictive than the measures which are expressly prohibited by GATT Article XI. The variable levy is in conflict with the GATT principle that customs valuation be based on actual values rather than fictitious values (article VII(2)). Contrary to the GATT requirement that import protection should be stable and predictable (article VII(5)), the amount of the variable levy is subject to change frequently. The regulations are the opposite of the GATT requirement for minimizing the incidence and complexity of import formalities (article VIII(1)). Moreover, the levels of protection in the variable levy are not negotiable.

The Community, itself, does not pretend that the variable levy system is legal, but only that it is an adjunct of its common agricultural policy.

It is a paradox of trade policy that the United States consented in the Kennedy round to recommend repeal of the American selling

price while apparently ignoring that the Community selling price—the variable levy—is a much more formidable import barrier. The variable levy is infinitely more protective in effect than the ASP and is applied to a value of trade four times the inflated ASP values of U.S. imports subject to the ASP valuation.

(2) *Threat to U.S. agricultural export markets due to geographic enlargement of the variable levy*

The variable levy system is additionally of great potential significance in connection with the forthcoming negotiations with the United Kingdom and other applicants for membership in an enlarged Community. Tariffs on canned foods (and other agricultural products) in the United Kingdom, Denmark, and Norway are relatively low. Tariffs on the principal U.S. canned food exports are covered by bound fixed tariffs. However, in the event of EEC enlargement the low tariffs on canned foods (and other agricultural products) in the applicant countries will be scrapped, and will be replaced by variable levies and other market regulations under the EEC Common Agricultural Policy. The geographic scope of the objectionable import systems will thus be enlarged from the present six EEC members to apply equally in all applicant countries. If the United States is to receive any compensation, and that is doubtful, all of it can be expected to be in the form of tariff reductions on industrial products. American agriculture will lose much and gain nothing.

There is no indication that the executive branch has any plans to safeguard U.S. agricultural export interests against the inevitable curtailment of market access in the applicant countries. Although the executive branch utters palliatives that they will "closely observe" the negotiations for EEC enlargement and will seek to prevent impairment of market access in the applicant countries, there is no way other than a challenge to the EEC agricultural protectionism to avert a further serious loss of U.S. agricultural export markets in the event of EEC enlargement.

The time is at hand when a decision to confront the EEC on its agricultural protectionism is no longer postponable.

(3) *EEC discriminatory trading arrangements*

Another major trade aberration of the EEC is its preferential trade arrangements, each of which includes a tariff and trade preference which is discriminatory against the United States.

The EEC is well on the way toward creating a trading orbit which virtually excludes the United States. Preferential arrangements are already in force with 18 West African countries in the Yaounde Convention, three East African countries in the Arusha Agreement, and with Greece, Turkey, Morocco, and Tunisia. An agreement with Yugoslavia has been concluded, and agreements with Spain and Israel are near conclusion as part of the EEC's Mediterranean policy. The EEC is discussing preferential trade arrangements with Austria, Malta, the UAR, Algeria, and Lebanon. Following enlargement of the EEC from its present six members to include the United Kingdom, Denmark, Norway, and Ireland, the EEC will have created a common market and preferential trading orbit which will embrace most of Europe and Africa.

On the outside of the EEC trading orbit will be only the United States, Central and South America, Japan, and the "White Commonwealth" countries such as Canada, Australia, and New Zealand. Of these, the United States and Japan will be the only truly MFN countries left in the world.

Each of the EEC trade preferences falls short of GATT criteria which provide for common markets or free trade areas within a specified period of time. Although the United States has challenged the GATT legality of these arrangements, and the executive branch is to be commended for its firm stance on this issue, it appears that the executive branch had better devise a more effective opposition to them, or else a long-range plan which will take account of the U.S. eventual isolation outside the EEC trading orbit.

CONCLUSIONS

The time is long past due for the executive branch to take the aggressive to obtain the market access and equality of trade opportunity to which the United States is entitled pursuant to the GATT and trade agreement provisions.

It is especially urgent now—in the face of negotiations for enlargement of the EEC—that the United States take the aggressive against the EEC's variable levy system and the EEC's preferential trade arrangements, which are the major obstacles to expanded U.S. canned foods exports and the chief long-term threat to maintenance of even the present level of exports. The variable levy system and the preferential trade arrangements are illegal under the GATT.

The alternative to effective action by the executive branch will be the further loss of U.S. agricultural export markets due to the prohibitive import protection of the variable levey, its geographic enlargement from the present six to additional countries, and the establishment of an EEC trading orbit founded on trade preferences which discriminate against the United States.

The executive branch should press more forcefully and effectively for faithful adherence to GATT principles and requirements by the EEC and other countries which maintain unjustifiable import restrictions on U.S. canned foods. The executive branch has adequate authority under existing law to do so.

It is a paradox of U.S. trade policy that the Government operates a number of programs designed to promote experts and to exhort businessmen to export, but at the same time does not obtain the market access or equality of treatment to which U.S. canned foods are entitled, for an industry which enjoys comparative advantage and for businessmen who really want to export.

It is hoped that we have thus identified a legislative objective—a clear direction from the Congress to the executive branch to utilize its existing authority to pursue U.S. export objectives more forcefully. The active support of the Ways and Means Committee and of the Congress for such efforts is elicited.

(The statement on export trade problems previously referred to follows:)

THE PRINCIPAL NTB'S AND TRADE DISCRIMINATIONS WHICH ARE OBSTACLES TO EXPORTS OF U.S. CANNED FOODS

EEC VARIABLE LEVY ON CALCULATED ADDED SUGARS IN CANNED FRUITS

The EEC began on July 1, 1967, to assess a variable levy on calculated added sugars in canned fruits. Operation of the variable levy is technical and complex. Its legal basis is to be found in a provision of the Dillon Round, but the complexity of the levy and its ad valorem effect exceed by far the conditions forseen at the time of the Dillon Round.

The EEC variable levy on calculated added sugars in canned fruits was assessed during 1968 on a total of 4 million cases of canned fruit from the United States. The variable levy, varying in ad valorem effect from one shipment to another, produces uncertainties for traders and adds approximately 30 cents a case to the landed cost of canned fruits. In order to be competitive in EEC countries with canned fruits produced in the EEC and in African countries enjoying preferential treatment, United States canners are obliged to absorb a portion of the total cost of $1.2 millions of the levy.

FRANCE: IMPORT QUOTAS

France continues to restrict imports of United States canned fruits by means of an import quota system which has been declared by the GATT to be illegal under GATT Article XXIII. The quota allowances are inadequate, and France is dilatory in issuing import licenses, often reneging completely on issuance of licenses to importers.

Per capita consumption of canned cling peaches in France is estimated at 4.2 pounds annually, compared with 10.3 pounds in Benelux and 10.7 pounds in Germany. Assuming that per capita consumption of canned cling peaches in France, in the absence of import quotas, would be half as much as the per capita consumption in the neighboring countries of Germany and Benelux, United States exports of canned peaches to France could be increased by one million cases, having a value of $5 millions.

Per capita consumption of canned pineapple in France is estimated at less than one pound annually, compared with 2.0 pounds in Germany and 2.3 pounds in the United Kingdom. Assuming that per capita consumption of canned pineapple in France, in the absence of import quotas, could be increased by only one-half pound annually, United States exports of canned pineapple to France could be increased by 500,000 cases, having a value of $2.5 millions.

Other canned fruits under import quota include fruit cocktail and cherries.

JAPAN: IMPORT QUOTAS

Japan continues to restrict imports of a number of United States canned foods, of which tomato products appear to have the greatest export potential, by means of import quotas.

JAPAN: DISCRIMINATION AGAINST THE UNITED STATES

In 1968 approximately 1.75 million cases of canned pineapple from the Ryukyus, entering duty free and quota free, provided 70 percent of Japan's imported canned pineapple. The remaining 30 percent was entered under the global quota. Taiwan dominates the global quota by maintaining a 482,000 case level it had acquired under a bilateral agreement with Japan prior to the quotas. This 482,000 case level represents 64 percent of the global import.

In addition to the restrictive quota, Japan assesses an ad valorem duty of 55 percent on canned pineapple imports except from the Ryukyus. Per capita consumption of canned pineapple in Japan is estimated at 1.1 pound, compared with 2.0 pounds in Germany, 2.3 pounds in the United Kingdom, 2.3 pounds in Canada, and 3.1 pounds in the United States. Assuming that per capita consumption of canned pineapple in Japan could be increased to one-half the per capita consumption in the United States, United States exports of canned pineapple could be increased by one million cases, having a value of $5 millions.

EEC DISCRIMINATIONS AGAINST THE UNITED STATES

The EEC has preferential tariff and trade arrangements with African states which are illegal under the GATT. Pursuant to the Yaounde Convention, the EEC imports canned pineapple from the Ivory Coast free of duty and without payment of the variable levy on calculated added sugars. These arrangements discriminate against canned pineapple from the United States which is dutiable on importation into the EEC at 24 percent ad valorem plus the variable levy on calculated added sugars.

The EEC is negotiating additional preferential arrangements with countries in the "Mediterranean Basin" which will include preferential tariff arrangements discriminating against United States canned foods, especially citrus products, in violation of the most-favored-nation principle.

Mr. LOBRED. Thank you, sir.

The CHAIRMAN. Mr. Lobred, we thank you, sir, for your very fine statement.

What you are pointing out to the committee is a matter of concern to me as a member of the committee, the fact that we have never apparently gone to GATT as we should have when violations of GATT have been committed by our trading partners.

You think and I think that the variable levy is a violation of GATT but do you know of any protest, any effort that has been made by our country through GATT to do anything about it?

Mr. LOBRED. No; I am reasonably certain that our Government has passed up several opportunities to do so.

The CHAIRMAN. Before this hearing is concluded, I am going to ask unanimous consent that we put in the hearing record a list, if we can accumulate such a list from Government sources, of the times when GATT has been violated by our trading partners and nothing has been done by our Government to seek remedy through GATT. I think it would be a rather imposing list.

The CHAIRMAN. I get a little bit tired of this talk about retaliation by our own American citizens at our own business people. We have lived in fear of somebody doing something to us apparently all the time we have been carrying on these relations. And every time something has happened to us we have excused the party for some reason other than trade or economics.

I think the fact that we have been so derelict in looking into this and keeping up with it and doing something about it is in part responsible for the present attitude that permeates the Congress. I think the present attitude is reflected by the bills that have been introduced in the Congress on trade.

It is too bad we have come all of a sudden to the fact that we have not done the things in Government that we should have done because if ever a country has been retaliated against it looks to me as though it has been the United States.

Mr. LOBRED. May I suggest, sir, that the administration has requested a broadening of its authority, a broadening of section 252, and it would seem appropriate for the committee and the Congress to indicate to the executive branch how that authority shoud be used.

The CHAIRMAN. Well, we have granted authority in the past. I hope that if we grant this authority something will be done about it. But I do not know what we have left in the way of duties now to trade away to some country to get the country to do what it should have

done in the first place, that is not discriminate under the terms of GATT.

This is a very, very sad occasion for me to find that we have gotten to this point.

Are there any further comments? Any questions?

Mr. BYRNES. Mr. Chairman, I would like to congratulate Mr. Lobred and his organization on this statement, because I think he has emphasized something too often overlooked; that is, the success of our trade relations depends upon effective administration and assuring rights of access for American products.

As the Chairman suggests, many in our executive branch are worried that Congress will do something to restrict the access of a foreigner to our market. But they overlook the fact that they should be at least equally aggressive in making sure that foreign governments are not inhibiting or restricting our access to their markets, an access we had purchased in some respect through the trade agreements and various concessions we have made.

I think it would be most helpful if you and others could advise this committee of an action being taken by a country that was a change and in the nature of a restriction, so that we might be more alert to what is taking place.

In fact, if it is possible to do so, it would be helpful if you might give us for the record some examples of what is taking place in the EEC, in some of the individual countries, where they have constantly changed the ad valorem effective duties or restrictions from one shipment to another. As you point out here, you can't always know when you send the shipment, exactly what the duty is going to be or what the additional charge or restriction is going to be.

If it is within your capacity to do so, I think it would be helpful to the committee if we had some examples of this kind of situation.

Mr. LOBRED. Yes, sir.

Very often, sir, these regulations are very complex. They take advantage of the technical nature of the product to create obstacles which are really peculiar to the product.

The Common Market Commission has developed a mastery at that. We spend a good deal of time trying to educate the executive branch, other than the Department of Agriculture, on the technical aspects of the regulations. It is very difficult sometimes to explain the technical operation and then the most difficult part is to induce them to act as we should like them to act.

Mr. BYRNES. When one of your members is shipping into country A, and it is apparent that country A is taking a restrictive action which your member feels is discriminatory and not in keeping with the right of access that he should have to that market, what does he do?

Is there any agency of government to which he reports, seeking an appeal to that government to remove that discrimination?

Mr. LOBRED. Yes, sir.

We hear complaints from the individual members of the National Canners Association and we have contact with the importers in Europe. So, we are perhaps among the first to hear of the trade barriers.

Mr. BYRNES. Then what do you do about it? To whom do you report here?

Mr. LOBRED. Generally, we talk to the Department of Agriculture and STR.

Mr. BYRNES. STR is the Office of the Special Trade Representative?

Mr. LOBRED. Yes, sir.

Mr. BYRNES. What have you been able to find that they do?

Mr. LOBRED. It takes time for them to absorb the technical operation of the levy, to obtain official texts of the regulations, and then to prepare position papers through the complicated, time-consuming interagency procedure.

During these interagency discussions, even after a draft position paper has been prepared, each of the departments has a chance to work on it a little bit. I am not privileged to participate in those discussions so I do not know for a fact in every instance what happens, but I am inclined to believe that sometimes our political support for the idea of European unification gets in the way of our trade interests.

Mr. BYRNES. At least you have discovered that the red tape is of such——

Mr. LOBRED. It is a combination of time-consuming red tape and also the political interests under which we have, as a government, given our support to the idea of European unification.

The Common Market is the vehicle for achieving European unification. In a sense, it is our stepchild that we have neglected to spank as it grew up. The time has come when the Community can stand on its own feet and still be a responsible trading entity and observe the rules of the GATT and in my opinion, it is rather flagrant in its disregard of GATT.

Our government process about which you were inquiring is, as I say, bogged down in the interagency procedures plus, I believe, this political override.

Mr. BYRNES. I think we all would have a little more confidence in the system if there were some aggressive action taken in the executive branch, where the responsibility really rests, to press our case against countries that discriminate against us, so that at least we are looking after American interests.

I am not suggesting that we should be in there asking for anything more than we have a right to, but certainly they have the obligation to enforce our rights. If we don't have any rights then we have been going through an odd process. We have been giving away rights that we knew we had to begin with in the agreement process.

Mr. LOBRED. We have very clearly defined rights.

Mr. BYRNES. That is what we were always told that we had, and that is what we purchased with some of the concessions we have made. Yet, if we are not going to enforce those rights, then we have been in a process that has not been very productive for anybody.

Thank you very much.

The CHAIRMAN. Mr. Ullman.

Mr. ULLMAN. Mr. Lobred, I have been quite interested in this Common Market development.

You say here the EEC is well on the way toward creating a trading orbit which virtually excludes the United States.

Then you go on to describe the preferential trading orbits that are being created with various countries.

Then you say that, "On the outside of the EEC trading orbit will be only the United States, Central and South America, Japan, and the 'White Commonwealth' countries such as Canada, Australia, and New Zealand. Of these, the United States and Japan will be the only truly MFN countries left in the world."

How can they establish these trading orbits and still operate under GATT?

Mr. LOBRED. The general agreement when it was written took account of the existence of the Benelux Customs Union and of the Commonwealth preference arrangements and of our own preferential arrangements with Cuba and the Philippines.

The GATT necessarily has a provision recognizing and providing for customs unions and free trade areas. Subsequent to the GATT the Common Market in Europe was developed on a scale perhaps not envisioned when the GATT was written and the Community has proceeded to take advantage of the fine print, to negotiate what they call association agreements with the former French territories in Africa, this is the 18 countries in the Yaounde Convention.

In these and other countries they have special arrangements as with Greece and Turkey. They are now negotiating these other arrangements which I have enumerated, taking advantage of the technical langauge in the GATT which, in my opinion, was not written with this type of tariff and trade preference in mind.

Mr. ULLMAN. Do these trading arrangements, which encompass a majority certainly of the trade of the Common Market, encompass more than agricultural products?

Mr. LOBRED. Yes; they do.

Mr. ULLMAN. They are across-the-board arrangements?

Mr. LOBRED. For Greece and Turkey, as I recall, there are nonagricultural as well as agricultural products included for the African countries, it is on an item-by-item basis. I am certain it includes what I would consider nonagricultural products which the African countries trade with the continent.

Mr. ULLMAN. They do enumerate the products involved?

Mr. LOBRED. Each agreement can be tailor-made. I am certain that all of them identify the products and the preferential terms.

Mr. ULLMAN. Are agricultural commodities the largest bulk of the commodities involved?

Mr. LOBRED. I am not able to say. I know that in one instance under the Yaounde Convention there are preferences on canned pineapple from the Ivory Coast which enter the Community free of duty and without payment of the variable levy, whereas canned pineapple from the United States confronts a tariff of 24 percent on the CIF value plus the variable levy on added sugars.

Mr. ULLMAN. Mr. Chairman, I think what this points up is that whatever happens I think this committee has to keep a lot closer surveillance of what is going on in GATT because what is happening now in the Common Market, it seems to me, is subverting the very essence of the whole GATT arrangement on world trade and it disturbs me a great deal.

I do not know how we can continue to operate under the banner of GATT when the exceptions are starting to outnumber the general rule

proceedings. The whole structure is going to fall apart if we continue down that road.

Mr. LOBRED. May I add, sir, that the Community has taken a position that any practice not expressly prohibited by the GATT should be tolerated.

The CHAIRMAN. Except any practice of ours.

Mr. LOBRED. Except any practice of ours is correct.

Under that premise, they have proceeded to develop preferential trade arrangements and the variable levy and the broad use of export subsidies and even the tax on value added to which you, Mr. Chairman, referred.

The GATT has a peculiar provision which provides for the refunding of certain taxes on exports and the community has taken what was a French system and enlarged it to apply equally throughout the six-member countries and has really taken full advantage. In all four of these areas, the community, by reading the fineprint, has fashioned trade devices for their advantage and they are really playing a poker game for high stakes, high commercial stakes, while our own people, I am afraid, are politely playing bridge.

As my statement and comments from members of the committee indicate, our Government needs to be a little more diligent and forceful in defending the rights that we have.

Mr. ULLMAN. You have been very helpful to the committee.

Let me say, though, that the things you have been saying have reinforced a lot of my fears and I think should give us cause for a great deal of concern as to the future of our trading relationships.

The CHAIRMAN. Any further questions?

Mr. WATTS. Mr. Chairman.

The CHAIRMAN. Mr. Watts.

Mr. WATTS. Am I correct in assuming that the GATT agreement only deals with tariffs?

Mr. LOBRED. No, sir.

Mr. WATTS. They have authority to deal with such things as border taxes?

Mr. LOBRED. Yes, sir.

Mr. WATTS. But they have not done so, have they?

Mr. LOBRED. That is correct.

Mr. WATTS. In other words, when they deal with another country, all they do is look pretty much at the tariff and wink their eye at what they are doing behind the tariff?

Mr. LOBRED. Well, the General Agreement on Tariffs and Trade is what I call a set of international trading rules on a reciprocal basis providing fair rules for all of us.

Mr. WATTS. That is what I think it ought to be.

Mr. LOBRED. Both as to tariffs and as to nontariff barriers and taxation and other aspects affecting trade.

Mr. WATTS. What I was trying to find out is if our traders don't go over there and merely look at the tariff situation, our tariff versus the other people's tariff, and forget all the other things they do to impede trade.

Mr. LOBRED. I would not say fairly, sir, that our Government has forgotten or negelected all of them.

The CHAIRMAN. Maybe they have looked at one of them.

Mr. LOBRED. They do pay attention to them.

Mr. WATTS. Can you name one they have lifted?

Mr. LOBRED. I can name some on which we have made some progress but they have not really lifted.

It may seem strange that World War II has been over for a number of years and France still maintains import quotas against canned fruit as a carry-over from World War II. Our Government has achieved some improvement in that situation but the quota still exists.

Mr. WATTS. Don't you think that our trade agreements ought to be relooked at, reexamined and reaffirmed in a way where our traders are instructed to deal across the board and not merely with one subject?

Mr. LOBRED. This is a complex problem, I am sure; otherwise it could have been resolved by now.

I think it involves a combination of many things, including our support for European unification, the attitude of the executive departments and the White House toward the EEC, perhaps the extent to which the Office of the Special Trade Representative is organized and staffed to carry on its activities.

It just is a combination of aspects which, for the time being, are not very favorable.

Mr. WATTS. I realize that there are a lot of complications and I realize there are a lot of problems. You would not advocate that this committee sit still and do nothing about it, would you?

Mr. LOBRED. I would hope not.

Mr. WATTS. That is what I was trying to get you to say.

That is all.

The CHAIRMAN. Mr. Gibbons.

Mr. GIBBONS. I would like to ask your opinion as one of the experts in foreign trade, do you feel that one of the problems we have in this country is that the focus on foreign trade export-import matters in the Federal Government is so dispersed and so spread out and so presently unstructured that it is very difficult for us to have a firm policy and to monitor and to audit that policy?

Mr. LOBRED. Yes, sir; I believe that is part of the problem.

Mr. GIBBONS. Then would you, without passing on any specific legislation, think that perhaps one of the things the committee ought to do is to try to bring all export-import trade in this country under one department of the Government where we could monitor it?

Mr. LOBRED. I think that would be difficult to do.

It is my understanding that the British Board of Trade in the United Kingdom comes very close to that. I believe that during the most recent study of foreign trade policy such an idea was discussed.

Our Government seems to be accustomed to working on an interagency basis and I am not able to suggest that that system should be abandoned, in all fairness.

So, the problem then is how to create a central office for coordinating and carrying on our trade program while still maintaining the necessary or desirable interagency coordination.

Mr. GIBBONS. It seems to me as though a person in your position would have to deal with many agencies. Since you deal primarily in

agricultural products, you would have to deal with the Department of Agriculture but you also have to deal with the Treasury, with the President's Special Representative on Tariff Negotiations, so you have the State Department in the act, too; then you have Interior sometimes coming in—I don't know how in the world you ever get a decision made and follow through with that many heads of departments you have to go through.

I guess the Bureau of the Budget gets in it, too; before it is all over.

Mr. LOBRED. Not on these trade barrier details.

As you say, Agriculture, State, Commerce, Interior, Treasury, and perhaps others are involved.

Mr. GIBBONS. I congratulate you if you can ever get a decision out of those many agencies involved in making trade decisions.

Thank you.

The CHAIRMAN. Are there any further questions?

Thank you again, Mr. Lobred.

(The following statements were received for the record:)

STATEMENT BY HAROLD BRUCE, EXECUTIVE VICE PRESIDENT, ASSOCIATION OF FOOD DISTRIBUTORS, INC.

This statement is being made on behalf of the Imported Canned Foods Sections of the Association of Food Distributors, Inc. in opposition to the reformation of the administration of Title III of the Trade Expansion Act of 1962.

We have heard a great deal about industry; this industry, that industry or the other industry. But to our utter confusion, we have yet to hear a voice raised to suggest that one of the largest industries in the United States and one of the most important to its economy is the import industry.

It employs untold numbers, directly, and many more are indirectly affected. It is involved in all distribution functions. It maintains warehouse and manufacturing facilities for further manufacturing operations. It supports many businesses that service it exclusively. Yet, the proposed legislation in Title II will subject this industry to uncertainties and stresses that would have widespread adverse effects not only to the import industry itself but to the entire economy.

In recent years, this country has enjoyed the greatest prosperity it has ever known. In great measure, this has been the result of the adoption of a policy of removing or easing restrictions on foreign trade. From 1965 to 1969 exports have risen at an average annual rate of 8.7 per cent. Imports in 1968 were 33.0 billion and in 1969 were 35.9 billion. Exports in 1968 were 36.6 billion and in 1969 were 38.0 billion. The balance of trade in favor of exports in 1969 rose in excess of 2.0 billion.

To abandon this successful trade policy would be ill-advised. To relinquish our position as the world leader in quest of free international trade would be a mistake. The placing of restrictions on our imports will have important consequences on our exports and on our entire economy. Increased barriers to imports must result in the creation of similar barriers to exports imposed by foreign countries. Such commercial strife could have untold results and where it could lead, nobody knows.

The effect of increased restrictions on imports would be to increase prices to the consumer. At a time, when our economy is suffering so grievously from the ravages of inflation, such increased prices would make their own contribution to an already unbearable situation.

We now come to what we consider the only reasonable alternative to restrictions on foreign trade where domestic industry is injured as a result of increased imports. The Trade Expansion Act of 1962 provides for trade adjustment assistance to firms and their employees who might be injured by imports. It is now the purpose of Title II to ease the requirements for obtaining such adjustment assistance.

The March of Progress is no longer a march but more like a meteor's flight.

Yesterday's buggy whip is today's museum piece. The effects of major, rapid changes in products, production conditions, raw material supplies and countless other factors can have crushing effects on some firms in some industries. It is only right that these effects be softened but the obligation to do so should be spread over the entire economy and not be limited to any one segment.

If, in order to equitably apply the adjustment assistance provisions of the Trade Expansion Act of 1962, it would be required to reform the administration of that Act, we believe the reforms provided for under Title II should be adopted.

In conclusion, we would like to recap as follows:

a) We strongly oppose Title II of H.R. 16920 insofar as it would relax the proof required to invoke the provisions of the Trade Expansion Act of 1962 dealing with the relief in the form of quotas, increased duties or any other type of restrictions on imports.

b) We favor that portion of Title II which will ease the requirements for adjustment assistance.

CHEROKEE PRODUCTS CO.,
Haddock, Ga., June 1, 1970.

Hon. PHIL M. LANDRUM,
House of Representatives,
Washington, D.C.

DEAR PHIL: We, as canners of fruits and vegetables since 1929, have always relied heavily on Canned Pimentos, and we have been watching with increased concern the way that the imports of Canned Pimentos are cutting into our domestic market.

Enclosed is a copy of a report by the U.S. Tariff Commission which shows that the percentage of imports to production has risen from 18.6% in 1965 to 38.6% in 1969. You will note that in 1968 imports amounted to over 45% of domestic production.

We are feeling the pinch with many of our customers. More and more they are going to imports, and the future of Pimento canning in the United States looks very gloomy. We have always had some imports and in years gone by, we could get by by saying that the imported Pimentos did not meet the quality of domestic pack. We cannot say this any longer, because the imports are very good quality and are satisfactory to our customers.

We wish to urge your support of the Fair International Trade Bill which we think would give our industry the relief that we need. It is not our desire that imports be cut off entirely, but we think they should be limited to a certain percentage of the domestic market and should not be allowed to stifle business, agriculture and jobs in the United States.

If you need more information from us on this matter, we shall be glad to try to supply it. We hope that you can visualize what this is doing to the Canned Pimento industry.

Yours very truly,

JESSE G. MOORE.

Attachment.

PIMIENTOS IN BRINE OR CANNED: U.S. PRODUCTION AND IMPORTS FOR CONSUMPTION, 1965-69

Year	Production (1,000 pounds)	Imports		Ratio of imports to production (percent)
		Quantity (1,000 pounds)	Value (1,000 dollars)	
1965	16,543	3,073	706	18.6
1966	13,493	3,516	1,026	26.1
1967	15,226	4,516	1,216	29.7
1968	16,982	7,802	2,010	45.9
1969	17,519	6,769	1,545	38.6

Source: Production data compiled from statistics of the National Canners Association; import data compiled from official statistics of the U.S. Department of Commerce.

Note: Exports are not separately reported, but trade sources indicate that exports are negligible.

The CHAIRMAN. Our next witness is Mr. Appleman.

Mr. GIBBONS. Mr. Chairman, while Mr. Appleman is coming up, could I ask unanimous consent to place in the record the statement of Joffre A. David of the Florida Fruit and Vegetable Association?

The CHAIRMAN. Without objection, that may be inserted at this point.

(The statement referred to follows:)

STATEMENT OF JOFFRE C. DAVID, SECRETARY-TREASURER, FLORIDA FRUIT & VEGETABLE ASSOCIATION

SUMMARY OF COMMENTS AND RECOMMENDATIONS

It will be the purpose of this Statement—

1. To recapitulate the Record based upon the documentation of the facts concerning the issues and problems of our industry submitted to this Committee in Hearings on Tariff and Trade Proposals during the 90th Congress, Second Session, in order to avoid re-submitting this information of record for the use of the Committee during its current deliberations on this subject.

2. To update this information to the nearest possible date of the current Hearings.

3. To comment on our foreign trade policy and its deficiencies and make general recommendations for its improvement.

4. To comment and make recommendations on the legislative proposals before the Committee with which we are concerned, namely:

(*a*) The President's foreign trade proposals.

(*b*) The Fair International Trade Bill.

(*c*) The Textile and Footwear Bill (H.R. 16920).

(*d*) The Fresh Fruits and Vegetables Market-Sharing Bill (H.R. 9656).

(*e*) Proposals to stimulate exports.

5. Conclusion.

My name is Joffre C. David, Secretary-Treasurer and General Manager of this Association of Florida agricultural producers, which comprises over 4,000 growers and shippers of fruits and vegetables who are concerned with the foreign trade policy under legislative consideration. My qualifications concerning the subject under consideration go beyond the operating functions of the organization which I serve by virtue of my background and firsthand knowledge in the field of foreign trade, with which I will not burden this Record. Suffice it to say that I have been vested with the responsibility of representing the interests of our membership and authorized by the Board of Directors of this Association to do so.

RECAPITULATION OF RECORD

It is very gratifying to have this fine and most important Committee of Congress resume its in-depth study and consideration of one of the most serious problems concerning our nation today after a two-year lapse in which no less than eleven volumes of Record were published as a result of the Hearings on Tariff and Trade Proposals during the Second Session of the 90th Congress. The elapsed time, however, has not been a total loss since it has served the valuable purpose of adding substance and credence to the Statements which were made in the earlier Hearings.

For the purpose of this Record and in order to avoid duplication of information already available to the Committee, I wish to recapitulate some of the Statements and information submitted on behalf of our affected Florida fruit and vegetable industries in 1968. In this reference I wish to recall the Committee's attention to Part 10 of the Record of those Hearings, commencing on page 4951, as follows:

Introductory and written statements of Hon. Paul G. Rogers, a representative in Congress from the State of Florida;

Statement of J. Abney Cox, past president and chairman, competition

and marketing agreements committee, Florida Fruit and Vegetable Association, including a statement on the views of the fruit and vegetable industry of Florida, submitted by Florida Fruit and Vegetable Association;

Statement of Buford W. Council;

Statement of John S. Peters;

Statement of Robert W. Rutledge, executive vice president, Florida Citrus Mutual;

and commencing on page 5023,

Statement of Louis F. Rauth, Flavor Pict Cooperative.

These Statements truly represented the problem, the issues and recommendations of our Florida fruit and vegetable industry as related to our foreign trade policy, and we respectfully request that the Committee review them for the purpose of their deliberations on this subject at this time.

UPDATING THE PROBLEM

By way of updating the problem, I wish to submit as Exhibit A a Special Report on Imports from Mexico, prepared by the Federal-State Market News Service and dated May 19, 1970. This is a cogent demonstration of the inroads being made into our markets by foreign countries at the expense of our domestic producers. Mexico, of course, is one of the principal contenders for this exploitation of the United States market, but there are other countries who are doing likewise.

THE FOREIGN TRADE POLICY OF THE UNITED STATES

As a native-born American citizen who has served this country in World War Two and the Korean War, I believe that I have a personal stake in the welfare of our country as well as the industry which I represent. This, I feel, gives me the privilege, at times, to be constructively critical in some of our national policies, of which one of them is under serious consideration by this Committee.

This country's foreign trade policy as viewed by our industry, is lacking in firmness and practicality, both as to the problems of foreign imports competing with our domestic production and the export outlook for some of our crops, which has been very disappointing. Every other country in the world with whom we do business has a well tailored foreign trade policy which fits its needs regardless of what our wishes might be in our trading relations with it.

In recent years we have been out-traded and outdone by the other countries with whom we do business and have nothing to show for our efforts to bring about freer world trade. The efforts of our Government to achieve reasonable business agreements with our trading partners have been largely unproductive and our own experience in our Government negotiations with Mexico to bring agreement on the importation of tomatoes, as a starter, turned out to be a fiasco. Such agreements could be successful if they were backed by national economic policy as set forth in the Gibbons-Rogers Bill H.R. 9656, which makes it clear that an effective import policy would be put into operation if an equitable agreement could not be reached.

The attrition in our fruit and vegetable sales as a direct result of foreign competition means a loss to the State of Florida which will run into the hundreds of millions of dollars if this problem is not properly contained by appropriate Congressional action. We, as an important agricultural State, cannot afford this economic loss and neither can the nation.

We have read with interest the Statement of Mr. O. R. Strackbein, President of the Nation-Wide Committee on Import-Export Policy, before this Committee, and concur in his views.

One of the things which escapes our understanding with regard to our present foreign trade policy is how our Government of a relatively new but very successful nation can hope to change the policies of other older nations who are far more experienced in the field of foreign trade, regardless of their economic stature. The very thought of it is ludicrous.

We have always favored truly reciprocal trade with the proper restraint necessary to prevent serious injury to our national industries, just as other nations have been doing and are doing today.

The value of our foreign export trade today is no more than four percent of our Gross National Product—far less than that of other nations—and we are not impressed by the worn-out cliche of those who fall within that volume of business that any trade restrictions, though reasonable they may be, will bring about mass retaliation from our foreign trading partners and a trade war of catastrophic proportions. Sensible regularization of our foreign trade certainly will not do that. Besides, our own experience has shown us that other countries will buy from us that which they want and need, regardless.

COMMENTS AND RECOMMENDATIONS ON LEGISLATIVE PROPOSALS

With regard to the legislative proposals before the Committee, our comments and recommendations are as follows:

(a) We are opposed to the Administration Trade Bill, H.R. 14870, entitled "A Bill to continue the expansion of international trade and thereby promote the general welfare of the United States," because it is too much like the Trade Expansion Act which sought to extend the authority of the President to negotiate trade agreements and tariff reductions, and provides for a "decent funeral" at government expense for those industries which fall victim to foreign competition. This in our point of view is not the way we should approach a realistic foreign trade policy since our negotiations with foreign countries on this basis have proven to be no more than an exercise in futility at the expense of our domestic industries. With regard to the adjustment assistance provisions of this Bill, we would like to suggest, and in fact recommend that these be directed to those exporting industries (since they only represent four percent of our Gross National Product) which might be adversely affected by any retaliatory actions as a result of a policy of proper and reasonable restraint on imports that are injuring so many of our other industries which represent a major portion of the Gross National Product. We would of course support a trade bill which in addition to the Administration proposals would have incorporated in it the provisions of the Fair International Trade Bill, of which there are now more than 65 sponsors in the House of Representatives.

(*b*) We of course strongly support the Fair International Trade Bill, to encourage the growth of international trade on a fair and equitable basis, with its stated purpose "to prevent or remedy the injurious effects of an undue increase of imports on the domestic economy and to provide equitable safeguards against serious injury or a threat of serious injury caused by a substantial loss of the domestic market by any industry or agricultural operation to imports, while providing for the orderly expansion of imports in equal proportion to the growth of the domestic market for the products concerned." However, we see the desirability on the part of the Committee to combine the provisions of this Bill with the Administration Bill in order to make it a well-rounded piece of legislation acceptable to the Administration.

(*c*) We wish to commend the Chairman of the Ways and Means Committee for his introduction of H.R. 16920, the textile and footwear Bill, and would give it our full support if it included the commodities with which we are concerned, namely fruits and vegetables. However we are mindful that many other industries are suffering from the same problem and deserve equal consideration, and it would be selfish on our part, to say the least, just to expect to get bailed out as one commodity group and leave all the others lost at sea.

(*d*) A Bill entitled, The Fresh Fruits and Vegetables Market-Sharing Act, which was introduced at our request by Congressmen Sam Gibbons and Paul Rogers, is written in the same concept as the Chairman's Bill on textiles and footwear, and we feel it could be made a part of his proposed legislation, or any other general bill. The import situation in fruits and vegetables is very similar to that affecting textiles except that it is more acute since we have already lost a greater percentage of our markets to imports. The same forms of legislative mechanism will work for fruits and vegetables as that being proposed for textiles.

(*e*) With regard to proposals to stimulate exports, this Association and other agricultural groups have expended much time, effort and money in developing markets abroad for our products only to see them taken up by other countries

whose production costs are much less than ours by virtue of low wages and standards of living inferior to ours. In our opinion this is hardly the comparative advantage of efficiency so loudly spoken by economists who view foreign trade in the light of that theory. We also feel that it is high time for the United States, whose value of exports has receded to four percent of its Gross National Product, to realize that it is no longer enjoying a comparative advantage in world trade as other countries have caught up with our technology and productive ability and have lower labor costs. We are no longer living in the days of Adam Smith and the theories propounded in his "Wealth of Nations," which reflected largely the economic needs of England who was the emerging country in the industrial revolution at the time.

CONCLUSION

We are grateful to the Committee on Ways and Means for its consideration of the serious problem which confronts us in the area of foreign trade policy, and are hopeful that the information we have submitted together with that of other similarly concerned industries will provide the Committee with sufficient assistance to shape up a legislative proposal which can resolve our problems as well as provide a sane and respected foreign trade policy for our nation.

EXHIBIT A

FRESH FRUIT AND VEGETABLE, FEDERAL-STATE MARKET NEWS

MEXICO FRUIT & VEGETABLES IMPORTS

It is common knowledge that Mexico imports have increased sharply in recent years. What may not be commonly known is that:

1. There are now a wide array of different commodities imported from Mexico. For the year ending June 1969 the number was 73 (including frozen), compared to 46 nine years earlier. The increase was due mainly to domestic type fresh vegetables and frozen fruits and vegetables.

2. Some of the newcomers on the Mexican import scene were in insignificant quantity in 1968–69. For others, the quantity may be worthy of attention. Such commodities are broccoli, Brussel sprouts, cauliflower, grapes, grapefruit, and tangerines.

Commodities still in quite small volume were artichokes, green onions, tangelos and lemons.

Among frozen products newcomers were asparagus, blackberries, cauliflower, okra, peppers, and melons, to mention the domestic type commodities only.

3. A few imported commodities still relatively small in quantity, but showing significant increases in 1968–69 were: asparagus, beets, carrots, and radishes.

4. For a few commodities there has been a decline in imports, even though volume for them in the past was small. Declines have been for leafy vegetables—cabbage, greens, lettuce, parsley, spinach, and also for corn.

5. Some of the commodities imported in volume for a number of years that had great increases in 1968–69 were:

Commodity	Pounds in 1968–69	1968–69 percent increase over 1959–60	Percent 1968–69 is of 1959–60
Tomatoes	552,371,495	120	220
Cucumbers	103,948,598	1,088	1,188
Peppers	47,520,929	121	221
Strawberries	44,417,316	7,247	7,347
Onions, dry	44,126,788	260	360
Tangerines	41,753,842	572	672
Squash	21,022,931	1,256	1,356
Eggplant	16,831,839	671	771
Beans	11,592,224	71	171
Okra	6,262,298	3,108	3,208
Mangoes	1,893,461	383	483

The heaviest volume of imports has been in fresh domestic type vegetables—those commonly grown in United States, followed by melons, citrus fruits, berries and other types of fruits.

The total for all fresh commodities in 1968–69 was 1,238,988 lbs. This represented 244 percent of the quantity imported in 1959–60 and 183 percent that of 1963–64.

Tropical or Sub-tropical types of fruits and vegetables are those not commonly grown in United States or grown commercially in only a few selected areas, such as mangos in only some parts of Florida. Volume imported of these was much less than of domestic types. However, the percentage increase was very great due to exremely small quantity five and nine years earlier.

Since the 1969–70 season is not over, it is not possible to present complete data on Mexico imports for this season. However, all indications are that the total quantity of the fresh commodities will establish a new record high.

One reason for this was the low volume of Florida vegetable shipments during the winter months, as a result of bad weather conditions in Florida. This gave Mexico an opportunity to further increase its imports. For example, Mexico tomato imports through May 17, 1970 18,100 carlot equivalents, compared to 13,928 through the same date a year earlier.

The following lists the number of fruits and vegetables, by types, imported in 1968–69 compared to the number imported in 1963 and 1959–60:

	1959–60	1963–64	1968–69
Domestic:			
Vegetables	24	23	35
Melons	3	3	3
Fruit, citrus	3	4	6
Fruit, other	1	3	2
Berries	1	1	2
Total	32	34	48
Tropical-subtropical:			
Vegetables	5	8	8
Fruit	4	4	6
Total fresh	41	46	62
Frozen fruits and vegetables	5	2	11
Total fresh, frozen	46	48	73

MEXICO FRUIT AND VEGETABLE IMPORTS INTO UNITED STATES: SUMMARY OF CHANGES IN 1968–69 FROM 1963–64 AND 1959–60

Commodity type	1959–60 [1]	1963–64 [1]	1968–69 [1]	Percent 1968–69 is of 1959–60	Percent 1968–69 is of 1963–64
Domestic:					
Vegetables	324,006	364,667	839,079	259	231
Melons	160,194	174,640	243,165	152	139
Fruit, citrus	22,298	130,838	111,033	598	85
Fruit, other	4	228	1,261	[3] 31,525	[2] 553
Berries	605	5,984	44,451	[3] 7,347	743
Total domestic	507,107	676,357	1,238,988	244	183
Tropical or subtropical:					
Vegetables	106	2,424	3,199	[3] 3,019	132
Fruit	1,755	3,406	51,607	[3] 2,941	[3] 1,515
Total fresh	508,968	682,187	1,293,794	254	190
Frozen fruit and vegetables	26,019	58,355	101,495	390	265

[1] 1,000 pounds.
[2] Decrease.
[3] Percent extremely high because very small imports in 1959–60 and 1963–64.

MEXICO FRUIT AND VEGETABLE IMPORTS INTO UNITED STATES—1968-69 WITH 1959-60 AND 1963-64 COMPARISONS

[Years beginning July 1]

Commodities	Pounds		
	1959-60	1963-64	1968-69
DOMESTIC TYPES			
Vegetables:			
Artichokes			46,741
Asparagus	244,253	1,313,425	3,549,056
Beans	6,775,450	6,961,377	11,593,230
Beets	25,107	5,279	63,870
Broccoli			1,192,305
Brussels sprouts		1,886,987	4,634,483
Cabbage	68,900	15,215	19,460
Cauliflower			6,197,637
Carrots	545	747,124	785,813
Celery, including root			87
Corn	1,026,876	144,029	76,683
Cucumbers	8,765,808	17,862,500	103,948,598
Eggplant	2,183,453	3,175,427	16,831,839
Greens	55,879	3,050	70
Garlic	11,876,186	6,249,030	8,009,309
Leeks			10,168
Lettuce	230,000	617	501
Mint			40
Okra	193,999		6,263,298
Onions, dry	12,203,043	37,610,555	44,126,788
Onions, green			342,068
Parsley	6,585	19,711	1,575
Peas, green	4,885,667	5,481,855	7,370,137
Peas, cow or southern	130,370	1,107,527	1,709
Peppers	22,509,287	13,756,819	47,520,929
Pumpkins	314,703	418,479	337,960
Radishes	203,524	47,691	687,661
Spinach	18,868		5,129
Squash	1,550,566	3,121,943	21,022,931
Swiss chard			25,810
Tomatoes	250,567,482	264,397,804	552,371,495
Husk tomatoes	70,637	328,848	1,956,283
Turnips	98,697	11,753	132,311
Watercress			153
Total	324,005,886	364,667,045	839,079,385
Melons:			
Cantalopes	[1] 86,949,820	[1] 117,633,209	133,298,357
Watermelons	73,244,053	57,006,373	109,753,199
Melons, other			113,506
Total	160,193,873	174,639,582	243,165,062
Fruit, citrus:			
Grapefruit		897,617	539,875
Lemons			56,554
Limes	5,640,965	4,736,813	3,270,069
Orange, sweet	10,442,452	113,875,524	65,338,498
Tangelos			74,270
Tangerines	6,214,427	11,327,607	41,753,842
Total	22,297,844	130,837,561	111,033,108
Fruit other:			
Grapes		201,314	1,261,286
Pears		4,491	
Plums		21,840	20
Mixed fruit	4,200		
Total	4,200	227,645	1,261,306
Berries:			
Blackberries			33,884
Strawberries	604,664	5,983,804	44,417,316
Total	604,664	5,983,804	44,451,200

See footnote at end of table.

MEXICO FRUIT AND VEGETABLE IMPORTS INTO UNITED STATES—1968-69 WITH 1959-60 AND 1963-64 COMPARISONS—Continued

[Years beginning July 1]

Commodities	Pounds		
	1959-60	1963-64	1968-69
TROPICAL OR SUBTROPICAL TYPES			
Vegetables:			
Cassavas		123,171	
Chayotes	66	49,501	163,064
Dasheens	5,920	2,000	468
Plantains		2,047,455	620,379
Purslane	13,702	12,803	46,313
Yam bean roots	85,600	169,685	900,842
Yucca		7,320	86,697
Waterchestnuts	346	12,526	
Coriander			889,302
Tarragon			492,369
Total	105,634	2,424,461	3,199,434
Fruit:			
Bananas	715,698	437,299	19,084,341
Guavas			285
Mangos	392,325	1,405,017	1,893,461
Papayas	73,628	157,139	134,806
Pineapples	573,389	1,406,492	30,472,629
Tamarinds			21,594
Total	1,755,040	3,405,947	51,607,116
Frozen fruits and vegetables:			
Asparagus			126,085
Blackberries			30,960
Strawberries	25,886,689	38,296,308	101,003,714
Cauliflower			44,769
Cantalopes			8,480
Grapefruit	20,628		
Melons, other			29,568
Okra			72,742
Lime puree	14,000		
Papayas	85,920	59,042	4,809
Peppers			17,600
Pineapples	11,820		132,079
Plantains			24,576
Total	26,019,057	38,355,350	101,494,787

[1] Includes other than watermelons.

The CHAIRMAN. Mr. Appleman, will you please come forward?

Mr. BETTS. Mr. Chairman and members of the committee, Mr. Appleman has a green olive packing plant in Vermilion, Ohio, which is in my district, which I have visited on several occasions.

I know he has a problem here which is genuine. It is small business.

I want to welcome him to the committee. I assure the committee that his presentation is something which I am sure will get the sympathy of the committee.

I am happy to have him here.

The CHAIRMAN. Thank you, Mr. Betts.

If you will identify yourself for the record, we will be glad to recognize you.

Mr. BURKE. Mr. Chairman, may I also take notice of the fact that we have present with this group here, although he is not listed as a witness, Mr. John Pappas, Jr., of Boston, who is also in the green olive business.

The CHAIRMAN. Mr. Burke, you seem to have everything in Boston and New England.

Mr. BURKE. We used to have everything. We are losing them gradually.

The CHAIRMAN. We are glad to have all of you with us.

If you will, identify yourselves.

STATEMENT OF LEONARD APPLEMAN, IMMEDIATE PAST PRESIDENT, GREEN OLIVE TRADE ASSOCIATION; ACCOMPANIED BY EDWARD J. CULLETON, PRESIDENT; SAMUEL SCHUMAN, PAST PRESIDENT; JOHN PAPPAS, JR.; AND JOHN E. NOLAN, JR., COUNSEL

Mr. APPLEMAN. My name is Leonard Appleman, from Vermilion, Ohio. My company is involved in the importing and packing of Spanish olives.

On my left is John Nolan, with the well-known firm in Washington of Steptoe and Johnson. He is our legal counsel. On my right is Ed Culleton, whose firm has been in the olive business over a hundred years. Next is Sam Schuman who only brings us 45 years of experience.

Jack Pappas, their firm has been in this business 25 years. Jack and I are the neophytes because I only have 27 years' experience.

The CHAIRMAN. We are glad to have all of you with us. You are recognized, sir.

Mr. APPLEMAN. Thank you.

If I say, which I will, that I am deeply honored for this privilege, it is not said lightly. Little did I realize when I was a farm boy back in Indiana or a smalltown businessman in Ohio that I would ever appear before this important committee. Nor did I realize that I would be chosen as spokesman for this association in our time of crisis.

It is a crisis that we can't handle alone nor can we handle it with ordinary business methods. In fact, we must look to this committee for assistance for our very survival.

From the introductions it is clear that we are not a new business. We have been in this business building it, developing it, and it has not been easy, for well over a hundred years.

Now, traditionally olives are imported in bulk in large containers, brought to this country, repacked into bottles and sold to the retail trade in this country.

Back in 1930 when the tariff was written, this was the only way olives were brought here. It was never dreamed that they would be brought in in small jars, and this is our problem today. So there was nothing in the tariff about a duty on small containers. The duty was written for the situation as it existed at that time, which was olives in bulk or by the gallon.

Now, today, beginning about 5 years ago, they started bringing olives in in small jars; here, for example, is a 2-ounce jar of olives. Now, the duty is assessed on this by the gallon. This presents an awkward situation on the face of it because you have to convert, however many jars you bring in, into pounds and then by a formula established into gallons, and then assess the duty as though they had been brought in in a barrel.

There is no duty on the glass, the cap, the labor, anything else.

Now, even though we have struggled for these hundred years to build this business, we have lost 25 percent of it in less than 5 years. The Spanish Government saw this loophole, this defect, or this opportunity, in the tariff schedule and they saw the wonderful market that we have built up here for their product, and they thought it would be to their advantage to take the market over.

Now, they knew they could not do this by normal business methods. So, they decided to subsidize the industry in Spain. They have been subsidizing the industry by direct payments and by indirect payments, all of which is documented in the statement which is prepared here and which we request be included in the complete testimony.

Mr. WATTS (presiding). Without objection, it will be so included.

Mr. APPLEMAN. Thank you.

On the chart here which is in the first part of the statement, if we could look at it for a minute, I think it explains the picture very simply and very clearly, it is noted here that practically no olives were brought in back in 1964–65. Even in 1965–66 there were only a few more.

Then they went after this thing in earnest and it went up to 5.3 of all the olives brought in this country were packed in Spain. Then we continue in a straight line, up to 10.1 in 1967, 15.1 in 1968, and even more dramatically this year for the first 5 months it has increased to where nearly 26 percent of all the olives brought in here are being brought in in jars packed by Spanish labor, taking away of course from what we can do here.

Now, if they can capture 25 percent of the volume in 5 years, how long will it take them to take it all? Not very long unless something is done.

Now, Spain has been able to do this simply because of this defect or loophole, whatever you wish to call it, due to the fact that we have no tariff really on bottle goods, and the Customs have been obligated to do the best they could and use the bulk tariff in its place.

Now, we need an ad valorem tax which is of course presumably the type of tax that would have been put on in the first place had there been any thought of such a product coming into the country. We need an ad valorem tax to equalize the situation.

Today Spain can pack and ship olives over here with the help of the Government and sell them here at less than our cost of production. Now, this is documented on page 7 in the statement. There it is documented. I don't know that you want me to read it in detail, but we show there our cost figures on two of the most popular sizes they are bringing in, and we show the price that the Spaniard can sell it at. He can sell the case at $3.08 where it costs us $3.76 to produce it. That is a wee bit difficult competition.

Then the Spanish can produce the other item at $3.93 where our cost is $4.56.

Now, this is not due strictly to business competition. It is due primarily to the indirect and direct subsidies furnished by the Government as documented in the statement on pages 5 and 6 primarily.

If any of you gentlemen have any questions as we go along here, I have answers waiting for questions.

Now, it is clear that the Spanish would like to take over the entire business and the only beneficiary would be Spain. I know that you

do not believe that once they have the market they will continue to lose money. I think their subsidy program, however, is told better by them than by us. If you will look on page 8, there is one little part of the statement that I will read.

This quotation on page 8 down in the middle of the second paragraph is taken from a newspaper article in Seville, Spain, the heart of the olive country. This is the Spaniards talking. They say:

> A silly thing has happened. To facilitate the sale of olives in glass, the Spanish government favors with extraordinary premiums the export of jars . . . Thus results the picturesque situation that for every seven barrels of fruit that we export to North America, one of them goes free: Paid for by the Spanish Government . . . it is still only a demand artificially inflated by the artifice of prices, thanks to the assistance which is given.

Proof sufficient.

Now, this ad valorem duty that we are asking for, the bill calls for 50 percent ad valorem duty. Certainly that does not increase the price 50 percent. This ad valorem duty is assessed on the selling price in Spain, not taking into consideration transportation and other costs, results in about a 30 percent ad valorem duty at the wholesale level, less than 20 percent at the retail level and of course we now pay some duty so it is even less of an increase than that.

Gentlemen, that about tells our story.

In summary we would just say that no specific duty on olives in jars is in existence; the Spanish Government has taken advantage of this loophole to develop an olive volume business in Spain aimed at the American market.

Imports of Spanish bottled olives are increasing at an astronomical rate as shown in the chart and certainly we do recommend the enactment of the proposed ad valorem duty on olives in retail size containers.

I thank you.

(The entire text of the formal statement follows:)

STATEMENT OF LEONARD APPLEMAN, PAST PRESIDENT, GREEN OLIVE TRADE ASSOCIATION, INC.

STATEMENT

This Statement is presented by the Green Olive Trade Association, the only Government-recognized association of the American olive packing industry. The Association represents most of the independent importers of Spanish olives.

The threat that confronts the Association and its members arises from an acknowledged defect in our tariff schedules. When the Tariff Act of 1930 was passed, olives had been imported only in bulk, i.e., in kegs, or drums or other large size containers. For this reason, our tariff schedules ever since have provided duties on a per gallon basis intended only for olives in bulk. But olive imports into the United States are no longer restricted to bulk shipments. Beginning a few years ago, shipments of olives in small retail-size bottles began arriving from bottling plants in Spain. Since then the Spanish Government has taken advantage of our tariff structure to force the development of an olive bottling industry controlled, subsidized and aimed directly at the United States market.

From 1964 to this year our imports of bottled olives have increased nearly 100 fold as the attached graph shows. Currently, bottled imports are exceeding 25% of total olive imports, and at their present rate of growth will soon capture the entire market.

For the American olive bottling industry to survive, it is essential that legislation be approved by this committee and promptly enacted.

This Statement will discuss in turn the American olive bottling industry, our

present tariff treatment of olives, and the reason for the threat posed by Spanish bottled olive imports. The Statement will conclude with a discussion of the kind of legislative relief our industry considers essential to its continued existence.

THE AMERICAN OLIVE BOTTLING INDUSTRY

Traditionally, Spanish-style or green olives have been grown in Spain and shipped to this country in large bulk containers—wooden casks or barrels—of several hundred pounds capacity. Spanish-style olives thus imported in bulk have been packed or bottled in this country for sale to distributors and retailers here.

The American market for bottled olives is unique. It has been built over a period of several generations by the ingenuity and marketing expertise, the advertising and business acumen of the American olive bottlers. There is no comparable market for table olives that exists in any other country. It is here only because it has been nurtured and developed by the American olive bottling industry. It is this market which is presently at stake.

The bottlers consist of well over 100 firms operating plants where olives imported in bulk are bottled for retail sale. Many of these are small family businesses, some with a record of several generations of service. Some are divisions of larger food companies or chain stores. American olive bottlers are located throughout the country in places like Vermilion, Ohio and Carlstadt, New Jersey, as well as New York, Philadelphia, Atlanta, Chicago, Detroit, Cincinnati, Houston, Boston, Los Angeles and San Francisco. They employ thousands of production and related workers. They perform the important functions of washing the olives under high pressure water sprays, inspecting them to remove olives, packing them in salt brine lactic acid solutions into bottles that are vacuum capped and labeled. Their machinery varies from simple equipment in small plants to the complicated stainless steel laborsaving equipment that many have added in recent years.

TARIFF TREATMENT OF OLIVES

Two features of our tariff schedules combine to the sharp disadvantage of the American olive bottling industry. First, our tariff schedules do not differentiate between olives packed in small containers and olives in bulk. There is no specific duty for bottled olive imports, and the duty for bottled olives is assessed on a gallonage basis even though the olives may come in 2 oz. bottles. The rate of duty is the same whether the container is a 2 oz. bottle or a 1760 lb. cask. This tariff treatment is unusual in the tariff schedules of our country and other countries as well. There is obviously a significant difference between a commodity in bulk and that commodity packed for retail sale. This difference is observed in our tariff schedules with regard to other commodities, and it is observed in other countries with regard to olives.

Second, even though the American bottlers pay a duty on the bulk olives which they import, importers of bottled olives pay no duty on the bottles, the caps, the cases or the value added in putting them into their final retail form. The value of bottled olives, however, is substantially double the value of olives in bulk, and everything added to the bulk value escapes duty.

Nearly all imports on Spanish-style olives are dutiable under one or the other of two TSUS categories: Item 148.50, at 30¢ per gallon, or Item 148.44, at 20¢ per gallon. These are specific rather than ad valorem rates and they have remained unchanged since 1930. Their ad valorem equivalents based on the values of the market year 1968–69 are 11.9% and 14.5% respectively, as nearly as can be figured from known data. During that year 71% of olive imports came in at the effective rate of 11.9% ad valorem and 21% at the effective rate of 14.5% ad valorem.

THE FOREIGN SUBSIDIZED INDUSTRY

Since 1966 the Spanish government has sought by law and government-financed incentives to develop a bottling industry for export of bottled olives to the United States. Their program has been aggressive and comprehensive. In April 1966 the first substantial shipments began arriving here and now Spanish firms—including CADESA, a government-sponsored organization comprised of Spanish bulk olive exporters—have achieved the dramatic penetration of the American bottled olive market shown on the graph at the front of this Statement.

The Spanish olive bottling industry has been developed by a program of sub

stantial subsidies—direct as well as indirect. This program is described in the Order of March 5, 1965, issued by the Spanish Ministry of Agriculture (as reported in the USDA Foreign Agricultural Service Report, AGR #65, dated March 29, 1966, and entitled "Spain: Government Programs for the Expansion of Spanish Agriculture"). Quoting from that publication, the benefits are listed as follows:

1. Freedom to amortize equipment in the first 5 years;
2. Government credit priority;
3. Compulsory expropriation of land (for erection of plants);
4. Reduction of up to 95% of Excise Tax (Licencia Fiscal) during the time of installation;
5. Reduction for 5 years of up to 50% on tax levied on capital yields (Impuesto sobre las Rentas del Capital) derived from loans issued by Spanish and foreign banking and credit organizations, provided such yields are applied to the financing of new investments;
6. Reduction for 5 years of up to 95% of Estate or Patrimonial Transfer Tax, (Impuesto General sobre Transmisiones Patrimoniales y Actos Juridicos) and legal documents thereto, as levied on establishment of firms or capital expansions;
7. Reduction for 5 years of up to 95% of Turnover Tax (Impuesto General sobre el Trafico de las Empresas) paid on sales which serve to acquire foreign equipment goods for establishment of new industries;
8. Reduction for 5 years of up to 95% of import duties and compensatory duties (Derechos Arancelarious and Impuestos de Compensacion de Gravamenes Interiores) levied on imports incorporated into the equipment manufactured locally;
9. Up to 20% subsidy on actual investments; and
10. Reduction for 5 years of up to 95% of Municipal taxes (Arbitrios o Tasas de las Corporaciones Locales) applied to the establishment of new industries or the expansion of existing ones.

The 1967 Tariff Commission Report[1] takes note of this program and these incentives. The Report notes that the Spanish government also refunds the Spanish turnover tax and local indirect taxes previously paid on products that are exported. This tax refund abounts to 12% of the value of the exported goods, paid to the companies which export bottled olives, and constitutes a direct export subsidy for bottled olives.[2]

WHY LEGISLATION IS APPROPRIATE

The American olive bottlers are for the most part a group of independent small businessmen. Over the years they have built their businesses by industry and hard work. With imagination and energy they have created here in the United States the world's largest market for table olives where none existed before. (Eighty percent of the world's green table olives are consumed in the United States.) They employ thousands of workers, many of them unskilled and members of minority groups. They receive no government support or subsidies of any kind.

Now, as a result of the active intervention of the Spanish government the American olive bottlers are facing extinction. The extent of Spanish government support of bottled imports to the United States makes effective price competition impossible. For example, the following price comparisons are illustrative:

RECENT PRICE COMPARISONS

Stuffed manzanillas, thrown	U.S. bottlers production cost (per case)	Wholesale price (ex-dock) Spanish-packed olives (per case)
5¾-ounce jars	$3.76	$3.08
7-ounce jars	4.56	3.93

[1] United States Tariff Commission, *Olives*, Report to the United States Senate on Investigation No. 322-51, 1967, pp. 14-15.

[2] In early 1968 the Spanish government made a similar benefit (11% tax refund) available for bulk exports, but the government-established minimum prices and deductions from bulk refunds for advertising allowances and trade association fees have tended to maintain a substantial differential favoring the bottle exports.

This comparison, taken from recent figures on two of the most popular selling items, indicates that the Spanish-packed product with government assistance as noted is being landed in the United States and *sold* to distributors substantially below the *cost* of the comparable American-packed item.

With the two examples shown, it is significant to note that a 50% ad valorem duty would only bring the Spanish-packed wholesale prices into line with the American-packed wholesale prices. The comparison for the same product in the same size jars is:

Stuffed manzanillas, thrown	Wholesale price U.S. pack (per case)	Wholesale price (ex-dock) Spanish-pack with 50-percent duty (per case)
5¾-ounce jars	$4.28	$4.13
7-ounce jars	5.20	5.19

Because the ad valorem duty proposed is applied to the Spanish-pack selling price f.o.b. Seville, which does not include transportation and landing charges, it is actually a much smaller percentage of United States wholesale and retail prices. Using the same two examples, the proposed duty would be approximately 31% of the wholesale price in the United States and less than 20% of the price to American consumers. It should not be supposed, however, that the duty would have a substantial effect on American consumer prices. Despite the lower prices made possible by Spanish subsidies, to date there have been no significant savings to the American consumer. United States and Spanish packed olives sell side by side at the same price levels in our grocery stores today.

These price comparisons give some idea of the seriousness of the threat faced by American olive bottlers. There is no question that this threat is raised directly by the concerted action of the Spanish government. In the words of a recent Spanish periodical:[3] "A silly thing has happened. To facilitate the sale of olives in glass, the Spanish government favors with extraordinary premiums the export of jars . . . Thus results the picturesque situation that for every 7 barrels of fruit that we export to North America, 1 of them goes free: Paid for by the Spanish Government . . . it is still only a demand artificially inflated by the artifice of prices, thanks to the assistance which is given."

Bottled olive imports to date have severely damaged the American bottlers by their loss of business and profits. Because of the rate at which the volume of imports is increasing, it is apparent that the entire American market can be captured in the near future. Once captured by imports, it can never be regained because the individual American bottling companies cannot survive.

At stake are thousands of jobs and capital investments of millions of dollars in plants and equipment. In addition, some eight million dollars worth of annual business for American manufacturers of caps, bottles, cans, labels and other supplies is in jeopardy.

There is practically nothing the American olive bottlers can do to avoid these losses. They have already invested heavily in modern labor-saving equipment

[3] Article, Correo de Andalucia, 20 May 1970.

and plants. They cannot reduce U.S. wage rates to Spanish levels, nor can they obtain the governmental subsidies and rebates which are available to Spanish bottlers. They cannot use much of their machinery for other purposes, since most was specifically designed or adapted for olives.

In recognition of these harsh facts, seventeen Members of the House of Representatives and Senator Murphy have in this Congress proposed a total of six identical bills to create an additional tariff category for olives imported in sealed containers holding less than 9½ pounds.[4] The new tariff category would have a higher rate of duty (50% ad valorem) than the duties on bulk. The duties on olives imported in bulk would remain unchanged.

The proposed Bills prescribe a reasonable tariff classification. Had there been a retail-size packing industry in Spain when our tariff structure was adopted, it is virtually certain that our laws would have reflected this distinction, and we would not now be assessing a duty on bottled olives of a few ounces measured by the gallon. The proposed 50% ad valorem duty is fair in light of the government-assisted price warfare to which the American olive industry has been subjected.

This legislation will not take away from Spanish exporters any market that they have traditionally enjoyed. They will continue to have a virtual monopoly of the United States market for bulk sales of green olives, and because of their government's assistance they can still be competitive on the sale of bottled olives. The Bills proposed would merely prevent them from taking advantage of an outdated tariff structure with aggressive government support in order to eliminate the American olive bottling industry. Enactment of this legislation is essential to preserve the American bottling industry.

SUMMARY OF COMMENTS AND RECOMMENDATION

Comments

The Green Olive Trade Association is the only recognized organization of the American olive bottling industry.

Because there is no specific tariff classification for bottled olives, they come in under the bulk olive duty.

The government of Spain has taken advantage of this loophole in our tariff structure to promote the development of a subsidized olive bottling industry in Spain aimed at the American market.

Imports of Spanish bottled olives are increasing at an astronomical rate.

Without legislative assistance the American olive bottling industry will be eliminated by this competition.

Recommendation

Enactment of the proposed 50% ad valorem duty on olives imported in retail-size containers.

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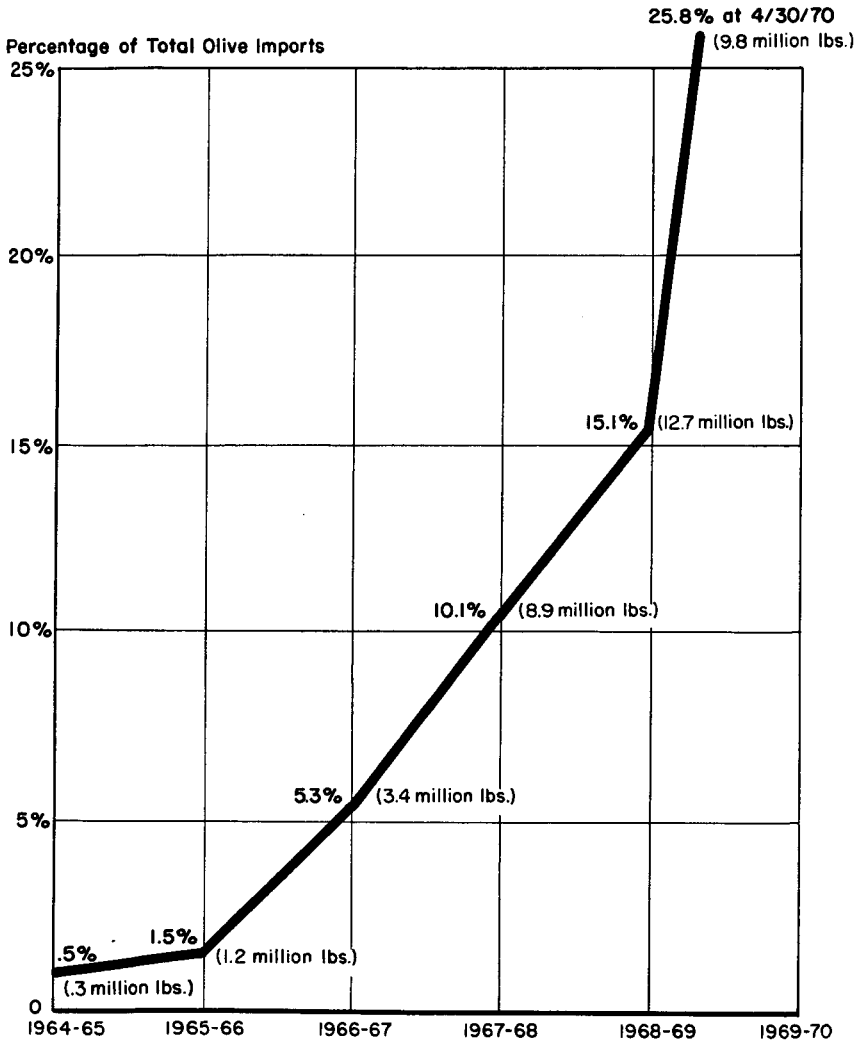
[4] Five bills to provide such a classification have been introduced in the House. They are: H.R. 748, Congressman Burke; H.R. 2687, Congressman Helstoski; H.R. 3137, Congressman Utt; H.R. 13280, Congresswoman Dwyer; and H.R. 5858, Congressmen Sisk, Betts, Burke of Mass., Clausen, Corman, Gubser, Helstoski, Johnson of Cal., Leggett, Mathias, McFall, Moss Talcott Teague of Cal., Tunney and Utt. An identical bill S. 2643 has been introduced in the Senate by Senator Murphy.

IMPORTS OF SPANISH BOTTLED OLIVES



Source: Figures for 1964-65 through 1968-69 and percentages of total imports for those years from United States Tariff Commission Memorandum to Committee on Ways & Means, April 30, 1970; figures for 1969-70 from "Informaciones y Estadisticas Sobre La Aceituna"-Ventura de la Vega, Sevilla, using conversion factors of 2.5 kilos per case and 2.2 pounds per kilo.

Mr. WATTS. I think this is a very fine presentation. I have heard many presentations made here and lots of different industrial groups need relief. You have certainly pointed out one here, by a slip of the law, I assume due to the fact there were no olives in bottles shipped over here at the time the duties were imposed. Now they do ship them over here after you have built up the business. It seems to me you have made a clear case.

It certainly is not right to let the Spanish Government or any other government come in and take away a hundred years of hard work in maintaining a business.

Mr. APPLEMAN. Thank you.

Mr. WATTS. Any questions?

Mr. Betts?

Mr. BETTS. A couple of things have come to my mind that I would like to ask you. One of them is something that we did not talk about when we discussed this previously. I notice in some of the department reports reference is made to the fact that this is an increase in tariff which would give offense to some of our trading partners in GATT, referring particularly to the Department of Labor report.

Now, am I correct in saying that that can be answered this way, actually it is not an increase in tariff, it is really a reclassification?

Mr. APPLEMAN. That is correct, sir.

Mr. BETTS. So it seems to me what the Department of Labor is saying, that they are not going to recognize any relief for American industry because it might offend some of our trading partners to increase the tariffs. Furthermore, it is not an increase—it is simply a means of meeting a change in an industrial operation by a foreign country. Isn't that correct?

Mr. APPLEMAN. That is correct, Congressman Betts. In fact, the bill calls simply for inserting the classification in the tariff schedule to cover the situation that has arisen.

Mr. BETTS. I think it is important because the Government is trying to make the point you are increasing a tariff when actually you are not.

Now, another line of questioning, if you could inform the committee how this has affected the industry? Can you tell me how many companies have had to go out of business because of this increased competition from Spain?

Mr. APPLEMAN. I think the effect on the industry is dramatically illustrated perhaps by my own situation. Being in the Midwest, we were not affected as readily as some of the Eastern Seaboard companies, but in this year when the dramatic increase has taken place here, the effect on us is dramatic, too, because for the first 5 months of 1970 our volume is down 32.8 percent, or one-third.

I reviewed the hours worked in our plant for the first 5 months also, and I find that the hours worked in our plant during the first 5 months is down 13.2 percent.

Mr. BETTS. Did you say olive workers?

Mr. APPLEMAN. Hours worked. I thought the total hours worked was of more importance really than how many people. I did not check the people. I check the total hours because that is the hours that are available for the people to earn money. That is down 13.2 percent for

the first 5 months and will have to be curtailed considerably more unless this situation reverses itself soon.

Mr. BETTS. Have you lost any customers?

Mr. APPELMAN. Well, we certainly have, and that is why this volume is down. We lost a very valuable and large customer December last year and also February and March of this year, in addition to many small customers that are tempted to try the Spanish imported olives.

Mr. BETTS. How many people do you employ at your plant?

Mr. APPLEMAN. Between 70 and 75 people historically.

Mr. BETTS. Do you know how many plants have closed down in your industry?

Mr. APPLEMAN. The plants that have actually closed down to the best of my knowledge are only about three. The others are hoping for something.

Mr. BETTS. Going back to the department reports, I notice in the Agriculture Department report they say that imports have increased, I think, 10 percent in the last——

Mr. APPLEMAN. The agricultural letter states an increase of 10 percent from 1967 to 1969.

Mr. BETTS. Would you say that is correct?

Mr. APPLEMAN. That is incorrect. Actually, and as shown again on our chart, olives in bottles brought in increased from 1966 to 1969 from 3.4 million pounds to 12.7 or an increase of 300 percent, which is quite different from an increase of 10 percent.

Mr. BETTS. I simply want to say, Mr. Chairman, that I think this is an excellent example of small business being hurt by foreign imports. It tells in a sort of dramatic way the means that foreign governments take to get around our established methods of protection.

I appreciate very much your coming here and telling us your story.

Mr. APPLEMAN. Thank you.

Mr. WATTS. Mr. Burke?

Mr. BURKE. I wish to commend you on your testimony here and of course this chart that you present here is a shocking chart when you realize they have gone from 0.3 million pounds in 1964 up to 12.7 million pounds in 1968 and 1969, and for the first 4 months of this year they are up to 9.8 million pounds and 25.8 percent of the domestic market.

What is the percentage of green olives that are raised in this country?

Mr. APPLEMAN. It would be about 3 percent, something less than 3 percent of the total consumption.

Mr. BURKE. What would the effect be if you wiped out the tariff and duties on bulk olives? Would that be helpful to your industry?

Mr. APPLEMAN. It would not be significant unless there were some ad valorem duty also placed on the bottle goods. A combination would be significant, but just eliminating the tariff on bulk alone would not correct our problem.

Mr. BURKE. How much would it help?

Mr. APPLEMAN. The effect of that would be approximately not over the equivalent of a 10-percent ad valorem tax.

Mr. BURKE. The people who are importing the green olives in bottles, are they separate from your industry or do you people import the

olives? Do you people import the bottled green olives in the small size containers?

Mr. APPLEMAN. No, these are being imported by some people as a matter of self-defense. We have not imported any. But there are other elements, new elements in the business that are handling the large volume of the imported bottled olives.

Mr. BURKE. Your testimony here indicates that most of the people who are in your industry are family-owned businesses.

Mr. APPLEMAN. That is correct.

Mr. BURKE. Small business?

Mr. APPLEMAN. That is correct. In my own case all we do is pack olives. It is strictly a family business. We have no other source of livelihood at all. The same is true of Mr. Culleton here. The only thing they do is olives, and it is a family business.

Mr. BURKE. Do the Spanish exporters of bottled olives seek any other markets than the United States, or is most of the concentration on the American market?

Mr. APPLEMAN. The business has been developed by us in the United States and, with your permission, I would like to ask Mr. Culleton to answer that question.

Mr. CULLETON. Approximately 80 percent of all the table olives that are grown in Spain are consumed in the United States. Approximately 90 percent of the table olives that are grown in Spain are consumed in the United States and Canada.

Now, this is a rather unique statement in view of the fact that Spain can't sell 10 percent of its table olives in all of Europe. Now, this has come about through firms like ours who have been in this business for 140 years promoting and developing a market for Spanish green olives. Now, it has taken us 140 years to get where we are now and the Spanish Government through their subsidized grants over in Spain in 5 years have taken over 25 percent of what it took us over a hundred years to build.

Mr. BURKE. That is why I asked that question, because of your merchandising methods and advertising and the tremendous expense of putting your product on the market and making it acceptable to the American people and those in Canada, and now we find after you have done all this work, you have created the market and everything else, we find our Government officials ready to turn over this business to the Spanish exporters and just eliminate you people.

Mr. CULLETON. Yes, sir, that is true.

Mr. BURKE. What kind of sympathy have you found from the various governmental agencies that you have gone to in the last few years?

Mr. APPLEMAN. Certainly our results have been nothing to date. We have of course been in touch with, I think we have explored every avenue there is. We have talked with the Tariff Commission back in 1966. They did make a report and of course it was very new at that time, the importation of olives, and the report was not conclusive.

In 1968, they were ready to update the report and then the subject of a trade commission came up and we explored that avenue, but we were not able to induce Spain to go along with that thought. We have tried for the countervailing duty, but we were given the answer

that the benefits being paid to the Spanish did not technically qualify under that provision.

We have tried every source that we know for relief and every governmental agency including the Trade Negotiations Committee, and to no avail.

Mr. BURKE. They are actually hiding behind the screen of a technicality because of the fact that there were no duties for these small bottle containers in existence and now they are attempting to create an impression that this would be an increase in the tariff or duties when actually this problem did not arise until after the GATT agreements were made. They are ignoring the fact that the bottle has a value, the cap has a value, the labor that is put in there, all these things are to be ignored by the small green olive bottling business in this country, and you are just supposed to sit back and take it and just suffer.

From this chart that you have shown here I imagine that you will be in the same position that we found some of our witnesses a week ago Friday, when two umbrella frame manufacturers testified here, and they are the last two in that industry in the Nation. One of them does not expect to last more than 3 more months, and the other one is very doubtful whether he will be around a year from now as far as his business is concerned.

For the life of me, I cannot understand the rationale of those people who were at Geneva and how they gave everything away and got nothing back and how our Government can just sit back and allow one small business after the other to be exterminated. And that is what is happening.

We have testimony here indicating that the baseball gloves for our national pastime are not made in this country anymore. The umbrella people. Now we have the green olives. Lord knows how many small businessmen have been driven to the wall as a result of the 6,000 items that were reduced in the GATT agreement, and also the failure of the negotiators to take into consideration the problem of packaging and bottling and putting food items in containers that are shipped over here and giving them the same duty as is on a 1,700-pound cask container.

It is fantastic, it is absolutely ridiculous.

Mr. APPLEMAN. We certainly agree.

Mr. BURKE. I hope our committee can be helpful to your industry. I would like to direct a question to Mr. Pappas, who happens to be in the city of Boston.

Of course you read the newspapers a week ago about the unemployment up there in some of our cities is up over 8 percent, you know the problems that we have in the Roxbury section of Boston and how the Government is spending millions of dollars trying to train workers and get jobs for them. Have you lost any business as a result of this problem?

Mr. PAPPAS. Yes, I have, Congressman Burke. About 2 months ago I lost a sizable account and the latter part of this week or first part of next week I am faced with an even bigger loss of another company. Granted we are a small industry, extremely small industry; however, I think that the point here is equity rather than the size of the organization or business involved.

As we have pointed out and as you have concurred with us, we are suffering from an inequity in our tariff schedules.

We do not want to be subsidized. We have worked hard in creating a business. Now we find ourselves facing extinction on a technicality. We are here to plead with you to help us in our cause.

Mr. BURKE. Thank you.

That is all, Mr. Chairman.

Mr. WATTS. The Chair recognizes Mr. Betts.

Mr. BETTS. I want to read into the record, if I might, Mr. Chairman, something that I think is pertinent to what we have been discussing here. It is from the report of the Department of State on this bill to help the olive industry.

I quote:

> The proposed increase in duty on green olives has received wide and unfavorable publicity in Spain and can be expected to encourage demands for restrictive action against U.S. exports to the detriment of Spanish-American relations and possibly our balance of payments position.

This is a fine example of the attitude the State Department takes in trade matters. It is more interested in looking out for better international relations than the protection of American industry.

Mr. WATTS. Is that all, Mr. Betts?

Mr. BETTS. Yes.

Mr. WATTS. Mr. Pettis.

Mr. PETTIS. Thank you, Mr. Chairman.

I want to commend the association for its testimony this morning. I want to add this one footnote. Being from an area which has been an olive-growing area for many, many years, a number of olive growers are going out of business and finding it more profitable to sell their trees for home ornamental purposes, than for growing olives. I would hate to see the day come when we take out these trees and plant them around homes and no longer have them for the growing of this product.

Mr. WATTS. Thank you very much for your presentation.

Are there further questions?

Mr. NOLAN. Mr. Chairman, with regard to questions raised by Congressman Betts and Congressman Burke, I have one additional comment to make. In our view you are a hundred percent right when you suggest that this is a reclassification rather than a raising of a duty. It has always been our view that that is exactly what it is.

It is the creation of a duty classification for bottled olives where none has existed to this date. Although the duty on bulk olives were bound in the Kennedy round in 1967, we have never viewed that as applicable to this legislation or to bottled olives for the reason that I just described.

However, if it is, it is also important to note and we can provide this for the committee, that at the time of the Kennedy round negotiations this legislation was pending before the Congress and there was an exchange of notes between the Spanish and the American representatives. Those notes in essence said: if the bill passes, we will meet to see what other adjustments will be made between our two countries.

In other words, the action taken in the Kennedy round was taken in full awareness of the likelihood or possibility of this bill being enacted in the United States.

Mr. BURKE. The American selling price does not apply to American Olives, does it?

Mr. APPLEMAN. No.

The CHAIRMAN. Are there any further questions?

If not, we thank you, gentlemen.

Mr. APPLEMAN. Thank you.

The CHAIRMAN. Mr. Heron. Mr. Pettis.

Mr. PETTIS. Mr. Chairman, I would like to take this opportunity to welcome my colleague in the Congress, the Honorable Charles Gubser, who is going to introduce our next witness.

The CHAIRMAN. We appreciate your welcoming Mr. Gubser to the committee. I want to joint you, Mr. Pettis. We are pleased to have you back with us. You are recognized.

STATEMENT OF HON. CHARLES S. GUBSER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. GUBSER. Thank you very much, Mr. Chairman.

I think I can speak for the entire California congressional delegation, both Democrat and Republican, when I say that we still look upon agriculture as one of the major and most important industries in our State. We are particularly interested in the need for continued expansion of international trade in agriculture.

The concern of our delegation is the reason I am here this morning to introduce Mr. Julian Heron, who will present a statement on behalf of the California-Arizona Citrus League and the Sunkist Growers.

We consider these organizations to be truly representative of a great segment of California agriculture.

I know Mr. Heron will have an interesting statement for you.

The CHAIRMAN. Thank you, Mr. Gubser.

Mr. Heron, we appreciate having you with us. You are recognized.

STATEMENT OF JULIAN B. HERON, JR., COUNSEL, CALIFORNIA-ARIZONA CITRUS LEAGUE

Mr. HERON. Thank you, Mr. Chairman.

This statement is made on behalf of the California-Arizona citrus industry by the California-Arizona Citrus League whose membership represents handlers and growers of more than 90 percent of the California-Arizona citrus fruit produced and marketed in fresh and processed form. On behalf of the industry, the league has requested the opportunity to testify in support of the President's foreign trade proposals.

The California-Arizona Citrus League joins with the U.S. National Fruit Export Council in its support of the principle of reciprocal trade as the cornerstone of U.S. foreign trade policy. The California-Arizona citrus industry has developed, over a long period of years by diligent marketing efforts, a substantial export market for both fresh and processed citrus products, the maintenance of which is absolutely essential to a healthy economic situation within the industry. We recognize that in order to export products of its industries, a nation must be prepared to purchase from its trading partners.

We are opposed to the continued imposition by trading partners of the United States of import quotas, the variable levy system and other nontariff barriers as well as unreasonable high tariffs. In the same vein, we urge any solutions that are warranted in instances of severe competition between imports and domestically produced commodities within the United States be found other than through the imposition of quotas and other nontariff barriers through specific legislation. We wholeheartedly support the President's tariff proposals now pending before this committee including its provisions for:

1. Additional tariff negotiating authority for the President within the limits prescribed
2. A basis for more effective negotiations on the part of the U.S. representatives for reduction among our trading partners of nontariff barriers, predicated on repeal of the American selling price system.
3. Modified criteria for escape clause action and adjustment assistance.
4. Extension of section 252 of the Trade Expansion Act of 1962.

The California-Arizona citrus industry is vitally dependent upon its export markets as shown in exhibit 1 attached. For the 5-year period ending 1968–69, exports represented 27 percent of the total shipments of fresh citrus from California and Arizona. During the 5 years ending with 1968–69 this proportion varied from a low of 25.3 percent to a high of 28.8 percent. Currently the dollar value of citrus and citrus products exported by the California-Arizona citrus industry exceeds $75 million annually. The maintenance of this level of exports is of crucial importance to the continued economic health of the California-Arizona citrus industry.

For these reasons the California-Arizona Citrus League strongly urges adoption of the President's trade proposals and vigorously opposes the establishment by specific legislation of additional import quotas and other nontariff barriers on imports into the United States which would represent an added burden to the maintenance and expansion of U.S. export trade.

STATEMENT OF POSITION

The California-Arizona citrus industry has long supported the reciprocal tariff policy pursued by the United States since the Trade Agreement Act of 1934. The President's proposals now before this committee are a logical continuation of that program and provide proper balance for the consideration of industries unduly subjected to competition from imports as well as providing legislative authority for a continuation of the basic reciprocal trade agreement program. In contrast, many bills which have now been placed before this committee and the Congress provide specific quota protection for specific industries, and if enacted, would result in a reversal of that reciprocal trade policy because of:

1. Restrictions of imports into the United States and resulting shortage of dollar exchange in importing countries to purchase products of our export-oriented industries, and

2. Because of the retaliation that would be initiated by our trading partners, triggered by the prospect of the loss or severe reduction of their opportunities to earn dollar exchange through exports to the United States.

NONTARIFF BARRIERS

Since 1962, the United States has experienced increasing problems, particularly in the agricultural export field, with nontariff barriers maintained by its trading partners. Its protest of these nontariff barriers would become a hollow platitude if the United States were to yield to the temptation to enact similar proposals which provide for increased quota protection for U.S. industries.

Agricultural trade is particularly vulnerable to this type of retaliation and certainly the current efforts of the United States to secure the removal or reduction of nontariff barriers in those countries which can provide significant market opportunities for products of U.S. agriculture will be seriously jeopardized.

An example from the California-Arizona citrus industry will serve to illustrate the opportunities for U.S. agricultural exports and increased dollar exchange earnings which can result from the removal of nontariff barriers by our trading partners. The following data were presented in March of 1968 with respect to U.S. exports of fresh lemons to Japan through 1966–67, and updated in this presentation through 1968–69:

U.S. exports of fresh lemons to Japan

[Thousands of 76-lb. boxes]

1958–62 average	97
1962–63	127
1963–64 (liberalized, May 1964)	430
1964–65	506
19655–66	712
1966–67	832
1967–68	1,075
1968–69	1,144

Source: Citrus Fruit, World Production and Trade Statistics, USDA, FAS, September, 1967, and FT 125, 1967–68, worksheets 1969.

These data indicate that in the third full year of liberalization U.S. exports of fresh lemons to Japan had increased by more than eight times the average of the 5-year period 1958–62. The updated data indicate that the increase since 1966–67 has been even more significant. Total exports of fresh lemons to Japan for 1968–69, the most recent completed export year, reached a total of 1,144,000 76-pound box equivalents—2,288,000 38-pound carton equivalents—2¼ times the level of the first full year of liberalization and almost 12 times that of the 1958–62 preliberalization average.

Japan continues to maintain quotas on the importation of fresh grapefruit, fresh oranges, and concentrated citrus juices in violation of the GATT rules. The United States has been negotiating for the removal of these restrictions and Japan has committed itself to a timetable of liberalization to begin no later than 1971. However, enactment in the interim by the United States of import quotas legislation

would almost certainly jeopardize this program of liberalization to which Japan has committed itself.

THE EEC AND THE LEVY SYSTEM

The European Economic Community presents a special and very serious problem of nontariff barriers. The United States attempted in the GATT negotiations conducted pursuant to authority of the Trade Expansion Act of 1962 to secure modification of the community's reference price—levy system of protection for its agriculture. Reference prices, levies, and export subisides are a combination of devices which can be used to totally exclude imports from outside countries and to protect price levels within the domestic market by dumping on the world markets supplies in excess of that which can be consumed by the home market. The logical end of the imposition of such devices, by the EEC or by other countries, is a virtual strangling of foreign trade and the creation and/or perpetuation of inefficient producing industries within the country using such devices.

The EEC has depended largely on third countries for its supplies of oranges as long as its membership has been confined to the original six members plus association agreements with Greece and Turkey. However, as portrayed in exhibit 2, the trend of reference prices on both oranges and lemons has been almost constantly upward, a disturbing indication that the EEC is moving toward eventual exclusion, or at least drastic restriction, of imports of citrus from third countries which are not then members of the EEC.

The EEC presently applies customs duties, intervention prices, export refunds, basic price, buying-in price, reference price, and quality standards to citrus. Threshold prices and variable levies are currently applied to cereals, butter, cheese, skim milk, beef, and veal, other livestock products and olive oil. Exhibit 3.

DISCRIMINATORY TRADE AGREEMENTS

Prior the inception of the Common Market, the United States and Italy competed in the principal markets of Western Europe on the same basis except for those advantages related to geographic location, varietal differences of fruit and other similar economic factors. The California-Arizona citrus industry pointed out the disadvantage at which it was placed by reason of the formation of the Common Market in a "Statement of Position on GATT Negotiations" submitted before the Committee on Reciprocity Information in September of 1964. Since that time Greece, another Mediterranean citrus producer, has become an associate member of the Common Market; and an association agreement has been entered into with Turkey.

More recently the Common Market has negotiated with Tunisia and Morocco for a reduction in the common external tariff on citrus of 80 percent, and with Spain and Israel for a reduction of 40 percent. The United States, joined by other citrus-exporting countries of the world (not including the Mediterranean Basin countries), in the fall of 1969 protested before the GATT these discriminatory reductions in duties, for which the EEC had requested a waiver of the GATT rule against such discriminatory reductions. Because of the strong protest

of the United States and other countries, the EEC withdrew its request for a waiver. It has now taken the approach of claiming to be forming a customs union or free trade area which would be permissible under the GATT rules but which actually is a vehicle for the extension of the previously proposed preferential and discriminatory reductions in the common external tariff of 80 percent to Morocco and Tunisia and 40 percent to Israel and Spain (and the extension of the previous 20 percent reduction to Turkey).

These proposals of the EEC to grant preferential and discriminatory reductions in duties to Tunisia, Morocco, Israel, and Spain are a clear indication that it is moving in the direction of incorporating Mediterranean Basin citrus producing countries within the EEC. When this is accomplished, pressure for protection of the "home market" will have disastrous consequences to the export of U.S. citrus to countries which have long been its traditional markets. It appears entirely possible that the EEC may be closed completely, as a practical matter, to exports from the United States during the marketing season of the Mediterranean Basin citrus producing countries.

EXTENSION OF SECTION 252 OF THE TRADE EXPANSION ACT OF 1962

The California-Arizona citrus industry supports the extension of section 252 of the Trade Expansion Act of 1962 to nonagricultural commodities and specifically urges the Congress to emphasize that congressional policy directs the use of that authority to keep the channels of trade open. The California-Arizona Citrus League is taking steps to file an application pursuant to section 252, as a result of the agreement with Tunisia and Morocco.

Hopefully, the EEC will recognize that the United States does not intend to allow a violation of the most favored nation provision of the GATT. Perhaps then the EEC will terminate its violations and actual retaliation will not prove necessary, since such action is in the category of "locking the barn after the horse has been stolen" in that it does not restore the lost export markets to the domestic industry involved. However, just as "a strong offense is the best defense," it is essential that the President have this authority in order to be in a position to negotiate effectively with our trading partners to keep open, on a quid pro quo basis, the channels of foreign trade.

In conclusion, we would like to point out the reason this committee should give added weight to the California-Arizona Citrus League's testimony. As you know, the California-Arizona growers have worked hard to increase and expand exports of fresh citrus to the present $75 million level. This level of exports has been reached through hard work, sound business planning, and vigorous promotional and sales efforts. The California-Arizona industry does not receive any type of direct government subsidy as do many of the growers in nations competing for the same markets. In spite of the subsidies provided growers of foreign nations' our industry has been able to compete successfully to the present time. The future is uncertain. That is the reason we are here today testifying in support of the administration's trade legislation. We urge your swift enactment of that legislation.

(The exhibits follow:)

EXHIBIT 1

CALIFORNIA-ARIZONA CITRUS INDUSTRY'S TOTAL FRESH EXPORTS

[Exports include Canada]

	Thousands of cartons			Fresh exports percent of—	
	Total citrus production	Total fresh shipments	Fresh export shipments [1]	Total production	Fresh shipments
1964–65	108,585	78,080	19,765	18.2	25.3
1965–66	124,620	18,020	22,690	18.2	28.0
1966–67	130,280	83,270	23,960	18.4	28.8
1967–68	93,695	56,225	15,185	16.2	27.0
1968–69	146,825	83,990	22,670	15.4	27.0
5-year average	120,800	76,510	20,850	17.3	27.3

[1] Partly estimated.

Source: Orange Administrative Committees, Lemon Administrative Committee, Desert Grapefruit Administrative Committee, California Crop & Livestock Reporting Service, Canadian exports estimated by Sunkist.

EXHIBIT 2.—EEC REFERENCE PRICES

	1963–64	1964–65	1965–66	1966–67	1967–68	1968–69	1969–70
Lemons (dollars per 38-pound carton):							
July	1.90	1.90	2.22	2.98	2.86	3.02	3.03
August	2.09	2.09	3.81	3.17	3.24	3.36	3.62
September	2.64	2.64	3.79	2.95	3.02	3.09	3.12
October	2.15	2.15	2.50	2.55	2.93	3.24	3.17
November	1.83	1.83	2.03	2.07	2.21	2.28	2.33
December	1.96	1.96	2.33	2.05	2.12	2.28	2.28
January	2.10	2.10	1.95	2.09	2.12	2.28	2.26
February	1.95	1.95	1.83	1.96	2.09	2.24	2.24
March	1.83	1.83	1.96	2.07	2.07	2.17	2.21
April	1.90	1.90	2.00	2.12	2.28	2.34	2.40
May	2.00	2.00	2.03	2.07	2.17	2.55	2.91
June	1.90	1.90	2.21	2.67	2.65	2.95	----------
Oranges, group II (dollars per 37.5-pound carton):							
November	----------	----------	----------	----------	----------	----------	----------
December	1.87	----------	2.64	----------	----------	----------	----------
January	2.04	2.13	2.64	2.84	2.91	2.91	2.70
February	2.04	2.13	2.64	2.84	2.91	2.91	2.70
March	2.04	2.13	2.64	2.84	2.91	2.91	2.70
April	2.21	2.30	2.64	2.84	2.91	2.91	2.70
May	----------	----------	----------	----------	----------	----------	----------

Note: All figures converted from price per pound.

Sources: USDA, FAS; Citrus, FCF 4–64, August 1964; FCF 1–67, January 1967; FCF 4–67, December 1967; FCF 4–68, December 1968; FCF 1–70, January 1970.

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MARKET ORGANIZATION MEASURES UNDER THE COMMON AGRICULTURAL POLICY (MAY 1969)

Measure	Commodity										
	Cereals			Milk products					Beef and veal		
	Other than rice and durum	Durum	Rice [1]	Fresh milk	Butter	Cheese	Skim milk	12 pilot products	Fat cattle (on the hoof)	Veal calves (on the hoof)	Beef and veal
Threshhold price and variable levies	X	X	X		X	X	X	X	X	X	X
Sluicegate price											
Customs duties				X					X	X	X
Quotas											
Target price	X	X	X	X							
Guide price									X [2]	X [2]	X
Intervention price [3]	X	X	X		X	X [4]			X		
Derived intervention price	X	X	X								
Export refunds	X		X		X	X	X	X	X	X	X
Deficiency payments		X									
Production subsidies						X	X				
Basic price											
Buying, in price											
Reference price											
Quality standards											
Production quotas											
Consumer subsidies					X [5]	X [5]					

Measure	Commodity									
	Other livestock products			Sugar		Horticulture		Oils		
	Pigmeat	Eggs	Poultry	White sugar	Sugar beet	Fruit and vegetables	Nonedible products	Vegetable oils and oilseeds	Olive oil	Wine
Threshold price and variable levies	X	X	X						X	
Sluicegate price	X	X	X							X
Customs duties						X	X	X	X	X
Quotas										
Target price				X	X			X	X	
Guide price										
Intervention price [3]	X			X		X		X	X	X
Derived intervention price				X				X		
Export refunds				X		X		X	X	
Deficiency payments								X	X	
Production subsidies										
Basic price	X					X				
Buying-in price						X				
Reference price						X [6]				
Quality standards		X	X			X	X			X
Production quotas				X	X					
Consumer subsidies										

[1] The only measure affecting imports of rice into nonproducing countries (Germany, Belgium, the Netherlands, and, Luxembourg).
[2] A supplementary levy may be applied on the basis of the guide prices.
[3] Intervention is at the discretion of the Commission.
[4] Intervention on the cheese market affects parmesan only.
[5] Subsidies are paid to consumers of butter and cheese in Germany and the Netherlands only.
[6] A countervailing charge may be applied on the basis of the reference prices.

Source: USDA:FAS.

The CHAIRMAN. Thank you, Mr. Heron, for bringing your very fine statement to the committee.

Are there any questions?

Mr. CONABLE. I notice you mentioned the Mediterranean Basin as an independently important source for citrus fruit. Are we getting any Jaffa oranges in this country? I know I have noticed them in the stores.

Mr. HERON. I do not have specific figures available. I will be happy to obtain them and furnish them to the committee if you wish.

Mr. CONABLE. Only if it is a sufficiently significant statistic to indicate some trend.

The CHAIRMAN. The figures will be placed in the record at this point.

(The information requested follows:)

In calendar year 1968 there were approximately 1,973,189 pounds of fresh oranges imported into the United States from Japan with a value of approximately $298,882.00. In calendar year 1969 there were approximately 1,474,904 pounds of fresh oranges imported into the United States from Japan with a value of approximately $211,753.00. It is important to keep in mind when referring to fresh orange imports from Japan that these oranges are under foreign quarantine. Entry is allowed only into Alaska, Washington, Oregon, Idaho and Montana. Additionally, there is a domestic quarantine on these oranges. That means that they are not permitted to move in interstate commerce from the states into which they are imported, to oher states.

If Japanese oranges have been noticed in stores in the New York area, in all probability they were illegal.

Mr. PETTIS. Mr. Chairman, I would like to take this moment to commend Mr. Heron for representing the league and for his statement today. Having been a citrus grower for 25 years or more, I want to say we really have a problem in the California and Arizona areas. I hope we can solve it soon.

The CHAIRMAN. Thank you, Mr. Pettis.

Thank you, Mr. Heron.

Mr. HERON. Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Lobred.

STATEMENT OF LEONARD K. LOBRED, SECRETARY-TREASURER, U.S. NATIONAL FRUIT EXPORT COUNCIL

Mr. LOBRED. I am Leonard K. Lobred, secretary-treasurer of the U.S. National Fruit Export Council, representing producers and processors interested in furthering the exploration of fruit and fruit products.

Following is a list of the member organizations:

California-Arizona Citrus Industry, Pure Gold, Inc. Redlands, Calif.; Sunkist Growers, Los Angeles, Calif.
California Canning Peach Association, San Francisco, Calif.
California Grape and Tree Fruit League, San Francisco, Calif.
Canners League of California, San Francisco, Calif.
Cranberry Institute, Duxbury, Mass.
DFA of California, Santa Clara, Calif.
Florida Canners Association, Winter Haven, Fla.
Florida Citrus Commission, Lakeland, Fla.
Florida Citrus Mutual, Lakeland, Fla.
International Apple Association, Washington, D.C.
National Apple Institute, Washington, D.C.
National Canners Association, Washington, D.C.

National Red Cherry Institute, East Lansing, Mich.
Northwest Food Processors Association, Portland, Oreg.
Northwest Horticultural Council, Yakima, Wash.
Pineapple Growers Association of Hawaii, SanFrancisco, Calif.
Texas Citrus and Vegetable Growers and Shippers, Harlingen, Tex.
Texas Citrus Mutual, Weslaco, Tex.

Some of these organizations are submitting statements to this committee on their own behalf. I do not appear as the direct representative of any of them, but only for the group, on matters of common concern affecting the exploration of fruit and fruit products—fresh, dried, canned, and frozen. None of these is priced-supported. Exports of these products contribute an average of more than $300 million annually to our balance of payments.

The U.S. National Fruit Export Council met in Washington May 25, 26, 27. As is our custom at such meetings, collectively we took stock of the factors influencing agricultural exports in general and fruit products exports in particular.

ECONOMIC FACTORS DETERRING U.S. EXPORTS

We again identified inflation as one of the major deterrents to exports, and the U.S. National Fruit Export Council gives its general support to measures designed to curtail inflationary forces.

Another disadvantage to U.S. fruits in our principal export markets is the wide disparity in ocean freight rate from U.S. ports and from major competing origins such as Australia, Israel, South Africa, and Taiwan. Fruits from competing origins are carried to the same destination at disparate ocean freight charges, putting U.S. fruits at a distinct competitive disadvantage. The U.S. National Fruit Export Council believes that ocean freight rate on U.S. fruits and fruit products should be in balance with those charged exporters of other countries, to the end that U.S. fruits and fruit products shall not be rendered uncompetitive by reason of discriminatory ocean freight charges.

However, our chief concern is with U.S. trade policy, more specifically its execution or lack of execution. We need and request the support of this committee and of the Congress to impress on the executive branch the following:

FOREIGN IMPORT RESTICTIONS

Exports of fruits and fruit products are impeded by a continuing and growing agricultural protectionism, of which the most extreme is that of the European Community. Our Government successfully challenged the EEC when the Commission proposed to institute a tax on soybeans. But the executive branch declines to challenge the EEC on its number one trade restriction, the variable levy system, which we regard as an absolute violation of the GATT, and even more restrictive than measures which are expressly prohibited by the GATT. Various regulations under the EEC's common agricultural policy are formidable barriers to the importation of U.S. fruits. Variable levies, reference prices, and minimum import prices are bad for U.S. agricultural exports not only because of high ad valorem protection but additionally because of their side effects, which create nuisances for the trade.

The U.S. National Fruit Export Council considers that the United States should oppose the excessive protectionism which is embodied in the EEC's common agricultural policy. We consider that the United States should continue to press for agricultural trade liberalization in other countries, as well, notably Japan, where prospects for trade appear favorable if there were market access.

LOSS OF U.S. AGRICULTURAL MARKETS IN AN ENLARGED EEC

Fruit and fruit products exporters are very much concerned about the consequences to our export trade if the United Kingdom and other applicant countries become members of the EEC. The United Kingdom, Denmark, and Norway are major export markets for U.S. fruits. The tariffs there are bound at low rates pursuant to the GATT. As such concessions have been bought and paid for by the United States in past international negotiations, the United States is entitled to continue to deliver goods into those countries under the same conditions of market access. However, membership in the EEC will mean, for each of the applicant countries, scrapping of their existing tariff systems. The applicant countries will be obliged to adopt the Common External Tariff for industrial products and the common agricultural policy and market regulations for agricultural production and trade.

The customs duties on fruits and fruit products entering the EEC are higher, in almost every instance, than the duties on the same fruits entering the United Kingdom, Denmark, and Norway. Furthermore, importation of fresh fruits into the EEC is burdened by the reference price system, and for canned fruits there is a sugar levy on top of the tariff. If the EEC's system is made applicable also in the United Kingdom, Denmark, and Norway, market access and export opportunities for U.S. fruits will be seriously impaired.

We consider that the variable levy system is illegal and that the United States should have challenged its legality under GATT long ago. In the event that the United Kingdom, itself a major market, is added to the EEC, the United States should take necessary measure to assure that market access there will be no less favorable than under existing GATT bindings. As a practical matter, we don't know what measures might be taken, short of an end to the variable levy system. With the prospect that the variable levy will be effective in 10 countries rather than six, the United States should reexamine its position and should institute the long overdue challenge to the EEC variable levy system.

OPPOSITION TO EXPORT SUBSIDIES

The variable levy system is not only an import protection, it provides funds with which the EEC subsidizes its agricultural exports in third country markets in competition with American agricultural products.

The variable levy and export subsidies thus nullify comparative advantage both in the EEC and in world markets.

Some other countries also subsidize their agricultural exports in third country markets in competition with U.S. fruits. The U.S. Na-

tional Fruit Export Council considers that the United States should take appropriate action to discourage other governments from subsidizing their exports in competition with U.S. exports to third countries. This should include retaliation by compensatory withdrawal as a final measure if consultation with offending governments, either directly or through the GATT, fails to secure relief within a reasonable time.

The U.S. National Fruit Export Council supports the proposal in section 203(b) of H.R. 14870 to authorize the President to take appropriate action against other nations which use government subsidies to compete unfairly against U.S. products in third country markets.

EEC TARIFF PREFERENCES/DISCRIMINATIONS

Another major concern is the proliferation of preferential tariff and trade arrangements by which the EEC discriminates against fruit and fruit products and other agricultural products of U.S. origin. The EEC tariff preferences include discriminations against fresh oranges and lemons and canned pineapple from the United States. The EEC tariff discriminations are of questionable GATT legality.

GENERAL AGREEMENT ON TARIFFS AND TRADE

The U.S. National Fruit Export Council considers that the GATT generally provides on a reciprocal basis for fair and reasonable conditions of competition in international trade. Our support for GATT principles, however, is not to be taken as any indication of satisfaction with the concessions obtained by the United States for fruit and fruit products in the last two rounds of GATT negotiations. The Fruit Export Council believes that the United States should vigorously pursue faithful adherence to GATT principles and requirements by the contracting parties.

In practical terms, this means that the United States should challenge the legality of the EEC variable levy system, should oppose the use of export subsidies by other countries to compete unfairly against products of U.S. origin, should continue its opposition to the EEC preferential tariff arrangements which discriminate against the United States, and should continue to press for elimination of unjustifiable trade barriers which limit exports of U.S. fruits and fruit products.

At the outset of this statement is a reference to the execution, or lack of execution of U.S. trade policy. The U.S. National Fruit Export Council feels very strongly that our vital interests in export trade have not been sufficiently protected or advanced by our Government. It is difficult to understand why this should be so at a time when the United States is suffering a deficit in international trade and is in economic difficulties at home, and the fruit industry is anxious to expand its exports.

OFFICE OF THE SPECIAL REPRESENTATIVE FOR TRADE NEGOTIATIONS

Finally, the U.S. National Fruit Export Council believes that the Office of the Special Representative for Trade Negotiations is the

logical center for coordination of all agencies concerned with matters of international trade. We consider that STR has not received the support necessary to function vigorously and efficiently, and that it should receive budgetary and administrative support.

The CHAIRMAN. Thank you, Mr. Lobred.

Any questions of Mr. Lobred?

If not, we thank you, sir.

Mr. LOBRED. Thank you.

The CHAIRMAN. Our next witness is the vice president of the Ohio Greenhouse Cooperative Association.

Will you please come forward?

Mr. Betts.

Mr. BETTS. Mr. Chairman, Mr. Ruetenik, by coincidence, is the second witness from Vermilion, Ohio. This is in my congressional district, and I am happy to welcome him to the committee.

The CHAIRMAN. Thank you, Mr. Betts.

This is Vermilion Day.

If you will identify yourself for the record, we will be glad to recognize you.

STATEMENT OF ROGER RUETENIK, VICE PRESIDENT, OHIO GREENHOUSE COOPERATIVE ASSOCIATION

Mr. RUETENIK. I am Roger Ruetenik, president of the Ohio Greenhouse Cooperative Association.

On behalf of the greenhouse growers of the United States, I would like to present our statement for the record because of the time involved, and we will omit any vocal presentation.

The CHAIRMAN. We always save the best until the last.

(The statement referred to follows:)

STATEMENT OF ROGER RUETENIK, PRESIDENT, OHIO GREENHOUSE COOPERATIVE ASSOCIATION

Mr. Chairman, we welcome the privilege to present the views of the greenhouse vegetable growers of the United States relative to H.R. 16920 now before the committee.

My name is Roger Ruetenik, President of the Ohio Greenhouse Cooperative Association. I am also speaking on behalf of the National Association of Greenhouse Vegetable Growers, the Grand Rapids (Michigan) Greenhouse Industry, the Cleveland Greenhouse Vegetable Growers' Cooperative Association, the Hamilton County (Cincinnati) Greenhouse Association, and the Toledo Greenhouse Association. I operate my own greenhouse near Vermilion, Ohio, where I am producing tomatoes, cucumbers and leaf lettuce.

VIEWPOINT ON AGRICULTURE

For national security, health and welfare of our citizens, we must have a strong and prosperous agricultural industry. A consistent food supply is essential, and a qualified, well trained labor force available at all times.

The emphasis placed upon United States produced food during World War II supports this statement. The phenomenal growth of the entire United States economy has been possible due to the efficiency of American agriculture. The American housewife spends only 17 percent of her family income for food. For the best interests of our citizens, we believe a strong U.S. agriculture must be maintained.

We believe that a strong United States trading policy will benefit the producers of agricultural products if restrictions on imports are designed to en-

courage and give some protection to U.S. agricultural producers. A trade policy must encourage and protect the producers of such commodities as tomatoes and other vegetables. We cannot become dependent on foreign countries for our food supplies. If tomatoes grown in Mexico and other foreign countries are allowed to be shipped into the United States and sold at prices based on the wages paid to their workers, U.S. tomato growers in Florida, California, Texas, as well as local state growers and the highly specialized greenhouse tomato growers, will be forced out of business. This will be a loss to the nation, a loss to the people that own and operate the greenhouses and a loss to the many workers who depend on the vegetable greenhouse for a living.

U.S. GREENHOUSE TOMATO INDUSTRY ILLUSTRATES EFFECT OF UNRESTRICTED IMPORTS

The experiences of the U.S. greenhouse tomato industry illustrates the problem which can occur when imports are permitted to enter this country with little consideration given to local market conditions.

Greenhouse vegetable production is one of the most specialized forms of commercial agriculture in the United States today. At the present time, there are about 1,500 acres of land in the U.S. covered with greenhouses for the production of tomatoes, Bibb and leaf lettuce, cucumbers, watercress and radishes. These 1,500 acres of greenhouse provide 240 million pounds, which generate $60 million annually to our economy. About 500 acres are concentrated in Ohio. The tomato is the leading crop produced in vegetable greenhouses in the United States. Horticulturally speaking, the greenhouse tomato is grown to perfection and has the finest quality of any tomato grown in the world.

In 1970, to produce these fine tomatoes, it will cost a grower about $150,000 per acre to erect a greenhouse. This will give you some idea of the amount of money which the U.S. greenhouse vegetable growers have invested in their business ($165 million). Over the years, the greenhouse tomato grower has had to face the competition from Florida, Texas, California, and other areas where tomatoes are raised out-of-doors. By using the latest scientific know-how and good managerial ability, many greenhouse growers have been able to meet this competition.

Sometimes the competition was rough and the greenhouse grower sold tomatoes at prices lower than the cost of production; but, for the most part, our industry was able to exist with this competition. The same Federal laws and regulations affect the growers in other states (Florida, California, and Texas) as they do the greenhouse grower.

Manufacturers of hard goods have some control over the market and the marketing period for their products, but the greenhouse vegetable grower, as well as the outdoor farmer, has very little control over this phase of the business. Greenhouse tomatoes are perishable and they must be sold soon after harvest. An over-supply of a perishable crop at harvest can result in low wholesale prices. Since the crop is sold during a relatively short period, low prices can be disastrous to the individual grower. Due to the present trade policy, the tomato imports, primarily from Mexico, are heaviest during our marketing period. The effect of our present trade policy will be discussed later.

We have surveyed some of our representative greenhouse grower members regarding production costs during 1969. The average gross cost for producing greenhouse tomatoes was $2.22 per eight pound basket, or about 27 cents per pound. The average wholesale price was $2.40 per eight pound basket, or about 30 cents per pound, leaving only 24 cents per basket, 3 cents per pound, or $3,000 per acre to cover management and profit. Obviously on a return of this nature, we cannot stay in business, we cannot meet the demand of society and we cannot attract young people to enter the field of agriculture as an occupation.

One further point should be mentioned, *Wholesale Prices* have remained fairly constant during the past 10 years as shown below:

1960	$2.02	1965	$2.02
1961	1.88	1966	2.01
1962	1.93	1967	2.06
1963	2.01	1968	2.47
1964	2.16	1969	2.40

These wholesale prices should be compared with the official O.P.A. established price of $2.52 per 8 pound basket (about 31 cents per pound) during World War II. (During the time the ceiling price was in effect, records indicate that the overall average wholesale price was near the $2.52 ceiling price.)

Our production costs, like most industries, have increased repidly since 1959, but the wholesale prices which we receive have not increased in proportion. Actually in terms of the buying ability of the dollar, the prices have decreased.

A survey of representative growers in our industry indicates labor costs have more than doubled during the past ten years. Other increases over this period are taxes, repairs, containers, fuel and other supplies. In spite of increased yield per acre, through production technology and the use of labor saving equipment, we are unable to increase our gross income per to offset these increased production and marketing costs. The increased quantity of tomato imports has been one of the factors affecting these wholesale prices.

TOMATO IMPORT SITUATION

The imports of Mexican tomatoes in 1970 have increased 58 percent over 1967, 65 percent of 1968 and 27 percent over 1969. The following tables summarize the imports from Mexico by carlot shipments:

	1967	1968	1969	1970
Total shipping season, Jan. 1 to June 7 and Oct. 12 to Dec. 31	12,297	11,217	14,901	----------
Jan. 1 to June 7 only	10,852	10,431	13,538	17,235
Carlot shipments from Florida, California, and Mexico are:				
Total shipping season, Jan. 1 to June 7, and Oct. 12 to Dec. 31	34,937	35,997	33,265	----------
Jan. 1 to June 7 only	27,028	25,640	24,852	24,771

The import of tomatoes from Mexico and other foreign countries during the past ten years has been our greatest competition. The tomatoes grown in Mexico are allowed to be shipped into the United States at very moderate tariffs even though Mexico has no established minimum wage for its employees. Why should our farmers be punished and penalized by highly competitive production from areas having such very low schedules of wages? Our greenhouse growers have cooperated in every respect in connection with all labor regulations, not only on the basis of wages, but on safety measures, social security and other 1. Tomato Report, Florida Crop and Live Stock Report Service, 1222 Woodward, St., Orlando, Fla. U.S.D.A. Stastical Reporting Service, State of Florida, Department of Agriculture, University of Florida Agricultural Reporting Service benefits. Therefore, the cost of production per unit is very high compared with that of the imported product, particularly from Mexico.

To illustrate the wide discrepancy in labor costs, a recent U.S. Department of Agriculture publication reported that the wage for unskilled labor (in Mexico) including social benefits, is approximately $1.72 for an eight hour day, or 21½ cents per hour. At the present time, most of our members are paying *hourly* rates *equivalent to and in many instances more than the Mexican daily rate.*

According to this same U.S. Department of Agriculture report, about 75 to 80 percent of these tomatoes are imported in the United States during February, March, April and May. These months coincide closely with the months when greenhouse tomatoes are in production. If we would include the Mexican shipments for December and June (other important greenhouse tomato production months) over 80 percent of the Mexican tomatoes would be coming on our markets when greenhouse tomatoes are also being marketed.

SUMMARY

The rapid increase of fresh tomato imports has severely affected the greenhouse tomato industry. If this trend continues, and recent reports indicate it will continue, the future of this important vegetable industry is in jeopardy unless some changes are made in the U.S. trade policy during critical market periods. Certain specialized areas of the U.S. agriculture need help.

Greenhouse tomato growers in the U.S. are unable to meet the subsidized competition from tomatoes produced in *Mexico* and then shipped to the United States for sale in the retail stores in our metropolitan areas.

To illustrate the effect of these imports in wholesale prices, the experiences during the 1968 spring tomato season can be cited, as an example. Disease and related production problems during early spring (1968) reduced the Mexican tomato production. The imports of tomatoes from Mexico for February through May were about 50 percent *less* than imports for comparable periods in previous years. The wholesale prices received by greenhouse growers during 1968 were the best prices received during the past ten years. In 1969, when the size requirements were limited because of the Marketing Order in Florida, shipments from Mexico were curtailed and the wholesale prices received were just slightly lower than 1968. In 1970 there have been more tomatoes shipped into the United States from Mexico and greenhouse wholesale prices have been lower, but this has in no way affected the cost to the consumer.

GREENHOUSE VEGETABLE GROWERS CONTRIBUTIONS TO U.S. ECONOMY

The greenhouse vegetable growers uses labor throughout the year. In addition to the millions of dollars he pays for supplies, the taxes which he pays are much higher than many other phases of agriculture since most of the businesses are located near metropolitan areas. A recent suvey of our members indicated their local taxes will average near $2,750 per acre. As mentioned earlier, we have more than 500 acres of greenhouses in Ohio alone. This money spent by U.S. greenhouse growers is reinvested in our local communities, in our states, and in our country. Also the greenhouse employees pay taxes, support their community, spend their money and are gainfully employed twelve months out of the year. The majority of greenhouse workers own their homes, drive automobiles and send their children to school and college. His counterpart in Mexico works for less, doesn't have a home or car, and works with his children in the field on a seasonal basis. We, in our small way, are contributing to full employment.

Our support industries, such as maintenance, packaging, supplies, fuel, in-home or car, and works with his children in the field on a seasonal basis. We, in contributing to make the U.S. economy strong.

RECOMMENDATIONS

We believe a successful greenhouse vegetable industry is in the best interests of the consumer. To have a strong industry, some protection must be given to the U.S. greenhouse industry from the unlimited imports of tomatoes from foreign countries.

The greenhouse growers of America support all international trade that is done on a fair and equitable basis and such trade should be encouraged, but when imports are greatly increased from countries having a very low rate of wages, the situation must be reviewed and the Chairman of the Ways and Means Committee is to be commended for the introduction of H.R. 16920, although it is limited to textiles and footware. We strongly recommend amendments to the bill to include agricultural products for food and the embodiment of the principles of fair marketing as outlined in S. 146, which was introduced by Senator Spessard L. Holland. We strongly recommend that the principles of this bill be included in future legislation with respect to international trade in agricultural products.

1. Since about 80 percent of the tomatoes from Mexico are being imported during the local greenhouse market season, we believe an adjustment should be made on the duties during this shipping season.

2. To provide for sound future growth of the entire greenhouse vegetable industry, we believe a quota system should be established to regulate the imports of tomatoes, based on the supply available and the need.

If no protection is provided and we were to become dependent upon foreign countries as a source of food supplies, the day may come when they will dictate to our country and its citizens the price we will have to pay for food. As a result of this, we may become so dependent upon foreign countries that this will affect every other aspect of our living conditions.

The imports of fresh fruits and vegetables is increasing so rapidly every year that, as a result, we are discouraging our people from entering the fields of agriculture. Eventually, this will happen to many other departments of agriculture, i.e. the production of corn, grains, cattle, etc., and this would seriously jeopardize the whole economy. This is not something which will occur in 1 or 2 years, but could perhaps in 10 to 20 years, and if so, it would be almost impossible to rebuild this segment of our economy.

Thank you, Mr. Chairman, for this opportunity to present our viewpoints on a very serious problem affecting the future of the greenhouse tomato industry in the United States and for the opportunity to have our testimony included in the proceedings of this hearing.

The CHAIRMAN. Thank you very much for coming to the committee.

(The following statements were received for the record:)

STATEMENT SUBMITTED ON BEHALF OF CALIFORNIA FIG INSTITUTE AND CALIFORNIA DRIED FIG ADVISORY BOARD BY RON KLAMM, MANAGING DIRECTOR, CALIFORNIA FIG INSTITUTE, MANAGER, CALIFORNIA DRIED FIG ADVISORY BOARD

This Statement is being submitted on behalf of all Dried Fig Producers and Processors in California who produce and market 100% of California's and the United States' Dried Fig Production. It is the recommendation of these two groups that the California Dried Fig Industry be excluded from any legislative or other measures which would serve to have a detrimental affect upon an already depressed Specialty Crop Industry and that either the existing tariff rate of 4½ cents per pound on dried figs and 5 cents on fig paste be increased or some form of import limitation be established as a means of developing an orderly market at a stabilized price.

AREAS OF UNITED STATES DRIED FIG PRODUCTION

The Dried Fig Industry of California and the United States is concentrated in the San Joaquin Valley with Fresno, Madera and Merced Counties producing approximately 98% of the total tonnage. The balance of the commercial production is located in the Secramento Valley, although most growers in this area have indicated that, out of economic necessity, their trees will be removed within the next several years and the acreage devoted to more profitable crops.

BEARING AND NON-BEARING ACREAGE TRENDS

The California Dried Fig Industry, which has a history dating back to 1769, has historically accounted for 100% of the United States Dried Fig Production. From a maximum of 47,000 bearing acres in 1930 there has been a continual downward trend to the point where present bearing acreage, as estimated by the California Crop and Livestock Reporting service, is 16,540 acres. Between 1930 and 1968 there were two sharp periods of acreage decline. The first such period occurred between 1930–36, when the reduction was approximately 10,000 bearing acres; the second period occurred between 1948–52, with the decrease being 8,000 bearing acres. In the last 15 years the rate of decline has been at a more moderate rate with reduction totaling approximately 8,500 acres. Detailed statistical information on California acreage trends, for the past 30 years, is shown in Table 1.

TABLE 1.—CALIFORNIA FIGS BY VARIETIES—BEARING AND NONBEARING ACREAGE, 1938–68

[In acres]

Crop year	Calimyrna		Adriatic		Kadota		Mission		Total bearing	Total nonbearing	Total acres
	Bearing	Nonbearing	Bearing	Nonbearing	Bearing	Nonbearing	Bearing	Nonbearing			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1938	15, 214	39	8, 913	350	5, 733	58	7, 162	205	37, 022	652	37, 676
1939	15, 032	40	8, 783	290	5, 677	69	7, 000	155	36, 492	554	37, 044
1940	14, 550	32	8, 830	351	5, 218	72	6, 295	145	34, 893	600	35, 493
1941	14, 074	35	8, 863	356	5, 186	69	5, 959	93	34, 082	553	34, 635
1942	13, 601	55	8, 998	409	5, 167	22	5, 826	57	33, 592	543	34, 135
1943	13, 303	64	8, 923	514	5, 130	28	5, 903	61	33, 259	667	33, 926
1944	13, 275	64	8, 947	662	5, 117	377	5, 910	71	33, 249	1, 174	34, 423
1945	13, 258	59	8, 896	1, 149	5, 112	776	5, 612	194	32, 878	2, 178	35, 056
1946	13, 219	39	8, 810	1, 343	5, 125	876	5, 597	250	32, 751	2, 508	35, 259
1947	13, 299	39	8, 810	1, 425	5, 995	1, 033	5, 758	278	33, 862	2, 775	36, 637
1948	12, 650	44	8, 667	1, 634	6, 345	680	5, 687	532	33, 349	2, 890	36, 239
1949	12, 071	11	7, 848	1, 504	6, 418	313	4, 504	491	30, 841	2, 319	33, 160
1950	11, 657	16	7, 470	1, 474	5, 987	164	3, 804	562	28, 918	2, 216	31, 134
1951	10, 463	138	7, 143	1, 186	5, 325	41	3, 475	526	26, 406	1, 891	28, 297
1952	10, 137	130	6, 989	805	5, 205	28	3, 184	353	25, 515	1, 316	26, 831
1953	9, 957	310	6, 921	643	5, 177	28	3, 046	246	25, 101	1, 227	26, 328
1954	9, 888	400	7, 099	455	4, 833	30	3, 000	38	24, 820	923	25, 743
1955	10, 084	444	6, 557	448	4, 598	39	2, 732	28	23, 971	959	24, 930
1956	9, 970	426	6, 199	407	4, 371	50	2, 651	21	23, 191	904	24, 095
1957	9, 796	501	5, 422	422	3, 672	50	2, 441	64	21, 331	1, 037	22, 368
1958	9, 759	390	5, 390	199	3, 524	30	2, 436	92	21, 109	711	21, 820
1959	9, 866	246	5, 238	492	3, 476	25	2, 338	91	20, 918	854	21, 772
1960	9, 792	276	5, 114	481	3, 262	65	2, 214	87	20, 382	909	21, 291
1961	9, 574	318	4, 956	504	3, 277	85	2, 257	210	20, 064	1, 117	21, 181
1962	9, 149	414	4, 645	564	3 216	86	2, 265	304	19, 275	1, 368	20, 643
1963	9, 148	449	4, 761	459	3, 159	100	2, 259	238	19, 327	1, 246	20, 573
1964	9, 336	264	4, 863	519	3, 225	34	2, 273	248	19, 697	1, 065	20, 762
1965	9, 356	244	4, 877	480	3, 236	15	2, 114	212	19, 583	951	20, 534
1966	9, 324	165	4, 883	298	2, 997	15	2, 059	213	19, 263	691	19, 954
1967	9, 532	224	4, 937	214	2, 627	-------	1, 937	123	19, 033	561	19, 594
1968	8, 379	66	4, 164	332	2, 447	-------	1, 619	85	16, 609	483	17, 092
1969 [1]	-------	-------	-------	-------	-------	-------	-------	-------	16, 540	-------	-------
5-year averages:											
1938–43 [2]	14, 296	45	8, 885	378	5, 352	53	6, 357	119	34, 890	595	35, 485
1944–48	13, 140	49	8, 826	1, 243	5, 539	748	5, 713	265	33, 218	2, 305	35, 523
1949–53	10, 857	121	7, 274	1, 122	5, 622	115	3, 603	436	27, 356	1, 794	29, 150
1954–58	9, 899	432	6, 133	386	4, 200	40	2, 652	49	22, 884	907	23, 791
1959–63	9, 505	341	4, 943	500	3, 278	72	2, 267	186	19, 993	1, 099	21, 092
1964–68	9, 185	193	4, 745	369	2, 906	13	2, 001	175	18, 837	750	19, 587

[1] Preliminary estimate, California Crop and Livestock Reporting Service.
[2] 6-year average.

Source: Acreage Estimate of California Fruit and Nut Crop, various years.

Primary reasons for these periods of decline can be attributed to sharp periodic price reductions in farmer returns, greatly increased production costs, skyrocketing land values, urbanization pressure and, most important, sizeable tonnages of low priced foreign fig paste entering the United States Market. To further illustrate the adverse effect these conditions have had upon the Dried Fig Industry in California, the number of active fig growers, according to official Dried Fig Advisory Board Records, declined over 65% between 1954 and 1968. During the last 10 years the reduction rate was even more pronounced, exceeding 55%. This illustrates that it is no longer economically feasible for the so-called "small farmer" to depend upon the production of Dried Figs for his livelihood.

Although there is information available to indicate that fig trees have been known to produce for up to 100 years, there is general agreement in the California Dried Fig Industry that after approximately 35–40 years, production begins to decline at an accelerated pace. This indicates that a sizeable percentage of the present bearing acreage is approaching this critical period and unless there is some indication of higher grower returns, this acreage will be removed and replaced with more profitable crops.

In view of the surplus conditions present in numerous other agricultural commodities, we do not believe it is in keeping with the American way of thinking

to sacrifice an entire industry, which would be the case should a tariff reduction on Dried Figs or Fig Paste occur and, thereby, further contribute to these surpluses.

TABLE 2.—CALIFORNIA DRIED FIGS: BEARING ACREAGE, PRODUCTION, YIELD, AND FARM VALUE, 1938-68

Crop year	Bearing acreage	Total fig production, dry basis (tons)	Yield per bearing acre (tons)	Total dried fig production (tons)	Average farm price	Total acreage value
	(1)	(2)	(3)	(4)	(5)	(6)
1938	37,022	34,417	0.93	30,750	$65	$2,001,825
1939	36,492	29,320	.80	26,220	78	2,045,160
1940	34,893	36,800	1.05	31,800	70	2,226,000
1941	34,082	39,483	1.16	33,150	114	3,779,100
1942	33,592	33,667	1.00	28,000	171	4,788,000
1943	33,259	44,367	1.33	36,700	292	10,716,400
1944	33,249	41,336	1.42	35,003	253	8,855,759
1945	32,878	35,807	1.09	31,140	273	8,501,220
1946	32,751	42,440	1.30	36,440	278	10,130,320
1947	33,862	42,583	1.26	37,250	123	4,581,750
1948	33,349	32,818	.98	28,818	139	4,005,702
1949	30,841	30,372	.98	27,705	170	4,709,850
1950	28,918	27,821	.96	24,154	283	6,835,582
1951	26,406	33,534	1.27	28,867	196	5,657,932
1952	25,515	33,278	1.30	28,278	142	4,015,476
1953	25,101	27,512	1.10	24,179	156	3,771,924
1954	24,820	29,238	1.18	25,571	166	4,244,786
1955	23,971	28,991	1.21	24,991	205	5,123,155
1956	23,191	28,774	1.24	24,774	139	3,443,586
1957	21,331	25,981	1.22	22,648	169	3,827,512
1958	21,109	27,513	1.30	23,846	194	4,626,124
1959	20,918	20,834	.99	18,634	217	4,043,578
1960	20,382	19,950	.98	17,117	230	3,936,910
1961	20,064	20,943	1.04	18,376	196	3,601,696
1962	19,275	23,751	1.23	20,418	204	4,165,272
1963	19,327	21,060	1.09	18,527	192	3,557,184
1964	19,697	22,367	1.14	19,034	237	4,511,058
1965	19,583	21,128	1.08	19,128	186	3,557,808
1966	19,263	22,575	1.17	20,575	189	3,888,675
1967	19,033	14,112	.74	12,245	209	2,559,205
1968	16,609	17,151	1.03	15,751	[1] 212	3,339,212

[1] Preliminary.

Sources: Col. 1—Federal-State Crop Reporting Service; cols. 2 and 4—see table 8; cols. 3 and 6—computed.

PRODUCTION

It should be pointed out that a comparison of total acreage and merchantable production figures will, in most years, show very little correlation. This is due mainly to the fact that from the time of planting, a fig tree will require approximately 7 or 8 years before it can be considered as bearing.

Dried Fig Production in California reached its peak in 1947 when the merchantable tonnage totaled 30,550 and since that time there has been a continuous, although somewhat erratic downward trend. Between 1947 and 1957 merchantable production declined approximately 11,500 tons and the 1964–68 average (Table 3) shows a further decrease from the 1957 figure of approximately 4,300 tons. The 1969 merchantable production is now being estimated at less than 14,500 tons, a reduction of about 2,300 tons or 14% within a five year period.

TABLE 3.—MERCHANTABLE DRIED FIG PRODUCTION, 1938 TO 1968

[In tons]

Crop year	Calimyrna	Adriatic	Kadota	Mission	Total
1938	4,672	7,893	3,207	3,412	20,184
1939	6,704	6,674	3,728	4,080	21,186
1940	5,528	9,432	4,056	4,984	24,000
1941	4,449	10,153	3,309	6,994	24,905
1942	5,500	9,050	2,250	6,000	22,800
1943	7,930	11,690	1,900	8,380	29,900
1944	7,838	9,770	2,111	7,611	27,330
1945	6,416	8,404	2,190	7,628	24,638
1946	8,568	8,297	2,770	8,045	27,680
1947	10,044	10,374	3,516	6,616	30,550
1948	7,708	8,339	2,360	4,912	27,319
1949	7,295	8,251	3,179	3,919	22,644
1950	5,169	7,612	3,015	4,711	20,507
1951	7,584	8,847	2,897	4,040	23,368
1952	8,288	6,709	2,547	3,595	21,139
1953	5,876	6,615	2,109	4,025	18,625
1954	7,377	6,792	3,290	3,422	20,881
1955	8,274	7,619	2,842	3,857	22,592
1956	7,341	6,606	2,825	3,687	20,459
1957	7,210	6,582	1,583	3,626	19,001
1958	6,818	6,195	2,367	3,462	18,842
1959	7,154	5,555	1,198	2,627	16,534
1960	5,100	6,165	1,218	3,382	15,865
1961	6,225	5,776	1,059	3,085	16,145
1962	7,025	6,408	1,595	3,674	18,602
1963	5,632	4,793	1,573	3,323	15,321
1964	6,515	5,595	1,500	3,195	16,805
1965	5,260	3,851	1,755	3,621	14,487
1966	7,848	5,862	1,570	3,085	18,365
1967	2,639	4,507	970	2,769	10,885
1968 [1]	5,288	4,824	752	2,122	12,986
5-year averages:					
1938–43 [2]	5,964	9,149	3,075	6,641	23,829
1944–48	8,115	9,037	2,589	6,962	26,703
1949–53	6,842	7,607	2,750	4,058	21,257
1954–58	7,404	6,759	2,581	3,611	20,355
1959–63	6,227	5,739	1,329	3,218	16,513
1964–68	5,510	4,928	1,309	2,958	14,705

[1] Preliminary.
[2] 6-year average.

Source: Official records of the Dried Fig Advisory Board.

PRODUCTION AND PROCESSING LABOR COSTS

It is a known fact that California Agriculture has, for a number of years, been forced to pay higher wages than other states and considerably more than our foreign competitors. Wages for field labor in the California Fig Industry increased from 20 cents per hour in 1930 to a minimum of $1.65 per hour in 1970.

In an effort to keep labor costs at a minimum, many California Fig Growers are turning to mechanization wherever possible. Unfortunately, this is not the solution to all labor problems since the only cultural procedure that can be mechanized, to any extent, is harvesting. Even mechanical harvesting has certain draw-backs; namely, substantial investments for harvesting and soil preparation equipment.

Additional costs of proper pruning, soil preparation, etc., nullify any labor savings in harvest. Mechanical harvesting is mainly a method of reducing peak labor demands and provides possible security against a complete lack of labor supply.

Using information reported by the Foreign Competition Branch of the Foreign Agricultural Service, Table 4 points out that field labor rates in California in 1970 were approximately 7 times greater for men and nearly 14 times greater for women than comparable wages in Portugal—the largest supplier of foreign fig paste to the United States.

TABLE 4.—COMPARISON OF AGRICULTURAL WAGE RATES IN FIG PRODUCING COUNTRIES OF THE WORLD [1]

Country	Rural labor		Processing plant labor	
	Per hour wage rates men	Per hour wage rates women	Per hour wage rates men	Per hour wage rates women
Portugal	$0.23	$0.12	(2)	(2)
Spain	.23	(2)	$0.26	$0.21
Greece	.37	.31	(2)	(2)
Turkey	.20	.20	.25	.25
California	1.65	1.65	[3] 2.83–3.28	2.65

[1] The information for Portugal, Spain, and Greece is as of mid-1967.
[2] Not available.
[3] Does not include State and Federal taxes, pension payments, and group medical payments made by employer. These equal approximately 37 percent of the base wages.

Source: Foreign Competition Branch, Fruit and Vegetable Division, U.S. Department of Agriculture, Foreign Agricultural Service.

Table 4 also discloses that while fig processors in the major foreign fig producing countries are paying .21 to .26 cents per hour, California Processors must pay a rate ranging from $2.83 to $3.28 per hour, exclusive of all fringe benefits.

When fringe benefits are added, wages for packing house employees in the Dried Fig Industry of California average approximately $4.00 per hour. Such fringe benefits in other countries are non-existent.

Using the most recent cost analysis work sheet of the California Dried Fig Industry, prepared by the Extension Service of the University of California, and revising only the 1963 labor figures to coincide with present rate and computing the Portuguese labor at .20 cents an hour, which in all likelihood is about average considering men and women, reveals the following:

TABLE 5.—UNCAPRIFIED VARIETY OF FIGS

	California	Portugal
Preharvest labor costs per acre:		
Pruning	$18.15	$2.00
Brush disposal	4.00	.60
Discing	14.60	3.20
Ridging	5.30	.80
Break ridges	4.80	.60
Roll-pack and land plane	5.30	.40
Shovel	1.65	.20
Irrigate	11.55	.80
Miscellaneous—sucker, pipeline repair, etc	4.50	.80
Insurance, taxes, etc	5.75	
Total preharvest labor costs	75.60	9.40
Harvesting labor costs per acre:		
Picking	25.00	3.00
Sorting	17.00	2.00
Dry yard expense	17.00	2.00
Insurance, taxes, etc	2.94	
Total harvesting labor costs per acre	61.94	7.00
Total preharvest and harvest labor cost per acre	137.54	16.40

California's present field labor costs are over 8 times greater than those in Portugal.

Although this comparison has been based on the Fig Industry in Portugal, the wage rates in the other fig producing countries of the world—Spain, Turkey and Greece—as exhibited in Table 4 are basically very similar.

As an illustration of how labor costs in this country could result in an even wider spread than previously indicated, we are outlining below the various steps in the production and processing of figs, as used in Fig Paste, practiced in this country and as we understand, it is practiced abroad. Cultural practices among growers in this country vary slightly and processing practices among California Packers may also vary. However, this presentation is closely representative of United States Cultural and Processing Practices. The foreign part of this tabulation is as accurate as we can derive from eye witness accounts and from various statements made by factors in the Foreign Fig Industries. It can, therefore, be

considered as an approximate procedure since there is some variation from country to country:

Comparison of production and processing procedures
Dried figs used for paste

United States	Foreign
1. Extensive pruning (each orchard about every two years).	1. Little or no pruning except to remove dead wood.
2. Dormant sprays to control scale.	2. No dormant spray.
3. Discing in Aldrin or Dieldrin in soil to prevent most types of larval development in soil (every four or five years).	3. No soil treatment.
4. Picking of caprifigs individually and dipping in fungicidal solution and replacing in caprifig trees.	4. No caprifig cleanup.
5. Picking of clean caprifigs and placing in Calimyrna trees in bags with set number of caprifigs to each tree.	5. Erratic placement of caprifigs in trees or strings or raffia.
6. Various sprays and trapping procedures used for insect abatement as the need may arise.	6. No insect abatement procedures known to be used.
7. Harvesting (mechanical and hand).	7. Harvesting (hand).
8. Delivery to sanitary dry yard for fumigation and sorting. Figs are fumigated orchard run in large air-tight bins and then sorted under strong lights on moving belt by a battery of sorters.	8. Kept on grower premises in many types of containers without fumigation, and held until sold to packer and delivery is requested.
9. Sorted into merchantable and substandard lots.	9. No discernible sorting practice except to pick up larger sizes at packer's request for some types of consumer pack.
10. Transportation of figs in sanitary wooden containers.	10. Transportation of figs in burlap bags.
11. Substandard lots delivered to mandatory pool and sold under State control into non-human channels.	11. No diversion control of any kind.
12. Merchantable lots delivered to handler and representative samples taken for inspection under control. If lot fails to pass, it goes to substandard fig pool or is resorted.	12. No discernible inspection control, when fruit delivered to packer, except for size grading in some cases.
13. Merchantable fruit is stored by packer in fumigated storage bins until sold.	13. Same facility for vacuum chamber type fumigation mainly, but no adequate fumigable storage facilities.
14. When figs are withdrawn for paste orders, they are carefully sorted in whole form, washed and processed, sliced and then again carefully sorted by an in-line scrutiny.	14. When required for paste orders, figs are ordered from growers and in most cases dumped into grinders in whole form.
15. Representative sliced samples taken at random from in-line belt and inspected.	15. —
16. If samples pass, then lot is ground, cased and shipped. If rejected, entire unit is resorted and retested.	16. —

Although labor costs are a prime factor in the production and harvesting of Dried Figs, numerous other items must be included to obtain an accurate comparison between production costs and grower returns.

Table 6, in addition to the previous mentioned labor costs, take into consideration such items as; pesticides, taxes, insurance, boxes, depreciation, interest on investment and other general farm costs.

TABLE 6.—COMPARISON OF PRODUCTION COSTS AND GROWER RETURN

	Calimyrna	Adriatic	Kadotas	Black Missions
Preharvest cash costs	$126.09	$118.07	$118.07	$118.07
Harvest costs	85.05	79.70	79.70	96.25
Depreciation	29.00	29.00	29.00	29.00
Interest on investment	36.40	36.40	36.40	36.40
Total cost of production per acre	276.54	263.17	263.17	279.72
Cost of production per ton of merchantable figs [1]	368.71	263.17	263.17	223.92
Average grower return for 1968 crop per ton	346.00	177.00	198.00	199.00

[1] Based on—
Calimyrna production of 1,500 pounds per acre.
Adriatic production of 2,000 pounds per acre.
Kadota production of 2,000 pounds per acre.
Black Mission production of 2,500 pounds per acre.

Source: 1963 dried fig cost of production worksheet prepared by the Extension Service of the University of California, only labor costs have been revised to current wages rates.
Average grower returns from official records of the dried fig advisory board.

AVERAGE GROWER RETURNS

Table 7, shows, by variety, the average returns on a per ton basis to growers for merchantable figs for the last 30 years.

On a Varietal and Product Utilization basis (Dried Fig and Fig Paste), Table 8 illustrates the depressing effect foreign fig paste has had on average price returns to growers for the past two years.

In referring to the Tables 7 and 8, on a varietal basis, it is immediately ap-

TABLE 7.—AVERAGE ANNUAL PRICES RECEIVED BY PRODUCERS FOR DRIED FIGS SEASONS 1938 TO 1968 INCLUSIVE
[Dollars per ton]

	Calimyrna (1)	Adriatic (2)	Kadota (3)	Mission (4)
Year:				
1938	$115	$81	$85	$53
1939	109	107	89	64
1940	120	99	84	53
1941	210	150	140	98
1942	278	218	181	130
1943	406	290	252	218
1944	390	275	256	220
1945	410	296	276	241
1946	436	360	340	282
1947	177	155	139	84
1948	220	164	146	125
1949	294	190	172	110
1950	454	340	320	190
1951	318	222	216	134
1952	258	138	130	100
1953	250	193	197	113
1954	245	187	183	123
1955	296	195	198	165
1956 [1]	241	144	147	116
1957	271	162	174	124
1958	292	213	220	159
1959	288	219	221	195
1960	329	203	221	207
1961	288	182	164	189
1962	313	165	168	157
1963	320	180	180	150
1964	334	235	248	182
1965	308	212	223	156
1966	290	137	165	146
1967	466	146	176	164
1968 [2]	346	177	198	199

[1] Prices paid for 80 percent free tonnage.
[2] Preliminary.

Sources: For years through 1958: USDA agriculture statistics. For 1959–64: U.S. Tariff Commission. For 1965–68: Dried Fig Advisory Board.

parent that the *greater the percentage utilized as Fig Paste, in direct competition to low priced imports, the greater the reduction in grower returns.*

For the 1964 crop the $237.00 per ton average received by growers was 92% of the parity price but the $212.00 figure for 1968 (Table 9) equalled only 70% of the parity price; the second lowest figure in 15 years.

TABLE 8.—1964–68 AVERAGE GROWER PRICES AS INFLUENCED BY PRODUCT USAGE

Calimyrna Figs

Approximately 55% of this variety is sold in consumer type packages with the balance going into Fig Paste. The average price for the 1964 crop was $334.00 per ton and in 1968 the figure was $346.00 per ton, a *slight increase of $12.00 per ton* or 3.5%, over a period of 5 years. The sharp price increase for 1967 crop Calimyrnas resulted from an extremely small crop. Merchantable production was approximately 60% below the previous 5 year average.

Adriatic Figs

Historically 100% of the Adriatic variety of Dried Figs produced in California have been sold in the form of Fig Paste which is used in manufacturing numerous bakery items such as the popular Fig Bar. The average price for Adriatic Figs in 1964 was $235.00 per ton and within the next five-year period had *decreased $58.00 per ton* (25%) to $177.00.

Kadota Figs

In recent years approximately 90% of this variety has been utilized in the same manufacturing outlets as Adriatics. The 1964 average price to growers was $248.00 per ton and in 1968 the average return was $198.00, a *reduction of $50.00 per ton* or 20%.

Black Mission Figs

In the last 5 years approximately 38% of the Black Mission crop has been in the form of Fig Paste, although in the last several years it has declined slightly due to reduced tonnage. Average per ton returns to growers for Black Missions has gone from $182.00 in 1964 to $199.00 in 1968—a *slight increase of $17.00 per ton.*

TABLE 9.—DRIED FIGS, GROWER PRICES, PARITY PRICES, AND RATIO OF GROWER PRICE TO PARITY PRICE, CROP YEARS 1937 TO 1968

Year beginning August 1	Average price to growers (cents per pound)	Parity price [1] (cents per pound)	Ratio of grower price to parity price (percent)
1937	3.40	3.91	87
1938	3.26	3.72	88
1939	3.90	3.76	104
1940	3.50	3.86	91
1941	5.70	4.56	125
1942	8.55	5.00	171
1943	14.60	5.40	270
1944	12.65	5.55	228
1945	13.65	5.89	232
1946	13.90	7.22	193
1947	6.15	8.12	76
1948	6.95	8.02	87
1949	8.50	10.50	81
1950	14.15	13.10	108
1951	9.80	13.45	73
1952	7.15	12.45	57
1953	7.80	11.40	68
1954	8.30	10.60	78
1955	10.25	10.08	102
1956	6.95	9.68	72
1957	8.45	10.04	84
1958	9.70	10.55	92
1959	10.85	10.79	101
1960	11.50	10.79	107
1961	9.80	11.14	88
1962	10.20	11.82	86
1963	9.60	12.27	78
1964	11.85	12.85	92
1965	9.30	13.37	70
1966	9.45	14.08	67
1967	10.45	14.63	71
1968 [2]	10.60	15.21	70

[1] Average of monthly parity prices reported by the U.S. Departmentof Agriculture.
[2] Preliminary.

Source: Statistics of the U.S. Tariff Commission and Dried Fig Advisory Board.

DRIED FIG AND FIG PASTE TARIFF HISTORY

Since early in the 1950's, the California Dried Fig Industry has been seriously affected by low priced imports. The U.S. Tariff Commission quickly recognized the seriousness of this development and its eventual impact upon the domestic industry and in 1952 restored 2 cents of a 2½ cent per pound Dried Fig Tariff Concession previously granted to countries signatory to the General Agreement on Tariffs and Trade. This restoration came after our industry submitted a petition pursuant to the "Escape Clause" provisions of the Trade Agreements Act, As Amended. Each year from 1952 through 1962 the U.S. Tariff Commission initiated an annual review and investigation, and in each year reaffirmed its previously granted 2 cents per pound duty restoration. In August 1963, as a direct result of a recommendation made by the U.S. Tariff Commission to the President, pursuant to the provisions of the Customs Simplification Act, the 2 cent duty restoration was made permanent by proclamation by President John F. Kennedy, thereby continuing the duty at a total of 4½ cents per pound.

TABLE 10.—FIGS, DRIED, AND FIG PASTE: U.S. RATES OF DUTY UNDER THE TARIFF ACT OF 1930, 1930-68

Tariff paragraph and description	Statutory rate (cents per pound)	Trade-agreement modification	
		Rate (cents per pound)	Effective date and trade agreement
Par. 740:			
Figs, dried	5	[1] 3	May 5, 1939; Turkey.
		3	Mar. 9, 1950; GATT (Annecy).
		2½	Oct. 17, 1951; GATT (Torquay).
		4½	Aug. 30, 1952.[2]
		4½	Aug. 15, 1963.[3]
Fig paste	5		

[1] If valued at 7 cents or more per pound.
[2] Rate increased as a result of escape-clause modification of GATT concession.
[3] Pursuant to provisions of the Customs Simplification Act the 2 cent duty restoration was made permanent by proclamation of President John F. Kennedy.

Fig Paste has never been the subject of a tariff concession and, therefore, not eligible for "Escape Clause" relief. However, in reviewing various annual reports of the United States Tariff Commission, they have repeatedly referred to a logical price relationship between Dried Figs and Fig Paste of ½ cent per pound as being a true relationship between Paste and Dried Figs, therefore, resulting in a continuance of a tariff rate of 4½ cents per pound on Dried Figs and 5 cents on Fig Paste.

Basically, Dried Figs and Fig Paste are the same physical commodity, except that Paste is merely ground Figs. However, all Figs suitable for Paste do not make desirable package Figs, whereas, all Figs desirable for packing are equally desirable for Fig Paste and merely require grinding. Therefore, the duties on Figs and Fig Paste are largely responsible for the form of imports and these items should, therefore, be given joint consideration. As an illustration; if the duty on Whole Dried Figs were lowered and the duty on Paste remained unchanged, more Figs would come in whole and be ground here, whereas, if the duty on Paste is ever lowered, more Figs would be ground abroad and come in as Paste.

DRIED FIG AND FIG PASTE IMPORTS

In the past 20 years total United States consumption of Dried Figs and Fig Paste has averaged approximately 26,300 tons, of which California supplied approximately 68%; during the last 10 year period, Dried Fig and Fig Paste consumption has averaged 28,220 tons, of which California supplied approximately 60%; in the past 5 years California's share of the market slipped to 58%. It is, therefore, apparent that imports of Dried Figs and Fig Paste are taking over a larger share of the domestic market.

TABLE 11.—APPARENT U.S. CONSUMPTION OF DRIED FIGS AND FIG PASTE, CROP YEARS 1944 TO 1968

Crop year	California shipments	Total imports (tons)	Total available for U.S. consumption	U.S. population	Per capita (pounds)
	1	2	3	4	5
1944	24,552		24,552	138,390,000	0.355
1945	24,827	1,751	26,578	139,934,000	.380
1946	23,957	1,599	25,556	141,398,000	.361
1947	16,981	1,528	18,509	144,129,000	.257
1948	23,511	1,358	24,869	146,621,000	.339
1949	22,939	2,409	25,348	149,149,000	.340
1950	19,154	4,875	24,029	151,132,000	.318
1951	19,929	4,628	24,557	154,360,000	.318
1952	23,808	2,696	26,504	156,981,000	.338
1953 [1]	21,924	6,426	28,350	159,696,000	.355
1954	20,505	6,706	27,211	162,187,000	.336
1955	19,484	8,238	27,722	166,022,000	.334
1956	19,123	7,476	26,599	170,000,000	.313
1957	22,635	5,387	28,022	172,237,000	.325
1958	21,027	10,678	31,705	174,060,000	.364
1959	18,997	9,931	28,928	177,103,000	.327
1960	16,519	15,739	32,258	179,647,000	.359
1961	17,237	14,124	31,361	180,000,000	.348
1962	17,099	7,254	24,343	190,000,000	.256
1963	16,501	12,991	29,492	193,000,000	.306
1964	15,206	11,504	26,710	194,200,000	.275
1965	12,875	11,706	24,581	195,000,000	.252
1966	16,240	8,560	24,800	195,857,000	.253
1967	16,022	9,462	25,484	201,166,000	.253
1968 [2]	15,537	12,413	27,950	202,326,000	.276

[1] 1953 is a 13-month year due to change in fiscal period from July 1, to Aug. 1.
[2] Preliminary.

Sources: Column 1—Records of the Dried Fig Advisory Board. Column 2—Statistics of the U.S. Tariff Commission. Column 3—Computed. Column 4—U.S. Census Bureau. Column 5—Computed.

Since Table 11 includes figures for Fig Paste and Dried Figs, it does not point out the serious problem created by Fig Paste Imports and the statistical information on Fig Paste Imports, Table 12, must be analyzed.

TABLE 12.—U.S. FIG PASTE IMPORTS FOR CONSUMPTION BY COUNTRIES, CROP YEARS 1949-68
[In tons]

Year beginning August 1	Turkey	Spain	Portugal	Greece	All others	Total
1949	8					8
1950	40					40
1951	1,085				61	1,146
1952	569					569
1953	2,423		84		17	2,524
1954	3,191		207			3,398
1955	2,655		3,261			5,916
1956	3,134		1,634			4,768
1957	1,172		2,094			3,266
1958	4,267		3,681			7,948
1959	4,766		3,375			8,141
1960	9,792		3,410	132		13,334
1961	8,327	609	2,363	238		11,537
1962	1,482	855	2,196	74	1	4,608
1963	2,387	2,153	5,364	525	2	10,431
1964	1,695	2,380	4,247	669	41	9,032
1965	1,066	2,781	5,678	348	28	9,901
1966	2,078	1,875	2,873		57	6,883
1967	1,935	2,104	3,983		55	8,077
1968	3,576	2,238	4,259			10,073

Source: U.S. Tariff Commission.

As recently as 1949 and 1950 there were no imports of Fig Paste into this country, although undoubtedly a small percentage of the Dried Fig Imports during that period of time were eventually utilized as Fig Paste. Between 1950 and 1955 Fig Paste Imports gradually increased and reached 5,900 tons during

TABLE 13.—U.S. FIG PASTE AVAILABLE FOR CONSUMPTION AND ORIGINATING SOURCE, 1949–68

Year	U.S. tons (1)	U.S. percent of total (2)	Imports Turkey tons (3)	Turkey percent of total (4)	Imports Spain tons (5)	Spain percent of total (6)	Imports Portugal tons (7)	Portugal percent of total (8)	Imports Greece tons (9)	Greece percent of total (10)	Other imports tons (11)	Other percent of total (12)	Fig paste for U.S consumption (13)
1949	15,179	100	8	(1)	0	0	0	0	0	0	0	0	15,187
1950	14,090	100	40	(1)	0	0	0	0	0	0	0	0	14,130
1951	12,498	92	1,095	8	0	0	0	0	0	0	61	(1)	13,644
1952	16,075	97	569	3	0	0	0	0	0	0	0	0	16,644
1953	13,816	85	2,423	15	0	0	84	(1)	0	0	17	(1)	16,340
1954	12,946	79	3,191	20	0	0	207	1	0	0	0	0	16,344
1955	12,078	67	2,655	15	0	0	3,261	18	0	0	0	0	17,994
1956	11,492	71	3,134	19	0	0	1,634	10	0	0	0	0	16,260
1957	14,704	81	1,172	7	0	0	2,094	12	0	0	0	0	17,970
1958	12,781	61	4,267	21	0	0	3,681	18	0	0	0	0	20,729
1959	11,567	59	4,766	24	0	0	3,375	17	0	0	0	0	19,708
1960	9,100	41	9,792	44	0	0	3,410	15	132	(1)	0	0	22,434
1961	10,482	48	8,327	38	609	2	2,363	11	238	1	0	0	22,019
1962	10,726	70	1,482	10	855	6	2,196	14	74	(1)	1	(1)	15,330
1963	9,889	49	2,387	12	2,153	11	5,364	26	525	2	2	(1)	20,323
1964	9,341	51	1,695	9	2,380	13	4,247	23	669	4	41	(1)	18,378
1965	7,287	43	1,066	6	2,781	16	5,678	33	348	2	28	(1)	17,181
1966	10,018	59	2,078	13	1,875	11	2,873	17	0	0	57	(1)	16,908
1967	10,651	57	1,935	10	2,104	12	3,983	21	0	0	55	(1)	18,728
1968	9,912	50	3,576	18	2,238	11	4,259	21	0	0	0	0	19,985

[1] Less than 1 percent.

Sources: Col. 1—Dried Fig Advisory Board. Col. 2, 4, 6, 8, 10, 12, 13—Computed. Col. 3, 5, 7, 9, 11, U.S. Tariff Commission.

1955. For the next two years, Fig Paste Imports gradually declined but in 1958 rose to 7,950 tons; followed by 8,141 tons in 1959 and the all time high of 13,334 tons in 1960.

A review of Table 7 indicates that this great volume at low prices resulted in a reduction in the average annual prices received by producers for the next two years. This is particularly noticeable in the Adriatic variety where prices declined $38.00 per ton during this period. This drastic increase in Fig Paste Imports also resulted in the United States percentage of the Fig Paste Market in this country dropping to a record low of 41%.

Since 1961, California's share of the domestic Fig Paste Market has ranged from a low of 43% (Table 13) to a high of 70% with the recent 5 year average being 52%—10% below the 1955–60 average.

A review of Table 6 shows a production cost ranging from 11.1 to 18.4 cents per pound for California Dried Figs and, when compared with Table 14, discloses that foreign fig paste can enter this country, in most instances, duty paid at a price lower than California Production Costs. When processing costs are added to California production figures, it is easily understood why imported fig paste has pre-empted such a large share of the Fig Paste Market in the United States.

TABLE 14.—FIG PASTE: U.S. IMPORTS AVERAGE ANNUAL VALUE—CENTS PER POUND [1]

Year beginning Aug. 1—	Turkey	Portugal	Spain	Greece	Average
1951	13.4				13.4
1952	11.0				11.0
1953	9.2	9.2			9.2
1954	9.1	7.7			9.0
1955	9.9	7.3			8.5
1956	10.0	7.7			9.2
1957	12.4	7.7			9.4
1958	11.5	8.9			10.3
1959	8.6	7.9			8.3
1960	7.7	7.0		8.3	7.5
1961	7.2	7.1	7.3	6.8	7.2
1962	6.8	6.5	4.9	7.9	6.3
1963	11.4	7.4	7.1	8.0	8.3
1964	10.8	7.4	7.1	8.0	8.2
1965	14.4	9.1	8.9	9.3	9.7
1966	8.0	7.6	7.8		7.8
1967	9.2	6.7	6.5		7.1
1968	9.1	6.7	6.5		7.2

[1] These values represent for some shipments the foreign value (i.e., the f.o.b. values in the exporting country) and for others cost-and-freight values at New York.

Source: Compiled from official statistics of the U.S. Department of Commerce as reported in various issues of the U.S. Tariff Commission dried fig reports and other information reported by the Commission.

The California Dried Fig Industry realizes the fact that it can not supply the needs of all Dried Fig and Fig Paste users in the United States and that imports are necessary to satisfy a percentage of this demand, although even small amounts of low priced imports can and do have a price depressing effect on the domestic industry. Any additional tonnage available in this country, after consumption requirements have been met, can only continue to depress the domestic price and, because of the large supply of Dried Figs and Fig Paste available in Mediterranean countries, this excess tonnage will, in all probability, continue in spite of the existing tariff.

Generally, Dried Fig Imports (Table 15) have been rather stable with two exceptions; during World War II imports were zero, however, in 1949 imports increased over 1,000 tons from the preceding year and in 1950 increased an additional 2,400 tons. This increase in Dried Fig Imports coincides with the downward modification of the tariff during those years and after the tariff concessions were partially restored, Dried Fig Imports returned to normal.

In recent years slightly in excess of 80% of the Dried Fig Imports were of the Greek String Variety. Since Greek Strings have their own special market, they do not directly compete with the domestic product and, therefore, the concensus of opinion is that imports of Dried Figs will probably not injure the domestic industry as long as the duty remains at its present level and in the same relation to the Fig Paste Tariff.

WORLD PRODUCTION AND CONSUMPTION

Although it is difficult to determine the world's production of Dried Figs, a conservative estimate would place the figure between 150 and 160,000 tons. The recap of the World's Dried Fig Production figures, Table 16, does not include Spain which, according to various estimates, has an annual production of close to 30,000 tons and would, therefore, be the largest fig producing country excluded.

TABLE 15.—U.S. DRIED FIG IMPORTS FOR CONSUMPTION BY PRINCIPAL SOURCES, CROP YEARS 1936–38 AND 1945–68

[Tons]

Year beginning August 1 [1]	Greece	Turkey	Italy	Portugal	All other	Tota
1936	980	1,511	565	45	4	3,105
1937	1,408	964	331	31	13	2,747
1938	897	860	355	10	6	2,128
1945		1,751				1,751
1946	573	913	107		6	1,599
1947	499	891	135		3	1,528
1948	796	383	175	4		1,358
1949	1,758	500	68	74	1	2,401
1950	3,310	893	134	491	7	4,835
1951	1,281	1,199	133	660	209	3,482
1952	1,550	354	155	66	2	2,127
1953	2,855	242	201	601	3	3,902
1954	2,052	173	227	854	2	3,308
1955	1,532	204	174	369	43	2,322
1956	1,593	201	279	585	50	2,708
1957	1,366	69	181	505		2,121
1958	2,175	116	198	240	1	2,730
1959	1,454	144	87	102	3	1,790
1960	1,810	325	230	38	1	2,404
1961	2,110	220	230	25	2	2,587
1962	2,162	300	110	40		2,612
1963	2,128	262	102	44	24	2,560
1964	2,202	180	48	36	5	2,471
1965	1,567	183	32	23	2	1,807
1966	1,324	248	50	52	3	1,677
1967	1,104	227	47	7		1,385
1968	1,963	312	55	10		2,340

[1] 1948 and prior years beginning July 1.

Note: Includes negligible quantities of fresh figs and figs in brine before September 1952.

Source: U.S. Tariff Commission.

TABLE 16.—FIGS, DRIED: COMMERCIAL PRODUCTION [1]

[Thousand short tons]

Year	Greece	Italy	Portugal	Turkey	United States	Tota
1950	25.0	56.0	16.2	25.0	24.4	146.6
1951	27.0	59.0	14.9	28.0	29.5	158.4
1952	22.0	63.0	10.7	31.0	28.1	154.8
1953	32.0	58.0	14.2	33.0	24.3	161.5
1954	30.0	51.0	14.0	33.0	25.6	153.6
1955	28.4	36.0	13.2	31.0	25.4	134.0
1956	30.0	48.0	12.9	42.0	24.8	157.7
1957	24.5	45.0	10.2	31.0	22.7	133.4
1958	31.0	49.0	10.7	35.0	23.2	148.9
1959	28.0	40.0	13.6	39.0	19.1	139.7
1960	28.2	39.0	10.4	52.0	17.2	146.8
1961	31.0	40.1	7.7	55.0	18.5	152.3
1962	28.0	33.2	11.2	47.0	20.2	139.6
1963	32.0	34.3	13.6	50.0	18.5	148.4
1964	25.3	30.3	10.5	41.0	19.0	126.1
1965	24.5	28.4	10.3	49.0	18.4	130.6
1966	27.0	27.5	10.0	55.0	20.6	140.1
1967	17.8	27.6	10.0	51.8	12.2	119.4
1968 [2]	27.6	23.5	11.0	49.6	15.0	126.7

[1] U.S. Department of Agriculture, Foreign Agricultural Service, Fruit and Vegetable Division Dried Fruit World Production and Trade Statistics (August 1968 supplement).

[2] 1968 figures, Foreign Agricultural Service, U.S. Department of Agriculture, Washington, D.C.

To illustrate the tremendous potential quantity of Dried Figs and Fig Paste which could enter this country, reference is made to Table 17. As an example; Italy, one of the largest producers of figs in the world, has not as yet entered the United States Fig Paste Market and it has only been in the last 6 years that Spanish Fig Paste has entered this country. In Table 17, it can also be seen that the other fig producing countries of the world are unable to utilize their production tonnage in their own countries and, therefore, must rely on the U.S. Market to absorb some of the surplus at very low prices.

TABLE 17.—PRODUCTION AND CONSUMPTION COMPARISON 1961–65 AVERAGE, PRINCIPAL FIG PRODUCING COUNTRIES OF THE WORLD[1]

[In thousands of tons]

	Greece	Italy	Portugal	Turkey	United States	Total
Production	28.3	33.3	10.7	48.4	18.9	139.6
Consumption	13.4	29.5	1.8	12.6	27.3	84.6
Surplus production	14.9	3.8	8.9	35.8	(8.4)	55.0
Percent of production utilized in country of production	47.3	88.6	16.8	26.0	100.0	60.6

[1] Due to lack of available information Spain is not included.
Source: Production: U.S. Department of Agriculture, Foreign Agricultural Service, Dried Fruit World Production and Trade Statistics Dried Fruit. Consumption: U.S. Department of Agriculture, Foreign Agricultural Service Foreign Fruit and Nut Report No. 321. U.S. figures: Combination of U.S. shipments as reported by the Dried Fig Advisory Board plus imports as reported by the U.S. Department of Commerce. Italy: 1958–62 average reported in U.S. Department of Agriculture, Foreign Agricultural Service, Dried Fruit World Production and Trade Statistics.

ORGANIZATION OF THE CALIFORNIA DRIED FIG INDUSTRY

While numerous producers, processors and marketing organizations are associated with the California Dried Fig Industry, this section is to briefly name and describe several leading organizations.

California Fig Institute:

The California Fig Institute is a non-profit organization and, although its membership is voluntary, it has the enviable distinction of including 100% of the fig growers in California as its members. This association is dedicated to the improvement, by every possible means, of the entire California Fig Industry. This association does no processing, packing or distributing of the product but works closely with growers and processors in this connection.

Marketing Order for Dried Figs, As Amended (California Dried Fig Advisory Board):

The Dried Fig Advisory Board, having been authorized by the California State Director of Agriculture, upon the written assent of the legally prescribed majority of producers and processors of Dried Figs, was established for the purpose of assisting the Director of Agriculture in the administration of the provisions of the program. Provisions of this Marketing Order, which may be utilized to achieve the objectives for which it was organized, include: Grade Standards, Mandatory Inspection (both receipts and shipments of all Dried Figs), Stabilization Pool, Substandard Pool into which off-grade figs are diverted to various by-product uses such as animal food and inedible syrup. Unfair Trade Practices, Adverstising and Sales Promotion, Research and Marketing. Although most of the provisions of the Marketing Order are currently in operation, several of these provisions should receive special attention.

(1) The Industry has imposed upon itself rigid grade standards which require mandatory inspection by a third party on both incoming (deliveries from farmers to processors) and outgoing Figs and Fig Paste (from processors to wholesaler or cookie manufacturer) to enforce these grade standards. This rigid inspection assures the consumer that he will receive a product of extremely high quality.

(2) In addition to administrative assessments paid equally by producer and processor, the Industry has imposed upon itself an additional assessment to provide for advertising and sales promotion. This promotional program is currently under way and hopefully will be expanded in future years to stimulate additional demand in this country for Dried Figs and Fig products.

(3) For approximately 15 years the California Dried Fig Industry maintained its own research department for the purpose of instructing and assisting growers in improving their cultural practices. The areas of research have now been expanded to also include new product development, packaging improvement, improving processing procedures, microbiology studies and plant sanitation. These programs are supported by Industry contributions to the University of California at Davis, U.S.D.A. Western Regional Research Laboratory, Albany, California and the U.S.D.A. Stored-Products Insects Laboratory, Fresno, California.

DFA of California

To maintain the highest quality, the Dried Fig Advisory Board has, for a number of years, employed the services of the DFA of California to serve as an independent third party inspection agency. Operating under the rigid regulations of the California Marketing Order for Dried Figs, As Amended, representatives of the DFA of California thoroughly inspect each incoming and outgoing lot of Dried Figs. Each lot of Dried Figs is inspected by a means of a 4 power inspection glass and each lot of Fig Paste is also subjected to laboratory analysis. Since inspection is mandatory, under the provisions of the Marketing Order, it applies to all Figs produced and processed in California.

CONCLUSION

It is the position of the California Fig Industry that any tariff reduction on Dried Figs or Fig Paste would only serve to encourage greater importation of these two products into this country and would not be in the best interests of the domestic industry and the American consumer.

Our industry is not seeking a share in the export markets outside the Western Hemisphere. We fully recognize our economic disadvantage outside this area. We believe the European Markets, with proper development, could adequately consume a great percentage of the entire production of figs produced in the Mediterranean Area.

We respectfully request that the Committee give serious consideration to the areas covered in this brief in the hope the Committee will find trade regulations are necessary if American Producers and Processors of Dried Figs and Fig Products are to have the opportunity to compete in the U.S. Markets.

SUMMARY

(1) Any reduction in tariffs on either Dried Figs or Fig Paste would result in serious economic injury to a domestic industry which, at the present time, finds it extremely difficult to compete price-wise with the existing tariff.

(2) The existing tariff of 5 cents per pound on *Fig Paste* has not been deterrent to foreign imports. This is illustrated by the fact the tariff has remained constant since 1930 and in recent years Fig Paste imports have been greater than at any other time on record.

(3) Any tariff reduction would immediately result in a disorderly market situation with the domestic industry being forced to eventually go out of existence, except as a very limited type of specialty crop. With an alternative source of supply closed to the American bakery trade, which utilizes the great percentage of the domestic output of Dried Figs and Paste, foreign exporting countries conceivably would be in a position to take full command of the U.S. Market and, thereby, create an unhealthy market situation as a result of higher prices.

(4) *Dried Figs* are a deficit supply commodity. Practically any other crop, planted on fig land, would be a surplus effected crop and it is inconsistent to reason and economic sense to carry out trade policies which will result in the planting of a surplus crop in the place of a crop which can not now supply the domestic market. The potential market for Dried Figs in this country is growing and the existing tariff has not, in any way, prevented other fig producing countries of the world from having their full share of this market.

(5) The California Dried Fig Industry is solely dependent upon the domestic market for its sales.

(6) Fig processing plants and fig processing equipment are specialized pieces of equipment and can not be converted to any other use. The equipment in a fig plant, if the industry can not survive, would only have scrap or junk value.

(7) The production of Dried Figs is the primary business venture for growers in the California Industry. This is not the case, however, in some foreign countries where, according to reliable information, figs are considered to be a

secondary crop. This is illustrated by the fact that until a few years ago farmers in Spain did not realize Dried Figs had a cash value and they were used for animal feed.

(8) Any tariff reduction on Dried Figs or Fig Paste would result in a substantial portion of the present California fig acreage being pulled out. The removal of this acreage would immediately reduce labor requirements in an area where the percentage of unemployment is already higher than the national average.

(9) Per hour labor costs in California are as much as 14 times greater for field labor and 15 to 20 times greater in processing plants than comparable wages in foreign fig producing countries.

(10) Through self-help programs, financed by producer and processor assessments, the California Dried Fig Industry supports Research, Advertising and Quality Control Programs. To the best of our knowledge no funds are being spent by foreign producers and processors to increase consumption or improve the Industry.

RECOMMENDATIONS

For the foregoing and other reasons, as outlined in this Brief, and in the files and publications of the U.S. Tariff Commission, the California Dried Fig Industry believes it has demonstrated the special circumstances surrounding the two-like commodities, Dried Figs and Fig Paste, and therefore makes the following recommendations:

(1) That the California Dried Fig Industry be excluded from any legislative or other measures which may have a detrimental affect on an already depressed Specialty Crop Industry.

(2) That in view of the wide variation between foreign and domestic production and processing costs as reflected in the low selling prices for foreign dried figs and fig paste, serious consideration should be given to an increased rate of duty on each item.

(3) That, as a realistic means for developing an orderly market at a stabilized price, to protect domestic fig producers from ruinous flooding of their market with excessive imports, some type of quantitative import limitation or quota be established. Foreign Producers and Processors would still be assured of a competitive opportunity in the U.S. Market.

(4) That it be clearly recognized that producers of a perennial tree crop, such as figs, cannot be "adjusted" to loss of imports protection through any form of "adjustment assistance" such as is incorporated in the Trade Expansion Act of 1962 or any conceivable version thereof.

(5) That any policy for freer trade not disregard those industries such as the California Dried Fig Industry which unavoidably are dependent upon reasonable protection from ruinous and unfair import competition.

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., May 25, 1970.

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

DEAR WILBUR: I have been advised that the California Fig Instiute, acting through its Managing Director, Mr. Ron Klamm, has submitted a brief requesting no reduction in the present tariff rate of 4½ cents per pound on dried figs and 5 cents per pound on fig paste.

This is to advise that I am in full accord with their position and would appreciate your full consideration of this request.

With best wishes.

Sincerely,

B. F. SISK, *M.C., California.*

STATEMENT OF A. E. MERCKER, EXECUTIVE SECRETARY, VEGETABLE GROWERS ASSOCIATION OF AMERICA

In connection with the hearings being held relative to the impact of imports on the economy of the United States, the testimony of the Vegetable Growers Association of America will naturally be limited to the impact of imports of

vegetables, both in the fresh and processed forms, on the prices paid to the American farmer and the necessary adjustment of his production to meet the competitive situation.

We use as an illustrative example the tomato industry which over the past five year period, including the crops of 1965–1969 had an average farm value of $407.2 million, of which the producers of fresh tomatoes received $206.4 million and the producers of tomatoes for processing $200.8 million.

According to the latest census information available in 1964 there were 7,913 farms growing vegetables, bulbs and flower seeds under glass, which compares with 7,239 in the census of 1959. However, there was an increase in the number of square feet in greenhouses, there being 81,561,833 in 1959 and 90,172,427 in 1964. Tomatoes are the leading vegetable crop grown in greenhouses.

Tomatoes grown in Mexico are allowed to be shipped into the United States at very moderate tariffs even though Mexico has no established minimum wage for its employees. Why should our farmers be punished and penalized by highly competitive production from areas having such very low schedules of wages? Our greenhouse growers have cooperated in every respect in connection with all labor regulations, not only on the basis of wages but on safety measures, social security and other benefits. Therefore, the cost of production per unit is very high compared with that of the imported product, particularly from Mexico. Investment in the greenhouse industry on a per acre basis is about $125,000.00 to erect the greenhouse and in the past the operator has met every competition from producers in the United States during their main productive season, which are the winter and spring months, when competition has been keen from Florida, Texas and California. This keen competition has been met by good managerial ability and by using the most scientific methods as to production, pest control and marketing.

Not only is the greenhouse grower of vegetables feeling the competition of the imports from Mexico but we note that according to the U.S. Department of Agriculture's Fruit and Vegetable Market Reports released by their Consumer and Marketing Service that Florida in 1969, beginning with the week ending November 2, 1969 through May 16, 1970, marketed a total of 8,301 carlot equivalents of tomatoes, which is 33% less than the 12,381 carlot equivalents shipped through the comparable period for the 1968–1969 season.

When we look at the imports from Mexico we note that through the comparable period there was a total of 18,066 carlot equivalents imported from Mexico or 31% more than the 13,824 carlot equivalents shipped into the United States during the 1968–1969 season.

The Vegetable Growers Association of America supports all international trade that is done on a fair and equitable basis and such trade should be encouraged, but when imports are greatly increased from countries having a very low rate of wages the situation must be reviewed and the Chairman of the Ways and Means Committee is to be commended for the introduction of H.R. 16920, although it is limited to textiles and footwear, and we strongly recommend amendments to the bill to include agricultural products for food and the embodiment of the principles of fair marketing as outlined in S. 146, which was introduced by Senator Spessard L. Holland. We strongly recommend that the principles of this bill be included in future legislation with respect to international trade in agriculture products.

We thank the Committee for affording us the opportunity to have this testimony included in the proceedings of the hearings.

INTERNATIONAL APPLE ASSOCIATION, INC.,
Washington, D.C., June 22, 1970.

Hon. WILBUR D. MILLS,
Chairman, House Committee on Ways and Means,
U.S. House of Representatives, Washington, D.C.

DEAR CONGRESSMAN MILLS: Unfortunately, due to a number of travel commitments, plus being involved in merging the International Apple Association Inc. and the National Apple Institute, I was not able to testify before your Committee on H.R. 14870—"The Trade Act of 1969."

Therefore, I am hopeful that you will be kind enough to permit this letter and the enclosure to be part of the Record.

Briefly, for your information, the International Apple Association, Inc. is a non-profit trade association, serving the Fruit Industry, with emphasis on apples and pears. Our members produce and/or handle 75% of the U.S. com-

mercial apple and winter pear crops and are involved in practically all of the exports and imports of these two commodities. Our membership encompasses all segments of the industry, i.e., grower, shipper, packer, grower sales agency, processor, storage operator, wholesaler, retailer, exporter, importer and allied industry, and we have members in 30 countries around the world.

World trade, and all its ramifications, has been of vital importance to the IAA (and its members) since it was formed in 1895. Since that date, the Association has been directly involved with all of the legislation affecting trade, as well as taking an active role in the unilateral and multilateral negotiations concerning apples and pears that have occurred over the years.

We would remind you that apples and pears are not subsidized in anyway. All of our exports are sold for dollars and directly benefit the U.S. balance of payments.

In essence, we support H.R. 14870, as we have with all the previous "free trade" legislation.

However, we strongly emphasize that legislation alone is not enough. Execution of our trade policy is even more important. It is our contention that our Government has *not* taken a strong position at the bargaining table, especially concerning horticultural commodities. We have been consistently out-talked, out-negotiated and out-bargained. In effect, the horticultural industry has been "sold down the river" by our Government at the bargaining table.

Earlier this year the undersigned, along with four other representatives of the Apple and Pear Industry, had a lengthy, personal audience with the Secretary of State, William P. Rogers, to discuss the "apple and pear problem." Attached is a copy of the written statement of our policy that we reviewed and amplified with Secretary Rogers. We believe the contents of that statement will be helpful to you and your Committee in your deliberations.

I would like to call your attention to two specific matters.

The first concerns our Article XXVIII negotiations with Brazil. These negotiations have been going on for three years. Included was a U.S. request for a six months reasonable seasonal duty concession for apples and pears. The Brazilian duty is 37½%, plus an 18% "sales tax" on U.S. fruit (which the State Department admits is a violation of GATT, but refuses to take any action).

Brazil does not grow any apples or pears. Its major supplies is her LAFTA partner, Argentina. However, our marketing seasons (the U.S. and Argentina) are directly opposite (the U.S. harvests apples in September and October, and the Argentine harvest is in March and April). Despite this fact, Argentina, for the past three years, has objected to any duty concession by Brazil, and Brazil is forced to observe those objections because of the LAFTA arrangements.

Our Government has consistently assured us that the negotiations would not be consummated without a satisfactory solution of the "U.S. Apple and Pear Problem."

However, I guess we got "tired." Recently, I was reliably informed that Argentina had approved a one year trial of a reduced duty (20%) on pears for a four month period—September–January. I was further informed that word had been sent to our representatives in Geneva to go ahead with the Brazilians and accept the piddling concession on pears, forget apples, and consumate the Article XXVIII negotiations.

It is difficult for a layman to understand how the U.S. can let itself be outbargained in such situations. Especially when one recognizes the fact that we have given Brazil numerous, substantial, long-term loans at ridiculously low interest rates, and that Brazil's agricultural exports to the U.S. are at least 4 to 1 when compared with our agricultural exports to Brazil.

The difficulty of "understanding" is compounded when one realizes that Argentina enjoys a good market in the U.S. for her apples and pears, especially pears; and that their fruit enters the U.S. at little or no duty (the duty on apples is zero and one-quarter cent per pound on pears), whereas Argentina imposes a 70% ad valorem duty on U.S. fruit.

Where is the reciprocity!

The other specific matter concerns *the delayed seasonal entry dates into Sweden and Norway.* These, we are told, are in violation of GATT, and yet our Government has failed to even take the first step toward a solution.

In closing, we would remind that neither the Brazilian matter, nor the entry dates situation, involves legislation—rather execution.

Sincerely,

FRED W. BURROWS,
Executive Vice President.

Enclosure.

Re Apple and pear trade policy.

Hon. WILLIAM P. ROGERS,
Secretary of State, Washington, D.C.

MY DEAR MR. SECRETARY: The apple and pear industry has been denied fair competitive access to world markets by trade barriers, many of which are unjustifiable, while at the same time the United States market has been readily accessible to foreign growers. Southern Hemisphere countries deny us access to their markets during their "off season" although they have almost free access to the United States.

For years our industry has been convinced that our Government has not given adequate weight to commercial consideration in formulating foreign policy. This is reflected, in part, in our unfavorable balance of payments situation. Commercial rights have been sacrified for political expediency. U.S. apple and pear growers have suffered from this policy. For years we have asked our Government to provide us with fair access to world markets wherein we would stand or fall on the competitive merit and price of our products. We have not had this access but have been consistently subjected to unreasonable restrictions.

Apples are produced commercially in thirty-five states. The export outlet has been an integral part of our marketing program for many, many years. While the Pacific Northwest (Washington and Oregon), the Northeast (New York and New England), and the Appalachian (Virginia and West Virginia) areas have been most directly concerned with exports, all producers benefit from exports through a reduction in the supply available for domestic use.

The U.S. apple and pear industry for many years has consistently supported the prinicple of liberalized or freer trade. We supported enactment of the reciprocal trade legislation, extensions of the Trade Agreements Act, and the Trade Expansion Act of 1962. Our support of the latter bill was conditioned upon inclusion therein of provisions authorizing affirmative action to obtain removal of unjustifiable non-tariff barriers.

Our position in foreign trade has deteriorated sharply since 1965. Exports of apples and pears have declined due to non-tariff barriers erected by foreign countries and subsidies, and trading practices initiated by some foreign countries. At the same time increased quantities of apples and pears have been imported into the United States with a direct adverse effect upon our industry.

Although we have supported the principle of reciprocal trade, we find no reciprocity for the apple and pear industry. As a result, more and more of our growers and shippers are questioning the principle of "freer trade" and are asserting that we should either have a fair opportunity to trade in world markets, or we should have the United States' market for ourselves. Since our access to world markets has been increasingly restricted in recent years, they assert that the only alternative is to reserve the U.S. market for U.S. Growers.

The attached tables show the decline in exports of U.S. apples and pears. Prior to World War II, 44% of the U.S. winter pear pack was exported. 28% of the apples produced in the Northwest (Washington and Oregon) was exported. At the end of World War II restrictions were imposed by many countries on the importation of U.S. apples and pears. Some of these were justified under the GATT. Many were not. For years we importuned the State Department to take positive action to eliminate these unjustifable trade barriers. All too often the State Department devised some reason action could not be taken. Our economic interest was sacrificed, we were told, in an attempt (a) to strengthen anti-Communist forces in a country, (b) to placate nationalist forces, and (c) to strengthen other countries, financially as well as politically, (d) to avoid the appearance of throwing U.S. weight around, and many other explanations.

For a period we enjoyed some minor measure of success as some countries removed or reduced their barriers. However, in recent years additional barriers have been erected against U.S. apples and pears.

The United States, having supported the organization of the European Economic Community (Common Market), has apparently been reluctant to openly, forcefully critize the common agriculture policy of the EEC. This policy has isolated common market agriculture from external competition at great cost to their consumers. This policy, which has upset would markets, appears to us to be in substance as follows.

1. Produce as much as you can, at the minimum, to meet EEC needs in the agricultural sphere, at a price-level of the EEC's choosing however high and uneconomical it may be,

2. Import any additional supplies neeed in the agricultural sphere at a price-level of the EEC's own choosing,

3. Export excess produce at or below world prices which are much lower than the EEC domestic prices by giving export subsidies.

The EEC theory of a liberalized trade policy is liberalized trade from others on their imports (EEC exports) but no liberalized trade on EEC imports. If this concept of liberalized trade is good for the EEC, it should be equally good for, and applicable to the United States. We again say that the United States should adopt a trade policy the same as our trading partners—either liberalization or equivalent protectionism.

A similar situation exists with the Latin American Free Trade Association and with the Central American Common Market. Once again—we are on the outside looking in and being discriminated against.

Current barriers include the following:

Delayed seasonal entry dates—Sweden and Norway annually fixed seasonal entry dates for imports of apples and pears. We are told these are in violation of the GATT. These are fixed after consideration of the size of the domestic crop and available supplies thereof; they deprive their customers of adequate fruit. Belgium and Denmark also prohibit entry of our fruit during our principle shipping season by very late fixed entry dates.

Quantitative restrictions—England, Norway and Venezuela have established and maintained quotas limiting the volume of apples and pears which may be imported.

Excessive duties—Peru and Venezuela have increased their duties in recent years. Duties in Peru, Mexico, Argentina and Brazil are so excessive that they preclude, or at least substantially restrict trade. In 1969 the Office of the Special Representative for Trade Negotiations endeavored to obtain from Brazil a reduction in their duty rate. This was opposed by Argentina, even though no Argentina fruit was, or would be, on the market during the period for which the United States sought the duty reduction. After long negotiations Argentina agreed that Brazil might reduce the duty for a trial period for part of one season but even then nothing materialized, and the duty was not cut as we were told it would be. In addition, Brazil imposes an 18% ad valorem "circulation tax" against our fruit but not against imports from Argentina. This, we are told, is also a clear cut violation of GATT.

Sanitary restrictions—The European Economic Community, and especially Germany, imposed restrictions on the use of pesticide chemicals used by our industry to protect fruit during the period of storage and transportation. Chemicals used by their domestic industries are approved; pesticides essential to the United States but not to the European growers are either prohibited or sharply restricted.

Japan, Australia and New Zealand prohibit the importation of apples and pears from the U.S. through sanitary restrictions which, in effect, are designed solely for economic protection of their domestic industry.

While these additional restrictions have been imposed against imports of U.S. apples and pears, our market has become increasingly open to imports. In the Kennedy Round negotiations the United States agreed to remove in five annual installments the infintesimal U.S. duty on apples of ¼c per pound. The United States also made a concession on pears. The only concession received by the United States was from Canada, which agreed to remove its duty of ¼c per pound on apples.

Southern Hemisphere countries, by sanitary restrictions or excessive duties, have closed their markets to the importation of U.S. apples and pears, while at the same time they participate in the U.S. market. U.S. Imports from Southern Hemisphere countries have increased substantially the last few years when these countries. facing the loss of markets in the EEC, have looked to the United States as a market. It will be noted that imports of *apples* from 1967 to 1969 increased as follows (in bushels):

	1967	1969
From:		
Argentina	2,894	23,772
Australia	4,939	60,173
New Zealand	49,922	116,561
South Africa	12,723	91,088

IMPORTS OF FRESH PEARS DURING THE LAST 5 SEASONS (IN BUSHELS)

	1965	1966	1967	1988	1969
From:					
Argentina	103,017	86,345	167,486	278,771	253,714
Australia				11,250	195,903
Chile	39,541	42,733	34,837	102,177	109,811
New Zealand			1,578	1,412	3,050
South Africa	22,276	20,722	26,424	60,185	79,402
Total	164,834	149,800	230,325	453,795	641,880

The U.S. growers have made substantial investments in production and handling facilities and promotional efforts in order to develop a market within the United States during the exporting season of the Southern Hemisphere countries. These countries are taking advantage of this investment. The original purpose of this investment on the part of U.S. growers was to develop a more orderly and stable market for U.S. apples and pears. However, the import of Southern Hemisphere fruits into our markets during this marketing period has served to diminish the benefits intended. We, therefore, feel that we should have equal access to these Southern Hemisphere markets, at the equivalent period of time in their marketing season, as we are granting them. The alternative to this proposal is a restriction of the imports from these countries.

Now, you may ask: What do we want the State Department to do? We suggest:

1. The United States should adopt a firm policy that other countries be required to live up to their international commitments and cease discriminating against the United States.

2. U.S. Embassies should be advised of this policy and instructed to make indelibly clear to the involved countries that U.S. policy has been changed, and we will firmly insist that unjustifiable or unreasonable restrictions must be eliminated or appropriate action will be taken by the United States. This must be followed up.

3. The United States should oppose the expansion of the European Economic Community, i.e., the inclusion of the United Kingdom and Scandinavia, until and unless the protectionist aspects of the EEC's common agricultural policy is cleared up; otherwise, we'll lose the major European export markets we now have remaining.

4. With respect to specific issues:

(A) Southern Hemisphere apples and pears should be denied access to the U.S. until their restrictions against U.S. apple and pears are removed. Restrictions should be imposed on Southern Hemisphere pears under Section 22 of the Agricultural Adjustment Act as asked by our industry in a request dated January 2, 1970, to the Department of Agriculture.

(B) Firm action should be taken to:

1. Obtain lower import duties into Brazil, Mexico, Peru, Argentina, Sweden and Norway and removal of other discriminatory financial restrictions.

2. Eliminate seasonal entry dates into Norway, Sweden, Switzerland and Denmark, or, as a minimum, earlier entry dates.

3. Obtain relief from the restrictions of the EEC Common Agricultural Policy and their restrictions on pesticides.

4. Bring an end to subsidies granted by France.

5. Obtain removal of barriers imposed by Australia, New Zealand and Japan through the medium of sanitary restrictions.

If we are not to have an equal opportunity to compete in world markets with other exporting nations, we should have the United States market reserved for us.

Respectfully submitted.

Clifford E. Toenniessen, President
Western New York Apple Growers Association, Inc.
Vice President—National Apple Institute

Fred W. Burrows, Executive Vice President
International Apple Association, Inc.

John M. Bloxom, President
Oregon-Washington-California Pear Bureau

Gerald C. Crossland, President
Northwest Horticultural Council

Ernest Falk, Manager
Northwest Horticultural Council

CORN REFINERS ASSOCIATION, INC.,
Washington, D.C., June 9, 1970.

Hon. WILBUR D. MILLS,
Chairman, Committee on Ways & Means, House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: The Corn Refiners Association very much appreciates this opportunity to present its views with regard to the duty-free status of tapioca, tapioca flour, and cassava.

As you know, our Association is the national organization of the American wet corn milling industry. Our members include American Maize-Products Company with a plant in Roby, Indiana; Anheuser-Busch, Inc., whose plant is located in Lafayette, Indiana; Clinton Corn-Processing Company (a division of Standard Brands, Inc.) located at Clinton, Iowa; CPC International Inc. with plants located at Argo and Pekin, Illinois, North Kansas City, Missouri, and Corpus Christi, Texas; The Hublinger Company located at Keokuk, Iowa; National Starch and Chemical Corporation with a plant at Indianapolis, Indiana; Penick & Ford, Limited (a subsidiary of R. J. Reynolds Tobacco Company) with a plant at Cedar Rapids, Iowa; A. E. Staley Manufacturing Company with plants at Decatur, Illinois, and Morrisville, Pennsylvania; and Union Division, Miles Laboratories, Inc., whose plant is at Granite City, Illinois. Our industry is the Nation's largest food and industrial user of corn, and in any given year our industry's purchases of corn are a major factor in maintaining corn prices for farmers.

The principal products of our industry are corn oil, starch, corn syrup, corn sugar (dextrose) and other starch derivatives. These products are used throughout American industry, particularly in the manufacture of paper, textiles, food, drugs and adhesives. Products of the wet corn milling industry are also essential to national defense. They are essential to the manufacture of explosives, airplane engines, tanks, shells and hand grenade casings. They are used in missiles, uniforms, and mess kits, and are a part of every meal a serviceman eats from the barracks to combat rations in the field.

Our Association has always supported expanded trade among all nations on a fair and equitable basis. We would point out, however, that where America's efforts toward free trade are barred by trade barriers erected in other nations, a seious imbalance of trade can result. Essentially, that is the situation that now exists with regard to tapioca starch.

Among major industrial nations, only the United States does not have a duty on the import of tapioca starch. This unique situation coupled with the variable duties of the European Common Market means that the United States attracts an ever-increasing volume of the world's output of tapioca starch. One imported into this country tapioca starch competes directly with corn starch manufactured here. In essence, that means that our international trade in tapioca starch is financed by the profits and jobs of the American industrial firms affected.

In 1947, in the GATT negotiations, the duty-free status of tapioca, tapioca flour and cassava was bound into our tariff schedules. Imports of tapioca starch at that time were running at around 100 million pounds. Since then they have more than doubled and in some recent years have tripled. Imports in each of the last two years have been around 200 million pounds, and as recently as 1967 imports were over 300 million pounds.

Competition between imported tapioca starch and the American corn refining industry has been especially severe with regard to some products. The Tariff Commission's study of 1959, for example, disclosed that open market sales of domestic corn starch to adhesive and dextrine manufacturers amounted to about 20 million pounds in 1958. This was just slightly more than the amount

of imported starch sold to such manufacturers.* Thus, in the short space of a 10 year period the imported starch had gained a position equal to that manufactured here despite significant improvements in our technology, efficiency and ability to compete.

Thailand and Brazil are currently the major exporters of tapioca starch, but a number of other less-developed nations have the potential to export this product in large quantities. Indonesia, formerly the world's major tapioca starch exporter, and several African countries are included in this group. Because of the current European tariff wall and variable levies on tapioca starch, it is likely that any increased volume from the exporting countries would flow directly to the United States.

The United States' position with regard to tapioca starch imports has become more difficult in recent years because the Common Agricultural Policy (CAP) within the European Common Market has raised new barriers to tapioca starch imports. The CAP has provided nearly complete protection for farmers by using a variable levy system to eliminate the competitive price advantage of imported agricultural products. The variable levies even apply to products the EEC does not produce if such products compete in any way with domestic production. For this reason, tapioca starch has recently been subject to tariffs as high as 50 percent, in striking contrast to its duty-free treatment by the United States.

Other countries have managed to block tapioca starch imports by other means. In Japan, for example, the device of import control licenses is employed, and Japanese imports of tapioca starch have been limited to a small fraction of the United States imports.

We believe that United States negotiators should have the authority and responsibility to negotiate the removal of unreasonable foreign tariff barriers. If this authority is to have any real meaning, however, it must be strongly backed up in our tariff laws. Considerations of basic fairness dictate that American industries that have no tariff protection against imports should have the assistance of the United States Government to insure that other countries are not able to take unfair advantage of us.

This position accords with two fundamental goals of United States trade policy. It would contribute to the expansion of free world trade and provide greater access to foreign markets for products of less-developed countries.

Our industry has borne the brunt of a unilateral free trade policy in the face of contrived protectionist barriers abroad. We have been seriously disadvantaged because of the flood of tapioca starch imports into our country. We are hopeful that this situation can be relieved by reducing trade barriers in other countries, but if this cannot be achieved, we urge that the only fair solution is the imposition of a duty on tapioca imports, as we have done on all other major competitive starch imports, or the adoption of a quota.

Very truly yours,

ROBERT C. LIEBENOW,
President.

STOKELY-VAN CAMP, INC.,
Indianapolis, Ind., June 15, 1970.

Mr. JOHN MARTIN, JR., *Chief Counsel,*
House Ways & Means Committee,
Longworth Building,
Washington, D.C.

DEAR SIR: This statement is submitted by Alfred J. Stokely, President and Chief Executive Officer of Stokely-Van Camp, Inc., Indianapolis, Indiana, on behalf of Stokely-Van Camp and Hawaiian Fruit Packers, Ltd., for consideration by the House Ways & Means Committee in their deliberations on foreign trade.

Stokely-Van Camp, Inc. is a publicly owned corporation with approximately 270 million dollars in annual sales. The capital stock of the corporation is traded on the New York Stock Exchange and is held by approximately 13,000 stockholders. The corporation processes and distributes preserved foods and ingredients for foods.

Hawaiian Fruit Packers, Ltd., Kapaa, Kauai Hawaii is a 95% owned subsidiary of Stokely-Van Camp with the remaining 5% being owned by citizens of the State of Hawaii. Hawaiian Fruit Packers sole source of revenue is the processing

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*United States Tariff Commission Report on Starch Investigation No. 332–37, March 1960, p. 38.

of pineapple products grown on the Island of Kauai. The corporation was formed in 1932 and was the continuation of a pineapple business which existed prior to that date. The company has recently employed approximately 500 full and part-time employees.

PURPOSE

The purpose of this statement is to request that the Committee recommend to the Congress the necessary legislation to allow the domestic pineapple industry to survive. This industry had its origination in the United States; however it is seriously endangered as the result of several factors, but principally by foreign competition.

Stokely-Van Camp Inc. is submitting this statement without participating by other domestic pineapple processors, although their support was solicited. The reasons the other domestic processors elected not to join in this effort can only be surmised. However, Hawaiian Fruit Packers is the only company, to our knowledge, which is engaged solely in the processing of domestic pineapple. It does not own any real estate which is subject to development, nor does it have any facility for producing pineapple outside of Hawaii.

HISTORY OF THE PINEAPPLE INDUSTRY

The domestic pineapple industry originated in 1903 and during the years. employment has been as high as 12,000 employees with eight processing plants. However, in recent years, total industry employment has declined to approximately 8,400, and there are only five producing plants remaining. One of the remaining plants was the subject of a recently publicly-announced sale between two large processors. It is our understanding that the continued operation of this plant is uncertain and the seller will acquire at least part of its requirements from foreign sources.

Hawaii dominated the pineapple industry for many years after its initial development. However, other countries. utilizing Hawaiian know-how and United States capital, have entered into the pineapple industry to the detriment of the Hawaiian and U.S. economy. Attached hereto as Exhibit A is a tabulation which shows Hawaiian production as related to the known world production for 1950 through 1968, the latest information available. As indicated by this exhibit, Hawaii's share of world production has decreased from approximately 72% in 1950 to 39% in 1968. It is interesting to note that this decrease has occurred since the decrease in tariff rates on pineapple products as a result of the 1948 G.A.T.T. Geneva agreement.

The incursion of foreign pineapple products and the resulting detrimental effect on the domestic pineapple industry is further illustrated by Exhibit B which shows the per capita consumption for canned pineapple for the period which 1956 through 1969. During the period total per capita consumption has remained relatively stable, however, per capita consumption of imported pineapple has almost doubled.

INDUSTRY ECONOMIC PROBLEMS

Hawaiian Fruit Packers. to our knowledge, is the only company which would be truly indicative of the profit trend in the domestic pineapple industry, since it does not engage in any other business.

Set forth below is a tabulation which shows the results of the operations of Hawaiian Fruit Packers for the last ten years:

Period	Net sales	Net income (loss) after taxes
9 months ended: Feb. 28, 1970 (estimated)	$2,891,015	($69,842)
Fiscal year ended:		
May 31, 1969	3,234,242	(75,163)
May 31, 1968	3,425,523	29,297
May 31, 1967	3,681,297	(92,688)
May 31, 1966	4,113,159	72,020
May 31, 1965	4,474,345	248,136
May 31, 1964	4,390,626	86,021
May 31, 1963	3,944,902	7,890
May 31, 1962	3,266,358	123,043
May 31, 1961	3,605,280	212,870

It is evident that Hawaiian Fruit Packers had been a profitable operation but in recent years, as imports of pineapple increased, it has grown unprofitable even though drastic steps have been taken to cut expenses.

The pineapple industry, like many other U.S. industries, suffers from a wage rate differential with foreign countries. In addition to this standard argument for increased tariff protection, Hawaiian pineapple bears the burden of subsidizing the domestic shipping and sugar industries. The freight rate (using domestic bottoms) from Hawaii to the eastern markets as compared to foreign rates available to foreign producers increases the Hawaiian cost 25 cents per case using Taiwan as an illustrative example. Also, the purchase of domestic sugar at 10 cents per pound as opposed to world market sugar at four cents per pound, increases the Hawaiian cost approximately 10 to 15 cents per case. Although not suspectible of precise determination by us, we have seen figures which indicate that wage rates in Hawaii are manyfold greater than Taiwan, for example. The additional burden of shipping and sugar costs would approximate 7% on an ad valorem basis without any consideration for additional labor costs.

An increase in the effective tariff rate on pineapple to the equivalent rate on peaches or fruit cocktail may make it possible for Hawaiian pineapple producers to survive. It is obvious that if the tariff rate is not raised, the Hawaiian pineapple operations will become more unprofitable. Wage rates are continuing to rise and selling prices cannot be increased because of the competition of foreign imports which hold the prices down. If the domestic industry cannot operate profitably, it will be eliminated as an economic factor.

PREVAILING TARIFF RATES

In 1930 there was a duty of two cents per pound on pineapple and 70 cents per gallon on pineapple juice. This was reduced over the years to .75 cents per pound (January 1, 1948, G.A.T.T. Geneva) and to 20 cents per gallon on pineapple juice. Currently, the tariff on pineapple is the equivalent of approximately 6½% ad valorem and this compares to the approximate 15 to 20% ad valorem tariff on fruits such as peaches and fruit cocktail.

We conceive of no substantial reason that pineapple should bear any less tariff protection than other domestic fruits with which it is competitive.

CONCLUSION

Stokely-Van Camp, Inc. intends to present its case wherever necessary in order to protect the domestic pineapple industry. We are advised that it will be difficult, if not impossible, to obtain administrative action because of ramifications on other industries and foreign trade in general.

If protective action is not taken, it will only be a matter of time before Hawaiian pineapple will be phased out of the industry and the State of Hawaii will lose over 8,000 direct job opportunities and the many other attendant economic benefits. At the same time, the United States balance of payments will be adversely affected to the extent of the value of the increased imports of pineapple imported into the country.

The submission of this statement reflects the sincere desire of Stokely-Van Camp to remain in the pineapple industry in Hawaii. However, it will not be economically feasible for us to do unless the domestic pineapple industry receives added protection from the adverse influences exerted upon it by foreign pineapple sources.

As previously stated, it is our opinion that the most efficient and practical way to protect the domestic pineapple industry is to increase the tariff on imported pineapple to a level which reflects the intent of existent tariff legislation. The basic inequity has been demonstrated above. The present tariff rates were established at a time when foreign pineapple was not a factor; and obviously do not reflect the present balance of world competition. Therefore, we respectfully request that the Committee seriously consider recommending an increase in the tariff on imported pineapple to properly reflect present day realities.

Respectfully submitted,

ALFRED J. STOKLEY, *President.*

Enclosures:

EXHIBIT A.—KNOWN WORLD PRODUCTION OF CANNED PINEAPPLE FOR YEARS 1950-68
[24/2½—45-pounds case]

Year	Known world production	Hawaii	Hawaiian percent to total
1950	15,782,287	11,314,453	71.69
1951	16,058,533	10,953,011	68.21
1952	16,886,890	12,508,093	74.07
1953	17,817,733	12,227,521	68.63
1954	19,562,289	11,976,917	61.22
1955	21,555,270	13,726,465	63.68
1956	21,676,066	13,211,467	60.95
1957	21,534,685	12,219,741	56.74
1958	23,243,252	12,863,291	55.34
1959	24,097,271	12,584,812	52.23
1960	25,344,611	13,239,897	52.24
1961	26,597,033	13,130,185	49.37
1962	26,599,060	13,176,948	49.54
1963	25,836,185	12,731,267	49.28
1964	27,787,185	11,520,477	41.46
1965	30,137,570	12,594,936	41.79
1966	31,469,757	13,167,861	41.84
1967	31,267,709	12,333,195	39.44
1968	31,279,938	12,290,121	39.29

Note.—Compiled by Pineapple Growers Association of Hawaii.

EXHIBIT B
U.S. CIVILIAN PER CAPITA CONSUMPTION OF CANNED PINEAPPLE

Years	Pounds per capita		
	Hawaiian pineapple	Foreign pineapple	Total
1956	2.6	0.7	3.3
1957	2.5	.7	3.2
1958	2.7	.6	3.3
1959	2.4	.7	3.1
1960	2.4	.8	3.2
1961	2.3	.8	3.1
1962	2.1	.7	2.8
1963	2.4	.8	3.2
1964	2.3	.9	3.2
1965	2.1	1.0	3.1
1966	2.1	1.0	3.1
1967	2.0	1.1	3.1
1968	1.8	1.3	3.1
1969 (estimated)	1.8	1.3	3.1

Note: The significance of 1/10 pound—it is equal to consumption of 440,000 cases of pineapple.

Source: Compiled by Pineapple Growers Association of Hawaii.

(The following statements were received for the record:)

FARMERS PRODUCTION CREDIT ASSOCIATION,
Ashland, Ohio, June 19, 1970.

GENTLEMEN: We are writing this letter to express the opinion of the Board of Directors and employees of our organization with regard to the current farm situation.

We are one of the largest PCAs in the United States with an outstanding volume of $26,619,000 to 3006 borrowing members in an eleven county area. The agriculture in our area is quite diversified since we have counties bordering Lake Erie in which the major farm enterprise would be truck crops and grain, and of course the greenhouse industry, since Lorain and Cuyahoga counties have the largest concentration of greenhouses in the world. Our counties to the south of these are devoted primarily to dairy, cattle feeding and poultry enterprises.

Our loans are examined annually under the supervision of the Farm Credit Administration. The one largest weakness in all of our loans, which the Credit Examiners call to our attention, is the borrower's lack of repayment ability. It is our opinion that farm prices are not adequate to return the price of production in many of these enterprises, particularly in the vegetable-greenhouse industry.

There are several reasons for the low farm prices, but in our opinion one of the main ones is the inequities in the export-import situation between the United States and other nations.

We would encourage a study of this situation and would hope that these inequities could be resolved in an effort to continue the family farm as it has in the past.

Sincerely,

JAY K. KOHLER, *President.*
JAMES DERAN, *General Manager.*

TEA ASSOCIATION OF THE UNITED STATES OF AMERICA, INC.,
New York, N.Y., June 19, 1970.

Re H.R. 17521.

Hon. WILBUR D. MILLS,
House of Representatives,
Longworth House Office Building,
Washington, D.C.

DEAR MR. MILLS: The Tea Association of the U.S.A. has polled its members regarding H.R. 17521, "A Bill to increase the compensation of certain experts engaged in administering the laws relating to the purity and quality of tea and to increase the fee charged for the examination of tea".

As of today, returns are in favor of passage of this Bill by a ratio of 4 to 1.

The Tea Association, therefore, urges the House Committee on Ways and Means to recommend passage of H.R. 17521.

Sincerely yours,

RICHARD M. FIELD, *President.*

WASHINGTON, D.C., *June 13, 1970.*

Mr. J. M. MARTIN,
Chief Counsel,
Ways and Means Committee,
Washington, D.C.

DEAR MR. MARTIN: I am submitting the Brief on H.R. 17521 and I am also including an Article that I wrote for the Tea & Coffee Trade Journal, and an Article entitled: "Tea Law of the United States" in support of this brief.

I hope that you can see fit to include both of these Articles when my brief is printed. I did not mention that I was President of the Tea Association of the United States for three years and President of the First Tea Convention, which is held annually.

Now that I am retired, I cannot speak for the Tea Association directly, but I am sure it would be a terrible calamity to the people of the United States if this Tea Act of 1897 is abolished and therefore I would like to express my opposition to H.R. 16657, which the Government first put in to repeal the Tea Act and which I understand from Mr. Monahan's statement to the House, the Department seems not to be insisting on repeal of the Tea Act.

Sincerely yours,

GEORGE F. MITCHELL.

JUNE 13, 1970.

Chairman WILBUR D. MILLS,
Committee on Ways and Means,
1102 Longworth House Office Building,
Washington, D.C.

As Supervisory Tea Examiner in immediate charge of administering this Act, in the Treasury Department from 1912–1920, and in the Agriculture Department after its transfer, until May 1, 1929, when I resigned to take charge of the Tea Division of the Postum Company, afterwards General Foods Corporation. I wish to discuss, H.R. 17521. Previously became Supervising Tea Examiner, I represented the Agriculture Department when this Government was cooperating with Dr. Charles U. Shepard in the growing and manufacture of Tea—spending my summers at the Pinehurst Tea Estate and my winters working in the Tea Laboratory in the Bureau of Plant Industry, except for one winter that I spent in Baltimore studying tea testing and the commercial handling of tea.

Before we had any law in this country governing the importation of tea for purity and quality we were considered the "dumping ground" of much of the trashy teas from different countries of the world. The tea people took this matter up with Congress who passed the Tea Act of March 2, 1883, but since this law did not provide for *physical standards of quality and purity and fitness for consumption*, it could not be administered with any degree of uniformity. The matter was entirely in the hands of the Tea Examiners and with no "measuring stick" to guide them, this law was bound to be a failure. In 1896 the tea importers and distributors of tea became so disappointed with the law of 1883 that they appealed to Mr. Charles Sumner Hamlin, Assistant Secretary of the Treasury who was administering that Act and who suggested physical standards of actual tea to measure quality, purity and fitness for consumption. This new law went into effect March 1897. Now the story is definitely revised and there is no country in the world offering better protection to the consuming public. Tea is unique in that the *finished product* has to come at least 3,000 miles before it reaches the United States and is subject to deterioration from moisture and the taking up of odors of every kind.

In the case of tea which is cured from the tender leaves and which contains the stimulant caffeine and flavor is also true that the older leaves do not contain enough caffeine to give stimulation and neither do they have enough flavor to produce a satisfactory cup of tea. This is where the Tea law, which has physical standards and which is tested against teas coming to this country can refuse those not up to standards, yet might be so pure it could easily pass the Food and Drug Act which is not a specific Act to deal with teas below these standards. Coffee on the other hand comes under the Food and Drug Act—comes into this country in the form of green beans and all the preparation to finish this product takes place here, not 3,000 miles or more from the United States. This is why we have the tea Act, like the Act of 1897 and which is absolutely necessary. Besides the tea standards themselves, the Tea law provides that immediately after the passage of this Act and on or before February 15 of each year thereafter the Secretary of Treasury, then the Secretary of Agriculture, and now the Secretary of HEW, shall appoint a Board to consist of seven members which shall be an expert in teas and also shall prepare and submit to him standard samples of tea.

These samples selected and packed in one-half pound containers and used by the Tea Examiners and sold to the trade as well as to those in foreign tea producing countries to be used as a guideline in the importation of tea. These samples are never price-fixing but are of the grade and quality that causes only tea fit for consumption to enter the United States. Importers or those bringing teas into the United States are required to give a bond to the Collector of Customs and the tea in question to be kept in a bonded warehouse or that part of Packers plant that is under bond. These teas are not to be used until they have been released by Customs upon advice of the tea examiner. Besides the standards of actual tea being used, the amount of tea, the amount of boiling water also enter into this standardization. It might be well for me to refer to this matter when it was up before Senator Russell's committee in the 1941 Appropriation Bill. *Senator Russell asked Mr. W. G. Campbell, Chief Food and Drug Administrator, as well as the Administrator of the Tea Act, quoted as follows:*

Mr. Russell—"We have for the record some statements from those who are in the Tea business, but in order to clarify the item and to establish whether or not you can do the work out of other appropriations, I thought it might be well for you to make some statement for the record."

TEA IMPORTATION ACT

Mr. Campbell—"Yes. The amount for the enforcement of this importation Tea Act, as you know, Mr. Chairman is small. It is only $30,094, and that particular item was reduced last year in the amount of 25 percent. There was no discussion of the matter in the House either last year or this year.

The Import Tea Act makes provision for the regulation of foreign traffic in tea that cannot be provided for under any circumstances by the terms of the Food and Drugs Act. From the statement of the House committee, I am under the impression that they believe that perhaps everything that can be done by the tea act can be done under the terms of the Food and Drugs Act. *But that is not the case.*

The Tea Act denies entry at our ports of any merchandise sold as tea which is "inferior in purity, quality, and fitness for consumption" to the standards provided by other sections of the act. Those standards are physical standards. They are standards of actual tea that is selected by a board which the statute authorized the Secretary to appoint annually, and this board meets and selects these type standards of tea, and the importation of tea is gaged by such standards.

Now, there is no provision under the terms of the Food and Drugs Act for the formulation of the standards of identity and quality that can so definitely regulate the entry of tea as it is done under the terms of this statute. The preparation of tea, of course, involves the matter of its fermentation and the question of handling in various ways that go to produce a satisfactory article. If this law is repealed, it will operate, despite such use of the terms of the Food and Drugs Act as we can invoke, to make this country pretty well a dumping ground for low-quality tea. Now, of course, the industry is very much concerned about that. My concern is from the standpoint of the public's interest in it.

There is a total of approximately 90,000,000 (1941) pounds of tea imported into this country every year. That is a growing business and I would like to see the tea that comes in be required to comply with the standards set up. This will operate not only to produce satisfactory conditions, insofar as the trade is concerned, but also to eliminate the traffic in unfit material which very definitely is for the protection of the consumer."

Before the Russell Committee in 1941 Senator Hayden of the Russell Committee inquired of Mr. Campbell how much duty was collected by the Customs on decorated containers and Mr. Campbell informed him $100,000 per year, the Department of Commerce does not keep the duty on Tea Containers separate at the present time, but I think this answer can be gotten from the U.S. Tea Examiner in New York, who checks the tea and reports the decorated containers to the Customs.

This Act has been passed upon by the Supreme Court on two different occasions. The first case testing the constitutionality of the Act finally reached the Supreme Court on February 23, 1904. The decision was handed down by Justice White, afterwards Chief Justice White, who upheld the constitutionality of the law. In this particular case the tea in question was rejected for being below the Government standard in *quality*. The decision written by Justice White was so clear and logical that this particular decision *is among the most often cited.*

Soon after the passage of the Food and Drug Act of 1906 there were many who thought that the passage of this law would abbrogate the tea law of 1897, however, an opinion was handed down by the Attorney General under date of February 23, 1907. In this opinion the Attorney General stated that there is no such repugnancy between the Special Tea Inspection Act and the General Food and Drug Act as to prevent them, generally speaking, standing together. He further pointed out that the Food and Drug Act does not appear to have been intended as a substitute for the Tea Act *since all importations of tea must comply with the standards* of quality and purity established under the Tea Act, and must stand the test in reference to adulteration and misbranding under the Food and Drug Act.

The second appearance before the Supreme Court of this Act was in 1918 when the Supreme Court decided and which opinion was written by Justice Oliver Wendell Holmes stating that under the Act the word impurity did not mean any specific impurity that might conceal inferiority, but meant the total amount of impurity. It meant the sub-total of all extraneous substances in the tea in question exceeding the amount of all extraneous substances in the standards. This ruling of the Supreme Court *was actually written into our Tea Regulations and what appeared as defeat for the Tea law became one of its greatest assets as the standards selected took care of any artificial substances which might be added, and accordingly, tea was rejected.* As the sum total of impurities amounted to more than the sum total of extraneous matters in the standards. When I became Supervising Examiner in the Treasury Department, I had the pleasure of working under Mr. Charles Sumner Hamlin, who was Assistant Secretary of the Treasury in the Wilson Administration and who wrote the Tea Law in 1897 and who served in the same capacity in the Grover Cleveland Administration. Mr. Hamlin afterwards served on the Federal Reserve Board and had much to do with writing that law.

Dr. Harvey W. Wiley who helped write the Pure Food Law and who was in charge of that law for so many years has been a witness before the Courts in

preserving this Tea Act. Having served under many Food and Drug Chiefs, and who also administered the Tea Act, I can say that none of them ever thought that the Food and Drug Act which they were administering could take care of the control of tea entering this country.

The United States Department of Commerce reported that during the calendar year 1968 the import value of tea entering the U.S. was $61,000,000 and in 1969 (during a long ship strike) the value was $53,000,000. Based on the H.E.W. cost of administering the Tea Act, ($125,000 per year) this is 1/5 and 1/4 of 1% respectively of the import cost of tea for these two years. The tea consumer in this country is certainly entitled to a satisfatcory cup of tea fit for consumption which, without the Tea Act of 1897, could not be possible.

This was unusual because of the strike as the $61,000,000 import value in 1968 is more normal. I agree with Mr. Monagan the Connecticut representative who introduced H.R. 17521 and think he has done a most estimable job in clearing up this matter and as one who in desperation recommended to the Board of Directors of the Tea Association to pay the 3½¢ to administer the tea law, I see no reason why the administering of this law should not be paid by the Government. On the other hand since I am retired I naturally cannot speak for the Tea Association. I have no doubt they will handle this matter as they think best.

My concern is that this law of which I had the immediate administration of remain in force, as it has for the last 73 years. I am sorry that I have been told that it is too late for me to appear in person, when I could be questioned about this law and if for any reason this Committee wishes to hear me I will be glad to appear.

I am also submitting an Article I wrote for the Tea and Coffee Trade Journal, entitled: "Forty Years of Tea Legislation" and an Article entitled "Tea Law of the United States" that was written for the Tea Congress held in Bandoeng, Java in 1924. Both of these articles argue why the Tea Law of 1897 should remain and I hope they will be included with the above brief.

GEORGE F. MITCHELL.

[From the Tea & Coffee Trade Journal, February 1970]

LETTER CIRCULATED TO TEA TRADE CREATES NEW DOUBTS—RECALLS ARTICLE ON TEA LEGISLATION WRITTEN BY GEORGE MITCHELL IN 1941; TEA ACT NEEDED BY TRADE AND CONSUMER[1]

(By George F. Mitchell)

The present tea law of March 2, 1897, as amended, has had a very far-reaching effect for good on the quality and purity of teas imported into and distributed in the United States.

This law, which is for the protection of the ultimate consumer, was to a great extent promoted and pushed through Congress by the tea importers and distributors of tea who could no longer witness the dumping into this country of inferior and impure teas.

Before this law was enacted, and to a greater extent before the tea law that superseded this one was enacted namely, the Law of 1883, the United States was often referred to as the dumping ground for trashy teas from all the tea-producing countries of the world.

Now the story is definitely reversed and there is no country in the world that offers better protection to the tea consuming public, and I doubt if any specific trade takes a greater pride in the quality of its product than the tea trade.

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[1] This article by Mr. Mitchell was written for and published in the November 1941 issue of the Tea & Coffee Trade Journal. It is reprinted here in full in response to a communication to all members of the tea trade from the Food and Drug Administration at our press time, to the effect that tea examinations will no longer be made except on a spot basis. We believe that this article is a complete answer to that decision.

For the benefit of any of our readers who may not know George Mitchell, he was tea expert for the Department of Agriculture when the Secretary of the Treasury appointed him to the newly created position of Supervising Tea Examiner on May 1, 1912. He held that position until May 1, 1929.

Since leaving the Government service, Mr. Mitchell has maintained an active interest in tea legislation, especially through the Tea Association of the U.S.A.

Mr. Mitchell has been president of the Tea Association of the U.S.A. and also served as Manager of the Maxwell House Tea Division of the General Foods Corporation.

He is presently retired, living in Washington, D.C., and highly indignant at the abovementioned decision of the Food & Drug Administration.

This was manifested in 1939 when no appropriation was made by Congress to take care of the administration of this all-important policing measure.

Rather than have the operation of the law suspended, the tea trade under the leadership of the Tea Association of the U.S.A. offered to pay a fee of 3½¢ per 100 pounds on all tea imported, which was sufficient to take care of the administration of this Act.

This suggestion from the tea trade was enacted into law for the fiscal year ending June 30, 1941, and was again enacted for the fiscal year ending June 30, 1942.

CONSUMER PROTECTION

I mention this as it demonstrates how necessary and important the tea trade as a whole feels this law is for the good of the trade as well as for the good of the consuming public.

Although there had been several laws to control the quality and purity of food products and liquors, the first real pure food measure was the first Tea Act of March, 1883.

While this law did much to improve the quality and purity of teas entering the United States, it was weak in that it had no real "measuring stick" of quality and purity as we now have in our present tea law.

The Law of 1883 required that all teas entering the United States be placed in a bonded warehouse and that samples drawn from each line of every invoice be examined by qualified tea examiners. However, the qualified tea examiners in each port often held different ideas as to what constituted purity and quality.

BOARD OF ARBITRATION

If the importer disagreed with the findings of the examiner, the question was submitted to a board of arbitration consisting of three members—one selected by the Government, one by the importer and the third by the other two members.

While this system of inspection proved of great value and kept many impure and unwholesome teas out of the country, it was, as is readily seen, impossible to administer uniformly as not only the tea examiners had different ideas but even the boards of arbitration, being composed of different persons, gave different decisions on similiar teas.

The unsatisfactory operation of this law was brought to the attention of several members in Congress by the New York delegation and the California delegation. The committee from the tea trade was headed by Thomas A. Phelan, one of the leading tea experts in New York.

PASSED IN 1897

The bill that was finally submitted to Congress was the combined effort of not only Mr. Phelan and his associates in the trade, but also Charles S. Hamlin of Boston, who was at that time assistant secretary in charge of customs in the Treasury Department and who actually framed the law that was submitted to Congress.

Although this bill was first introduced in 1986 and was submitted at various times to both Houses of Congress, it did not finally pass until the second session of the 54th Congress in 1897.

However, when it did pass it was in exactly the same form as worked out by the tea importers in collaboration with the Treasury Department.

What makes this law so easy to administer is that it not only provides physical standards of tea to be used in measuring quality and purity, but the law is mandatory.

One of the unique features about the law is that it provides that the tests are to be made according to the usages and customs of the tea trade, including the testing of an infusion in boiling water.

HELD CONSTITUTIONAL

The administration of the tea law ran along very smoothly until a suit was brought testing the constitutionality of the act. This case finally reached the Supreme Court and on February 23, 1904, a decision was handed down by Justice White, afterwards Chief Justice, upholding the constitutionality of the law. In this particular case the tea in question was rejected for being below the Government standard in *quality*.

The decision written by Justice White was so clear and logical that this particular decision is among the most often cited of any of those rendered by the Supreme Court.

Soon after the passage of the Food and Drugs Act in 1906, there were many who thought that the passage of this law would abrogate the Tea Law of 1897. However, an opinion was handed down by the Attorney General under date of February 23, 1907, concerning this matter.

In this opinion the Attorney General stated that there is no such repugnancy between the special Tea Inspection Act and the general Food and Drugs Act as to prevent them, generally speaking, standing together.

He further pointed out that the Food and Drugs Act does not appear to have been intended as a substitute for the Tea Act, since all importations of tea must comply with the standards of quality and purity established under the Tea Act and must also stand the test in reference to adulteration and misbranding under the Food and Drugs Act.

Only standards of the lowest grade of purity and quality that are fit for consumption were intended to be established under the Act.

This intent has been strictly followed during the life of this law and the prices of teas entering this country have not been raised because of the law, although teas unfit for consumption have been kept out.

For many years in some of the countries where green teas are produced, the very fine green teas were grayish green in color. This was caused when these teas were dried or fired in pans over charcoal fires and were constantly stirred during the process of drying.

GRAYISH GREEN COLOR

The very fine teas being dried at a low temperature naturally took on this grayish green color. On the other hand, it was not found necessary, in the case of the cheaper teas, to expend so much labor and they were dried at a higher temperature.

At the end of drying these cheaper teas did not possess the grayish green color. Most of these green teas were sold in America and Canada and the consuming public got to know the fine green teas by the uniform light gray appearance.

As soon as this became evident to the manufacturers of green teas, they thought up the idea of adding some artificial coloring matter that would give the poorer quality teas, that were quickly dried at a higher temperature, the same appearance as the fine quality teas that were dried at a low temperature.

So to imitate the style of the fine teas they added to the teas during the process of drying, small quantities of Prussian blue, turmeric, and soap stone. The amount of color and facing added was infinitesimal but the effect was great as it concealed inferiority.

Although the tea law stressed purity as well as quality, and while different tea boards attempted from time to time to eliminate artificial coloring and facing from all teas, it was not until 1911 that any radical change occurred in the tea regulations concerning impurities except those impurities that could be detected by cup tests such as sediment and scum.

WIDESPREAD CONFUSION

The regulations promulgated by the Secretary of the Treasury in 1911 stated that the standards selected were in every instance free from artificial coloring or facing matter.

However, it was found later that some of the green tea standards did contain a small quantity of coloring matter, and, of course, since the standards were the measuring sticks for quality and purity, the standards were controlling regardless of the statement that they did not contain coloring or facing.

This led to untold confusion as some importers followed the promulgation of the Treasury Department while others tried to live up to the physical standards as the law intended they should.

Unfortunately there was no simple means for detecting artificial color and green teas that were examined by chemists in the Far East before shipment were often found to contain artificial color when examined by Government chemists in the United States.

ORIGIN OF READ TEST

About this time one of the biochemists of the Bureau of Chemistry, Dr. Alberta E. Read, discovered that dust shaken from colored teas on to white paper and streaked with a chemist's spatula would show streaks of Prussian blue and tumeric.

This test was afterwards modified so as to include the use of black paper for detecting facings and other impurities such as talc, gypsum, barium sulphate, clay, and kaolin.

VEXING CONTROVERSY

The Tea Board of 1912 was faced with the question of clearing up this vexing controversy over green teas and at that time it was presented to them that this whole matter might be easily solved by adopting the test suggested by Dr. Read, a test so simple that the exporters could use it in the countries where green teas are produced; and since it would be used officially by the tea examiners, it would practically guarantee that teas purchased under this test would gain entry into the United States.

After most exhaustive investigation by the Board of 1912 the use of the Read test was recommended to the Treasury Department and finally adopted as the official method and embodied in the new tea regulations for that year.

The Tea Board of 1912, besides recommending the use of the Read test, also recommended the appointment of a Supervising Tea Examiner whose duty it would be to secure uniformity in the examination of teas coming through the different ports of entry into the United States and to expedite the passage of teas as quickly as possible, also to act in an advisory capacity to the Treasury Department in all matters pertaining to the enforcement of the Tea Law.

The Secretary of the Treasury, acting on these recommendations, created the position of Supervising Tea Examiner and the writer, who at that time was the tea expert for the Department of Agriculture, was offered and accepted the position.

During the fiscal year ending June 30, 1913, the year in which the Read test was adopted, the Supervising Tea Examiner's report shows that 513,633 lbs. or 54% of the tea rejected was rejected by the examiners for containing artificial color.

By the use of this simple test, in two years' time the question of artificial coloring and facing in teas had become a thing of the past.

Notwithstanding the success that was obtained by the use of this simple test, some importers objected to its use on the ground that it was "neither the customs and usage of the tea trade nor a chemical analysis" as set forth in the Tea Law, and a case protesting against the use of this test finally reached the Supreme Court.

While the court did not condemn the use of the test, it did define the term *impurity* as used in the Tea Laws as follows:

"All extraneous substances are impurities and the presence of any may be detected in any way found efficient." The decision was written by Justice Oliver Wendell Holmes.

SUPREME COURT RULING

In other words, the Supreme Court held that a tea could not be rejected for containing any *specific* impurity but it could only be rejected if the sum total of all extraneous substances in the tea in question exceeded the amount of all extraneous substances in the standard.

In May, 1920, Congress in making appropriations for the Department of Agriculture for the fiscal year ending June 30, 1921, placed in the Agricultural Appropriation Act a clause transferring the law from the Treasury Department to the Department of Agriculture.

It is interesting to note that while this transfer did not take place until 1921, the idea originated in 1913, the day that William G. McAdoo became Secretary of the Treasury in the Wilson Administration.

He expressed himself to the writer that, although he was interested in the Tea Law, he felt that it would best be administered in the Department of Agriculture where the Pure Food Law and similar laws were being administered.

LAW HAS NOT SUFFERED

However, Mr. McAdoo's idea was not realized until 1921.

Later when the Government department was reorganized by executive order in 1940, the Tea Law was transferred to the Federal Security Agency.

Although the Tea Law has been changed from one government department to another, it has not suffered in any way from these transfers because, since from the beginning, when this law was first administered by Charles S. Hamlin, until the present time, under the administration of Dr. Walter G. Campbell, Chief of the Food and Drug Administration, the men in charge of the law have always been men with the proper idea of its enforcement, and in entire sympathy with its intent.

Furthermore, they have always had the respect of the tea trade.

From the above brief description of the Tea Law and the influence it has exerted on the importation and distribution of tea, it is evident that there is no country in the world that gets purer teas of a guaranteed minimum quality than are brought into the United States, all of which guarantees to the American public a good wholesome cup of tea.

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THEECONGRES MET TENTOONSTELLING

BANDOENG, 1924

TEA LAW OF THE UNITED STATES

BY

GEO. F. MITCHELL

Overdruk van de Handelingen
van het Theecongres, pag. 158-161

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Tea Law of the United States (1)

by

GEO. F. MITCHELL,

Supervising Tea Examiner, Bureau of Chemistry, U. S. Dept. of Agriculture, Washington, D. C., U. S. A.

Mr. President, Members and Guests of the Tea Congress:

Upon the invitation of your Secretary, I am here to tell you about the Tea Inspection Law of the United States.

Previous to 1883, the United States was the "dumping ground" for much of the adulterated and spurious tea from the tea-producing countries of the world. This condition became so bad that in 1883, American importers and dealers appealed to Congress for the enactment of a regulatory measure which would keep such teas out of the country.

On March 2, 1883, the first law governing the quality and purity of teas entering the United States went into effect. Under this act, which was administered by the Treasury Department, tea examining offices or laboratories in charge of a qualified tea examiner were established at different ports of entry.

The new law required that all teas entering the United States must be placed in bonded warehouses and that samples drawn from each line of every invoice must be examined by a qualified tea examiner. If the importer or consignee disagreed with the finding of the examiner, the question was submitted to a board of arbitration consisting of three members — one selected by the Government, one by the importer or consignee, and the third by the other two members. While this system of inspection proved of great service and kept many impure and unwholesome teas out of the contry, it was impossible to administer it uniformly, owing to the fact that the tea examiners had different ideas as to what constituted adulterated or spurious tea, and even boards of arbitration gave different decisions on similar teas.

The administration of the law of 1883 was so unsatisfactory that the importers and the Treasury Department appealed to Congress to revise and establish uniform physical standards of purity and quality. Accordingly, on March 2, 1897, the present Tea Act, entitled „An Act

1). — Deze voordracht werd, door afwezigheid van den inleider op het Congres niet voorgelezen.

to Prevent the Importation of Impure and Unwholesome Tea", went into effect. The act also was administered by the Treasury Department until 1920, when by an Act of Congress it was transferred to the Department of Agriculture.

The present act provides for a board of seven tea experts, appointed by the Secretary of Agriculture, whose duty it is to fix uniform standards of quality, purity, and fitness for consumption. It also provides for qualified tea examiners to be placed at ports of entry and for a permanent Board of Tea Appeals composed of three employees of the Department of Agriculture. Like the old act, it demands that on making entry of teas at the custom house the importer or consignee shall give a bond to the collector of the port that the tea will not be removed from the warehouse until released by the collector, after examination for purity, quality, and fitness for consumption has shown that it comes up to the Government standard. As was the case under the first act, teas finally rejected by the tea examiner or by the Board of Tea Appeals must either be removed outside the limits of the United States within six months or be destroyed by the collector.

Under the new act, physical standards of purity, quality, and fitness for consumption with which, in the judgment of the Board of Tea Experts, all teas to be admitted to the country must comply are recommended to the Secretary and are fixed by him each year to go into effect May 1. After the standards are fixed, quantities of the teas selected are packed and distributed among the tea examiners and sold to the trade at actual cost. The act also provides that in comparing the teas with the Government standards, the teas shall be tested according to the usages and customs of the tea trade, including the testing of an infusion in boiling water and, if necessary, chemical analysis. You can readily see that this a very wise provision. Tea buyers in the countries of production or foreign tea shippers can compare their teas with our Government standards at the time of shipping them, and if the tests are carefully and conscientiously made the exporter or importer assumes very little risk.

Upon reaching the United States, teas are placed in bonded warehouses. If entered at ports where tea examiners are stationed, samplers attached to the tea examining office draw from each line in each invoice representative samples which are compared with the Government standard by the tea examiner. Should the teas be entered at ports where there is no tea examiner, samples drawn by the customs officer and duplicate samples drawn by the importer are forwarded to the nearest tea examining office. At present seven tea examiners are stationed in different parts

of the United States. All work under the direction of the Supervising Tea Examiner in Washington whose particular duty is to standardize their technique and see that the law is uniformly administered at all ports of examination.

Tea importers and exporters now have little excuse for rejection of their teas. All of the methods used under the Tea Inspection Law are simple and inexpensive and can be applied at the time of purchase in the tea=producing countries.

You are probably wondering why there should be a specific law governing the quality as well as the purity of teas entering the United States. The answer is that it is possible to have an absolutely pure tea meeting all the requirements of the food and drugs act, and yet, as far as quality is concerned, unfit for consumption. Commercial teas are made from the tender leaves of the tea plant. These young leaves contain the stimulating alkaloid caffeine and the other ingredients which give commercial teas their value and flavor. The lower leaves on a tea shoot not only have practically no stimulating value, but they decrease materially in flavor, so that if cup tests were not made to determine the quality it would be possible to import teas made from the lower leaves that would be absolutely devoid of any stimulating effect and could not be regarded as commercial tea. In other words, although all tea is made from the leaves of the tea plant, all tea leaves that are manufactured or cured cannot be considered commercial tea. I consider no tea as commercial tea unless it is made of leaves that are young enough to contain the necessary ingredients. This can be determined only by experienced tea tasters and can be regulated only by fixed standards of quality and purity like those provided for in the present law.

Only standards of the lowest grade of purity and quality that are fit for consumption are established under the act. This does away with any attempt at price fixing. For the many years that this law has been in operation, the price of tea entering the United States has not been raised by its provisions, although teas unfit for consumption at the time of importation have been kept out. The wise provision for establishing physical standards affords a definite measuring=stick against which all teas entering the United States must be placed, making possible a uniform and definite administration of the law. With the trade and the Government using the same test and with the physical standards always in the hands of the tea trade, the operation of the law is at all times under the surveillance of every importer and handler of teas in the United States. Should a tea below the Government standard enter the United States,

it would only be a question of time before the Gouvernment, through the trade, would be aware that the law was not working uniformly. With this indirect check on non=uniformity and the supervision that is given, the law is administered in a most uniform and just way. Guaranteeing that all teas entering the United States are not only fit for consumption but are of a quality high enough to guarantee a real cup of tea, I believe that this law has done much to encourage tea drinking in America. No other country in the world is so strict with the inspection of tea as the United States.

In May 1912 attempts previously made to keep out tea containing artifical coloring and facing culminated in the establishment of standards which have made all teas entering the United States since 1912 free from coloring and facing material. The preliminary test for impurities in tea adopted by the Government is so simple that it can be used by buyers in the Far East, aiding them to ship only teas which meet our require= ments for purity. As a result few or practically no teas are now rejected for containing impurities. Even the countries which produced colored and faced teas have ceased to manufacture such teas that were given a fictitious value by the use of articficial coloring and facing. This change which was extremely hard to make has been to the advantage of the tea trade and has caused teas in the United States to be sold more for cup quality than for style.

One of the tea=producing countries recently established standards of quality to which all exported teas must conform. In my judgment, this is a step in the right direction, as it still further guarantees teas of real quality in the markets of consumption. I believe that the best way to increase the world's consumption of tea is to give all consumers pure teas of a quality high enough to guarantee the preparation of a drinkable cup of tea.

Washington, D. C., May 7, 1924.

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

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

DEAR MR. CHAIRMAN: I am so impressed with the contents of the attached letter from Mrs. William E.Schutt that I respectfully request that it be made a part of your hearing record on H.R. 16920.

With kindest regards,

Very sincerely,

W. C. (Dan) DANIEL.

Subject: Mills bill, H.R. 16920.

Hon. W. C. DANIEL,
Longworth House Office Building,
Washington, D.C.

MY DEAR MR. DANIEL: Whether or not we know it—or admit it—or like it, the excessive textile and apparel imports, particularly from low-wage Far Eastern countries, are threatening the jobs of more than 2 million Americans now employed in these industries.

The danger is real and imminent. Many of the textile mills in the South are now working less than five days a week, have already made major cut-backs in personnel, and are making plans for massive reductions if business conditions do not improve.

We came South 15 years ago, following the collapse of the textile industry in the North because of competiiton from the South. Within a span of less than ten years, the American Woolen Company, a giant in its time, no longer existed. Today, even the buildings have been torn down. We know how it feels to see an industry die; to live in a one-industry textile town when the industry moves out; to have neither job nor hope of job nor qualifications for any other type of work—to find ourselves with a house we could neither live in, rent, nor sell.

Now the pattern seems about to repeat itself in the South—and we are filled with panic because we know what can happen. This time there is nowhere else to go.

All attempts at voluntary agreements with the Japanese have collapsed. But weren't we being hopefully naive in expecting concessions? Aren't the Japanese looking out for their own economic welfare, just as we must now look out for our own?

Granted, the United States has always advocated free trade—but economic theories are small comfort to an industry whose very existence is threatened by *unfair* foreign competition: it is unthinkable to suggest that our American payrolls be reduced to the near "slave labor" rates that foreign manufacturers now pay, ranging from a "high" of 35¢ per hour in Japan to 10¢ per hour in Korea. (My grandmother worked in a textile mill in Rhode Island sweeping floors when she was nine years old, but our slave labor days are behind us!)

We therefore urge you to support the Mills Bill HR 16920 which would establish reasonable limitations on all textile and apparel imports. Unless some government action is taken to protect our own industries from the economic sabotage of unrestricted imports, the consequent loss to American payrolls will be catastrophic and irrevocable.

Yours very truly,

ARLENE D. SCHUTT
MRS. WILLIAM E. SCHUTT.

P.S. When I had the pleasure of meeting you in Clarksville, Virginia, just prior to your election to the House of Representatives, I told you that you most certainly had my vote—and that you could expect to be hearing from me because I believe it is the privilege and duty of every American to keep his Representative informed on how he feels about government policies.

We know that you recognize the seriousness of the threat to the textile industry in Virginia and that you will exert every effort to protect it.

A.D.S.

NATIONAL ASSOCIATION OF EXPORT MANAGEMENT COMPANIES, INC.,
New York, N.Y.

Hon. WILBUR D. MILLS,
Chairman, Committee on Ways and Means,
Washington, D.C.

DEAR SIR: On June 16, I wrote to you as president of the National Association of Export Management Companies, Inc., to support proposals for the creation of Domestic International Sales Corporations and for more competitive financing of United States exports.

I would now like to express the serious apprehension of our Export Management Companies about the threat to American exports posed by new American restrictions on imports, particularly the exports produced by small U.S.A. manufacturers, arising from actions other countries may take in retaliation against new American restrictions on trade.

Our Association was formed in response to the government's drive to increase American exports. We have 60 member companies who are solely concerned with exporting the products of approximately 800 American manufacturers located in 44 states. Our members export manufactured goods valued at more than $400 million annually to all parts of the world. The largest portion of these exports are from small companies who lack the marketing facilities of big multinational companies. Consequently, the exports we are responsible for are quite vulnerable to hostile action by other countries. Higher tariffs can easily price us out of foreign markets and in the case of foreign quotas, our products would be the first to suffer and would suffer the most.

Our own export management companies are also relatively small firms ranging from three to 150 employees and many could not survive in a climate of trade restrictions.

We therefore wish to register our support of the Administration's Trade Act of 1969 and our opposition to amendments or substitutions that would give other countries cause to penalize American exports.

Import quotas are one of the non-tariff trade barriers which this country has been opposed to for many years. If we must have import quotas for imperative reasons, such quotas should be limited only to those countries which discriminate unreasonably against the importation of American products into their countries. Import quotas against the products of friendly countries which grant fair and open treatment to American products should, in our opinion, be avoided.

It is our view that the provisions in the President's Bill will make it substantially easier for American companies damaged by imports to obtain relief in the form of adjustment assistance and other means as provided in the Bill, and will do so in a manner that would not give other countries reason to retaliate against American exports. We firmly believe that when a "Due Process" route is available to domestic industries, they should use it and should exhaust all remedies provided by law, and should endeavor to avoid taking steps that can make the American export industry pay through lost export business for whatever benefits the protected domestic industries might receive.

The other provisions in the Administration's Bill strike us as useful improvements to existing legislation and, in the case of the request for modest negotiating authority, insurance against undesirable retaliations. We also believe that the repeal of the American Selling Price System of customs valuation, on balance, will benefit American exports which we understand to be the government's policy and the reason why the government encouraged the formation of our Association. The retention of the American Selling Price System will be inconsistent with our country's efforts to eliminate other non-tariff restrictions on imports into foreign countries.

If it is possible for this communication to be included in the record of your hearings, the members of this Association will be grateful. But, in any case, we ask you and the members of your committee to bear in mind our situation and the situation of the many companies throughout this country whose products we are trying so hard to export.

Respectfully yours,

ARTHUR A. SINGER, *President.*

The CHAIRMAN. The Chair desires to make a statement.

All those who have been requested to, or planned to submit written statements should do so as quickly as they can because the record, itself, the hearing record, will remain open only through Friday, June 26, in order that we can have it printed in time for it to be available to the membership of the House when the legislation is before the House.

Without objection, the committee will adjourn, subject to the call of the Chair, because I am not certain yet just what day next week Secretary Stans will appear. It now looks as though it may be on Wednesday but the Chair will give the membership of the committee at least 24 hours' notices of the next meeting.

Without objection, then, the committee adjourns, subject to the call of the Chair.

(Whereupon, at 12:10 p.m., the committee adjourned, to reconvene at the call of the Chair.)