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REPORT
No. 1395

TWO-YEAR SUSPENSION OF IMPORT DUTY ON CHICORY

MARCH 18 (legislative day MARCH 17), 1958.—Ordered to be printed

Mr. BYRD, from the Committee on Finance, submitted the following

REPORT

[To accompany H. R. 5005]

The Committee on Finance, to whom was referred the bill (H. R. 5005) to suspend for 2 years the duty on crude chicory and to amend the Tariff Act of 1930 as it relates to chicory, having considered the same, report favorably thereon with amendments and recommend that the bill, as amended, do pass.

PURPOSE

The purpose of H. R. 5005, as amended, is to suspend for a period of 2 years the duty on crude chicory (except endive) and to provide for a new rate of 2 cents per pound on chicory, ground or otherwise prepared for the same temporary period.

AMENDMENTS

The bill as passed by the House would have provided for a permanent rate of 2 cents per pound on chicory ground or otherwise prepared while providing for only a 2-year suspension of the duty on crude chicory. The Finance Committee amended the bill to provide for a rate of 2 cents per pound on ground or prepared chicory, only during the time of the suspension of duty on the crude. At the end of the suspension the duty on ground or prepared chicory would be restored to 2½ cents per pound.

GENERAL STATEMENT

The crude chicory on which the duty would be suspended for 2 years is the dried root of the chicory plant (*cichorium intybus*), which is virtually the only raw material used in the manufacture of ground chicory. Crude chicory was originally dutiable under paragraph 776 of the Tariff Act of 1930 at the rate of 2 cents per pound. The duty

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was reduced to 1½ cents per pound, effective May 1, 1935, pursuant to a bilateral trade agreement with Belgium. The rate was further reduced to 1 cent per pound, effective January 1, 1948, pursuant to a concession granted in the General Agreement on Tariffs and Trade. This rate is presently effective. The bill would be effective with respect to articles entered, or withdrawn from warehouse, for consumption during the 2-year period beginning the day following enactment of the bill.

At the present time, chicory is not grown in the United States. Prior to World War II, most of United States chicory consumption was from domestic production; however, domestic production has been declining continuously since the war. In the past, it was grown in certain areas of Michigan under contract with domestic producers of ground chicory, but between 1950 and 1953 both the acreage under contract and the acreage harvested decreased steadily and no chicory has been grown domestically since 1954.

United States imports of crude chicory during the postwar years have varied considerably in quantity from year to year. During the period 1947-52, annual imports of crude chicory ranged from 4.3 million to 10.4 million pounds. In the 4-year period 1953-56, United States imports of crude chicory amounted to 5.4 million pounds annually.

Although chicory is grown in most countries of Europe, virtually the only sources of United States imports of crude chicory have been Belgium, the Netherlands, Poland, and Yugoslavia. Belgium has been the most consistent supplier; the Netherlands and Poland have supplied large quantities in some years.

The bill, as amended by the Finance Committee would also provide for a temporary change in the duty on ground, roasted, or otherwise prepared from the present 2½ cents per pound to 2 cents per pound.

Ground chicory consists of ground, roasted chicory produced from the dried root of the chicory plant (*Cichorium intybus*), and is used almost entirely as a supplement to, or extender of, coffee. Ground chicory, which resembles ground, roasted coffee in texture and appearance, is produced and marketed in the United States in several grinds, ranging from powder to coarse granules. Approximately 3 percent of the coffee marketed in the United States is sold in coffee-chicory mixes.

The original rate of duty established in the Tariff Act of 1930 for ground or otherwise prepared chicory was 4 cents per pound. The rate was reduced to 3 cents pursuant to a bilateral trade agreement with the Netherlands, effective February 1, 1936, and on January 1, 1948; the rate was further reduced to 2½ cents per pound, which rate is currently in effect.

During most of the 1930's, United States imports of ground chicory were small, but that, since World War II, imports have increased steadily. The principal source of such imports has been Belgium, although in some years substantial quantities have been imported from the Netherlands and France. Consumption of ground chicory has varied, depending upon a number of factors, including availability of supply, ratios of the coffee-chicory mix, and other factors.

Since United States imports of both ground and crude chicory are now dutiable, a portion of the duty on ground chicory may be regarded as compensatory for the duty on crude chicory, and the remainder as

affording protection to the domestic producer of ground chicory. Under the Tariff Act of 1930, the spread between the duties on crude and ground chicory was 2 cents per pound. At the present time, this spread is 1½ cents per pound. Under H. R. 5005, if enacted, the spread would be restored to 2 cents per pound.

The bill as passed by the House would have made permanent the duty of 2 cents per pound on ground or prepared chicory. This would have meant that at the end of the suspension of the duty on crude chicory, the spread between crude and prepared would have been reduced to 1 cent per pound. The present spread of 1½ cents, according to letters from the domestic chicory-roasting industry, is not sufficient to compensate for the difference between quotations in this market of foreign chicory roasting concerns and domestic costs. If H. R. 5005 is adopted the spread will be established at 2 cents per pound and the committee amendment would retain that spread, whereas the House bill would have set a spread of only 1 cent per pound after the suspension of the duty on the crude was ended.

It is believed that this bill will be of assistance to a domestic industry now facing severe competition from imports. The Finance Committee did not agree with the House bill that the domestic industry should be penalized at the end of the 2-year suspension of duty on crude chicory by reducing the margin or spread between crude and prepared chicory to 1 cent per pound.

Favorable reports on the bill were written by the Departments of State, Treasury, and Commerce and the Tariff Commission wrote an informative report.

CHANGES IN EXISTING LAW

In compliance with subsection 4 of Rule XXIX of the standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

TARIFF ACT OF 1930

PAR. 776. Acorns, and dandelion roots, crude, 1½ cents per pound; *ground, or otherwise prepared, 4 cents per pound*; chicory, crude, 2 cents per pound; [*any of the foregoing,*] ground or otherwise prepared, [4] 2 cents per pound; all coffee substitutes and adulterants, and coffee essences, 3 cents per pound.

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