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CHICORY—AMORPHOUS GRAPHITE

HEARING
BEFORE THE
COMMITTEE ON FINANCE
UNITED STATES SENATE
EIGHTY-SIXTH CONGRESS
SECOND SESSION

ON

H.R. 9308

AN ACT TO EXTEND FOR THREE YEARS THE SUSPENSION
OF DUTY ON IMPORTS OF CRUDE CHICORY AND THE
REDUCTION OF DUTY ON GROUND CHICORY

H.R. 1217

AN ACT TO SUSPEND FOR TWO YEARS THE IMPORT DUTY
ON CERTAIN AMORPHOUS GRAPHITE

MAY 2, 1960

Printed for the use of the Committee on Finance



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CONTENTS

CHICORY

	Page
Text of H. R. 9308.....	1
Department reports:	
U. S. Tariff Commission.....	1
Treasury Department.....	2
Commerce Department.....	2
Bureau of the Budget.....	2
State Department.....	3
Statement of J. W. Gehrkin, R. E. Schanzer, Inc., New Orleans, La., accompanied by Richard A. Tilden, attorney.....	3
Telegram of R. M. Bowen, Dennison Coffee Co., Albuquerque, N. Mex., to Hon. Clinton P. Anderson.....	16
Letter of W. B. Reily, president, Wm. B. Reily & Co., New Orleans, La., to chairman.....	16

AMORPHOUS GRAPHITE

Text of H. R. 1217.....	17
Department reports:	
U. S. Tariff Commission.....	17
Commerce Department.....	21
Statement of Smith Bolton, the U. S. Graphite Co.; accompanied by Ralph J. Zemanek.....	22
Letter of George H. Cleaver, editor, Metal and Mineral Markets, to Smith Bolton, president, the U. S. Graphite Co.....	24
Letter and enclosures of Hon. John Sparkman to chairman.....	27
Letter of W. L. Schumate, Jr., president, General Graphite Co., Birming- ham, Ala., to Hon. John Sparkman.....	27
Letter of Joseph Sims, General Graphite Co., Birmingham, Ala., to Hon. John Sparkman.....	27
Letter of Hon. Howard W. Cannon to chairman.....	28

100

101

CHICORY

MONDAY, MAY 2, 1960

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, D.C.

The committee met, pursuant to notice, at 9:55 a.m., in room 2221, New Senate Office Building, Hon. J. Allen Frear, Jr., presiding.

Present: Senators Frear, Long, Gore, Bennett, and Carlson.

Also present: Elizabeth B. Springer, chief clerk, Serge N. Benson, professional staff member.

Senator FREAR. The committee will come to order.

The committee is called for the purpose of receiving testimony on H.R. 9308, suspension of duty on chicory. I submit for the record a copy of the bill, and departmental reports received from the U.S. Tariff Commission, the Bureau of the Budget, and the Departments of Commerce, State, and Treasury.

(The bill and reports follow:)

[H.R. 9308, 86th Cong., 2d sess.]

AN ACT To extend for three years the suspension of duty on imports of crude chicory and the reduction in duty on ground chicory

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Act entitled "An Act to suspend for two years the duty on crude chicory and to amend the Tariff Act of 1930 as it relates to chicory", approved April 16, 1958 (72 Stat. 87; 19 U.S.C. 1001, par. 776), is amended by striking out "two-year" in section 1 thereof and inserting in lieu thereof "five-year", and by striking out "two years" in section 3 thereof and inserting in lieu thereof "five years".

Passed the House of Representatives March 2, 1960.

Attest:

RALPH R. ROBERTS, *Clerk.*

U.S. TARIFF COMMISSION,
OFFICE OF THE CHAIRMAN,
Washington, D.C., March 10, 1960.

HON. HARRY F. BYRD,
*Chairman, Committee on Finance,
U.S. Senate.*

DEAR MR. CHAIRMAN: This is in response to your request of March 4, 1960 for a report on H.R. 9308 of the 86th Congress, a bill to extend for 3 years the suspension of duty on imports of crude chicory and the reduction in duty on ground chicory, which was passed by the House of Representatives on March 2, 1960.

The Commission does not believe it to be necessary to add to the factual information pertaining to the proposed legislation set forth in the general statement contained in the report of the Committee on Ways and Means (H. Rept. 1287, 86th Cong., 2d sess.).

Sincerely yours,

JOSEPH E. TALBOT, *Chairman.*

OFFICE OF THE SECRETARY OF THE TREASURY,
Washington, March 18, 1960.

HON. HARRY F. BYRD,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

MY DEAR MR. CHAIRMAN: Reference is made to your letter of March 4, 1960, requesting the views of this Department on H.R. 9308, to extend for 3 years the suspension of duty on imports of crude chicory and the reduction in duty on ground chicory.

The proposed legislation would extend for 3 years Public Law 85-378 which provides for entry free of duty of crude chicory (except endive), and for the reduction in duty to 2 cents per pound on chicory, ground or otherwise prepared. Public Law 85-378 will expire on April 15, 1960.

The Department does not anticipate any administrative difficulty if the bill should be enacted.

This Department was advised by the Bureau of the Budget that there was no objection to the submission of an identical report to the House Committee on Ways and Means on this bill.

Very truly yours,

A. GILMORE FLUES,
Acting Secretary of the Treasury.

THE SECRETARY OF COMMERCE,
Washington, March 23, 1960.

HON. HARRY F. BYRD,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This letter is in reply to your request for the views of this Department with respect to H.R. 9308, an act to extend for 3 years the suspension of duty on imports of crude chicory and the reduction in duty on ground chicory.

The Department interposes no objection to the enactment of this act.

Prior to World War II practically all of the U.S. chicory consumption was from domestic production; however, the domestic production of chicory has declined very materially since the war. Although no data are available as to the current U.S. acreage, it is our understanding that the production of crude chicory has practically ceased. In view of this situation, the Department has no objection to the enactment of H.R. 9308.

We have been advised by the Bureau of the Budget that there is no objection to the submission of this report to your committee.

Sincerely yours,

PHILIP A. RAY,
Under Secretary of Commerce.

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D.C., March 21, 1960.

HON. HARRY F. BYRD,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

MY DEAR MR. CHAIRMAN: This is in reply to your request of March 4, 1960, for a report on H.R. 9308, an act to extend for 3 years the suspension of duty on imports of crude chicory and the reduction in duty on ground chicory.

The Bureau of the Budget has no objection to the enactment of this legislation.

Sincerely yours,

PHILLIP S. HUGHES,
Assistant Director for Legislative Reference.

DEPARTMENT OF STATE,
Washington, March 15, 1960.

Hon. HARRY F. BYRD,
Chairman, Committee on Finance,
U.S. Senate.

DEAR MR. CHAIRMAN: Reference is made to your letter of March 4, 1960, to which an interim reply was made on March 9, 1960. The following report is submitted on H.R. 9308, to extend for 3 years the suspension of duty on imports of crude chicory and the reduction in duty on ground chicory.

The Department of State has examined the bill from the standpoint of foreign economic policy and has no objection to the enactment of the proposed legislation.

We have been informed by the Bureau of the Budget that there is no objection to the submission of this report.

Sincerely yours,

WILLIAM B. MACOMBER, Jr.,
Assistant Secretary
(For the Secretary of State).

Senator FREAR. This morning our first witness on that bill will be Mr. J. W. Gehrkin who is accompanied by Richard A. Tilden.

STATEMENT OF J. W. GEHRKIN, R. E. SCHANZER, INC., NEW ORLEANS, LA.; ACCOMPANIED BY RICHARD A. TILDEN, ATTORNEY

Mr. GEHRKIN. Mr. Richard A. Tilden is counsel, sir.

Senator FREAR. Proceed, gentlemen.

Mr. GEHRKIN. Mr. Chairman and members of the committee, I have a formal statement I would like to read and if there are any questions I would be happy to try to answer them.

My name is J. W. Gehrkin. I am president of R. E. Schanzer, Inc., of New Orleans, La.

Our company is a domestic processor of chicory. Chicory is used almost entirely as a supplement to coffee. It is made by drying grown chicory root and then roasting and drying the dried root. When I refer to crude chicory, I mean the dried root before it is roasted and ground.

The final product is referred to variously as processed ground or roasted chicory. Roasted chicory has always been very popular in the Southern States particularly in the New Orleans area, and is increasing in popularity in other areas of the United States.

It is sold principally in bulk to coffee roasters and blended with coffee.

About 3 to 4 percent of the total consumption of roasted chicory is sold in package form directly to consumers. Prior to World War II, the chicory industry of the United States consisted of a number of farmers in the "thumb" area in Saginaw Valley in Michigan who grew and harvested between 3,000 and 4,000 acres of green root under contract with the chicory processors.

There were three processing plants, and a number of drying kilns in the growing area where the green root was dried. The Tariff Act of 1930 established a duty of 2 cents per pound on crude chicory and 4

cents per pound on roasted chicory. These rates were gradually reduced under the Trade Agreements Act with the final rates of 1 cent for crude and 2½ cents for roasted set in 1948 under the general agreement on tariffs and trade.

Prior to 1948 imports were relatively small, less than 1 million pounds in any 1 year. Thereafter they increased each year reaching a level of 9.5 million pounds by 1954. This represented more than 50 percent of domestic consumption. This competition from low priced imports of roasted chicory and increased domestic costs forced the domestic processors to use imported crude chicory which could be obtained at much lower prices than the domestic crude. As a result by 1954 the acreage of domestic crude harvested in this country had declined from a prewar level of 3,000 to 4,000 acres to less than 800 acres.

In 1954 the domestic industry appealed to the U.S. Tariff Commission for help. After an escape clause investigation as to the effect of the concessions on roasted chicory, the Commission reported in September 1954 that an increase in the import duty on processed chicory would not appreciably benefit the domestic industry so long as the present customs treatment of imports of crude chicory is continued.

The commission, accordingly, made no recommendation for any exchange in the duty on processed chicory.

By 1956 the plight of the industry had become critical. No green chicory was grown in the United States after 1954, only two processing plants remained in operation, and those on a part-time basis. All the drying kilns had been closed down. Imports of roasted chicory in 1956 increased to about 14 million pounds, and the domestic processors faced total extinction.

On September 24, 1956, I appeared before the Subcommittee on Customs, Tariffs, and Reciprocal Trade Agreements of the Committee on Ways and Means, and pointed out that the domestic industry could survive only if Congress either increased the rates of duty to at least 4 cents per pound for crude and 8½ cents per pound for processed or in the alternative imposed import quotas.

Since neither of these alternatives was in the cards, I asked the subcommittee to consider a suspension of the duty on crude, which would have the effect of reducing the cost of domestic processors, thus giving them a slightly better chance of competing with imports of roasted chicory.

At this time, I would like to hand to the committee a copy of my testimony before the subcommittee, and a copy of a supplementary statement filed by my counsel, with the subcommittee on October 5, 1956.

Senator FREAR. Would you like to have that made a part of the record?

Mr. GEHRKIN. Yes.

Senator FREAR. Without objection, so ordered.

(The document referred to follows:)

STATEMENT OF J. W. GEHRKIN, PRESIDENT OF R. E. SCHANZER, INC., BEFORE SUBCOMMITTEE ON CUSTOMS, TARIFFS AND RECIPROCAL TRADE AGREEMENTS OF THE COMMITTEE ON WAYS AND MEANS, SEPTEMBER 24, 1956

My name is J. W. Gehrkin. I am president of R. E. Schanzer, Inc., of New Orleans, La., which company is one of three domestic processors of chicory. My purpose today is to outline the serious problem facing the chicory industry as a result of increased competition from imported roasted chicory which has followed

concessions in import duties on both roasted and crude chicory granted under the trade agreement program, and to outline for the committees consideration a proposal for at least a partial solution to this problem.

For those of you who may not know what chicory is, I will state that roasted chicory is used almost entirely as a supplement to coffee. It is made by drying green chicory root and then roasting and grinding the dried root. When I refer to crude chicory I mean the dried root before it is ground and roasted. The final product is referred to variously as processed, ground, or roasted chicory.

Roasted chicory has always been very popular in the Southern States, particularly in the New Orleans area, and is increasing in popularity in other areas of the United States. It is sold principally in bulk form to coffee roasters who blend it with coffee. About 5 percent of the total consumption of roasted chicory is sold in packaged form directly to consumers.

The chicory industry in the United States has always been a very small one, but prior to World War II it was a reasonably profitable one. It consisted of a number of farmers in the "thumb" area and Saginaw Valley of Michigan who grew and harvested, under contract with processors, between 3,000 and 4,000 acres of green root. There were three roasting plants and a number of drying kilns in the growing area where the green root was dried.

Today the industry consists of two roasting plants, operating on a part-time basis—the E. B. Muller Co. plant in Port Huron, and my company's plant in New Orleans—and a small packaging operation carried on by Heintz, Franck & Sons in Port Huron. The growing of green chicory has been abandoned and the dry kilns have been closed down.

So much for the industry itself. The Tariff Act of 1930 established a duty of 4 cents per pound for roasted chicory and 2 cents per pound for crude. Through concessions granted under the trade agreement program, the duty on roasted has been reduced to 2½ cents and the duty on crude to 1 cent per pound. The effect of these concessions on the domestic industry are fully set forth in a report of the Tariff Commission issued September 7, 1954.

Such report is available to this committee, and I will merely call attention to a few of the most important findings made by the Commission. These are—

1. Domestic shipments of processed chicory during prewar years averaged about 12.5 million pounds annually. These shipments declined to an average of 7 million pounds annually during the 6-year period immediately following the concessions. Domestic shipments since the Commission's report have been at a rate of less than 6 million pounds annually, or less than half the prewar level.

2. Imports increased from a preconcession high of 150,000 pounds per year to an average annual rate of nearly 5½ million pounds during the 3-year period immediately prior to the report. Imports during 1954 and 1955 averaged nearly 10 million pounds annually, and during the first 7 months of this year more than 8 million pounds were imported.

3. Prior to the war practically all of the crude chicory used by domestic processors was produced in the United States. Following the concessions and prior to the Commission's report, domestic production of crude chicory averaged only about a sixth as much as in prewar years. No crude chicory has been produced in the United States during the past 2 years.

I commend to the attention of the committee the full report of the Commission as an excellent analysis of what can happen to a small domestic industry when import duties are reduced to a point where they afford no protection to domestic producers against lower costs abroad. The Commission's investigation was limited to the effect of the concession on processed chicory and it concluded that an increase in the import duty on processed chicory would not "appreciably" benefit the domestic industry "so long as the present customs treatment of imports of crude chicory is continued." The Commission accordingly made no recommendation for any change in the duty on processed chicory.

In my opinion, the Commission's conclusion was absolutely correct. While the domestic roasters would unquestionably benefit from an increase in such duty, they would still have to use imported crude, in lieu of domestically grown roots, in order to compete with importers of processed chicory. Green chicory roots cannot be grown in the United States at anywhere near the prices at which they are grown abroad. The Tariff Commission itself found that in 1953 the price paid to farmers in the United States was \$20 per short ton, as compared with \$9.98 in Belgium. I know of my own personal knowledge that you cannot get a farmer in the United States to grow chicory today for less than \$22 per ton. I also know that if I paid \$22 per ton for green root in Michigan, my cost for the dried roots delivered in New Orleans would be between \$160 and \$165 per ton.

It should be noted that due to shrinkage, it takes 4 tons of green roots to make 1 ton of dried roots.

The present price for dried chicory in France, Belgium, and the Netherlands ranges from \$70 to \$75 per metric ton. When shipping costs and the import duty are added, and metric tons are converted to short tons, my cost for imported dried chicory, delivered to New Orleans, duty paid, ranges from \$105 to \$110 per ton—\$60 per ton less than I would have to pay for domestically grown root.

It is thus obvious that the import duty on crude chicory would have to be increased by 3 cents per pound (\$60 per ton), to enable domestic growers to compete on a price basis with foreign growers. It is equally obvious that even such an increase would not help domestic growers, since there is a market for domestic root only so long as the domestic roasters stay in business. I cannot compete on a price basis with importers of processed chicory when I use imported crude costing me \$105 to \$110 per ton. If the duty were increased and I had to pay \$160 to \$165 per ton I would be out of business and so would the other domestic processors.

The inability of domestic roasters to compete with imported roasted chicory is due entirely to higher labor and raw material costs. The Tariff Commission found that wage rates in the United States "are in the neighborhood of three times" those in Belgium, France, and the Netherlands, the principal sources of imported chicory.

The higher raw material costs are, at least in part, due to the present import duty on crude chicory. Let me illustrate. A roaster in Belgium, France, or the Netherlands can purchase dried chicory in Poland at a much lower price than it is available in Belgium, France, or the Netherlands. I am informed that Polish prices range from \$45 to \$50 per metric ton, compared to \$70 to \$75 in Belgium, France, and the Netherlands.

Regulations in such countries permit chicory processors to import crude chicory from Poland or other Iron Curtain countries, subject to the requirement that the roasted chicory produced from such imported root be exported where domestic production of root meets local requirements. Thus domestic producers in France, Belgium, and the Netherlands are fully protected against any competition from foreign root, and at the same time are enabled to use the cheaper Polish root to reduce their costs in producing roasted chicory for export to the United States.

No such protection is provided for American processors by regulations in the United States. On the contrary, when I use the cheaper Polish root I am required to pay a 100-percent penalty duty by reason of the fact that Polish root imported into the United States is dutiable at 2 cents per pound instead of the regular rate of 1 cent per pound. As a result, where the foreign processor pays \$50 per metric ton for dried root in Poland, I must pay \$94 per ton for the same root. In both cases the roasted chicory produced from such root ends up in the American market.

The effect of these foreign regulations is to enable foreign processors to circumvent the specific provisions of our customs laws and regulations by exporting to the United States the product of Polish root at the preferred rate of duty, while I, as an American processor, must pay the penalty duty applicable to Iron Curtain countries.

Moreover, my shipping costs are greater than those of the foreign processor since I must import 25 percent more than the foreign processor in order to get the same quantity of roasted chicory into the United States. This is due to a 25-percent shrinkage in the roasting process. With my processing labor costs three times as high as those of the foreign processor, it is quickly apparent that I am in a very poor competitive position, to put it mildly. This situation results in a present price for imported roasted chicory of 9½ cents per pound as compared with my price of 12½ cents per pound.

I would like to make this point completely clear. Even using imported dried chicory, I must sell my product at a price of 2¾ cents per pound higher than the price charged for imported roasted chicory. An increase in the duty on processed chicory of 2¾ cents per pound would be necessary to enable me to be truly competitive using imported dried chicory. If I used domestic root, or if the import duty on crude was increased by 3 cents per pound to make the domestic growers competitive with foreign growers, my costs would go up another 3 cents per pound and the duty on processed chicory would have to be increased by about 6 cents per pound to enable me to compete.

The Tariff Commission determined that an increase in the duty on processed chicory alone, without an increase in the duty on crude, would not materially

benefit the industry. It is equally true that an increase in the duty on crude alone, without an increase in the duty on processed, would not benefit the industry. On the contrary, it would mean the end of the domestic industry. The obvious conclusion is that both rates of duty should be increased.

Let us be realistic. An increase to 4 cents per pound in the present 1 cent per pound duty on crude chicory and an increase to 8½ cents per pound in the present 2½ cents per pound duty on processed chicory just isn't in the cards. The only other possible way to save the entire chicory industry in the United States—imposition of import quotas—is just as unlikely. We might just as well face the facts. The growing of green chicory roots in the United States is a thing of the past. There is no practical way in which a market can be provided at prices which would enable Michigan farmers to grow chicory profitably.

There is, however, a completely practical way to give the domestic roasters a slightly better chance of competing with importers. The import duty on crude chicory can be suspended. This would reduce the raw material costs of domestic roasters by at least the 1 cent per pound they must now pay as an import duty, and might well reduce such costs still more by enabling them to compete with foreign roasters in the purchase of cheaper Polish root without being subject to the present 2 cents per pound duty on such root. Domestic roasters would still have higher shipping and labor costs, but the existing duty on processed chicory would partially offset these higher costs.

Suspension of the duty on crude might well enable the domestic roasters to continue operations without any increase in the duty on processed chicory. It would not actually harm anyone, since the growers, for whose protection the duty was originally established, have not grown chicory for the past 2 years. Moreover, there appears to be little interest on the part of Michigan farmers since they have failed to request any relief. The same acreage as was previously devoted to growing chicory is now used for growing sugar beets and other crops on which the farmers can make more money than they could growing chicory.

The present duty on crude chicory provides no protection to domestic growers. It serves no useful purpose whatever, but does seriously handicap domestic roasters by increasing their raw material costs.

For the reasons which I have outlined, I urge the committee to recommend to the Ways and Means Committee that it sponsor the necessary legislation to suspend the import duty on crude chicory at the earliest possible date. The need for this action illustrates the urgent need for some method of removing or suspending duties on products which are no longer produced in the United States, without specific congressional action in each instance. It is generally recognized that the sole purpose of import duties is to protect domestic producers. Where there is no longer any domestic production of a particular product, the need for an import duty no longer exists.

At the moment there is no way in which the duties on such products can be eliminated except by act of Congress. It would seem that the logical way to handle this problem would be for Congress to enact general legislation under which the President could proclaim the suspension of the duty on a product whenever the Tariff Commission, after investigation and a public hearing, finds that the product is no longer being produced in the United States and that there is no likelihood of its being produced within a reasonably foreseeable future period of time.

For the assistance of the committee, my attorney is drafting suggested bills designed to accomplish these objectives. These drafts, together with detailed statements of the reasons supporting them, will be filed with the committee before October 15.

I respectfully ask that the committee give careful consideration to these proposed bills, or to such other form of legislation as it may deem necessary to accomplish the objectives which I have outlined.

OCTOBER 5, 1956.

SUBCOMMITTEE ON CUSTOMS, TARIFFS, AND RECIPROCAL TRADE AGREEMENTS,
COMMITTEE ON WAYS AND MEANS,
House of Representatives, Washington, D.C.

GENTLEMEN: Supplementing the statement made before you on September 24, 1956, by Mr. J. W. Gehrkin on behalf of R. E. Schanzer, Inc., requesting the enactment of such legislation as might be necessary to suspend the import duty on crude chicory, there is attached hereto, marked "Exhibit A," a suggested draft of a bill designed to place crude chicory on the free list. The following is a statement of the purposes, need, and effect of this proposed legislation:

PURPOSE OF LEGISLATION

Paragraph 776 of title I of the Tariff Act of 1930 provides for an import duty of 2 cents per pound on crude chicory. This rate of duty was reduced to 1 cent per pound by means of concessions granted under the trade agreement program. The proposed bill would remove crude chicory from the dutiable list and place it on the free list.

NEED FOR LEGISLATION

The need for an import duty on crude chicory no longer exists since production of crude chicory in the United States was discontinued in 1954. None has been produced during the past 2 years and there is no reason to believe that any will be grown domestically during a reasonably foreseeable future period of time. The present duty affords no protection to anyone and the small amount of revenue (\$42,960 in 1955) derived from this source does not justify its continuance, particularly in view of the fact that it seriously handicaps an existing domestic industry.

Domestic chicory processors, who are now entirely dependent upon foreign sources for their supplies of crude chicory, have already lost to importers more than 60 percent of the domestic market for roasted chicory, due to higher raw material and labor costs. These higher raw material costs are caused almost entirely by the import duty on crude chicory which domestic processors must pay. Domestic processors currently must charge 2½ to 3 cents per pound more for their roasted chicory than the price at which imported roasted chicory in unlimited quantities is freely available on the domestic market. The continued existence of the domestic industry is dependent upon a reduction in this price differential, which can be accomplished only by a reduction in domestic costs or an increase in the price of imports.

Since the United States has no control over the price of imports, except by increasing the duty on roasted chicory, the simplest and most logical method of reducing the price differential is to reduce the raw material costs of domestic roasters by eliminating the import duty on crude chicory. While this would be only a partial solution of the problem facing the domestic industry, it would put the domestic roasters on a slightly better competitive basis and give them a fighting chance for survival.

The legislation is also needed to correct a situation in which domestic producers are required to pay a higher rate of duty for raw materials which they import than the importers competing with them in the sale of the finished product are required to pay for the finished product. This results from the application of concessions under the trade agreement program in the rates of duty on crude and processed chicory.

The original rates of duty under the Tariff Act of 1930 were 4 cents per pound for processed and 2 cents per pound for crude. These rates have been reduced to 2½ cents and 1 cent, respectively. In certain instances, however, the domestic roaster must pay 2.6 cents per pound duty on crude, as compared with 2½ cents per pound paid by the importer for processed chicory. These instances arise in connection with crude chicory imported from Poland, which is one of the principal sources of supply. Since Poland does not qualify for the preferred rate, the domestic roaster importing Polish chicory must pay 2 cents per pound duty. On a processed basis this amounts to 2.6 cents per pound in view of the fact that there is a 25-percent shrinkage in the roasting process.

EFFECT OF LEGISLATION

On domestic growers

The elimination of the import duty on crude chicory would not affect domestic growers since there are none. Green chicory root (referred to as crude chicory when dried and cut) has not been grown in the United States during the past 2 years. Prior to such time, and since World War II, little or no interest has been shown by domestic farmers in the growing of green chicory. The growing area in the United States is limited to the Saginaw Valley and Thumb area in Michigan and since the war domestic roasters have found it increasingly difficult to persuade farmers in such area to grow chicory. The average number of acres of chicory harvested during the period from 1948 through 1954 was less than 800 acres per year. This was due, at least in part, to the fact that the farmers found other crops to be more profitable.

The possibility that the growing of chicory in this country will be resumed is extremely remote, due to the fact that unlimited supplies of green chicory are available abroad at prices much lower than the prices which must be paid to

domestic growers to interest them in growing. At the present time domestic growers refuse to consider growing chicory for less than \$22 per ton. At such a price, the cost to a roaster in New Orleans for dried roots delivered in New Orleans would be from \$160 to \$165 per ton. It should be noted that due to shrinkage, it takes 4 tons of green roots to make 1 ton of dried roots.

The present price for dried chicory in France, Belgium, and the Netherlands ranges from \$70 to \$75 per metric ton. When shipping costs and the import duty of 1 cent per pound are added, and metric tons are converted to short tons, the cost delivered in New Orleans, duty paid, would range from \$105 to \$110 per ton—\$60 per ton less than the cost of domestically grown root.

It is apparent that with such a price differential, the import duty is ineffective to protect domestic growers and the domestic growing of chicory is no longer feasible. The same acreage as was previously devoted to growing chicory is now used for growing sugar beets and other crops on which the farmers can make more money than they could growing chicory. Accordingly, the former growers of chicory would not be harmed by the elimination of an import duty which affords them no protection whatsoever.

On domestic chicory roasters

The elimination of the import duty on crude chicory would materially benefit domestic chicory roasters. Their sole source of supply of crude chicory is through imports, with the result that they must pay an import duty on every pound of crude chicory used by them. As heretofore noted, they are rapidly losing the domestic market for roasted chicory to importers because of the ability of importers to sell for 2½ to 3 cents per pound less than the prices which domestic roasters must charge.

Prior to World War II imports supplied less than 1 percent of the domestic market. They now supply more than 60 percent. The following tabulation of imports of processed chicory since the war illustrates the rate at which importers are taking over the domestic market:

<i>Period</i>	<i>Imports</i> ¹	<i>Pounds</i>
1946-50 (average)		1, 263, 873
1951		4, 431, 613
1952		5, 090, 668
1953		6, 510, 234
1954		9, 589, 745
1955		10, 355, 058
1956 (projected on basis of 6 months)		14, 096, 382

¹ From official statistics of the U.S. Department of Commerce.

Domestic production has declined from an average of about 12.5 million pounds annually prior to the war to a rate of less than 6 million pounds per year. This situation has put the domestic roasters in an extremely precarious position and unless the present competitive advantage enjoyed by importers is reduced, the decline in domestic production will continue to the point where it is economically impossible for the domestic roasters to continue operations.

Elimination of the import duty on crude chicory would reduce the domestic roaster's costs for his raw materials by a minimum of 1 cent per pound, thus cutting the price differential to 1½ to 2 cents per pound. Moreover, the price differential could probably be further reduced by reason of the fact that domestic roasters would be able to compete with foreign roasters for Polish root. Crude chicory can be purchased in Poland at a much lower price than it is available in Belgium, France, or the Netherlands, where most of the foreign processors are located.

The present price for Polish chicory ranges from \$45 to \$50 per metric ton, compared with the \$70 to \$75 price in Belgium, France, and the Netherlands. Foreign processors now buy the cheaper Polish root, process it in their own countries, and reship it to the United States, paying only the duty on the finished product. An American processor cannot take advantage of the cheaper Polish crude since he must pay a duty of \$44 per metric ton for such root, as compared with a duty of \$22 per metric ton for root grown in Belgium, France, or the Netherlands. If the duty were eliminated, he could compete on an equal basis with foreign processors in purchasing Polish root, and thus cut his costs by more than 1 cent per pound. As a consequence, the price differential between imported and domestic roasted chicory would be further reduced, and the domestic roaster would be better able to compete. He would still have to contend with higher

labor costs (estimated by the Tariff Commission as three times as high as those of his foreign competitors), and higher shipping costs (resulting from a 25-percent shrinkage in the roasting process necessitating the importation of 25 percent more tonnage in order to obtain the same quantity of roasted chicory as imported by his foreign competitors). However, these higher costs are partially offset by the existing import duty on processed chicory.

Parenthetically, it should be noted that the foreign processors with whom domestic roasters must compete without adequate tariff protection, are fully protected in their own countries from any foreign competition. This is accomplished in Belgium by regulations which require that all roasted chicory obtained from imported roots be reexported in case domestic production meets local requirements. While these regulations were designed to protect Belgian chicory root growers, the net effect is to give the processors of Belgian root a virtual monopoly of the Belgian market for processed chicory. Attached hereto and marked "Exhibit B" is a copy of a letter dated September 17, 1956, from the agricultural attaché at the American Embassy in Brussels, Belgium, confirming the existence of these regulations. It is believed that similar regulations, making it virtually impossible to import chicory for consumption on the home market in France, passed on March 24, 1936, effective May 8, 1936, are still in effect.

On consumers

Elimination of the import duty on crude chicory will benefit domestic consumers of roasted chicory. While there is, of course, no absolute assurance that domestic chicory processors will pass along to consumers the entire decrease in their costs which would result from elimination of the duty, there can be no question but that they will be forced to reduce their prices materially in order to retain even their present share of the domestic market. Moreover, it is not unlikely that importers may further reduce their prices in an effort to keep the present spread between their prices and those of domestic roasters. In either event, domestic consumers will benefit. Under no circumstances could they be harmed.

ALTERNATIVE FORMS OF LEGISLATION

In the event the subcommittee for any reason is concerned over possible changes in circumstances which may enable domestic farmers to resume the growing of green chicory root, the legislation may be made effective only for a specific period of time. In this way the Congress can reconsider the matter at the end of such period of time and extend the period only if circumstances warrant.

This could be accomplished either—

(a) By amending section 3 of the proposed bill (exhibit A) to read as follows:

"Sec. 3. The amendments made by this Act shall apply with respect to articles entered, or withdrawn from warehouse, for consumption during the three-year period beginning on the day following the date of the enactment of this Act."

And by amending the title to read:

"To suspend for three years the import duty on crude chicory", or

(b) By enacting a bill simply suspending the duty for a 3-year period. A suggested form of such a bill is attached hereto, marked "Exhibit C." The form of this bill is identical to H.R. 8228, enacted by the 84th Congress as law No. 724.

In the event the subcommittee considers it desirable to enact general legislation providing a method of removing or suspending duties on products which are no longer produced in the United States, without specific congressional action in each instance, there is attached hereto a suggested draft of such a bill, marked "Exhibit D." This suggested bill follows generally the "escape clause" procedure contained in the Trade Agreements Extension Act of 1951, as amended, and authorizes the President to suspend the import duty on an article upon a finding by the Tariff Commission, after investigation and public hearing, that neither the article nor any directly competitive article has been produced in commercial quantities in the United States, but has been imported in commercial quantities during a 2-year period, and that there is no reasonable likelihood that the article or any directly competitive article will be produced in the United States in quantities adequate to supply a substantial proportion of the domestic market within a reasonably foreseeable future period of time. Any such suspension could be terminated at any time by the President upon receipt from the Commission of a report showing that the quantity of the article or any directly competitive article

being produced in the United States has increased to a point where it is supplying a substantial proportion of the domestic market.

It is generally recognized that the primary purpose of import duties is to protect domestic producers. Where there is no longer any domestic production of a particular product, the need for an import duty no longer exists. At the moment there is no way in which the duties on such products can be eliminated except by act of Congress.

During the last session of Congress, 13 separate bills were passed for the purpose of suspending the import duties on particular articles, placing particular articles on the free list, or extending the period of suspension of duties on particular articles. These were Public Laws Nos. 66, 331, 462, 463, 500, 510, 513, 566, 723, 724, 725, 1001, and 1012. In addition, six other similar bills (H.R. Nos. 3653, 4579, 6299, 7205, 10957 and 11035) were considered by the Ways and Means Committee.

It would seem that a considerable amount of Congress' time could be saved by the enactment of general legislation of the type referred to above.

The subcommittee's attention is called to the fact that the plight of the domestic chicory processing industry is critical and that the continued existence of the industry depends upon an early removal of the import duty on crude chicory. If the industry had to await passage of a general bill of the type suggested above, then apply to the Tariff Commission for an investigation and then await the action of the Commission and the President, there would be no industry left. Accordingly, the subcommittee is urged to recommend enactment of a separate bill suspending the duty on crude chicory for at least 2 or 3 years, regardless of the action taken on the proposed general bill.

Respectfully submitted.

RICHARD A. TILDEN,
Attorney at-law, New York, N. Y.
(On behalf of
R. E. Schanzer, Inc., New Orleans, La.)

EXHIBIT A

A BILL To amend the Tariff Act of 1930 as it relates to crude chicory

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That paragraph 776 of title I of the Tariff Act of 1930 be amended by substituting "endive" for "chicory" and "acorns, chicory, and dandelion roots", for "any of the foregoing".

SEC. 2. That title II of the Tariff Act of 1930 be amended by adding at the end thereof a new paragraph as follows:

"PAR. 1821. Chicory, crude (except endive)."

SEC. 3. The amendments made by this Act shall apply with respect to articles entered, or withdrawn from warehouse, for consumption beginning the day following the date of the enactment of this Act.

EXHIBIT B

U.S. DEPARTMENT OF AGRICULTURE,
FOREIGN AGRICULTURAL SERVICE,
September 17, 1956.

Mr. J. W. GEHRKIN,
R. E. Schanzer, Inc., New Orleans, La.

DEAR MR. GEHRKIN: Reference is made to your letter dated September 4, 1956, concerning regulations governing importation and exportation of coffee chicory to and from BLEU countries.

Based on a conversation with Mr. Blondieau, director of the Belgian Licensing Office, it appears that:

(1) As far as imports are concerned, chicory roots (cossets) are permitted in Belgium for processing only. Ground and roast chicory obtained from these cossets is subject to be reexported in case domestic production meets local requirements. It appears that such measures have been taken to protect Belgian chicory root growers.

(2) As far as exports are concerned, Mr. Blondieau stated that no restrictions are in effect at the present time.

It is understood, however, that these regulations are subject to change and are revised each year in accordance with marketing conditions prevailing in Belgium. If you need additional information in the future, please do not hesitate to call on us.

Very truly yours,

(S) John I. Kross,
Dr. JOHN I. KROSS,
Agricultural Attaché.

EXHIBIT C

A BILL To suspend for three years the duty on crude chicory

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That effective with respect to articles entered, or withdrawn from warehouse, for consumption during the three-year period beginning the day following the date of the enactment of this Act, no duty shall be imposed upon crude chicory (except endive).

EXHIBIT D

A BILL To amend the Tariff Act of 1930

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Tariff Act of 1930 is amended by adding at the end of title III, part III, the following new section:

SEC. 351. TEMPORARY SUSPENSION OF DUTIES.—

(a) Upon the request of the President upon resolution of either House of Congress, upon resolution of either the Committee on Finance of the Senate or the Committee on Ways and Means of the House of Representatives, upon its own motion, or upon application of any interested party, the Tariff Commission shall promptly make an investigation to determine the quantities of any article upon which an import duty is imposed by title I of this Act which were produced in the United States and imported from foreign nations during the two-year period immediately preceding such investigation, the quantities of any directly competitive article which were produced in the United States during such period, and the likelihood of any material increase in the domestic production of the article or any directly competitive article.

In the course of any such investigation, the Tariff Commission shall hold hearings giving reasonable public notice thereof and shall afford reasonable opportunity for interested parties to be present, to produce evidence, and to be heard at such hearings.

Should the Tariff Commission find, as the result of its investigation and hearings, that an article upon which an import duty is imposed by title I of this Act has not been produced in commercial quantities in the United States, but has been imported in commercial quantities during the two-year period immediately preceding such investigation, that no directly competitive article has been produced in commercial quantities in the United States during such period, and that there is no reasonable likelihood that the article or any directly competitive article will be produced in the United States in quantities adequate to supply a substantial proportion of the domestic market within a reasonably foreseeable future period of time, it shall recommend to the President the suspension of the import duty imposed on the article by title I of this Act.

The Tariff Commission shall immediately make public its findings and recommendations to the President, including any dissenting or separate findings and recommendations, and shall cause a summary thereof to be published in the Federal Register.

In arriving at a determination in the foregoing procedure the Tariff Commission, without excluding other factors, shall take into consideration the domestic market for the article and all directly competitive articles, the proportions of the domestic market supplied by domestic producers and by foreign producers during a representative period and the ability of domestic producers to compete on a quality and price basis with foreign producers.

(b) Upon receipt of the Tariff Commission's report of its investigation and hearings, the President may proclaim the suspension of the import duty on the article. If he does not take such action within sixty days he shall immediately

submit a report to the Committee on Ways and Means of the House of Representatives and to the Committee on Finance of the Senate stating why he has not suspended such duties.

(c) In the event the President proclaims any suspension of the duty on any article pursuant to this section, the Tariff Commission shall make a report to the President at least once each year thereafter on the quantity of the article and any directly competitive articles produced in the United States during the period following the suspension. If such report shows that the quantity of the article or of any directly competitive article being produced in the United States has increased to a point where it is supplying a substantial proportion of the domestic market, the President may terminate the proclamation suspending the duty on the article.

Mr. GEHRKIN. These statements fully outline the problem which the industry faced, and contain detailed figures and references to official Government reports supporting the conclusions which I have stated here today. I ask that these statements be made a part of the record of this hearing.

As a result of these statements the Committee on Ways and Means of the House on February 10, 1958, reported favorably on H.R. 5005 which provided for a 2-year suspension of the duty on crude chicory. It also provided for a 2-year decrease in the duty on processed chicory from 2½ cents to 2 cents for the purpose of establishing the spread of 2 cents per pound between the duties on crude and roasted chicory set by the Tariff Act of 1930.

This bill was passed by the House, favorably considered by this committee and finally enacted as Public Law 85-378, effective April 16, 1958.

The 2-year period of the suspension was recently extended to July 16, 1960, by an amendment to the bauxite bill, which amendment was initiated by this committee.

The committee now has before it H.R. 9308 which will continue the effective period of Public Law 85-378 to April 16, 1963. H.R. 9308 was unanimously reported favorably by the Ways and Means Committee of the House on February 22, 1960, after favorable reports had been received from the Departments of State, Treasury, and Commerce, and from the Tariff Commission.

The report of the Tariff Commission pointed out that considerations which led the Congress to enact Public Law 85-378 applied to the proposal to extend provisions of that act for a further period. I can personally affirm that the need for this legislation is even more acute today than it was in 1958.

The industry is entirely dependent on imported crude chicory since no green chicory has been grown in this country since 1954. It is impossible to persuade any farmer to grow chicory at anywhere near the price domestic processors could pay for it and still compete with imported roasted chicory.

The reasons for this are fully set forth in the statement which I have furnished the committee.

If this bill is not enacted, my costs for crude chicory will increase by 1 cent per pound on crude imported from France and Belgium and by 2 cents per pound on crude imported from Poland and Yugoslavia, Iron Curtain countries which do not get the benefit of the concession.

On a roasted basis such an increase would be 25 percent greater than these figures in view of the shrinking in the roasting process. Since there is presently a difference of 1¼ to 2 cents per pound between the

price for imported roasted chicory and the price I must charge to stay in business, and since I am finding it increasingly difficult to retain my part of the domestic market, with this price differential, then it is obvious that such an increase in my costs with a corresponding increase in the price differential would put my company out of business.

While a continuation of my company is not very important to the overall economy of this country, I submit that the possible advantages through the restoration of the former rates of duty do not warrant sacrificing the job of a single American workman to say nothing of the 24 employees of my company.

Turning the entire chicory industry over to imports which would be the effect of the failure of Congress to enact H.R. 9308 would not result in any revenue from the duty on crude chicory since none would be imported. The one-half cent per pound increase in duty on processed chicory would produce a revenue of about \$75,000 based on current annual consumption.

Such amount would, of course, be paid by domestic consumers in increased prices paid by them for imported roasted chicory.

As a matter of fact, the domestic consumer might have to pay considerably more than that if there is no longer any domestic competition.

Moreover, if the domestic chicory processing business is eliminated domestic coffee roasters would be entirely dependent on foreign sources of supply.

In case of war it might be impossible for them to import chicory, and then it would be too late to resurrect the domestic industry.

If domestic processors continue in operation, chicory can still be grown in this country in an emergency, and coffee roasters would continue to have a source of supply.

Many of them have indicated to me, and I believe individual members of this committee, their concern over the possibility of losing a domestic source of supply.

It is this concern which has enabled me to retain a part of the market despite the fact that my prices are necessarily higher than the prices for imported roasted chicory.

It should also be noted that the failure to enact H.R. 9308 would place coffee roasters at the complete mercy of price wars, of importers of roasted chicory. It would not help a single American farmer, since historically they have only been able to grow under contract with domestic chicory processors, since there would be no chicory processors left in the United States there would be no market for domestically grown root. Even if my company were able to survive the cost of imported crude even with the duty restored would still be far below the prices which domestic growers would require to persuade them to switch from their present crops to chicory.

I respectfully urge this committee to report favorably on H.R. 9308.

Senator LONG. Might I have a copy of that statement or the statement itself?

Mr. GEHRKIN. Yes, Senator.

Senator FREAR. I didn't hear you give the number of pounds of either or both of the roasted or of raw, what do you call it, crude chicory for any specific period of time, say the last year?

Mr. GEHRKIN. In the last year, as nearly as I can determine, Mr. Chairman, the total of imported roasted and ground chicory into the United States was slightly in excess of 12 million pounds, and our

imports of crude chicory during that same period were approximately 6 million pounds.

Senator FREAR. That is about half. You are interested only in the importation of crude chicory—that is your company—for roasting purposes.

Mr. GEHRKIN. That is right, sir.

Senator FREAR. Did I understand at the beginning of your testimony that you sell this to people who make blends of coffee?

Mr. GEHRKIN. Yes, our customers in our industry are the coffee roasters who have their own formulas or blends for their private blends and we simply sell the bulk roasted or ground chicory to them.

Senator FREAR. I think that answers the question. You only do the roasting and you do no blending.

Mr. GEHRKIN. That's right. Senator Frear, we are straight out chicory processors.

Senator FREAR. Yes, thank you.

Senator Long?

Senator LONG. I believe you gave that in your statement, but how much in the way of chicory root is being produced in this country?

Mr. GEHRKIN. There hasn't been any chicory root.

Senator LONG. None at all. What you want is protection for the roaster, I take it?

Mr. GEHRKIN. What you want is protection for the remaining segment of the domestic industry so that we can actually survive.

We have no means, no—

Senator LONG. That is in the roasting business, I take it?

Mr. GEHRKIN. That is the roasting chicory business, yes.

Senator LONG. So you want to maintain the differential between the raw and the roasted tariff, I take it, then?

Mr. GEHRKIN. Yes, sir.

Senator LONG. So as to protect the roaster.

And, as far as the producers are concerned, we don't have any producers of the basic product any more, I take it.

Mr. GEHRKIN. We have none.

Senator LONG. So you are satisfied with the bill the way it is, I take it, then?

Mr. GEHRKIN. Yes, sir.

Senator FREAR. Senator Carlson?

Senator CARLSON. I believe you stated, Mr. Gehrkin, that the bill had the endorsement or support of every branch of the executive government. It had the support and endorsement of the various agencies?

Mr. GEHRKIN. That is correct.

Senator CARLSON. Is chicory used for any other purpose than blending with coffee?

Mr. GEHRKIN. In a very limited way it is used for flavorings—cake flavorings and icings and that sort—but that is extremely limited by comparison. You might say it is exclusively used for blending with coffee.

Senator CARLSON. Well I enjoy New Orleans; and when I go down there and drink this cafe au lait, or whatever it is, it is very restful I assure you.

Mr. GEHRKIN. Thank you, Senator, it is mighty nice to hear that.

Senator CARLSON. That is all.

Mr. GEHRKIN. We have a saying in our particular business that we feel that chicory makes bad coffee good and good coffee better. [Laughter.]

Senator FREAR. Thank you, Mr. Gehrkin.

Mr. GEHRKIN. Thank you, Mr. Chairman.

Senator FREAR. There are no other witnesses who have expressed a desire to testify on this bill. The hearing is concluded.

(By direction of the chairman, the following is made a part of the record:)

ALBUQUERQUE, N. MEX, April 28, 1960.

Senator CLINTON P. ANDERSON,
U.S. Senate Building, Washington, D.C.:

Please use your influence to secure Finance Committee approval for H.R. 9308 providing extension of duty suspension on crude chicory. This is vitally important to us.

R. M. BOWEN,
Dennison Coffee Co.,
640 Oak Street SE.

WM. B. REILY & CO., INC.,
New Orleans, U.S.A., April 28, 1960.

Subject: H.R. 9308.

Hon. HARRY F. BYRD,
Senate Office Building, Washington, D.C.

DEAR SENATOR BYRD: As our company is more interested in chicory than any other in the United States, I am writing you directly in regard to the import duty on this product.

Several years ago, the duty was eliminated on crude chicory, but a duty of 2 cents a pound remained on roasted and ground chicory, which we use.

It has been our belief that there is no reason whatever to continue collection of an import duty on any chicory whatever if it is the decision of Congress to eliminate the duty on crude chicory.

There is only one small chicory roaster in the entire United States, and the total volume of his business does not amount to one-half million dollars a year.

Do you think it would be possible to eliminate the duty on roasted and ground chicory as well as the duty on crude chicory? We do not buy any crude chicory but import our requirements of roasted and ground chicory from France and Belgium.

Any consideration that you and your committee could give on this subject will be appreciated.

Sincerely yours,

WM. B. REILY & CO., INC.,
W. B. REILY, JR., President.

(Whereupon at 10 a.m. the hearing on H.R. 9308 was concluded and the committee proceeded to receive testimony on H.R. 1217, relating to the suspension of import duty on amorphous graphite, which follows.)

AMORPHOUS GRAPHITE

MONDAY, MAY 2, 1960

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, D.C.

The committee met, pursuant to notice, at 10:05 a.m. in room 2221, New Senate Office Building, Senator J. Allen Frear, Jr., presiding. Present: Senators Frear, Long, Gore, Bennett, and Carlson. Also present: Elizabeth B. Springer, chief clerk and Serge N. Benson, professional staff member.

Senator FREAR. The committee will now receive testimony on the bill H.R. 1217, extending the suspension of duties on amorphous graphite. I submit for the record a copy of the bill and copies of the departmental reports received from the U.S. Tariff Commission and the Department of Commerce.

(The bill and reports follow:)

[H.R. 1217, 86th Cong., 2d sess.]

AN ACT To suspend for two years the import duty on certain amorphous graphite

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That amorphous graphite or amorphous plumbago, crude or refined, valued at \$50 per ton or less, provided for in paragraph 213 of the Tariff Act of 1930, shall be admitted free of duty if entered, or withdrawn from warehouse, for consumption, during the two-year period beginning on the day after the date of the enactment of this Act.

Passed the House of Representatives February 2, 1960.

Attest:

RALPH R. ROBERTS,
Clerk.

U.S. TARIFF COMMISSION

WASHINGTON

MEMORANDUM ON H.R. 1217, 86TH CONGRESS, AN ACT "TO SUSPEND FOR 2 YEARS THE IMPORT DUTY ON CERTAIN AMORPHOUS GRAPHITE"

H.R. 1217 proposes to suspend for 2 years the import duty on "amorphous graphite or amorphous plumbago, crude or refined, valued at \$50 per ton or less."

Amorphous graphite or plumbago, crude or refined, and regardless of value, was made dutiable in paragraph 213 of the Tariff Act of 1930, as originally enacted, at the rate of 10 percent ad valorem. The duty was reduced to 5 percent ad valorem pursuant to a bilateral trade agreement with the United Kingdom, effective January 1, 1939, and the reduced rate was bound against increase in a bilateral trade agreement with Mexico effective January 30, 1943. The reduced rate of 5 percent ad valorem was again bound against increase in the General Agreement on Tariffs and Trade (GATT), effective January 1, 1948. These concessions extended to both the natural and the artificial product, both of which are classified under paragraph 213. However, effective September 10, 1955, the duty on the natural product was further reduced to 2½ percent ad valorem, pur-

suant to a further concession granted under the general agreement. The duty on the artificial product was not further reduced and remains 5 percent ad valorem.

Natural graphite (plumbago) is a soft, black mineral occurring in disseminated flakes, or in scaly, granular, compact, or earthy masses. The term "crystalline graphite" or "flake graphite" refers to varieties that occur in crystals large enough to be visible to the unaided eye. The type covered by H.R. 1217, namely, "amorphous graphite or amorphous plumbago", is a very fine granular variety which is actually crypto-crystalline or featuring particles so fine that they are not recognizable individually except under a high-power microscope.

U.S. production of natural graphite is not reported by separate types. In recent years domestic output of natural graphite has averaged about 10 to 12 million pounds annually. Probably one-half of the amount has consisted of natural amorphous graphite and the remainder of natural crystalline flake graphite.

The United States has long been dependent on imports for nearly all of its requirements of natural amorphous graphite despite extensive exploration for suitable domestic deposits. Domestic production supplies only a negligible part of the domestic consumption of natural amorphous graphite, usually about 1 percent of the total. Three small concerns, one in Rhode Island (producing amorphous graphite) and one each in Texas and Pennsylvania (producing crystalline flake graphite), comprise at present the entire natural graphite-producing industry. The concern in Pennsylvania began production in 1959. The kinds produced consist chiefly of the lower grades of natural amorphous graphite, used largely in paints, crayons, lubricants, foundry facings, and as a filter aid; also the smaller sizes of crystalline flake graphite used in pencils, foundry facings, and in steelmaking. Very little, if any of this domestic graphite is exported. Official statistics, however, show that the annual quantity and value of natural amorphous graphite exported in 1953-58 averaged slightly over 950 long tons, valued at about \$105,000. All, or virtually all, of these exports consisted of imported material refined and blended in domestic plants.

There is a large domestic production of artificial amorphous graphite which, so far, has supplied nearly all of the domestic requirements. The principal domestic manufacturers of the artificial material themselves consume practically their entire output at present, and very little enters commercial channels in unfabricated form. The artificial or manufactured material is a product of the electric furnace, and the most important factor in the production of this material is electric power. Foreign sources having such power available at low cost would be the chief potential suppliers from abroad. The domestic industry is located at Niagara Falls, N.Y.; St. Marys, Pa.; Morgantown, N.C.; Clarksburg, W. Va.; Columbia, Tenn.; Rosamond, Calif.; and Midland, Mich. Production of artificial graphite in the United States in 1953 was estimated at 304 million pounds, and in 1954 at 332 million pounds. No later statistical information is available, but it is known that there has been a substantial increase in output in recent years. Most of the relatively small imports of artificial amorphous graphite in 1954-59 has come from Canada and Switzerland. (See table 1.)

Table 2 shows U.S. imports for consumption of natural amorphous graphite, by principal sources, 1954-59. In that period, Mexico supplied about 78 percent of the total quantity entered and about 36 percent of the total value. The major part of the Mexican deposits of amorphous graphite is owned and operated by U.S. concerns. Ceylon, which ranks a distant second to Mexico as a foreign supplier in quantity, furnished about 8 percent of the total entered in 1954-59 but supplied 31 percent of the total value. Most of the remainder came from Canada, Norway, West Germany, and Hong Kong.

There is a considerable difference between the natural amorphous graphite from Mexico and that from Ceylon. Some of the amorphous graphite from Ceylon is very pure carbon lump, averaging in foreign value as much as \$155 per long ton compared with \$18 to \$25 per ton for the Mexican product. The high-grade Ceylon amorphous lump (90 to 98 percent carbon), which accounts for most of the imports from that country, is used for lubricants and brush stock for electric motors in airplanes, whereas the Mexican material is used for pencils, paints, and dry batteries. The small quantity of artificially made graphite imported from Canada consists of scrap recovered from manufactured graphite articles; in addition, some high-grade material has been supplied by European sources. (See table 1.)

Natural graphite, amorphous carbon lump, is among the materials listed as strategic and critical for stockpiling purposes by the Federal Government. As shown in table 2, most of the imports of the natural amorphous material entered free of duty for U.S. Government use came from Ceylon. As previously indicated, the graphite from that source is a high-quality material and is especially suitable for certain strategic items required by the Air Force.

TABLE 1.—*Artificial amorphous graphite: U.S. imports for consumption, by countries, 1954-59*

Country	1954	1955	1956	1957	1958 ¹	1959 ¹
Quantity (long tons)						
Canada.....	171	4	45	3	2	1
Norway.....	-----	-----	25	-----	-----	-----
Switzerland.....	-----	11	2	-----	5	4
West Germany.....	16	16	-----	-----	16	-----
Italy.....	2	-----	2	5	-----	-----
Total.....	189	31	74	8	23	5
Foreign value						
Canada.....	\$10,098	\$406	\$1,012	\$203	\$203	\$113
Norway.....	-----	-----	2,455	-----	-----	-----
Switzerland.....	-----	4,293	980	-----	2,196	1,507
West Germany.....	693	604	-----	-----	723	-----
Italy.....	838	-----	980	1,934	-----	-----
Total.....	11,629	5,303	5,427	2,197	3,122	1,620
Unit value (per long ton)						
Canada.....	\$59.05	\$90.22	\$22.49	\$97.66	\$101.50	\$113.00
Norway.....	-----	-----	98.20	-----	-----	-----
Switzerland.....	-----	390.27	490.00	-----	439.20	376.75
West Germany.....	43.31	37.75	-----	-----	45.19	-----
Italy.....	380.91	-----	490.00	386.80	-----	-----
Average.....	61.53	171.06	73.34	274.63	135.74	321.00

¹ Preliminary.

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

TABLE 2.—*Natural amorphous graphite: U.S. imports for consumption, by principal sources, 1954-59*¹

Country	1954	1955	1956	1957	1958 ²	1959 ²
	Quantity (long tons)					
Mexico	22,182	29,440	27,559	23,026	17,472	23,000
Ceylon	2,219	3,680	3,639	2,170	1,617	2,039
Hong Kong	787	1,098	2,103	2,062	1,104	887
Norway	783	1,407	1,619	2,266	844	1,638
West Germany	439	449	916	807	373	677
Canada	1,677	97	205	35
All other	47	224	104	98	50	64
Total	28,131	36,485	36,045	31,329	21,460	28,310
	Foreign value					
Mexico	\$414,845	\$600,472	\$648,395	\$562,836	\$431,274	\$497,933
Ceylon	257,169	507,736	562,321	326,129	231,019	281,362
Hong Kong	19,782	26,762	51,464	72,059	27,049	28,210
Norway	66,602	133,590	154,338	210,086	75,443	142,095
West Germany	48,617	53,140	121,084	112,584	51,764	81,019
Canada	160,263	1,967	10,847	3,870
All other	3,493	10,348	7,379	9,757	2,662	6,488
Total	970,771	1,334,024	1,555,828	1,293,451	\$19,211	1,043,977
	Unit value (per long ton)					
Mexico	\$18.70	\$20.40	\$23.53	\$24.44	\$24.68	\$21.65
Ceylon	115.87	137.97	158.89	150.29	142.87	137.99
Hong Kong	25.14	24.37	21.47	24.33	24.50	31.80
Norway	85.06	89.22	95.33	92.71	89.39	86.75
West Germany	110.74	118.37	132.19	139.51	138.78	124.10
Canada	95.57	20.28	32.91	110.57
All other	74.32	40.20	70.95	90.56	53.24	101.38
Average	34.51	36.56	43.16	41.29	38.17	36.84

¹ Included in the statistics for these years are the following imports entered free of duty for U.S. Government use:

Year	Total, all countries		Ceylon		
	Quantity	Foreign value	Quantity	Foreign value	Unit value
	Long tons		Long tons		Per long ton
1955	375	65,300	375	65,300	\$174.13
1956	739	136,850	739	136,850	185.18
1957	² 830	² 159,600	780	150,450	192.88

² Preliminary.

³ Includes 50 long tons valued at \$9150 with a unit value of \$183 per long ton from India.

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

DEPARTMENT OF COMMERCE,
Washington, D.C., May 2, 1960.

HON. HARRY F. BYRD,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: In response to your request of February 3, 1960, there is attached a report with respect to H.R. 1217, a bill to suspend for 2 years the import duty on certain amorphous graphite.

For reasons developed in the report, the Department of Commerce does not favor the enactment of the measure in its present form but would favor enactment of legislation to permit the importation of all amorphous graphite, regardless of value, on a duty-free basis either permanently or for a terminable period.

We have been advised by the Bureau of the Budget that there would be no objection to the submission of this report to your committee.

Sincerely yours,

PHILIP A. RAY,
Under Secretary of Commerce.

DEPARTMENT OF COMMERCE REPORT RELATING TO H.R. 1217

This report has been prepared in response to the request of February 3, 1960, from the Committee on Finance of the Senate for the views of the Department of Commerce with respect to H.R. 1217, a bill to suspend for 2 years the import duty on certain amorphous graphite.

The bill, as introduced in the House of Representatives on January 7, 1959, would have transferred all amorphous graphite, regardless of price, from paragraph 213 of the dutiable list to paragraph 1823 of the free list of the Tariff Act of 1930. This Department favored enactment of the bill as introduced and so informed the Ways and Means Committee of the House on February 10, 1959. The measure was amended by the committee and, with amendments, was passed by the House on February 2, 1960. Hence, the bill now pending in the Senate would amend the Tariff Act of 1930 by suspending for 2 years the import duties on amorphous graphite having a value of \$50 or less a ton. The present import duties on amorphous graphite having a value of over \$50 a ton would be continued.

Background.—Industry and the tariff legislation recognizes two basic types of amorphous graphite; namely, natural and artificial or manufactured.

Natural amorphous graphite is a soft nonmetallic mineral having a wide variety of essential uses. In metallurgy, for example, it is used in foundry facings and for the recarbonization of steel. Considerable quantities also are used in the manufacture of lubricants, crucibles, carbon brushes, dry-cell batteries, pencils, and paints.

Although the United States is one of the world's most important consumer of natural amorphous graphite, domestic consumers depend upon foreign sources for about 95 percent of their requirements. During the 1955-59 period, for example, the annual average imports for consumption were about 34,000 tons. During this period Mexico, Ceylon, Norway, and Hong Kong supplied approximately 97 percent of the imports. Austria, British east Africa, Canada, India, and West Germany were secondary suppliers. Mexico, supplying over 75 percent of the total, was the most important individual source.

U.S. reserves of natural amorphous graphite are more plentiful than generally believed, but are of rather low quality. The domestic industry is very small; for example, since 1943 there has been only one firm in the industry producing a low-grade amorphous graphite or meta-anthracite from an underground mine.

There is considerable production of artificial or manufactured amorphous graphite in the United States. Although a substantial amount of the domestically produced artificial product is sold in the market, domestic manufacturers are the consumers of the bulk of their production. It is important to indicate that imports of artificial amorphous graphite have been very small; since 1955, for example, the annual average of such imports has been less than 75 tons a year and for the past 3 years the annual average has been less than 15 tons.

Although there is a degree of interchangeability between artificial and natural amorphous graphite and among the various grades within the natural product, there are no satisfactory substitutes for graphite in most uses. In this connection it is important to note that for certain important uses low quality natural amorphous graphite cannot be substituted at all or satisfactorily for high quality natural amorphous graphite. It is for this reason that only high quality natural amorphous graphite is listed as a critical material for the strategic stockpile.

Customs treatment.—Under the Tariff Act of 1922 imports of natural and artificial amorphous graphite were made dutiable at the rate of 10 percent ad valorem. This rate for both types was continued under paragraph 213 of the Tariff Act of 1930.

Pursuant to the bilateral trade agreement with the United Kingdom, effective January 1, 1939, the rate on both types of amorphous graphite was reduced to 5 percent ad valorem. This reduced rate was bound against increase in the bilateral trade agreement with Mexico, effective January 30, 1943; it was similarly bound, effective January 1, 1948, pursuant to the General Agreement on Tariffs and Trade. At the Geneva trade agreement conference of 1955 the duty on natural amorphous graphite was reduced again, effective September 10, 1955, to 2.5 percent ad valorem. The duty on artificial amorphous graphite was not

reduced and remains at 5 percent ad valorem. These rates are applicable to all imports of both types of amorphous graphite regardless of value and country of origin.

Objectives of H.R. 1217.—If this bill is enacted it will amend paragraph 213 of the Tariff Act of 1930 by dividing amorphous graphite into two new classes, based upon price. The duties on amorphous graphite valued at \$50 a ton or less would be suspended for a period of 2 years beginning the day after the bill becomes law. Amorphous graphite valued at more than \$50 a ton would remain subject to import duties which, as above indicated, currently are 2.5 percent ad valorem for the natural product and 5 percent ad valorem for the artificial type.

Department of Commerce position.—For several reasons this Department does not favor the enactment of H.R. 1217 in its present form. If this measure is enacted it will result in discrimination among the countries from which the United States imports amorphous graphite. Substantially all of the imports from Mexico and Hong Kong since 1955 were valued at less than \$50 a ton; in fact, the declared import value of such imports averaged less than \$25 a ton. In contrast, the bulk of the imports from Canada, Ceylon, Norway, West Germany, and India were valued at more than \$50 a ton; in fact, the declared import value of such imports averaged over \$100 a ton. Accordingly, the enactment of the bill under reference would reverse the policy of equal customs treatment and, it is believed, result in an unwarranted discrimination among friendly countries from which the United States imports amorphous graphite.

Additionally, if H.R. 1217 is enacted it will favor the imports of low value and quality amorphous graphite, of which type there is a small domestic industry. In contrast, it will discriminate against the imports of high value and quality (strategic grade) amorphous graphite, of which type the United States must depend upon foreign sources for substantially all of its needs. Further, for certain important uses the low quality amorphous graphite cannot be substituted at all or satisfactorily for certain grades of the high quality product. Nevertheless, the bill in its present form would retain the duty on the high quality or strategic grade amorphous graphite.

Finally, if H.R. 1217 is enacted, over 85 percent of amorphous graphite imports—based upon import statistics for the 1955-59 period—would be imported on a duty-free basis. Accordingly, and in view of the discussion in the above two paragraphs, it would appear desirable to permit the importation of the remaining 15 percent on a duty-free basis.

Although the Department of Commerce does not favor the enactment of H.R. 1217 in its present form, it would favor its enactment if it were so amended as to permit the importation of all amorphous graphite—regardless of value—on a duty-free basis, either permanently or for a period of 2 years.

Senator FREAR. Our first witness is Mr. Smith Bolton, U.S. Graphite Co., accompanied by Mr. Ralph J. Zemanek. Please be seated, gentlemen.

STATEMENT OF SMITH BOLTON, THE U.S. GRAPHITE CO.; ACCOMPANIED BY RALPH J. ZEMANEK, GENERAL SALES MANAGER

Mr. BOLTON. My name is Smith Bolton, I am divisional president and general manager of U.S. Graphite which is a division of the Wickes Corp.

Mr. Ralph Zemanek is my general sales manager, and he has been with the company for 25 years. Mr. Zemanek is a graduate metallurgical engineer.

Our company was formed in 1891 and has been in the graphite business continuously since that date. We at the moment are the largest miners and processors of amorphous graphite in the world.

Senator CARLSON. Mr. Bolton, right on that point if the chairman would not object it would help me, you mentioned amorphous graphite, are there several other types of graphite or what is this graphite?

Mr. BOLTON. Yes, Senator, and I am just at a point to explain that.

There are two general types of graphite, natural and artificial. There are two general types of graphite under the natural heading, crystalline and amorphous or cryptocrystalline. I have samples here of crystalline flaked graphite, and I have also samples of Mexican amorphous graphite, and I have a sample of anthracite coal.

The uses of amorphous graphite and crystalline and flaked graphite are not the same, due to size, quality, and cost.

I would like to quote for the record from a minerals yearbook, a Bureau of Mines "Minerals Yearbook of 1957."

Senator FLEAR. The reprint from which you quote will be made a part of the official files of the committee.

Mr. BOLTON. "Domestic production. Southwestern Graphite Co., Burnet, Tex., continued to be the only producer of crystalline flake graphite in North America in 1957. Graphite Mines, Inc., Cranston, R.I. was the only producer of amorphous graphite in the United States."

In August 1959 Graphite Mines, Inc., Cranston, R.I., closed down for two reasons: One, they ran out of ore, and second their mine was considered too dangerous to operate under the present circumstances.

This company produced for many years a very low grade of so-called amorphous graphite which could better be termed as a graphitic anthracite. The graphitic content of the material being in the realm of 50 percent.

Our position is that if there is no amorphous graphite industry to protect, why do we have an ad valorem import duty to protect it?

Amorphous graphite has never been on the strategic material list. It has never been stockpiled by the Government. It is an important material and is used extensively in the iron and steel and foundry industry as a source of graphitic carbon in the melting process and as a refractory in the casting process.

There has been some confusion in the word "Amorphous lump graphite."

There is a type of Ceylon crystalline lump flake crystalline gravel that is being imported under the name of "Amorphous graphite" at the lower rate of tariff.

I have a letter here on that which is addressed to me from the Metal and Minerals Market which is a McGraw-Hill publication from Mr. George Cleaver, the market editor and it is dated November 17, 1959. I would like to quote from this letter:

After careful study we find that most of the difficulty stems from our present form of quotation which confuses crystalline "amorphous," a flake variety, with Mexican amorphous, a true nonflake variety of graphite. The 85 percent amorphous natural which we quote in our October 17, 1959, issue at 9 cents per pound actually is crystalline flake largely of Ceylonese origin, and not amorphous in the technical sense. It has an entirely different market from Mexican amorphous.

The amorphous tag for this graphite, even though it is not technically amorphous, is a matter of long commercial practice. The fact that this description should now react in such fashion is certainly ironical and unfair to you.

We realize the great difference between crystalline, flake types of natural graphite and true amorphous variety such as mined in Mexico, Korea, and Hong Kong. The markets are entirely different and it is a matter of record that the U.S. Government recognized this difference by never stockpiling Mexican amorphous as a critical material nor has it been allowed on any military or Government specification due to its nonflake high ash character. Only true flake and crystalline natural graphite are considered useable. The markets and distinctly different.

I would like to have this a part of the record, if I may.
 Senator FREAR. It will be made a part of the record.
 (The document referred to follows:)

METAL AND MINERAL MARKETS,
 November 17, 1959.

Mr. SMITH BOLTON,
 President, United States Graphite Co.,
 Saginaw, Mich.

DEAR SIR: Replying to your letter of November 6, 1959, we regret to hear you are faced with a tax situation in Mexico which makes it prohibitive to bring your graphite into this country. We are greatly disturbed because apparently the graphite quotations appearing in E. & M.J. Metal and Mineral Markets have been the cause of the change in appraisal of value of your Mexican graphite ore.

After careful study we find that most of the difficulty stems from our present form of quotation which confuses crystalline "amorphous," a flake variety, with Mexican amorphous, a true nonflake variety of graphite. The 85 percent amorphous natural which we quote in our October 17, 1959, issue at 9 cents per pound actually is crystalline flake largely of Ceylonese origin, and not "amorphous" in the technical sense. It has an entirely different market from Mexican amorphous. The "amorphous" tag for this graphite, even though it is not technically amorphous, is a matter of long commercial practice. The fact that this description should now react in such fashion is certainly ironical and unfair to you.

We realize the great difference between crystalline, flake types of natural graphite, and true amorphous variety such as mined in Mexico, Korea, and Hong Kong. The markets are entirely different and it is a matter of record that the U.S. Government recognized this difference by never stockpiling Mexican amorphous as a critical material nor has it been allowed on any military or Government specification due to its nonflake high-ash character. Only true flake and crystalline natural graphite are considered usable. The markets are distinctly different.

We shall immediately change our form of quotation so that it will show a clear distinction between true amorphous and other forms of graphite in the true technical sense. We are attaching such a change.

Upon investigation of the prices which we have been quoting we have further found that some of the figures which have been quoted represent graphite which has been further processed by refining and milling procedures and do not truly represent quotations for mined ore as such at the point of origin. Graphite, like other materials quoted by E. & M.J. Metal and Mineral Markets, may be priced at the source (crude) or at any of a series of processed stages. Some forms do not lend themselves to the same processing as others. It is not possible to price all forms of graphite at the same stage of production, partly owing to the different final uses and partly to an absence of data. You can see this intention in our proposed new form with notations attached. This should further clarify the situation.

Briefly we are prepared to do anything which can assist you in correcting what appears to be a serious error stemming primarily from a commercial description of crystalline flake as "amorphous." We have found the market for crystalline "amorphous" for foundry facings has shrunk almost to zero (only one buyer); we propose to remove it from the quotation list.

Yours truly,

GEORGE H. CLEAVER, *Market Editor.*

Natural graphite:

Crystalline semiprocessed: (Flake type, nonamorphous) ¹ (a) (d):	
86 to 88 percent C., crucible grade.....	cents per pound... 7½-14
94 percent C., normal and wire drawing.....	do... 20 -27
96 percent C., special and dry usage.....	do... 22 -27
98 percent C., special for brushes, etc.....	do... 25 -30
Madagascar:	
Special grades 85 to 87 percent C.....	do... 10
Special mesh.....	do... 13
Special grade 99 percent C.....	do... 40
Amorphous crude: (Nonflake, cryptocrystalline) (bulk) (g):	
Mexican (80 to 85 percent).....	price per ton... \$15-\$19
Hong Kong (78 to 85 percent).....	do... \$15-\$19
Korean (1958).....	do... \$18

¹ Prices include costs from point of origin, and importers handling costs, commissions, etc.

Mr. BOLTON. I would like to refer to the House of Representatives Report No. 1143, a copy of which I think you gentlemen have, and drawing your particular attention to the fact that the Departments of Commerce, Treasury, State, Defense, Labor, and Interior, as well as an informative report from the U.S. Tariff Commission, approves the enactment of H.R. 1217.

I would like to draw the committee's attention to the fact that we do not compete with crystalline flake graphite in our amorphous graphite.

Our main sources of competition are other carbonaceous materials such as coal and petroleum coke, and in our refractory covering quoting field, with silicon washes.

In the refractory field there is one application of the crystalline flake graphite and that is in the manufacture of crucibles. Amorphous graphite is not usable for that purpose.

In certain foundry practices, in small foundries there is a material called slicking lead. It is the flake graphite, is slicked on a green mold to form a protective coating. Amorphous graphite will not compete in that application.

Senator FREAR. What is the main use of amorphous graphite and what is the tonnage used in this country annually?

Mr. BOLTON. The principal uses of amorphous graphite are for graphitic carbon in the melting of iron and steel as a source of graphitic carbon, and as a refractory protective coating to protect the molds and the cores as the metal is being cast. The production figures will run from 20,000 tons annually, recently up to as high as 35,000 or 40,000 tons a few years ago. The market has been on the decline. That is down now. The consumption, according to the metal industry, the mineral industry's survey put out by the Bureau of Mines, their Report 2911, indicates that there were 28,800 tons of natural graphite consumed in 1958.

That is all types of natural graphite.

Senator FREAR. Is synthetic graphite of any type a competitor?

Mr. BOLTON. No, synthetic graphite is primarily in the form of furnace electrodes and chemical nodes.

Senator FREAR. There is, to your knowledge then no synthetic graphite that would replace amorphous graphite?

Mr. BOLTON. That is correct and primarily due to the costs. Synthetic artificial graphite sells for anywhere from 50 to 20, 22 cents a pound. We offer our Mexican amorphous graphite packaged ready for sale f.o.b. Saginaw at 4½ cents a pound.

Senator FREAR. I can see there is no competition. Do I gather from that that your principal supplier is Mexico?

Mr. BOLTON. Yes, sir.

I would like to bring out one further fact, that we are attempting to fight the spiral of inflation, and the price of Mexican graphite products as produced by our company has only been increased once in the last 22 years.

And that is because primarily we are competing with these low-cost other carbinaceous materials.

Senator FREAR. In this Report 1143, that gives a value of \$50 per ton or less, is that what you pay for it?

Mr. BOLTON. No, that was requested by the Southwestern Flake Graphite Co. in Burnet, Tex. They felt that this amorphous lump from Ceylon that I was talking about that is being brought in under the term amorphous, and is paying a low duty, they did not want that to get in duty free, because that would compete with their flake graphite, and the \$50 figure is entirely satisfactory with us.

The official value at the border for the purpose of the import tax calculation, I believe today is between \$21 and \$24 a ton.

Senator FREAR. How much of that in that price range or below \$50 per ton is imported annually?

Mr. BOLTON. That will vary, but in 1958 it was 21,564 tons imported from Mexico.

Senator FREAR. Of the \$50 a ton or less as in comparison to the sale of amorphous graphite of 29,000 tons per year?

Mr. BOLTON. 28,000, natural graphite.

Senator FREAR. Yes.

Mr. BOLTON. The sales for the natural graphite of 28,000.

Senator CARLSON. Mr. Bolton, I think you have a very good case here and I appreciate very much your statement.

Mr. BOLTON. Thank you, Senator.

Senator CARLSON. That is all.

Senator FREAR. Thank you very much, sir, I appreciate your coming and giving us the advantage of your testimony.

Mr. BOLTON. I greatly appreciate the opportunity.

Senator FREAR. The next witness is W. L. Schumate, Alabama Flake Graphite Co.

Is Mr. Schumate in the room? This is a bit difficult to understand because the committee had very strong support for the testimony of Mr. W. L. Schumate and I am surprised he is not here to give it. I understood it was in opposition to this bill. However, as a matter of record we have given him the advantage of appearing and apparently he does not desire to appear. This will conclude the hearings.

The following letter was subsequently received from Senator John Sparkman, transmitting letters from W. L. Schumate, Jr. and Mr. Joseph Sims, of the General Graphite Co., for insertion in the record of the hearings in lieu of appearing as scheduled. (The letters follow:)

(By direction of the chairman, the following is made a part of the record:)

U. S. SENATE,
SELECT COMMITTEE ON SMALL BUSINESS,
April 30, 1960.

Hon. HARRY BYRD,
Chairman, Senate Finance Committee,
Washington, D.C.
(Attention of Mrs. Elizabeth Springer.)

DEAR MR. CHAIRMAN: I am enclosing a copy of letters I received from Messrs. Joseph Sims and W. L. Schumate, Jr., General Graphite Co., 320 Comer Building, Birmingham, Ala., in opposition to H.R. 1217, a bill scheduled to be heard by your committee next Monday.

You will note from the enclosures that these gentlemen have elected not to appear and testify before the committee. However, I am forwarding these letters so that the committee may have the benefit of these comments when considering H.R. 1217.

Sincerely,

JOHN SPARKMAN.

GENERAL GRAPHITE CO.,
Birmingham, Ala., April 28, 1960.

Hon. JOHN SPARKMAN,
Senate Office Building, Washington, D.C.

DEAR SENATOR: We are in the midst of getting our plant back into operation, so it will be impossible for me to attend the committee hearings on bill H.R. 1217.

This tariff bill was examined by several committees as well as being passed by the House of Representatives and the Senate. It was passed because the Nation needed this bill, in order for American industry to survive, when faced with foreign imports. All industry is now complaining about foreign competition—it applies to steel, automobiles, textiles, and other industries. We cannot pay the high prices that labor asks, as well as the Government insist on—in competition with foreign labor prices. If this bill is passed, foreign graphite will make it practically impossible to operate.

With kindest personal regards, I am,
Yours very truly,

W. L. SHUMATE, Jr., *President.*

GENERAL GRAPHITE CO.,
Birmingham, Ala., April 28, 1960.

Hon. JOHN SPARKMAN,
Senate Office Building, Washington, D.C.

DEAR SENATOR: I received a letter from Hon. George Huddleston this morning, enclosing a copy of Senator Hill's executive secretary's letter to this office, relative to the Senate Finance Committee's hearing on the amorphous graphite bill.

Senator, at this time it is impossible for me to appear in person before the committee in opposition to this bill, and I doubt very much that Mr. Schumate can make the trip up, due to the fact that we are at this time in the process of raising additional money to put the plant into operation at an early date.

Senator, with cheap foreign labor rates, in comparison to our \$1 per hour minimum wage, you can readily see that we cannot compete with them should the tariff be removed. The next step then, others would introduce legislation possibly to remove the protective tariff on crucible flake grade, which definitely would eliminate an Alabama industry entirely. This I am sure you would not like to see done. So, Senator, we must depend on you to use all influence at your command to see that this bill does not become law.

With kindest personal regards, I am,
Yours very truly,

JOSEPH SIMS.

U.S. SENATE,
May 2, 1960.

HON. HARRY F. BYRD,
*Chairman, Senate Committee on Finance,
Washington, D.C.*

DEAR SENATOR: This is relative to House bill 1217 which would set aside the import duty on amorphous graphite and which is being considered by your committee today.

It has been brought to my attention by a friend and has been verified by the Bureau of Mines that the one domestic producer of amorphous graphite at Crenston, R.I., is no longer producing.

While there is some production of crystalline graphite, and while great efforts have been made to find deposits of amorphous graphite in the United States, none has been found to date, and the continuation of the present import duty only means that consumers of graphite products in the United States are paying a higher price than should be necessary. The tax, in effect, is protecting domestic industry which does not exist.

It seems to me that if your committee has not found information contrary to that which I have outlined, it would be most wise to give favorable consideration to this bill, as was done by the House of Representatives.

Sincerely,

HOWARD W. CANNON.

(Whereupon, at 10:25 a.m. the hearings were adjourned.)

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