MEAT IMPORTS

HEARING

BEFORE THE

SUBCOMMITTEE ON INTERNATIONAL TRADE

OF THE

COMMITTEE ON FINANCE
UNITED STATES SENATE

NINETY-FOURTH CONGRESS

SECOND SESSION

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MEAT IMPORTS

MONDAY, MARCH 15, 1976

U.S. SENATE,
SUBCOMMITTEE ON INTERNATIONAL TRADE
OF THE COMMITTEE ON FINANCE,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10 a.m. in room 2221, Dirksen Senate Office Building, Senator Paul Fannin presiding.

Present: Senators Curtis, Fannin, Hansen, and Dole.

Senator FANNIN. The hearing is in order.

[The Committee on Finance press release and the bill S. 595 follow:]

FINANCE COMMITTEE SCHEDULES HEARINGS ON S. 595

The Subcommittee on International Trade of the Senate Committee on Finance will hold one day of public hearings on S. 595, a bill to restrict meat imports. *The hearing will be held on Monday, March 15, at 10:00 A.M. in Room 2221 of the Dirksen Senate Senate Office Building.* S. 595 would amend the meat import quota law in two basic ways: First, the maximum amount of beef imports in any one year would be limited to a total not to exceed 750 million pounds. This is approximately 430 million pounds below the level allowed today and represents an initial decrease of some 36 percent. Second, future import adjustments will be based upon a responsive relationship to a 1969–72 base period. If the percentage of domestic grain-fed beef slaughter decreases in comparison to total slaughter, foreign beef imports would be further reduced on a formula base.

Because of the limited time the Committee has available on the subject, witnesses will be limited to ten-minutes of oral testimony but may submit materials for the record which will be summarized by the staff and made available to the members. Statements submitted for inclusion in the record should be typewritten, no more than 25 double-spaced pages in length, and mailed with five (5) copies to Michael Stern, Staff Director, Committee on Finance, Room 2227, Dirksen Senate Office Building, Washington, D.C. 20510.

S. 595, 94th Cong., 1st Sess.

A BILL To amend Public Law 88–482

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 2 of Public Law 88–482 is amended:

(1) By repealing subsection (a) and substituting in lieu thereof the following:

"(a) It is the policy of Congress that the aggregate quantity of the articles specified in items 106.10 (relating to fresh, chilled, or frozen cattle meat) and 106.20 (relating to fresh, chilled, or frozen meat of goats and sheep (except lambs)) of the Tariff Schedules of the United States which may be imported into the United States in any calendar year beginning after December 31, 1974, shall not exceed 750,000,000 pounds; except that this quantity shall be adjusted each calendar quarter by the same percentage that the ratio of the number of fed cattle slaughtered to the total number of cattle commercially slaughtered in the first two months of the preceeding quarter changes from the average of this ratio for the years 1969 through 1972."

(2) By repealing subsection (b) and inserting in lieu thereof the following: "(b) Beginning with calendar year 1978 the quantity specified in subsection (a) (750,000,000 pounds) shall be increased or decreased for any calendar year by the same percentage that estimated average annual domestic commercial production of cattle in that calendar year and the two preceeding calendar years increases or decreases in comparison with the average annual domestic commercial production during the years 1969 through 1972 inclusive."

(3) By repealing subsection (c) and inserting in lieu thereof the following: "(c) The Secretary of Agriculture shall allocate the total quantity allowed under subsection (a) among supplying countries on the basis of the share such countries supplied to the United Statts market during a representative period of the articles described in subsection (a), except that due account may be given to special factors which have affected or may affect the trade in such articles. The Secretary of Agriculture shall certify such allocations to the Secretary of the Treasury."

(4) By repealing subsection (d) and relettering the subsequent subsection.

Senator FANNIN. These hearings have been scheduled to examine the increasing problem which domestic cattle producers are experiencing with imported beef. Most of us recognize that the domestic cattle industry faces real difficulties as a result of several factors.

Supply and demand of beef are not operating as they should, at least in part due to the law governing the importation of foreign beef. The supply of beef has increased significantly in recent years while the costs of production have skyrocketed, and the share of our domestic market held by imported beef has risen.

There are very real problems presented here which the Congress should examine. Congress authority to regulate imports was exercised by its passage of the Meat Import Act of 1964. As this statute is a creature of Congress, it is our responsibility to examine it when conditions warrant. Such conditions presently exist.

Scheduling these hearings evidences the Senate Finance Committee's recognition of problems in this vital area of commercial activity. It is understood that the House of Representatives also should begin to examine this matter of beef imports. Constitutional requirements and rules governing the operation of the business of the two chambers of Congress make it necessary that the House take an affirmative step in this matter.

It is advantageous for the Finance Committee to hold hearings on this issue at this time so that action by the Senate can be expedited in the due course of legislative procedure.

I welcome all the witnesses to these hearings.

I understand the senior Senator from Nebraska would like to make a statement.

STATEMENT OF HON. CARL T. CURTIS, U.S. SENATOR FROM THE STATE OF NEBRASKA

Senator CURTIS. Thank you, Mr. Chairman. I want to commend the distinguished Senator from Oklahoma for introducing this legislation and for pressing for these hearings. I am glad to be a cosponsor of the Bartlett resolution to reduce meat imports.

Excessive meat imports are not good for the country. In the first place, they lower the prices paid to ranchers and farmers and feeders for their cattle.

They materially reduce the income and business opportunities in agricultural communities. The level of business in most of our agricultural communities is based upon the farm income.

Employment in the meatpacking industry is a major factor in many States and throughout the United States.

If our meat is processed at home from our own production of cattle it adds a great deal to the employment opportunities. It is not only the meatpacking industries but excessive imports reduce the employment opportunities in transportation, feed processing and all the supportive services of agriculture.

Whenever we import our meat supplies, we are adversely affecting the economy of thousands of rural towns.

I hope that in the consideration of this matter that a sense of fairness and fairplay will prevail. After all, perhaps the smallest minority in the United States is the farmers, only 9 million. Everyone uses their products and we have to depend upon the fairness of the people involved or a great injustice will be done.

I would also like to point out in the field of foreign affairs, we cannot expect every other nation to agree with use. We should strive for their respect. They won't respect us if we import that which we can efficiently produce here.

As we look upon a foreign nation and we would see them doing that, we would realize right away that something was wrong with our planning and regulation of their own commerce.

So, Mr. Chairman, I welcome these hearings.

The original meat importation law originated in this committee. We passed a strong measure which would have been very effective. When we went to conference the State Department became very active lobbying against the domestic interest and the measure was watered down far too much. The law is better than no law at all. I hope that when we revamp it, we will limit the opportunity for the executive branch to tamper with it. Many of our problems have come from tampering with the meat import law and setting it aside on certain occasions. The cattle business is a long-range business and to interfere in any part of it adversely affects the cattle economy several years down the road.

Mr. Chairman, I thank you for the opportunity to make this statement and I look forward to hearing the witness.

Senator FANNIN. Thank you, Senator Curtis. You have made a very fine statement.

The statements of Senators Abourezk, Bentsen, Tower, and Hruska will be inserted at this point for the record.

[The statements of Senators Abourezk, Bentsen, Tower, and Hruska follow:]

STATEMENT BY SENATOR JIM ABOUREZK

DOES ANYONE CARE ABOUT U.S. LIVESTOCK PRODUCERS?

Mr. Chairman, I am submitting this statement today to the Senate Finance Committee as a protest of the tragic neglect of the people who produce the meat for the tables of American consumers.

At the same time U.S. livestock producers are suffering from the severe effects of a depression in their industry, the Secretary of State and this Administration are allowing meat products from foreign nations to flood into this country.

If you ask the State Department why it is allowing foreign countries to dump meat here, you are told that exports are important to these other countries. You get a song and dance about what might happen to the livestock industries in other parts of the world.

What you don't hear from the State Department is one single word of concern about livestock producers here in this country. It leads me to the question: Does anyone care about U.S. Livestock Producers? I don't think anyone in the State Department, at least at the upper decision-making levels, cares at all what happens to a cow-calf operator in South Dakota or in Oklahoma or in any of the states where livestock production is an important industry.

You also hear from the State Department that it negotiates "voluntary restraints" on meat imports. After what happened in 1975, the State Department's so-called restraints are about as effective as tying up a steer with a piece of string. It doesn't do any good, that's for sure, but you can still say you "tried" to do something.

With friends like the State Department on their side, our domestic livestock industry need not bother to collect any enemies.

In 1975, a year when livestock producers were in a terrible situation with the prices they paid going up and the prices they received going down, the State Department kept itself busy tying strings around cattle in Australia and in other countries that like to ship as much of their excess meat as possible to the U.S.

The 1975 quota level for beef imports was set at 1,074.3 million pounds, based on the 1964 Meat Import Control Act, and the so-called "trigger level" was pegged at 1,181.7 million pounds.

Those two figures turned out to be about as meaningful as promises written in the sand, or on the ground in the feedlot.

What actually happened was that 1,208.9 million pounds of imported meat flooded into the U.S. That was 28.9 million above USDA's estimate and 27.2 million pounds above the trigger level. Australian cattle, failing to be restrained by the strings tied on them by the State Department, managed to contribute 40 million pounds more than that nation's quota. So, in total, we allowed 134.6 million pounds more than the official import quota to enter this country.

Will any hands be slapped? Will a lesser amount be allowed to be imported in 1976 to compensate for the abuses of 1975?

The answer, I regret to say, is no. In fact, we're going to reward foreign countries this year by allowing them to dump 1,233.0 million pounds in the U.S. market. That's a jump of 51.3 million pounds over the 1975 trigger level.

Of course, the State Department has its ball of string ready for its annual "import roping." But I can't think of any cattle producer who rests easy with the State Department's negotiators in the saddle.

What should be done? What follows are what I feel would be helpful to our domestic livestock producers, with respect to controlling meat imports.

1. S. 595, the bill introduced by my distinguished colleague from Oklahoma, Dewey Bartlett, should be enacted into law. It would reduce imports by at least 370 million pounds if it were in effect in 1976. That would be very good news for the producers I represent, and it would be good news for all livestock producers throughout our country.

2. The Department of Agriculture, the State Department, the U.S. Customs Bureau and the Bureau of the Census ought to get together to figure out how to accurately measure meat imports. It is more than disheartening to note that in 1975 nobody could agree on how much imports really did exceed the quotas. One would suspect these people of relying on the Weather Bureau for advice—the forecasts seem to be equally reliable.

3. I believe S. 595 addresses itself to a very important problem, that of how to relate imports to the domestic situation. Surely, it makes good sense to limit imports when domestic production goes up. Right now, the best thing that could happen for beef producers, in my opinion, would be to cut off all beef imports until the industry gets back on its feet.

4. Because of the widespread concern among livestock producers about imports I think it would be only fair and reasonable to involve them more in the process. Producers should have some direct input when the State Department does its negotiating. I think producers could give some good advice on how to tie up those imports. They could explain in plain language that you can't hold a steer back with a piece of string. That in itself would be a revelation over at Foggy Bottom.

Mr. Chairman, I appreciate this opportunity to submit my views at this hearing, and I truly hope that some positive action can result from today's public discussion.

STATEMENT BY SENATOR LLOYD BENTSEN

Mr. Chairman, the Texas cattleman is among the most independent and self-sufficient individuals in this country. He has asked little of his Federal government. Yet the Federal government has responded by intervening in his marketing processes and helping create an economic depression that has forced a great many cattlemen out of business.

Every increasing imports from a beef surplus world continues to complicate this situation, and I compliment the Chairman in holding these hearings to review the situation. Over two years ago I called on the President to use his authority to limit beef imports and felt obligated to introduce legislation on the subject when he failed to act.

Mr. Chairman, the government's intervention I mentioned earlier was the Administration's ill-advised beef price ceiling. This action disrupted the traditional marketing patterns for beef and complicated what became a surplus supply of beef. This threw the industry into a liquidation position, and as brood cows and young calves came to market, they met the competition of imported beef. In a liquidation position, it is these type cattle that set much of the cattle market, and it is these type cattle that are affected most by cheap imports.

That, Mr. Chairman, is why it is important that we act positively on legislation like what we are considering at this hearing.

S. 595 is a step in the direction toward alleviating the problems of the beef industry. This legislation would re-establish a base import level at 750,000,000 pounds and reconstruct the formula for setting meat import quotas. Under the 1964 Act quotas are allowed to increase as domestic production increases. This does not take into consideration that in a period of liquidation, when the amount of imports allowed under its formula flood the same market as domestic liquidation type beef; a surplus market being flooded by cheap imports.

In 1975, the United States received over 50% of all of the exported beef in the world. An amount of 1.6 billion pounds was imported into the U.S. according to the official figures of the U.S.D.A. This amount was nearly five billion pounds over the quota set by the present Importation Act The quota level was ignored, despite the fact the state Department negotiated agreements in early 1975 with beef importing countries and review of several embassies here in Washington has revealed that the beef exporting countries intend to increase their shipments to the U.S. in 1976.

The provisions of S. 595 are sound. It is essential that we provide legislation that will encourage our producers rather than working to their detriment. We should not be in the position of allowing one government policy delay the recovery of an industry that has been crippled by another government policy. That is why we have, Mr. Chairman, the combination of high import rates with the effects of the beef price ceiling; a combination that should be changed.

Mr. Chairman, when the world beef surplus situation emerged, the United States was the only country that left its borders open to flood of imported beef. Other countries moved to protect their producers and closed their borders to imports. In contrast, the President of this country actually dropped all restrictions on quota levels in 1972.

Mr. Chairman, its time we reversed this situation, and developed policies that benefit our cattlemen rather than following those policies that destroy their profits and frustrate their ability to supply he American consumer with abundant, high quality beef.

STATEMENT BY SENATOR JOHN TOWER

Mr. Chairman; I appreciate the opportunity to be here today to testify in behalf of S. 595, which would alter the mechanism by which levels of beef and other meat imports are set by the United States. I believe this legislation is necessary in order to provide some small measure of relief from foreign competition to our domestic livestock industry.

Since 1973, American livestock producers have been caught in a severe cost-price squeeze. The prices paid for feed grains have more than doubled since 1972, while prices received at slaughter have fluctuated wildly, allowing no prior planning by the producer. In many cases, cattle raisers have paid premium prices for stock only to see the value drop by half within a few months.

In October 1974, the Texas House Committee on Agricultural Marketing conducted field hearings in the state to determine what might be done to alleviate the worst problems faced by ranchers.

At those hearings, Texas ranchers agreed that competition from beef imports, prices of feed grains, and the lack of loan funds headed the list of problems faced by the industry.

Among the recommendations of the house panel was the suggestion that the Federal government encourage voluntary restraints by other nations in the exports of beef products to the United States.

The committee reported that "excessive imports have hurt the dairy and meat industries," with meat imports running at a little over a billion dollars for the first six months of 1974, an eight per cent increase over 1973. As a result, the committee felt that voluntary restraints would alleviate the problem without need to resort to import embargoes.

Mr. Chairman, he Department of Agriculture told me in a letter last week that beef and other meat imports now run more than $1.6 billion for 1,182 million pounds. In 1976, under the present law, beef and other meat imports will be allowed to rise to 1,233 million pounds before the "trigger" of import quotas is imposed by the President.

I believe it is true for all livestock producing states, but I know it is true for the ranchers of Texas who call, write, and visit my office, that ever-increasing imports of livestock products continue to threaten the economic well-being of the ranching sector.

And while I do not believe a total embargo of beef imports is in the best interests of this country, I do believe some relief is due to the families who supply this country with its beef, veal and mutton.

Embargoes are dangerous tools of foreign policy, as we found out in the past when this country attempted to embargo sales of grain to the Soviet Union. In the end, they are detrimental to the interests they initially seek to protect. I believe that our ranchers would, in the long run, find that an embargo on imported livestock products would work to their detriment, by impairing our ability to export our own livestock products. These exports now run about $1.4 billion per year, according to the Department of Agriculture, despite the heavyhanded interference from our trading partners, who have systematically attempted to close their borders to our livestock exports.

However, Mr. Chairman, to say that total embargoes are dangerous to the interests they seek to protect, is not to say that we in the Congress should sit by with a law which by its very nature insures that recovery of the livestock industry will be hindered by ever-rising imports.

It is my understanding of the present quota mechanism that increases in production trigger higher import quotas, while lower production in this country would cause imports to go down. There is theoretically a good deal of merit to this system, but the plain fact is that it has not worked to benefit the livestock producer. I think it needs to be changed, and I think Senator Bartlett's bill, which I have co-sponsored, brings that needed change.

What the rancher needs by way of assurance during a period of economic dislocation such as we have been going through since 1973, is a policy that guarantees that his future production will not stimulate increased competition from foreign exports to the United States.

Under the present system, every step taken by the producer to work himself out of a hole is met with increased importation of competitive products, thus driving down prices further as supplies increase. Under S. 595, the producer would know that as he increased his production, imports would decline, to allow a stable source of the product to the consumer, and a stable price to himself.

Mr. Chairman, I have a reputation in the Senate for my belief that free interchange among nations' products is in the best interests of this country's economy. I remain steadfast in that belief. However, we do not have that situation in regard to the importation and exportation of livestock products, and the barriers erected by our competitors have not allowed the vigorous pursuit of an export strategy by American livestock producers.

Because our trading partners have chosen to discriminate against our ranchers, and because these ranchers remain in precarious financial straits brought on them by soaring costs of production, I believe we must temper our free-trade philosophy with realism.

This bill is a first step in rectifying injustices which livestock producers face. It may be sufficient, if in no other way than to demonstrate to the world that this Congress gives its confidence and support to the ranchers of America. If it is not sufficient, I may be persuaded stronger measures could be justified.

In the meantime, however, I urge the committee to study this bill carefully, and to recommend its passage to the full Senate. If the committee sees fit to do so, I certainly will do all within my power to work for its passage among our colleagues, and at the White House.

Thank you, Mr. chairman.

Statement by Senator Roman L. Hruska

Mr. Chairman, I appreciate the opportunity to testify on behalf of S. 595 which would amend the formula contained in the Meat Import Act of 1964 for determining the annual quantity of beef that may be imported into the United States. I am co-sponsor of the measure, and I commend Senator Bartlett's initiative in introducing it.

Mr. Chairman, in the past few years our whole economy has experienced a recession, but no segment has been harder hit than the cattle industry. Examples abound of feeders who have lost more than $100 per head. Prices for calves have plummeted. Some ranchers and feeders have been forced out of the business, and many others have been on the verge of bankruptcy.

The current market is a prime example of the difficult situation the cattle industry has encountered. Feed costs per pound of gain are estimated to be about 43 cents. When interest costs, fixed costs, and a return for labor are added, the cost can be more realistically set at 50 cents. Steers in Omaha last week were selling for 36 cents a pound. Those figures clearly illustrate the plight the cattleman is in.

All during these hard times the cattle industry has been faced with beef import restrictions that are determined in a manner that is counterproductive to any efforts to gain relief from this situation. I am referring, of course, to the formula under which annual beef import quotas are set. The current formula actually contributes to the problem both from the standpoint of the cattleman and the consumer. It allows imports to increase in times of domestic overproduction, thereby furthering the cattleman's problems. When domestic supply is short, the formula decreases beef imports, thereby lessening the amount of beef available to consumers.

It must be acknowledged that the Meat Import Act of 1964 has served a useful purpose. It has provided some measure of relief for the American cattleman through establishing an annual ceiling on beef imports which has prevented massive dumping of foreign beef on the American market. However, after nearly a decade of its operation, it is clear that the formula for determining import quota is contrary to simple economic principles, and the well being of both cattlemen and consumers.

Under the current formula, when average annual domestic commercial production of beef increases, the annual import quota increases. Conversely, if annual domestic commercial production of beef decreases, the import quota decreases. As a result, when domestic supplies are high, more beef is imported, and when domestic supplies are low, less beef is imported. In the one instance the problem of domestic overproduction is heightened by a larger supply of imported beef, while in the other, a scarce supply domestically is further undercut by diminishing the availability of foreign beef. Essentially the formula operates in a backward manner, disrupting the stability of prices and clouding the information system upon which the industry makes production decisions.

The most shocking aspect of the operation of the current quota formula is the generous increases in beef imports it has allowed. The Meat Import Act's purpose was to protect the domestic cattle industry from ruin by preventing increased foreign beef imports during times of domestic oversupply. This has not been the result, unfortunately. In 1965, the first year of quotas under the Act, domestic beef and veal production amounted to 19,747 million pounds while the trigger level of allowable imports, before quotas would be imposed, was set at 933 million pounds. This year's domestic production is estimated to be 25,280 million pounds and the trigger level has been set at 1,233 million pounds. Since the inception of the Act, annual domestic production has increased more than 5½ million pounds and the amount of allowable beef imports has increased 300 million pounds. Rather than decreasing the amount of imports in light of greater domestic production, the formula of the Act has allowed imports to increase nearly one-third. There could be no clearer example of the failure of the current formula.

Mr. Chairman, the Meat Import Act should be used to help protect the economic stability of the American cattle industry rather than working to its detriment. Other nations of the world would not hesitate to take quick, decisive action to correct such a situation.

In fact, other beef exporting countries, including some of our major trading partners, wantonly discriminate against our beef producers. They do so by totally barring entry of any United States beef from their countries, or by placing a heavy, unrealistic duty on such imports.

For example, the discretionary licensing system of Australia, New Zealand, and Argentina has not permitted American beef to come into their countries. The European Community has a similar system, and even when limited licenses are granted, an ad valorem duty of 20 percent is extracted from the importer. On top of the ad valorem duty, a variable levy and other taxes are added so that the few American primal cuts of beef that are exported to Europe have a landed cost which is a full 85 percent higher than the actual cost of the beef. And that cost does not include any of the transportation or handling costs incurred in sending the beef to Europe. The unfairness of the beef import policy of such countries is clear when compared to a maximum United States duty on imported canned corned beef which is set at 7½ percent.

Mr. Chairman, it is time to change the meat import formula so that it supports rather than opposes our domestic beef industry. S. 595 proposes to do this in a reasonable and rational manner. It would reestablish the base quantity for imports, allowing for adjustments to be made based upon the level of annual domestic slaughter of grain fed cattle.

This is a sensible approach. It must be remembered that most imported beef comes from grass fed cattle. America has long been the leader in producing grain fed beef. When American grain fed cattle slaughterings are high, the import quotas should be increased in recognition of the lesser supply of grass fed beef in our markets. By the same token, beef import quotas should be lowered when domestic grain fed cattle slaughterings are low because more domestic grass fed beef is in our market.

Senator Bartlett's amendments to the Meat Import Act would allow this to take place by tying adjustments to the beef import base quota to the percentage of total cattle slaughter represented by grain fed cattle. When the percentage of such slaughtering increases, the import base would be adjusted upward. Likewise, when the percentage of grain fed slaughterings decrease, the import base would be adjusted down. This is as it should be.

Mr. Chairman, S. 595 provides the opportunity to correct a formula that simply has not worked as planned. This correction would be in the best interest of the cattle industry and the consumer. It is my hope that the committee will give this measure its careful attention and every consideration. The change is long overdue.

I commend the committee for holding this hearing. Thank you for the opportunity to present my views.

Senator FANNIN. We have a very knowledgeable Senator from the State of Oklahoma this morning and I want to commend him for requesting these hearings, pushing for them and insisting on the hearings. He certainly is dedicated to his work as the Senator from Oklahoma. We are very fortunate to have him with us this morning as our first witness. We have a very appropriate list of witnesses and I think it is appropriate to have him as our first witness.

I now call on Senator Bartlett at this time.

STATEMENT OF HON. DEWEY F. BARTLETT, U.S. SENATOR FROM THE STATE OF OKLAHOMA

Senator BARTLETT. Thank you, Mr. Chairman. I want to thank you for being willing to chair these meetings on very short notice. I think the first approach to you was last Wednesday or Thursday, so I do appreciate very much your chairing the hearings. I also want to thank each of you for your interest in the matter of these imports.

I also want to express my thanks for the cooperation of Senator Long, Senator Ribicoff and each of you in making these hearings possible.

Since introducing S. 595 over a year ago, I have solicited comments on its provisions and have found that section 2 of the bill is not necessary in that the provisions in sections 1, 3 and 4 of the bill will adequately provide for an equitable balance between domestic beef production and imports over an extended period of years. Consequently, I will reintroduce S. 595 with section 2 deleted.

Mr. Chairman, the livestock producers in this country are in serious financial condition. Total cattle numbers are up, and the supply-demand situation is out of balance. This has been the condition for 1½ to 2 years.

Low beef prices and high grain costs have distorted the market as more and more cattle are going directly from the range to slaughter. In 1974 the ratio was approximately 45 percent nonfed to 55 percent fed slaughtered. For 1975, the ratio changed to approximately 35 percent nonfed to 65 percent fed.

The 1964 Meat Import Act was drafted in such a manner as to allow imports from other countries, primarily grass-fed beef straight from the range, to be increased in proportion to total domestic production, including nonfed and fed cattle. This approach to beef imports has been counterproductive and has further complicated an already difficult situation. It makes little sense to allow more imported beef production and to allow less imported beef when there is lesser domestic production. The reverse, which does make sense, is the control provision of this legislation.

While I understand that many cattle producers believe a total beef import embargo is justified, because of consumer and free international trade convictions of many Members of Congress, it appears unlikely that such action would be taken by the Congress. In my opinion, the bill I have introduced is a reasonable compromise for all concerned.

Basically, S. 595 amends the meat import law in three important ways: First: It removes the prerogatives the President has in current legislation. I think this would be approbated by the executive branch of Government as well as making it a much easier kind of law to administer. Second: It would establish a new meat import base level for any 1-year period of 750 million pounds, subject to adjustment either up or down based on a new domestic production ratio. This compares to a limit of 725.4 million pounds under the current meat import law which was adjusted during the domestic overproduction of 1975 to 1.3 billion pounds. Third: Future import adjustments will be based upon a responsive relationship to a 1969–72 base period. If the ratio of domestic grain-fed beef slaughter decreases in comparison to total slaughter, foreign beef imports would be reduced on an equivalent basis.

However, if this ratio increased above the 73 percent established under the base period, imports would increase accordingly. In such a case, we would exceed the 750 million pound level.

A brief example will illustrate how this would work: From 1969-72 the percentage of total slaughter which was grain fed was 73 percent. This 1969-72 period reflects operation of a relatively stable market and is used for the base percentage. Since late 1973 there has been economic adjustment in the beef industry. This has taken the form of increased domestic production of nonfed beef, which must compete with foreign nonfed beef imports. The extent of this adjustment is evident in the fact that fed-cattle marketings in the last quarter of 1974 fell to 60 percent of the total beef slaughter, a decrease of 13 percent of fed cattle during the base period. The 13 percent decrease represents a 17.8 percent change from the base period of 73 percent. This 17.8 percent decline in fed-beef production would then be utilized to further reduce the level of foreign beef imports. Thus, the base of 750 million pounds would be reduced on a quarterly basis by 17.8 percent so that total beef imports for the quarter could not exceed 154.1 million pounds—616.5 million pounds at an annual rate.

Mr. Chairman, on the last sheet attached there is the arithmetic involved for the sample I just gave, I will further explain the manner in which these figures are obtained.

The quarterly import limit of 154.1 million pounds is obtained by multiplying the 750 million pound base limit by 17.8 percent, the percentage decrease in the ratio of fed to total domestic slaughter in the last quarter of 1974 compared to the fed to total domestic slaughter of the base period. This gives a figure of 133.5 million pounds which, when subtracted from the base level of 750 million pounds, gives the annual rate of 616.5 million pounds. Dividing by 4 gives us the fourth quarter of 1974 limit of 154.1 million pounds.

The 154.1 million pounds under the formula of this proposed legislation compares to 300 million pounds per quarter which could be imported under the present act and represents a reduction of foreign beef imports of nearly 50 percent when domestic cattle conditions are critical.

Many American livestock producers find themselves near bankruptcy today because of actions taken by this Government under the economic stabilization program. Consequently, I do not believe it to be unrealistic for the Federal Government to take some steps to alleviate the damage. Passage of this bill is one action we can take which would be beneficial to both producers and consumers in the long run.

Producers would know that large domestic beef production will not result in their being penalized by ever-increasing foreign imports. Consumers would benefit from a stabilized meat supply situation because under our present meat import law imports go down as domestic production decreases while under S. 595 periods of domestic production decreases would bring about increased imports.

This bill is not a panacea for the problems of the cattle producer but I think it would be beneficial to cattlemen. Certainly it is in the interest of everybody that the cattle business be stabilized. The feast and famine aspects of cattle production are not beneficial to the person in the business nor to the consumer.

The consumer asks the question, "Would this bill lead to higher prices?"

Certainly this bill would stabilize prices, and this would mean that the prices would be higher during certain periods and would be lower during certain periods. Perhaps overall, it would average out or perhaps it would be a little higher or a little lower.

The point is that it would be stabilizing this condition to some extent, and in this respect it would provide assurance of reliable supplies of meat for the consumer at the fairest price.

Mr. Chairman, this legislation is needed for the stability it would provide. I again want to express my appreciation for these hearings and I thank you for the opportunity to testify.

[The chart referred to follows:]

$$\text{Yearly rate: } \frac{750^{*}(rt)}{.73} \qquad \text{Where: } rt = \frac{\text{Fed-beef}}{\text{total slaughter}}$$

$$\text{Quarterly rate: } \frac{\frac{750^{*}(rt)}{.73}}{4.}$$

No. 1. Where $rt = .60$

$$\text{Quarterly imports} = \frac{\frac{750^{*}.6}{.73}}{4} = 154.109$$

NOTE.—This would equal an annual rate of 616.436 million pounds.

No. 2. Where $rt = .79$

$$\text{Quarterly imports} = \frac{\frac{750^{*}.79}{.73}}{4} = 202.91$$

NOTE.—This would equal an annual rate of 811.64 million pounds.

Senator FANNIN. Thank you, Senator Bartlett. You have furnished some very valuable information. You have presented valuable information as to what has happened in the past and what will happen in the future. We commend you for trying to reach a reasonable compromise for all concerned. It is a question of what is achievable. As you stated, some of the cattle beef producers feel a total embargo is justified. I feel this legislation is perhaps the approach that should be taken. I think the testimony this morning will bring out the thoughts of others in this regard. It seems to me you have made some very good points in regard to just what is attainable.

Senator Curtis, do you have any questions?

Senator CURTIS. Yes, as I started to say before, I commend you for these hearings. There is one point you brought out which I think needs some emphasis, and that is the effect on the consumer. I believe that various organizations, some of the news media and others wrongfully play this point up. If other costs go up, we do not tune in our news or pick up our papers and read about the effect that will have upon consumers. But because the agricultural interests are such a small minority, any mention of agricultural income raises a hue and cry about increased costs.

Not long ago I listened to one of the major networks giving their expert opinion—and it was not a very good opinion—about what would happen if we exported grain.

For every $5 billion of grain export, there are 50,000 jobs provided.

There is no reason why farms and producers should accept a substandard income below what the rest of Americans receive in order to reduce prices to consumers. The wage increases are not denied because they increase the costs to the consumers. Utility bills are not denied on that basis, or freight bills. There is an attempt to try to arrive at a figure that is fair and just and that which is economically efficient.

I commend you on your statement.

Senator FANNIN. The Senator from Kansas, Senator Dole.

Senator DOLE. I don't have anything to add. I appreciate the testimony of Senator Bartlett. I am a cosponsor of the legislation.

There is something about beef imports that are symbolic to the American cattleman. If we can make any progress at all, I know it will be difficult. Senator Curtis just pointed up the consumer interests, and there are some in the Congress who may not be aware of the need to balance the equities between the producer and the consumer. I would hope that based on the very fine statement Senator Bartlett testimony of certain other witnesses we can have a better understanding of the problem. There has been very little in Congress and in the executive branch. It has never been very encouraging to me to see the Secretary of State negotiating with farmers. They did that with wheat and it led to disaster.

In any event, I appreciate the comments.

Senator BARTLETT. I thank the distinguished Senator from Kansas and the distinguished Senator from Nebraska and the distinguished chairman from Arizona.

I might add one thought that came to mind when the remarks were just made. The cattle business as well as agriculture is perhaps the purest and best example of freedom of enterprise, with the supply and demand system working.

What this bill was trying to remedy is the problem created by the current legislation which increases the imports when the industry has problems of over production. It accentuates the problem. This tries to deemphasize where the problem has an inverse relationship.

It seems only fair to me that the consumer should recognize that if he tries, as the Senator from Nebraska pointed out, to have the producer cattleman subsidized to a lower standard of living, the consumer with lower prices, this will result in more production rather than adequate production at lower prices. It would be more production and higher prices.

I think what we are looking for is a stabilized condition which I believe this bill would provide.

Senator FANNIN. Thank you, Senator Bartlett, for a very impressive presentation and for the remarks that aptly involve the consumer and the producer, and this is certainly a two-way street. It is valuable to bring out just what is involved and we hope there will be a better understanding by the consumers that what appears to be beneficial to their interests is only temporary but the end result may be very detrimental to them.

Thank you very much.

[A supplemental statement by Senator Bartlett follows:]

SUPPLEMENTARY STATEMENT BY SENATOR DEWEY F. BARTLETT

The primary reason for establishing the ratio of the number of fed cattle slaughtered to the total number of cattle commercially slaughtered as the formula for beef imports is that imported meat competes primarily with our non-fed beef for markets. When the cost to produce fed cattle becomes too great, beef imports should be lowered because they compete more directly with range-fed domestic beef. This is exactly what S. 595 is intended to do, act as a stabilizing influence for domestic beef producers.

In developing this formula, a simple inverse of the current total beef production ratio was considered, but it was decided that tying import levels to the fed beef to total slaughter would be more acceptable to all sides and still result in a significant reduction in imports.

While it is the view of some that the administrative difficulty involved in determining the fed to total slaughter ratio may cause problems, this still appears to be the best overall solution.

Senator FANNIN. The next witness, Mr. William McMillan of the American Cattlemen's Association accompanied by Mr. William Jones of the National Livestock Feeder Association. We welcome you gentlemen here this morning. We were fortunate to hear from you before and we have always been very well informed by you. You have always given us information that was helpful to us and we appreciate your being here again this morning.

STATEMENT OF WILLIAM McMILLAN, AMERICAN NATIONAL CATTLEMEN'S ASSOCIATION; ACCOMPANIED BY WAYNE ROWE, JR., LAWTON, OKLA.

Mr. McMILLAN. Thank you, Mr. Chairman.

I am William McMillan, executive vice president of the American National Catlemen's Association. Bill Jones was unable to be with me this morning. However, he does give me the authority to speak on behalf of the National Livestock Feeders Association.

Accompanying me is Mr. Wayne Rowe, Jr., from Lawton, Okla. who is the president of the Oklahoma Cattlemen's Association, an affiliated association of ANCA.

Senator FANNIN. We are pleased to have both of you with us, and I am sorry I recognized you, Mr. Rowe, as Mr. Jones.

Mr. McMILLAN. As all of the members of the Senate Finance Committee know, the American Cattlemen's Association over the years has maintained an active and intense interest in the question of beef imports.

Senator Curtis, I address this to you. I can recall many of the battles we had back in 1964 when the Meat Import Act was enacted. I think, over the years, that particular law, has proven several things.

Perhaps the most critical of those things is that there is a deep principle involved of market access, a principle that does in fact provide a degree of protection for the U.S. beef cattle industry while at the same, time, providing market access to the United States for exporting nations.

I mention this at this time because the United States is deeply involved with negotiations in Geneva with the General Agreements on Tariffs and Trade.

Over the last couple of years, the United States has experienced, as well as major beef exporting nations, arbitrary actions by foreign importing nations. Japan, for example, absolutely closed the door on beef imports in 1974. It has only been in recent months that Japan has once again started to import some beef.

The same thing is true with the European Community. The Economic community has absolutely placed an embargo on beef imports for several years. To date, it has not been lifted.

That has a direct bearing on what happens in the United States. We provide access to our markets, but major exporting countries like New Zealand and Australia that also rely upon the Japanese or European market for their surplus must find a home for their product. Therefore, they look to the United States or the North American market, because they also look to Canada.

Were it not for the Meat Import Act providing a degree of protection for the U.S. beef cattle industry and, at the same time, providing quantities of beef for the consumers to add to those large quantities of beef that we already are producing domestically, the exporting nations would have been dumping literally all of their export surplus beef on our market.

So, I say in principle the Meat Import Act of 1964 is a proper principle and one that does work. It has been good for the cattle industry and the U.S. consumer. I hope our negotiators in Geneva, through the Office of Special Trade Representative, will make other nations of the world apply these same basic principles of market access as those involved in the Meat Import Act of 1964.

That is not to say that the Meat Import Act is a perfect bill. Few bills are and S. 595 gets to the heart of one of the weaknesses that has existed in the bill.

As Senator Curtis will recall, in 1964, we attempted to get an inverse relationship built into the legislation. Inverse in this context: when the U.S. production of beef is high, then fewer imports should be permitted and, conversely, when U.S. domestic beef production is low, then that could be the proper time for more imports to be permitted entry into the United States. That principle in S. 595 is one that is proper and one we would like to see applied.

We do disagree that you can apply a breakdown of fed and nonfed slaughter and make it work. We contend that beef is beef. When you have large quantities of beef, whether it comes from the feedlot or nonfed slaughter, it still is consumed and competes for that consumer dollar in the form of food.

About 25 percent of a fed beef carcass, for examples, is trimmed out and does in fact go into such things as ground beef, hamburger, sausage, et cetera. Therefore, it is directly competitive with lower quality beef that is imported into the United States. Therefore, it is just as competitive with the cow beef and other nonfed beef we slaughter.

Rather than trying to set up a formula by which you differentiate between the nonfed versus fed beef in the United States, we think a much simpler approach would be that of using the total available commercial beef supply of the United States, and apply the inverse relationship to that.

The current situation in the fed beef market is a good illustration of economics and its difficulty to apply as stated in S. 595. The fed cattle market currently is depressed. Cattle feeders are losing upward of $100 a head, because we have a large supply of fed beef in the feedlots. That supply will come to market over the next few weeks and months and have a continual pressure downward on the overall beef market.

At the same time, our nonfed slaughter in terms of cows, and so on, also is at a depressed level. The basic cow-calf producers market their cows and salvage them—those cows are generally boned out and end up in grinding beef. The cow market also is in a loss position. I have no way of knowing what the individual operators would do, but I would venture to say that most cow-calf producers, those who are involved in the basic production of beef in the United States—have a market value somewhere around $100 for a 400-pound calf. I would guess it would cost about $55 per hundredweight to produce that calf. From those figures, you can see the industry generally is in a depressed condition.

We would like to see this legislation enacted because we think the principle of inverse relationship is proper, and we think the principle of the act itself is proper in terms of market access and the ability to provide some degree of protection.

Before I turn over to Mr. Rowe, I would like to make one further comment.

In 1975 according to one set of figures issued by the Census Bureau, and these have been the official figures up to this point, the trigger point as called for in the Meat Act of 1964 was exceeded. Those figures indicate from the Census Bureau that we imported about 1,200,900,000 pounds—product weight—practically all beef.

However, another set of figures provided by Customs indicate that that trigger point called for in the law was not exceeded.

In discussions I have had primarily with the people in the Department of Agriculture, I'm told that the Customs' figures are the most accurate and you may obtain them the fastest.

Therefore, I would hope the members of the Finance Committee would encourage Customs' figures be used henceforth on imports coming into the United States for two reasons:

They apparently are much more accurate.

Second, they would reflect in a much more rapid form the actual arrivals of beef into the United States.

Senator CURTIS. Would you explain the two systems of tabulations. What is the difference?

Mr. MCMILLAN. Customs' figures come out of the Department of Treasury, whereas the Census figures from the Department of Commerce.

Senator CURTIS. Following the Customs' figures would be much quicker?

Mr. McMillan. This is my understanding in discussions with officials of the Department of Agriculture, yes, sir, and more accurate, too, Senator.

Senator Curtis. In more instances, it would impose restraints on the importer, would it not?

Mr. McMillan. I am not sure it would, but it would provide the accuracy that is so vital any time you do have any kind of a program in effect where accuracy and speed are required.

Mr. Rowe has a brief statement which I wonder if he may deliver to the committee at this point.

STATEMENT OF WAYNE ROWE, JR.

Mr. Rowe. First, Mr. Chairman, I want to thank you and the committee for the opportunity to appear and make this brief statement today.

My name is Wayne Rowe, Jr., and I operate a cow-calf program, a yearling program, and I do a little feeding in southwest Oklahoma. In addition to speaking for myself, I am also representing here today the membership of the Oklahoma Cattlemen's Association as their elected president.

Without taking too much of your time, Mr. Chairman, I want you to know something of the importance of the cattle industry to the economy of Oklahoma.

Economically, more than 40 percent of all agricultural income comes from cattle in Oklahoma. Despite a tremendous downturn in the cattle market, Oklahoma calves were worth $1.2 billion. Oklahoma ranks 3rd in beef, 5th in cattle and 11th in cattlefeeding in the United States.

The beef cattle business is not only big in Oklahoma but it involves thousands of people. With more than 2.5 million mother cows in the State and 73,000 individual farms and ranches involved, we have found that the bulk of the cattle are in operations of less than 50 head each.

The average cattle operation in Oklahoma has approximately 35 mother cows and will annually produce about 29 calves.

Nationally, cattle values fell to a disasterous level in 1975, and the picture does not seem to be much brighter for 1976.

On January 1, 1974, all the cattle and calves in the United States were valued at about $40.9 billion, but by January 1, 1975, the total valuation was set at about $29 billion. Cattle prices were essentially cut right in half. We all certainly know who suffered the most.

Mr. Chairman, I need not remind you of the critical economic status our industry is in and has been since the fall of 1973. We cannot price our product on a cost-plus basis as many industries do. We operate on a supply-and-demand basis, while inflationary pressures, Government edicts and labor union demands for higher wages have caused the price of equipment, fertilizer, and so on, to skyrocket.

We believe history will prove our Government, regardless of the political party in power, has for the last 4 years directed its efforts toward a cheap food philosophy, disregarding the hardships of the agricultural producers. If this is not the cause, why does our Government permit 1.220 billion pounds of beef into our market whenever cow and calf is losing money?

We are told that if we do not buy Australian beef, they will not have the dollars nor the desire to buy our heavy equipment, airplanes, and so on. If this be the case, Mr. Chairman, the trade is being made at the expense of the cattle ranchers across the Nation.

Cattle ranchers are traditionally people who have generally followed the footsteps of their forefathers. We do have newcomers in our business and way of life especially when the markets are reasonably good. They are the ones usually coming to the Government when the going gets rough. The Federal Government cannot solve the problems. You cannot produce a general range when it is badly needed for reverse—a blizzard with balmy conditions. We would prefer to operate our ranches with as little Federal Government involvement as possible.

As I said earlier, we have 75 cattle producers in Oklahoma. The majority of them are independent operators. Periodically we get into oversupply situations as we are now and in the fall of 1973. During this time, we have been faced with disasterous weather conditions, price controls on our products, inflationary spirals, taxes, and products that we have to buy and not just a loss of a few predatory cayotes.

Retail prices are now down to 40 cents a pound from their highs in 1975.

We recognize that the Federal Government cannot solve all of our problems, and there is no simple overnight solution in reversing the serious economic oversupply situation we have gotten ourselves into. Most of us will survive as we have done in the past.

Mr. Chairman, we recognize that the United States must participate in world channels of trade. We support that philosophy. However, we believe the United States beef cattle industry should not be expected to suffer the disasterous losses we have been experiencing. We believe the time is long past due when the meat import bill of 1964 should be amended and some relief given to the beef cattle industry of America.

S. 595 is designed to readjust the meat import quota, and we would like to respectfully request and encourage your support of this measure.

Again, we appreciate your time and your attention to a very serious economic situation in Oklahoma.

Thank you.

Senator FANNIN. Thank you, Mr. Rowe, for a splendid statement and for bringing out the seriousness of the situation today and your encouragement of the legislation now before us. We appreciate the testimony from both of you.

Mr. McMillan and Mr. Rowe, we have a statement from the Department of Agriculture with respect to the monitoring of the imports of meat, the data and the problems encountered. At this time, we would like to have the statement inserted in the record at this point, and we would appreciate your comments.

[The Department of Agriculture statement follows:]

MONITORING IMPORTS OF MEAT—DATA PROBLEMS ENCOUNTERED IN 1975

Imports of fresh, chilled or frozen beef, veal, mutton and goat meat are subject to quotas as provided in Public Law 88-482. According to the formula specified in the Law imports of these meats are allowed to grow in proportion to the growth in domestic production of these meats from a base period. *The import level so obtained is called the adjusted base quantity or quota level.* The Secretary of Agriculture is required to make public this quantity annually.

The Law also requires the Secretary of Agriculture to make quarterly estimates of the annual quantity of meat that is expected to be imported subject to Law. If the Secretary's estimate exceeds 110 percent of the adjusted base quantity, the President is required to impose quotas limiting imports to the adjusted base quantity.

For 1975, the adjusted base quantity was 1,074.5 million pounds. The trigger level or 110 percent of the adjusted base quantity was 1,181.7 million pounds. Each of the Secretary of Agriculture's quarterly estimates of imports for 1975 was less than 110 percent of the adjusted base quantity. These estimates were based upon the successful completion of a voluntary restraint program with supplying countries negotiated by the Department of State at the request of the Administration. These agreements were completed by September 1.

The Department has received many letters asking why import quotas were not imposed in 1975 when the Bureau of the Census showed that imports of meats subject to the Law totaled 1,208.9 million pounds—27.2 million pounds above the trigger level for quota imposition. To answer this question we would first point out that these Census data are preliminary. Secondly, the Law states that it is the Secretary of Agriculture's estimate of meat imports that governs the Presidential action of imposing quotas and at no time during 1975 did the Secretary's estimate exceed 1,181.7 million pounds.

You will note that the Census data for 1975 imports became available on January 22, nearly 3 weeks after the close of the calendar year. Obviously it is impossible to make decisions solely on the basis of this monthly data when it appears that certain countries may be close to exceeding their voluntary restraint levels. For this reason the Bureau of Customs was asked to begin monitoring meat imports on August 1. The Department received weekly reports from them with a two week lag until the end of the year. Besides being more timely than Census data the Customs monitorings have the added advantage of being the only source available to ensure compliance with mandatory quotas. Such quotas were invoked against Australia and Costa Rica in 1975.

On the basis of Customs monitoring, imports in the last 5 months of 1975 were 456.9 million pounds—45 million pounds less than the quantity reported as imported by the Bureau of Census during the same period. We have asked Customs to investigate this difference. A preliminary report is expected shortly and a full one in about 4 weeks.

We recognize the need to constantly improve our monitoring and estimating procedures. This year, the Bureau of the Customs began furnishing us with weekly import data beginning January 1. We have recommended that this data be used throughout the year as the sole source for monitoring meat imports. This data source has the advantage of being more timely than Census reports, and, if formal quotas are imposed on any country, the Customs monitorings are used to ensure compliance.

Mr. McMILLAN. Thank you, Mr. Chairman. I have had a brief chance to review it.

Under the Meat Import Act, the Secretary of Agriculture has to make estimates quarterly of what the imports will be for the year. That is the whole triggering mechanism, so to speak, for the implementation of quotas or to see whether or not the countries which are participants are complying with voluntary restraint agreements which have been in effect for the last several years. That is why it is so crucial to have accurate figures.

I note here that they make the statement, with which I agree, that the census data are preliminary. In 1974, the Customs data for the 1975 imports were nearly 3 weeks coming following the close of the calendar year.

On a weekly monitoring basis, the Customs data becomes vital, particularly in keeping track of whether the countries will stay or have the prospect of staying within their restraint levels.

Inasmuch as I think their concluding statement is precise and accurate, Senator Curtis I think sums it up very well: "This data source has the advantage of being more timely than Census reports, and if formal quotas are imposed, the Customs monitoring is used to insure compliance."

Senator FANNIN. After you gentlemen have had a chance to study this statement further, if you want to make additional comments, they would be very much appreciated. Before we go further, I don't know if any of the Senators have questions on this particular point.

Mr. McMillan, you talked about market access in Japan; has Japan been off-again-on-again as far as their access to the market is concerned?

Mr. MCMILLAN. That is correct. During 1973, I think the figure is correct, or approximately correct, Japan imported something like 125,000 tons of beef, mostly from Australia. Then the energy crisis came along, the balance-of-payments situation arose, inflation was running rampant, and the cattle producers in Japan started to complain about a declining price for their product. So, Japan just slammed the door on imports coming in from any country. The United States has participated, I might say, on a minor level on exports going to Japan in the form of high quality-fed beef. Australia suffered a large loss when Japan did this.

Japan is back in the market buying a limited quantity, but nobody knows whether one day they might totally slam the door again.

Senator FANNIN. Unfortunately, we are not slamming the door on them, and we have not. We are giving them special privileges. In fact, we are practically subsidizing them. I have worked for years to try to do something about that and GATT has not been too helpful. I have been critical of SDR and everybody else for having a quid pro quo. That has not been forthcoming. They operate on an on-again-off-again basis with us, but they wanted always the privilege of shipping into our country, with the tariff practically extinct, the flooding of markets, and we do not seem to be able to do anything about it. I am still very concerned about it.

Do you feel with the European Economic Community that we are making any headway?

Mr. MCMILLAN. We have not observed any to date. We are anxious for the U.S. negotiators to be sure to stick together with agricultural items and industrial items being negotiated together. The European Community is attempting in every way possible to split them apart. We are not going to get anywhere if there is a splitoff. I think we have to "hang tough" if we are going to make any inroads into the European Community.

Senator CURTIS. When Japan and the European Economic Community curb or shut off completely their imports—does Australia and New Zealand to some extent find themselves with these huge quantities and a feeling of desperation for somewhere to dump it, and the only dumping ground is the United States? Is that not what is happening?

Mr. MCMILLAN. That is correct, United States and Canada.

Senator CURTIS. I visited Australia and met with their meat board. In one city the headlines was "The Enemy of Australia Beef Arrives." Their interests and everybody else' interest is in opening up these other markets rather than Australia and the United States selling to each other. There is just nothing to gain by buying something you don't need. If any European country or any other country imported things they did not need to import at all, we just would not respect their business judgment. We would question their political leadership. That is why the State Department and our representatives at the United Nations are so wrong when they feel that we can take an uneconomical and inefficient position with regard to imports and gain world friends.

You cannot gain the agreement of too many people, but you should strive to have the respect of all of them. They should respect you as being intelligent and good businessmen and looking out for your national interests but, of course, fair. They lose respect for us when we are saps, and I am afraid that is what we have been doing.

Senator FANNIN. Thank you, Senator Curtis.

Senator DOLE. Do I understand both witnesses support S. 595 without reservation?

Mr. MCMILLAN. Yes, we support it, Senator Dole, but we think the inverse relationship principle should be applied to all beef rather than trying to differentiate between fed and nonfed beef. We want to look at total beef supplies and apply the inverse relationship.

Senator DOLE. Is that the same position you have, Mr. Rowe?

Mr. ROWE. Yes, sir.

Senator HANSEN. Let me join you and the other members of the committee in welcoming our distinguished witnesses here this morning. I suspect I may be a little unique among my colleagues on the Finance Committee in that I am in this business.

I am reminded of a story a long time ago that Bill McMillan told me about a tomcat watching a tennis game. The ball was being slapped back and forth, and this old tomcat sat there watching the game. The ball would go from one end of the court to the other, and his eyes moved back and forth. Finally someone came up to the tomcat and said, "You must really like tennis." He said, "No, not necessarily, but my old man is in this racket."

Mr. Chairman, I am in the cow business, and sometimes you have to take extra work like I am presently engaged in, albeit moonlighting, to keep the ranch going. These have been real tough days. I know, because when you try to balance out what you received in income from the cow business and paid in expenses, after paying more for labor, fuel, taxes, and everything else that goes with it, you just have to understand that, contrary to what the typical American believes, the cowman has not had it all that good.

Last year we sold yearling steers and got 36 cents a pound for them. We sold very similar steers in 1951 and got 35 cents per pound for them. I can tell you there is no comparison between the cost of raising those steers in 1951 for which we received 35 cents a pound and our costs in producing those last year for which we received 36 cents a pound.

Mr. Chairman, American livestock producers and feeders have had it pretty rough these past couple of years, and I am pleased the subcommittee is holding this hearing on a bill that would help put the industry back on its feet.

Livestock producers have been losing money for the past 24 months. Many have gone out of business. Others will soon follow if conditions don't improve. To illustrate the point, figures gathered by the Department of Agriculture show that in 1973, livestock producers were getting $43 per hundredweight for beef cattle. Last year, they got only $32.90. There was a slight recovery in January of this year to $33.50 per hundredweight, but this is scant reason for rejoicing, especially since agricultural production costs have increased 46 percent since 1972—from $52.8 billion then, to $77.2 billion for the third quarter of last year. The livestock producer's share of the dollar consumers spend for his product has declined from 66 cents in 1973, to 64 cents last year.

If the majority of citizens in this country had suffered a similar reduction in income at the same time their expenses increased, there would be an uprising of sufficient intensity to cause immediate congressional action on appropriate remedial legislation.

Last year, cattle numbers were up by some 7 million head, and the supply-demand situation was grossly out of balance. When low beef prices combine with high grain prices, more and more cattle go directly from the range to slaughter, and a much small percentage of total production is fed grain. That's because feedlot operators cannot afford the grain to operate. Grass-fed slaughter as a percentage of total slaughter increases, and it is during such period that imported meat, which is grass fed, endangers our domestic livestock industry. It competes directly with domestic grass-fed beef, and acts to further depress already lowered prices.

The present meat import quota law permits increases in imported grass-fed meat in proportion to increases in domestic beef production. Instead, the law should work the other way around—when grass-fed slaughter increases as a percentage of total slaughter, imports of grass-fed meat should be reduced instead of increased, so that domestic livestock producers would be protected from unfair competition.

It doesn't make sense for the United States to encourage foreign beef imports at a time when domestic cattlemen are producing an oversupply and are going broke.

Mr. Chairman, a year ago I was in Torrington, Wyo. Bill McMillan came there, too, as I recall, to address the Wyoming Stock Growers Association, and an economist had appeared on the program the day before. I did not get to hear him, but there was still lots of talk going on about what he was saying and essentially, this is what he said: He had checked the prices of feeder calfs at the local Torrington livestock auction market. He checked the price of fat cattle the same day. He had checked the prices of grain and hay and other things that go into the production of beef, and he came to this conclusion:

> If someone were to give a feeder a 350-pound feeder calf, and that feeder had to go on the market that then existed and buy the hay and the grain in order to fatten that animal until he would weigh 1,100 pounds in grade choice, he would lose money on the deal.

It is certainly a fact that lots of feeders have gone broke and my heart goes out to them for two reasons. One: I hate to see anybody suffer; and, second: I hate to see someone suffer when I know I am going to suffer next and that is exactly what has happened to us.

Since the enactment in 1964 of the current meat import quota law, foreign imports have taken over an increasing share of our domestic beef market. In 1966, imported beef accounted for about 5.8 percent of American consumption. By 1973, imports represented almost 10 percent of our market. While the figure declined to 7.3 percent for last year, it still is a substantial portion.

In 1966, the dollar value of imported meat was $353 million. Last year, it was $661 million. In 1966, total imports of beef and red meat were 1.2 billion pounds. Last year, we imported 1.8 billion pounds of foreign beef. I request that a chart showing these and other figures provided by the Department of Agriculture and the Library of Congress be included in the record at the end of my statement.

[The chart referred to follows:]

Year	U.S. production beef and veal, (billions of pounds)	Total imports, (billions of pounds)	Total exports (millions of pounds)	Net imports (imports less exports) (billions of pounds)	Imports as percentage of U.S. production	Exports as percentage of U.S. production	Net imports as percentage of U.S. production
1956	20.6	1.2	39.1	1.1	5.8	.2	5.6
1967	21.1	1.3	42.2	1.2	6.3	.2	6.1
1968	21.6	1.5	38.2	1.4	7.0	.2	6.8
1969	21.8	1.6	36.7	1.6	7.5	.2	7.3
1970	22.2	1.8	39.8	1.7	8.2	.2	8
1971	22.4	1.7	52.8	1.7	7.8	.2	7.6
1972	22.8	1.9	62.1	1.9	8.7	.3	8.4
1973	21.6	2.0	90.0	1.9	9.3	.4	8.9
1974	23.2	1.6	63.2	1.5	7.0	.3	6.8
1975	24.5	1.8	53.4	1.7	7.3	.2	7.1

STATISTICAL EVIDENCE OF NEED FOR IMPORTS

Estimated U.S. processing meat supply (boneless basis)

U.S. production of processed sausage under Federal inspection—excludes fresh pork sausage

U.S. import quota calculations

Facts on meat imports

Dollar value of imports of beef and veal:

1966	$353,900,000
1967	403,900,000
1968	485,600,000
1969	508,800,000
1970	679,900,000
1971	734,700,000
1972	861,700,000
1973	1,171,800,000
1974	896,700,000
1975	661,444,000

Senator HANSEN. The present law has three major faults. First, it amplifies short-run market imbalances by encouraging higher imports when domestic production is more than adequate to meet demand. Second, it places domestic producers of grass-fed beef at a competitive disadvantage. Third, it promotes long-term market erosion.

S. 595 amends the current law so it would not worsen short-run market imbalances. Foreign imports would no longer increase at the very time there was overproduction at home.

By enacting the 1964 quota law, Congress recognized that excessive amounts of beef imports were harmful to the domestic livestock industry. Now, that law needs revision so that it will accomplish what it was meant to do.

Senator FANNIN. Thank you, Senator Hansen. We have been very fortunate to have you on this committee and to have you testify here.

He is perhaps the most knowledgeable in the Congress on this subject. I don't know anyone who has had the background and experience that Senator Hansen has serving in the Congress, a former president of Wyoming Cattlemans Association and also another association, I know a member of the board——

Senator HANSEN. I was vice president of the American Cattlemans Association.

Senator FANNIN. He does have a splendid record. Not only was he serving in that capacity because he was in the business, but because of his vast knowledge of the industry and he certainly has a splendid record of public service, including services with the institutions and academic institutions of Wyoming, on the Board of Regents and in many other capacities—but his service in regard to the particular industry which is being discussed this morning is of great value to the members of this committee and to the Members of Congress.

We are very pleased to have the testimony of the distinguished Senator from Wyoming.

I want to comment we appreciate your being with us here, as I stated earlier. If you have further comments on the statement that was given to you that came from the Department of Agriculture, we would appreciate receiving it in writing.

Are there any further questions of the gentlemen?

If you gentlemen would be specific in your recommendation of the amendment, you stated perhaps you thought it would be appropriate on the bill, S. 595, we would appreciate it.

Mr. MCMILLAN. Because of the suddenness with which the hearings were called, we did not have time to get down to specifics, but we will have some specific recommendations to submit later.

Senator FANNIN. I apologize for not giving you more time.

Thank you both for being with us, Mr. McMillan and Mr. Rowe.

Senator CURTIS. I wonder if we could call Mr. Larry Bowley. Would you give your full name to the reporter so that he can get it down correctly.

STATEMENT OF LARRY BOWLEY, CATTLEMAN, NORTH PLATTE, NEBR.

Mr. BOWLEY. My name is Larry Bowley, and I am from North Platte.

Senator CURTIS. What is your business?

Mr. BOWLEY. I am a cattle feeder. We run a herd over a thousand.

Senator CURTIS. How long have you been in the cattle business?

Mr. BOWLEY. All my life.

Senator CURTIS. Approximately how many years?

Mr. BOWLEY. Approximately 35 years.

Senator CURTIS. What sort of operation do you have?

Mr. BOWLEY. We have irrigated grass and irrigated corn and we convert all our energies to cattle. We have no other source of income. We have no moonlighting opportunities—I am kind of thinking about it.

Senator CURTIS. It might be a good idea.

Mr. BOWLEY. All our energies are converted to one thing, and that is cattle. It has been that way all the time. We grow corn, but we cut it into silage and we feed it to cattle.

Senator CURTIS. Do you produce your own cattle?

Mr. BOWLEY. We bought approximately 500 head last fall and we raised about 300 of our own.

Senator CURTIS. So you have a combined ranching and cattlefeeding operation?

Mr. BOWLEY. That's right.

Senator CURTIS. Which way is it from North Platte?

Mr. BOWLEY. Straight west about 10 miles, right on the interstate.

Senator CURTIS. You marketed fed cattle?

Mr. BOWLEY. Yes, sir.

Senator CURTIS. And the cattle you raise you put in your own feedlot and you still buy about 500 head?

Mr. BOWLEY. Yes, sir.

Senator CURTIS. You have given considerable attention to this matter of meat imports over a period of time, have you not?

Mr. BOWLEY. That is correct.

Senator CURTIS. Proceed in your own way, Mr. Bowley, and give us a report on the situation as you see it together with any recommendations or thoughts you care to express.

Mr. BOWLEY. First, I want to thank the committee for allowing me to come here. I can understand these other people being here as witnesses. And in spite of all the bad-mouthing Washington gets, it can't be too bad with a little guy, like myself, can pick up the telephone and in a matter of 2 or 3 hours be on the witness list. It was not all that easy, but nevertheless it happened and I am here now.

One of the things that has been going on since importing started is that it's always stated as pounds. If someone wanted to know how many witnesses were here and if you said "about 8,000 pounds", that is a good comparison [laughter] I am serious.

There was an article in the "Successful Farmer" pertaining to cattle imports quoting them in pounds. So I called this gentleman and told him I had his article in hand and asked him how many cattle these pounds translated into?

He said, "the minute you asked me that I knew I never did my homework." I can tell you almost anything else about imports.

Gentlemen, I am sure there is probably no one here who realizes that we are getting 50,000 head of cattle a week. This is a simple matter of changing this 1.18 billion pounds, and those are old figures. Now according to my paper at home the new figure is 1.223 billion pounds. One of the gentlemen used a figure of $1.209 billion pounds.

It says in the "World Herald," although the cattle people oppose this, our new setup is going to be 1.223 billion pounds.

Senator CURTIS. How many head does that translate into?

Mr. BOWLEY. 50,000 head of cattle per week, 900 double-deck trailer loads.

I live right on the interstate and there are not that many trailers that go by in a week. But when you look out there, you think a pretty good percentage of them are cattle trailers.

Until we change the pounds into cattle, no one relates to it, so it goes on by. We don't get serious about it.

I was hoping this hearing may have started over a phone call I made to Evan Slack, of the Intermountain network, that originates in Denver, Colo. He quoted the news release of imports in pounds. I got right on the phone and called him. I visited with him on the phone and I asked him why don't you use the cattle number instead of pounds? He said, "I just quote news releases other people give me." I said, "What would you think or say if I told you there was 47,000 head of cattle a week?"

He said, "Well, you figured it wrong." When I figured it, I told myself that too. I took the figure into North Platte and had a friend run it through a computer and the computers answer was the same.

Evan Slack had the statement on his intermountain network program and afterward he said, "I have to do some more figuring." He couldn't believe the cattle imports could be that high.

I took these figures to our State legislature, the chairman of the agriculture committee. I asked him if he had any idea about how many cattle were coming in, and he said, "A bunch." I said, "Do you have any idea, the wildest guess for a week?"

I said, "Tell me what would you say if I figured it out to be 47,000?" He said, "You had better do some more figuring."

This is what I am getting at. The people don't know how many cattle we are getting in. I honestly believe when this bill was figured out originally, the people who were doing the figuring got outsnookered, because the fact of the matter is as we have an overproduction of domestic cattle, they ship more cattle in. If there was a traffic jam out here on Pennsylvania Avenue this morning, would you tell the policemen on both ends to send in as many more cars as they could find? This is a comparison to our meat import bill.

When we already have an overproduction of domestic meat, they can send us just as many more. I agree with the gentleman who said they should accelerate and decelerate with our numbers and price. Price and numbers are related, but sometimes there is a long waiting period before they catch up.

Our cattle industry never stands still. It is either going up or going down. The prime thing is to sell when it is up at the top and buy at the bottom, but you cannot always do that.

We have gone through hell this year. We had a terrible blizzard this last spring, in April, and another in the fall season.

We had cattle on cornstalks at Paxton, about 40 miles away. And then we had a 3-day blizzard and couldn't get there and a number of cattle died.

When you figure the loss out in a monetary way, it is peanuts compared to what this import bill does to us. This bill is just devastating. When they keep using pounds instead of cattle in the paper, it just looks like nothing.

Senator CURTIS. You are not referring to what you proposed here?

Mr. BOWLEY. No, sir, the present program.

Senator CURTIS. I want to inject at this point it does not help to recall what happened years ago, but as a matter of fact the cattlemen produced a program for restriction of imports back in 1964. As I recall, it survived this committee by one vote.

It was a good bill and it would have been very effective but we got to conference with the House of Representatives. At that point many nonagricultural minds got into the act, particularly the State Department, and we ended up with a bill that obviously has some very bad loopholes in it and has not done the job of protecting the cattle industry in the United States as much as it should.

Senator CURTIS. I would like to ask you a question. You are producing—and are putting on the market about 800 head of cattle a year, are you not?

Mr. BOWLEY. Yes, sir.

Senator CURTIS. According to my figures—on your basis of imports amounting to 50,000 head of cattle per week—1 week's imports would be putting about two and a half operators of your size out of business every week. One week's imports is 62½ times your yearly production.

Now do you think that is about right?

Mr. BOWLEY. Yes, sir. In using the figures I got from my representative, Virginia, Smith, put out by the U.S. Government, it said in September of 1975 one country out of many, I think 17 sent us 67.6 million pounds—pounds—so I convert this to cattle. On the overall figures before I used the 50 percent conversion rate because I thought this was hanging meat. And then when I called "Successful Farmer" the editor said, "This is frozen and chilled boned meat", so our conversion rate is around 40 percent. Using the 40 percent conversion rate, that is 169,000 head of cattle. (67.6 million pounds)

I send a lot of my cattle to Iowa Beef. They by union rule, can only kill 2,500 head of cattle a day. You convert the 169,000 head, and it amounts to 3 months and 8 days' kill for Iowa Beef, the largest packing plant in the State of Nebraska and one of the largest in the United States. On this same USDA paper that I referred to earlier, it said that Australia was going to be able to send in, by guess, 50 million pounds the next month and then they would only have 31 to 32 million pounds left for the rest of 1975.

They sent us 67.6 million pounds in December alone. A lot of this meat, I understand, was transshipped down through Canada.

Senator CURTIS. To get this record straight so people who are not as familiar as you are in reading it, you used a 40 percent conversion rate. That means a 2,000 head group, which is pretty heavy, is only translated into 800 pounds over what is cut up in fresh frozen meat; is that correct?

Mr. BOWLEY. Yes, sir.

Senator CURTIS. The actual numbers of live cattle are quite startling, but that is how we can translate the impact upon American agriculture because in 1 week's time we are importing what 62 producers of your size could do in a year.

Mr. BOWLEY. When you total these imports up for 1 year, it is more cattle. If you dressed out all the cattle out of St. Paul, Sioux City and Omaha for 1 year—Nos. 1, 2, and 3 cities in cattle sales—the imports would be equivalent to about the same amount.

Senator CURTIS. What have these excessive imports done to the price? I think we all have a general idea of it, but we would like to hear your statement of that as someone who is right in the business and solidly confronted with it.

Mr. BOWLEY. In fact, I am getting ready to liquidate the cattle business. Last Wednesday we had all our cows bled and preged so we could sell them and they could go anywhere in the country. We sold fat heifers just ahead of the foulup in the meat grinding bill.

I sold them about the day it took place. My cattle were already sold that day and they were priced that day. At that time we got

$34.70 for some of the best heifers. They dressed out at 63.29 pounds per 100 pounds. That is all I got and they weighed an average of 1,273 pounds.

Senator CURTIS. You got $34.78 a hundred?

Mr. BOWLEY. Yes, some of them were sold at grade and yield, but I never sold grade and yield before, so I went back and figured it over. In fact, I had them figure it for me.

I want to make a statement here. They always relate that import meats have no relationship to our cattle business. Because it is just hamburger, weiners, and luncheon meats.

Do you know that in 1975 we killed 14 million cows? That was double a normal years kill. We normally kill 7 million or 8 million. And this is the same type of meat as the imports. We imported the equivalent of 30 percent of the same type meat that we produce here.

All the time that we had too much wheat and too much corn we were told we only had 4 percent too much.

What are we doing with the 30 percent? I can't understand what my people in the Department of Agriculture are doing. They could send me hoof and mouth disease and it would not be any worse. They are not looking after me.

Senator CURTIS. I agree, and coming back to this price business, when the announcement was made they were going to change the grading standards, there were protests in many directions and confusion, but at any rate, the market dropped drastically.

Mr. BOWLEY. We lost $50,000 in less than 10 days. Unless the price goes up, we will sustain that loss.

Senator CURTIS. In other words, the announcing of the new grading standards cost you $50,000. Has the market recovered? Was that about 10 or 12 days ago?

Mr. BOWLEY. Two weeks ago.

Senator CURTIS. Has the market recovered?

Mr. BOWLEY. It has, maybe a dollar.

Senator CURTIS. It dropped how much?

Mr. BOWLEY. About $4 in a couple days, but its a $7 drop over all.

You see, I am interested in the price when I am selling. I have not lost $50,000 until I have sold the cattle. But I have made up my mind, that if the farm organizations can't get together like the unions and really represent us it is time to quit. We don't have any George Meany representing us to say, "This is the way it is going to be."

My son is on the farm now, but I don't want him there any more. I wanted him there because I thought it was a good life, but, by God, a good life is made up of two things, and one of them is you have to have some money.

Looking down the road to the future, it doesn't look very good.

Senator CURTIS. Based upon your observations as well as your own experience, what do you think the cattle feeders have been losing per head?

Mr. BOWLEY. Cattle feeders are no different from any other people in society. Some are better than others.

Senator CURTIS. I realize there will be a great variance, but if you were going to generalize, what would you say?

Mr. BOWLEY. I paid 44 cents for my cattle. The guy who bought this gentleman's cattle for 36 cents is not as bad off as I am.

Senator CURTIS. How much do you feel you lost?

Mr. BOWLEY. I feel we will lose in the neighborhood of $55 to $60 a head.

Senator CURTIS. The problem of beef grading is one problem separate and apart from the imports. Do you feel that one of the major causes of the lack of stability and the lack of a decent price for cattle has been the imports?

Mr. BOWLEY. It has been a very big contributing factor, yes, and I am not saying that I disagree with the meat grading law. It is the way it was implemented.

Now we have two grades of cattle coming on the market at the same time. You have a group of cattle that needs feeding and then all of a sudden they don't need any feeding. You are going to have to put 3 more weeks of feed in the cattle, but then tomorrow they become choice.

Senator CURTIS. I was confining my questions to imports. Over the long pull, you regard that as the major problem?

Mr. BOWLEY. I really do, because when you relate this with the percentage of the cattle we are getting compared with what we are raising, we are getting way too many cattle.

Now, this is brought in to our docks for around 20 cents or a little bit less. Couldn't they send that meat to countries that have that kind of economy? Why send it to our economy when our same grade of meat is 60 cents?

The trouble is they take the 20 cents and mix it with the 60 cent meat and sell it with the 60 cent meat. If they mixed it with the 60 cents and sold it for 40 cents, it would be a bargain and help clear out our oversupply.

As long as it stays at 60 cents, it is a direct drag on our cow market.

I sold a cow a while back that had a little pink eye. I sold her for $120. It cost me just a little less to feed her for a year. The cattle feeder and farmer enjoy a good life but too often he has to compensate the dollars to enjoy that good life. Otherwise there would probably be too many farmers.

Senator CURTIS. I want to ask you something else to bring out another aspect of the business which should be understood by those who make decisions with reference to our economy.

If I have a pair of shoes to sell, I can leave them on the shelf until somebody is willing to pay the price that is marked. That is true of most articles, most manufactured articles. What is the situation in regard to that in reference to when you sell cattle?

Mr. BOWLEY. Cattle are just about like a pie in the oven. When it is ready, you have to take it out. And it does not do any good for a steer to stay in the lot.

Senator CURTIS. Two things happen—your feed bill goes up and the quality goes down, is that right?

Mr. BOWLEY. Yes, sir. It becomes no good if it gets too fat. Right now our cattle are a month to 6 weeks away. So we reverse feeding them. Instead of accelerating the corn, we decelerate the corn and increase the silage. We have a little longer staying period. It is a little bit like turning the oven down on the pie.

Senator CURTIS. The fact remains by and large you have to sell when the cattle are ready?

Mr. Bowley. That's right, because your expense keeps on going. Unless you do enjoy a higher market, this is like staying in a poker game too long or anything else.

Senator Dole. You mentioned Mr. Meany. He is very effective.

Mr. Bowley. But he does not help me.

Senator Dole. There is a report this morning—and they are probably going to blame the farmers for this. During the embargo Mr. Meany kept crying for the consumer and he said that he was really working for the longshoremen's union in trying to get higher shipping rates.

He got his agreement and had the embargo on wheat sales to Russia by increasing the cost to $25 a ton. This morning Treasury announced it will cost the taxpayers $80 million for that little gimmick and that will be blamed on the American farmer. It is another case where organized labor impresses their demands upon any administration because they have the power and the influence and the farmer is blamed for it.

Mr. Bowley. That little deal cost the farmer 25 cents for every bushel of grain he sells, but that is another deal with our economy. The farmer is the only one—the only one—who pays for the freight going on his product and the freight going back.

In North Platte it is what the product is worth, where it is going, minus the freight. It is the same way coming out. It is the cost of the product plus the freight to get to me.

If I buy a car, Ford Motor Co. does not pay the freight. I have to pay it.

Senator Dole. $80 million is a lot of money charged to the farmers. The public reaction will be against the farmer.

Senator Hansen. Let me say how very useful and persuasive I think your testimony has been, Mr. Bowley. I appreciate your coming here today.

Mr. Bowley. Thank you very much.

Senator Curtis. I am just delighted that you have been here. Your testimony does not differ in the objective of what others have said, but you have certainly given us a clear picture of how it operates and how it affects our economy and particularly the agricultural economy.

We are very grateful for your being here. Thank you very much.

Our next witness is Mr. Spagna, Concerned Cattlemen of Oklahoma. Please give your name to the reporter and proceed with your statement.

STATEMENT OF FRANK SPAGNA, CHAIRMAN, CONCERNED CATTLEMEN OF OKLAHOMA

Mr. Spagna. Mr. Chairman and members of the committee, my name is Francis Spagna, and I am a rancher from Stuart, Oklahoma. I am also chairman of the Concerned Cattlemen of Oklahoma, a State organization of working ranchers and farmers.

I am very pleased to testify in support of this bill, S. 595. It is one that cattlemen have waited a long time for, and it is the only one at present that offers any hope of relieving the disastrous situation for American cattlemen.

I might interject that the previous gentleman who testified certainly made a clear picture of it.

About a year ago I testified before the House Subcommittee on Livestock and Feed Grains on H.R. 48.

With all the sad speeches made in the Congress and the propaganda in the media about the poor and the hungry, the bill never cleared the committee despite the effort and expense of all those who testified in favor of it. I certainly hope that this bill shares a better fate.

In the Congressional Record in speech after speech the problems of the American rancher and farmer are brought out, and regardless of what the administration may say, the situation is not better. With the increased inflation the situation is worse particularly with the cow-calf rancher.

We have all heard of the distrust of government by the American people and in view of the import policies of this administration, I am one of those who share that distrust and with good reason. After half a lifetime of hard work to achieve some measure of security and in the process to be of some use to the country, of loss of approximately $50,000 in 2 years which resulted in the sale of my cow herd that took 10 years of selective breeding to develop—I can buy calves cheaper than they can be bred.

Senator Bartlett in his letter to the President on February 26, 1976, regarding the violation of the meat import laws in clear terms and Senator Abourezk in his letter of February 16 regarding the violation of the law of this administration, "so the issue goes beyond the number of pounds. The violation of the law is now in issue."

Senator Bartlett's bill can prevent that in the future.

During the last year and a half before many farm groups, we have discussed the Flanigan plan and it was, therefore, with great interest I read the Congressional Record of April 27, 1975, when a Congressman said, "The most profitable decision for a Wisconsin dairy farmer would be to get out altogether and choose an alternative which is exactly a decision forced on him and his chief lieutenant, Secretary of Agriculture Butz.

"They have actively sought to drive the small farmer out of business as a matter of national policy."

Further, in the Congressional Record of February 4, 1976, Senator Humphrey said, "There are proposals in this Government, in the Flanigan report, to get rid of the dairy industry of America and import our dairy products."

The Senator from Minnesota exposed that report and that report is prepared by this Government. It is still their gospel and still quoting they are going to get rid of the dairy industry, but they are going to get rid of it over my dead body.

I would submit this is the aim behind this administration's policy with regard to meat imports and the cattle industry.

In the Congressional Record of January 30, 1976, it states that half the world supply of meat is being imported into the United States. It appears to me that it is the rest of the world that has the surplus, not the United States. These countries should be forced to cull their own cow herds at their own expense. The United States should not be their dumping ground at the expense of American cattlemen.

Despite the surplus of meat, the price of meat has not dropped for the consumer. The juggling of a few pennies at the wholesale or retail level is a ripoff of both the consumer and the farmer, and we both know it.

Another comment I would like to offer is on the introduction of legislation to help the survival of small farms and the legislation designed to help our young people get started in agriculture. While I certainly support such efforts, I certainly can't help but wonder if the right hand of Government knows what the left hand is doing. The USDA and the administration are busily implementing the so-called Flanigan plan and various agribusiness schemes that are driving farmers into bankruptcy and yet Senators and Congressmen are introducing legislation to save the farmer.

At least no one can accuse this Government of being guilty of using logic.

The GAO conclusions on what the USDA should do to save the farmer is another example. It completely ignores the basic problem—farm income. Their recommendations for more research, estimates of cost and benefits and using more technology and more efficient management sounds just like more make-work projects for the bureaucrats.

The American farm has already proved beyond doubt he is most knowledgeable and productive. The farmer modifies his home machinery in his home workshop when commercial machinery is not available and too expensive to do the job. He uses medical knowledge in treatment of livestock. He uses business knowledge in dealing with banks and trading corporations and Government agencies.

While I do not discount the need for GAO recommendations in the future, at the present this is not the first priority. The first priority is cash flow and profit. If we have the income, we know how to improve pastures, how to fertilize them, how to prevent soil erosion and how to protect the environment, but again all of these things cannot be done without income and profit. That is the first priority.

In my area of southeastern Oklahoma my neighbors and I have not built any fences or bought new trucks or cars or machinery. Aside from the effect this has had on industry and local business, we have had to devote all of our energies to merely surviving.

American cattlemen are independent. Even if we go broke, we wouldn't go to the Government and ask them to bail us out, but we hope the Government won't add insult to injury by continuing imports, and I urge that this bill be passed as soon as possible.

Senator DOLE. Senator Hansen and Senator Fannin will be back. I understand you support without reservation S. 595?

Mr. SPAGNA. Yes, sir; and I would also like to point up Mr. McMillan's testimony should be in the concept of total beef production.

Senator DOLE. I am from Kansas and I don't understand the concern. Is that a statewide organization?

Mr. SPAGNA. Yes.

Senator DOLE. About how many workers?

Mr. SPAGNA. About 2,500 working ranchers and farmers, particularly cattlemen. In our area of Oklahoma, which is Carl Albert's congressional district, we are mostly all cow-calf producers. We don't have other crops to rely on. We have to rely strictly on cattle.

Senator DOLE. I want to say with reference to the Flanigan report, I don't think we are implementing that. I am not saying that in defense of the administration. I know Senator Humphrey and others like to talk about it, or anything else for that matter, but I don't see any implementation of the Flanigan report. He is not even with the Government any more.

Mr. SPAGNA. We are discussing it from our area and our point of view. I was just trying to express some of the concepts that go on the minds of some of the, say, grassroots people for want of a better word. It has been a subject of discussion with us and perhaps as, let us say, laymen who are not involved in Government when we see ourselves liquidating our businesses, when we see our notes going higher and higher and when we have appealed to the Government for a couple of years and we still see nothing done, this naturally becomes a big topic of conversation.

Senator DOLE. I appreciate that and I have great respect for Senator Humphrey, but I would say in a general way you will note who is attending this committee meeting this morning. You don't see any Liberals here this morning. They will be on the floor trying to defeat S. 595 when it gets there. I guess we have to let the chips fall where they may even in the cattle business.

Mr. Cunningham, president of the Independent Cattlemen's Association of Texas is our next witness.

STATEMENT OF T. A. CUNNINGHAM, PRESIDENT, INDEPENDENT CATTLEMEN'S ASSOCIATION OF TEXAS

Mr. CUNNINGHAM. Mr. Chairman and members of the subcommittee, my name is T. A. Cunningham, and I am president of the independent Cattlemen's Association of Texas. I submit the following position statement of the association on S. 595.

The Independent Cattlemen's Association of Texas, while still a relatively new organization, has a membership of in excess of 100,000 members. In addition to the very depressed livestock market, one of the principal concerns which caused the rapid growth and interest in the Independent Cattlemen's Association of Texas, was the unrestricted importation of meat and meat products into the United States from foreign countries. S. 595 would have the effect of reducing the import level and therefore bolstering the domestic livestock industry.

I would like to pose a question to you members of the subcommittee, and also relate to you the written position of the U.S. Department of Agriculture on this matter.

Are you aware that in 1976 under existing policies of the USDA the United States will import approximately 50 percent of all beef and veal exported from foreign countries throughout the rest of the world? This statement was made by Richard E. Bell, Assistant Secretary of Agriculture for International Affairs and Commodity Programs in the 50th Annual Convention of the Washington Cattlemen's Association, Olympia, Wash., November 14, 1975.

The Independent Cattlemen's Association of Texas realizes that we must trade with foreign countries. In fact, our farm and ranch products present the economic basis for us to improve the United States position in world trade. However, the association believes it is imperative for the Congress to accept the responsibility of establishing the level of imports and making that determination as opposed to leaving the determination of import levels to bureaucratic decision by the USDA. The people elect the Congress and the people want their elected representatives to determine whether the economy of a foreign country is protected over the interests of the citizens of the United States. And, gentlemen, this is exactly what we believe has happened in the past few years. It has been the policy of USDA to be more concerned about the economic well-being of foreign governments than the people of the United States.

Assistant Secretary Bell of USDA indicated that in 1972 there were 906,000 tons or 1,812 million pounds of beef and veal imported to the United States; in 1973, 916,000 tons or 1,832 million pounds; and in 1975 a decrease to 780,000 tons or 1,560 million pounds. The United States is the only country in the world which continues to encourage high levels of beef and veal imports with its domestic markets being threatened. You, of course, are aware that the established statutory level in the 1964 act is 725,400,000 pounds subject to adjustments allowed above the trigger level. In 1975 we exceeded that statutory level by more than 100 percent.

The Independent Cattlemen's Association of Texas enthusiastically endorses S. 595 by Senator Bartlett and others for the following reasons:

1. The bill will put a more realistic ceiling on the amount of slaughtered imported beef and veal to this country.
2. The quantity of imports would be adjusted on a calendar quarter basis rather than a calendar year basis.
3. The Secretary of Agriculture would not be required by statute to estimate and publish the aggregate quantity of beef and veal to be imported. It is our judgment that this publication causes market fluctuations which reduces the stability of the domestic livestock market.
4. We concur with the removal of the President's authority to waive the provisions of the act by proclamation because the Congress should be able to respond within an appropriate time frame if overriding economic or national security matters arise or trade agreements with foreign countries develop which would necessitate amendment of S. 595.
5. The bill allows for increased importation if domestic supplies are inadequate.

In summary, statistics prepared by the USDA indicate a substantial decrease of net farm income from 1973 to 1975. This decrease has been disproportionately assumed by the domestic livestock produced largely due to the effect of excessive beef and veal imports which have weakened the domestic market. In fact, because of the U.S. import policy many livestock producers are financially ruined and bankrupt. The Independent Cattlemen's Association of Texas would urge your favorable consideration of S. 595 to develop an import policy which is fair to the domestic producer and domestic consumer and still recognizes the need for trade with foreign countries.

Senator DOLE. Is this just a statewide Texas organization?

Mr. CUNNINGHAM. Yes, although we have on the surrounding edge of Texas possibly 18 other States that have members in the organization, but we are organized at the county level up, and we are basically a Texas organization.

Senator DOLE. I don't want to necessarily defend the administration, but there is a great deal of pressure applied, of course, on any Secretary of Agriculture. I remember in 1964, when I was in the House, there was a great deal of pressure applied to Secretary Freeman. There were those who felt it meant cheaper meat. Now it is Secretary Butz. Next year it may be someone else.

We have to realize this has to be a two-way street. We can't have trade just one way. We are trying to come up with a reasonable, rational approach to help the people you represent. There are pressures on the Secretary, whatever his name may be.

Mr. CUNNINGHAM. The pressure is wide open. They thought meat prices would be reduced in the United States. All it did was break the cattlemen.

Senator FANNIN. Mr. Cunningham, I appreciate very much your being here. I regret I was not here to hear your full testimony. I was very much impressed with what you had to say. You draw a sad picture of the situation in Texas.

Senator HANSEN. I have no further questions.

Senator FANNIN. Thank you very much.

Our next witness is Mr. David Steinberg, president, U.S. Council for an Open World Economy. We welcome you here this morning. We appreciate your being with us. I understand you have a prepared statement. You may proceed as you desire.

Senator DOLE. I would ask for the record because I never had any contact with a Council for Open World Economy, is that a nationwide organization?

STATEMENT OF DAVID STEINBERG, PRESIDENT, U.S. COUNCIL FOR AN OPEN WORLD ECONOMY

Mr. STEINBERG. It is a national organization I helped found over a year ago. I used to be associated with the Committee for National Trade Policy and I have been before your committee many times in that organizational capacity, in that organizational incarnation shall I say. The Committee for a National Trade Policy, which did some lobbying, went out of existence just over a year ago and I helped form this new entity which is really not a replacement of the committee.

Senator DOLE. It is rather a large organization?

Mr. STEINBERG. No, sir, ours is a very small, indeed struggling organization.

Senator DOLE. You know how a cattleman feels then if you are struggling.

Senator FANNIN. How many members do you have in your organization?

Mr. STEINBERG. The council is a nonprofit organization engaged in education and research on the merits and the problems of achieving a more open world economy. We are not engaged in any lobbying activities. My own views before your committee are my own personal views and not necessarily in every detail those of the council and the board of trustees. I am trying to be a sort of friend of the court. I have a point of view, but I will try to be as objective as I can and I am not speaking for any commercial interest of any kind in this particular field.

Senator FANNIN. You are incorporated and located here in Washington, so I would assume you are a lobbyist for this organization?

Mr. STEINBERG. I am not a lobbyist. I am not doing any lobbying at all and the council is not doing any lobbying.

Senator HANSEN. You say the organization, U.S. Council for an Open World Economy does not have a membership list as many organizations do. Is that right?

Mr. STEINBERG. That is right. I am not speaking for a membership in the sense that a trade association has a membership.

Senator HANSEN. How many regular participants are there in the council?

Mr. STEINBERG. Thus far in 1976, really very few. We have perhaps to date, and I am still trying to raise money, perhaps four or six corporations, one or two small foundations, a few individuals as citizens and consumers, a still very small, struggling organization.

Senator HANSEN. You say you have five or six corporations and one or two foundations?

Mr. STEINBERG. We had one or two foundations last year in calendar year 1975 and thus far, I think it is only one foundation.

Senator HANSEN. What corporations are members of the council?

Mr. STEINBERG. I would be glad to supply that.

Senator HANSEN. Don't you know offhand?

Mr. STEINBERG. Yes, I do, sir.

Senator HANSEN. Just for my edification here.

Mr. STEINBERG. I normally don't put on the public record the names of the corporations that contribute to the organization's program.

Senator HANSEN. You say it is not on the public record?

Mr. STEINBERG. It is on the public record somewhere I suppose. I believe we submit statements to IRS as to who contributes.

Senator HANSEN. Could you tell me the names of the corporations who do contribute to this organization?

Mr. STEINBERG. Do you want me to do it right now?

Senator HANSEN. Yes.

[The following list was subsequently supplied for the record:]

Archer Daniels Midland Co.
Atkins, Kroll & Co.
Bechtel Corp.
Burroughs Corp.
Caterpillar Tractor Co.
Hardy Salt Co.
Kurt Orban Co.
Mobil Oil Corp.
Raytheon Co.
Rudolph Brady
Sam Reisfeld & Son Import Co.
Sobin Chemicals Co.
Tremco Inc.
Winter-Wolff International Corp.
Yarway Corp.

Mr. STEINBERG. The ones who contributed just on the basis of my immediate recollection of who contributed last year, and I am still trying to get funds for this year, include the Burroughs Corp.

Senator HANSEN. Burroughs?

Mr. STEINBERG. Yes, sir, in Detroit; Archer-Daniels-Midland Co. in Illinois; Mobil Oil Corp. These are some of the ones that come to mind. There were many contributors who sent in sums like $10 or $50.

Senator HANSEN. I would not know the personal ones, very probably not, but I was interested in the five or six corporations. You have named three.

Mr. STEINBERG. We are speaking of last year now.

Senator HANSEN. You are the president of this outfit.

Mr. STEINBERG. Yes, sir.

Senator HANSEN. I would not think you would have any trouble remembering corporations.

Mr. STEINBERG. The Yarway Corp.

Senator HANSEN. What is their business?

Mr. STEINBERG. They are in Pennsylvania. I don't immediately recall their business. They have made very small contributions. I don't speak for any of these companies. They are making contributions to a research and public education program on the merits of achieving a more open world economy but also the problems of achieving a more open world economy. I am trying to be as objective as I can. I am not the kind of free trader who says remove the trade barriers and everything will be all right.

I don't want what I say this morning, gentlemen, to be interpreted in any way to reflect any insensitivity to the problems of the cattle industry.

Senator HANSEN. Before you go on with your statement, I would like to know the foundations that have been helping to finance your efforts?

Mr. STEINBERG. One of them was the American Metal Climax Foundation. Last year they gave us a small contribution, and I just got a very small contribution of something like $25 from a small family fund whose exact name I can't remember. It came in just the other day.

Senator HANSEN. What percent of your total operating fund would you guess comes from the four corporations you mentioned—you mentioned Burroughs, Archer Midland, Yarway, and Mobil and you mentioned American Metal Climax Foundation. What percent of money——

Mr. STEINBERG. I would say that corporations contributed more than half, perhaps in the area of maybe 80 percent of the income.

Senator HANSEN. That has come from five corporations?

Mr. STEINBERG. I am trying to think of a couple of others.

Senator HANSEN. How long have you been president?

Mr. STEINBERG. From the very beginning. I helped form it in September 1974. I must say, sir, that I have made a tremendous personal sacrifice in keeping it going.

Senator HANSEN. You have trouble remembering who some of the more important contributors were just a year ago.

Mr. STEINBERG. I am trying to think of who they were then. I am not trying to withold anything from the Senator.

Senator HANSEN. I am just amazed that the president of the council would have difficulty recalling the names of four or five corporations.

Mr. STEINBERG. I mentioned four. There was a firm in Chicago, a small firm. I can't remember the exact name. He gave us a small contribution last year.

The thing is, Senator, that it is not my job to be responsive to the special needs and demands of business enterprises with certain commercial interests, you see.

Senator HANSEN. It will be your position that what you say is generally good for the country.

Mr. STEINBERG. Yes, sir.

Senator DOLE. It is not aimed just at the plight of the cattlemen or beef importer.

Mr. STEINBERG. No. In fact, I should say that none of the contributing individuals and corporations thus far knows that I am here before your committee this morning. They will know when I send them a copy of what I have said.

Senator HANSEN. Do you think what you may say will engender further support from them or lessen their support?

Mr. STEINBERG. I don't know.

Senator HANSEN. If I were a corporation and contributed to your efforts last year and you were unable to recall who I was I must say as an individual I would not be unduly flattered with your inability to remember.

Mr. STEINBERG. Sir, I came here to testify before a Senate committee on a government policy issue. In response to your questions, I am trying to think back to 1975 on the names of the corporations who contributed to our organization. I want to be accurate.

Senator HANSEN. That is a lot of time to recall.

Mr. STEINBERG. I don't think my failure to recall the name of every corporation that contributed in 1975 is in any way an indication of my regard or lack of regard for those corporations whose names I did not happen at the moment to recall.

Senator HANSEN. You mentioned three or six and you named four. I have no further questions at this time.

Senator FANNIN. We want to consider your testimony in the proper perspective and give fair consideration to what you have to say. Naturally, when you furnish us with the information and it is your statement that is in writing, that is on the U.S. Council for an Open World Economy stationery and you are listed as president of the U.S. Council for an Open World Economy, that is all we have to consider, so I think you understand the questions are essential.

Mr. STEINBERG. I was going to point out, without being asked about the council, what the council is and also the fact that my views expressed in these hearings are my personal views, my professional views. The council provides an organizational context for research and public education in this field, but the council itself is not appearing before this committee to oppose or to favor a particular piece of legislation.

Senator FANNIN. All the Chair can say is you have on the U.S. Council for an Open World Economy stationery, "Testimony of David J. Steinberg, president, U.S. Council for an Open World Economy in opposition to meat import quota legislation before the Senate Finance Committee, March 15, 1976."

Mr. STEINBERG. That is the basic statement from which I intended to present my oral statement.

Senator FANNIN. You are withdrawing this as a statement of you as president of the U.S. Council for an Open World Economy?

Mr. STEINBERG. I am not testifying for the council in my capacity of president of the organization. I do think it proper that I indicate my association with the council. The organization provides the framework in which a staff member, which I am, presents his professional views in the same way someone who is on the staff of the Brookings Institution and appears before your committee is not speaking for the Brookings Institution. He is speaking for himself.

Senator FANNIN. I cannot agree with you when you present it in this context but you may proceed.

Mr. STEINBERG. I am sorry; I do not mean to mislead anyone. I personally typed this statement and wanted to be just as brief as I could to try to get it all on one page, planning later to explain my role in greater detail, and tell the committee orally anything that the committee wanted to know. That is what I propose to do.

Senator FANNIN. You go ahead and proceed.

Mr. STEINBERG. I believe a healthy livestock industry is essential to the national interest of the United States and also, I think, essential to the best interests of American consumers. But the question is, if the cattle industry needs and deserves government help, how should this help be provided? In my view, the restriction of imports of meat is the wrong way in itself to approach this subject, the wrong way to try to answer the real problems and the real needs of the cattle industry.

I was personally opposed to the meat import quota law of 1964 and I have been opposed to that law ever since. I am personally opposed to any effort to make that law even more restrictive than it already is.

If the cattle industry needs and deserves government help, I think that that help ought to be provided directly, constructively, openly, comprehensively, coherently, through a coherent cattle policy whose progress is carefully monitored and whose cost to the country and contribution to the total national interests are constantly reassessed. I don't think that the restriction of imports is the way to deal with what are, indeed, some serious problems in the U.S. cattle industry.

I am no purist, Mr. Chairman, on the subject of international trade and on the desirability of an open world economy and of free trade itself. I am not a purist who says remove the trade barriers and everything will be all right. I do believe that we ought to crank a free trade premise into government policy addressing the problems of the weaker sectors of our economy and that we ought to deal directly and openly with those problems. Therefore, in those general ways and in those terms, I respectfully, Mr. Chairman, oppose the bill to make even more restrictive the 1964 quota law.

If the Finance Committee wants to do something in the area of trade policy to help the cattle industry, perhaps one thing, and it is going to sound very small and perhaps very insignificant and very marginal, but perhaps one thing to do would be to move Senator Hansen's bill on the subject of suspending, as I recall it, import duties on bailing and binding twine. I recall reading very carefully a statement by Senator Hansen on the floor of the Senate when he introduced that bill. He said that suspending import duties on baling and binding twine would be a significant help to the U.S. cattle industry. That sounds to me like a constructive proposal and I would support that kind of proposal.

So there in very brief focus, Mr. Chairman, are my views on this subject.

Senator FANNIN. Thank you, Mr. Steinberg. If we could have it as simple as you outlined it, it would be very helpful, but unfortunately we have general agreements on tariffs and trades, we have special representatives working every day of the year trying to resolve some of the very difficult problems. You have given a very simplistic answer to a very complex problem. I do thank you for being with us.

Mr. STEINBERG. With all due respect, Senator, I don't think my view is a simplistic view. In fact, I would say quite the contrary, that I am aware of the complexity of the problem. It seems to me that restriction of imports of meat is a simplistic answer, a simplistic proposal to the problem that very seriously besets the cattle industry.

Senator FANNIN. Senator Dole?

Senator DOLE. I have no questions. I can understand your comments, but I thought you were singling out one industry and I could not see where that would be consistent with the title of the organization.

Mr. STEINBERG. I try to get involved, to the extent I have the time and resources, in any problem concerning any product, whether it is steel or shoes or tomatoes or sugar or whatever. This happens to be a meat issue, something that I have been greatly interested in for a long time and that is why I am here.

Senator DOLE. There are a couple of projects at the International Trade Commission, shoes and steel, with which you might be interested.

Senator FANNIN. I would suggest you get involved in imported cars. We find there is not a quid pro quo relationship on cars. That is much more out of line than most anything you can talk about. Those cars are flooding our market at 3 percent tariff, and they have tariffs on our cars going into the other countries over the world; the Japanese when we were in a position to compete, their tariffs were 70 to 80 percent and they expected cars to come in at practically nothing, and they came in at 4 and now they have gone down to 3.

Mr. STEINBERG. If I had the resources, I would get to the essence of the automobile problem and I would come out with a monograph of some kind presenting my objective views or some staff member's objective views, no matter what any contributing company would feel about it.

Senator FANNIN. Thank you very much.

[The prepared statement of Mr. Steinberg follows:]

TESTIMONY OF DAVID J. STEINBERG, PRESIDENT, U.S. COUNCIL FOR AN OPEN WORLD ECONOMY

Legislation to put meat imports under quota controls even more restrictive than those resulting from the meat-import-control law of 1964 would not be in the overall public interest. In fact, the 1964 law should be repealed to provide consumers the largest possible supply of meat for hamburgers, hot dogs and other food products. Repeal would also help focus national attention on the real problems and real needs of our livestock industry, and on sound solutions that best advance the total national interest.

Meat import quotas hurt consumers, particularly low-income consumers who can least afford restricted supplies of the kinds of foods for which most of the meat imports are used. Nor are these quotas constructive, responsible answers to the real difficulties of the cattle industry. If the cattle industry needs and deserves government help, this assistance should be through a direct, coherent and constructive cattle policy consisting of domestic-policy measures geared to the industry's basic needs—a policy whose progress, cost and contribution to the national interest are openly and systematically reassessed. Besides helping both consumers and cattlemen, such an approach would set a desirable example for other countries whose answer to domestic livestock problems has too often been restriction of meat imports. The trading world needs a much more sophisticated approach to the problems of weak industries. The United States has a major export and overall economic stake in such long-overdue reform.

Whether the industry is cattle or candy, textiles or tomatoes, shoes or sugar, it is high time we and other trading nations stopped making imports a scapegoat and started finding sound responses to the real problems and needs of ailing industries in a rapidly changing and increasingly competitive world economy. Import quotas and other trade controls have become a snake oil nostrum which too many producers in too many industries too often find appealing for treating ailments for which imports are not responsible. America is capable of better. The American people deserve better. The national interest demands better.

Senator FANNIN. The next witness is Mr. Kenneth Roberson, executive director of the Meat Importers Council of America.

We appreciate your being here this morning. Do you have a prepared statement?

STATEMENT OF KENNETH ROBERSON, EXECUTIVE DIRECTOR, MEAT IMPORTERS COUNCIL OF AMERICA, INC.

Mr. ROBERSON. I have a brief prepared statement.

Senator FANNIN. We appreciate your being here. You may read your entire statement.

Mr. ROBERSON. For the sake of brevity I will digress a moment and bring out some salient points.

As I start out in my statement, I am Kenneth Roberson. I am the executive director of the Meat Importers Council of America, Inc., on whose behalf today I appear.

Our council is incorporated in the State of New York, but it is a national organization with members throughout the country. I would say offhand we have about 60 regular members or close thereto, all who are directly dealing in the importation of fresh frozen beef which comes mostly from countries such as Australia, New Zealand and the third country typically being Ireland, but during the past year it has been displaced by Costa Rica.

We have associate members who are firms who are indirectly concerned with the importation of fresh frozen meats and they are such as truckers, some users and so forth.

In the next paragraph, I state that I have been in this capacity for 5 years. Previous to that I was in private business. By that I mean trading on the day-to-day basis in the meat industry and I think I started in the meat industry about 35 years ago; something like that. I hate to state that, but it is a fact of life.

It is our pleasure to be here today. We are naturally appearing in opposition to S. 595. We are opposed to any further restrictions on importing meat.

I have heard here this morning several figures talked about concerning the importation of beef, but in those figures, are canned, cooked, cured and what have you.

S. 595, according to my reading and that of the council, only covers the importation of fresh frozen beef which comes from Australia, New Zealand, and Mexico.

This beef is used for manufacturing purposes. It creates jobs in America. It is not competing with American beef.

Senator DOLE. Do you have any record of how many jobs it creates in America? I would like to compare that with how many are put out of work.

Mr. ROBERSON. No, I am afraid I have no statistics on that, but I know every large processor does use it. I know that imported meat does not only reduce the price of beef to the consumer conversely it also increases the return on live cattle to the producer. That might seem illogical but this imported meat, which is lean, is mixed with domestic fat trimmings and is sold in the form of hamburger, hot dogs and the like. So, if we do not have this imported meat, those domestic fat trimmings would have to go to waste and be sold at, say, a nickel a pound, so you get the two ends here with the producer getting the best money or will the consumer have to pay more? I am not an economist.

Senator DOLE. Do you believe we should have any meat quota at all?

Mr. ROBERSON. I believe and it was demonstrated in 1972, in 1973, and I believe again in 1974, when the President suspended the quota, there were some press releases out at that time that Australia in particular would flood our market, but I believe, and you can check this or I can make another submission later, I believe the record proves, which is on the last point here, that even though the quota was suspended by Presidential order in 1974, we did not even reach the trigger level. So, this brings me to the point I have emphasized time and time again in conversations with different people, that Australia, New Zealand and the other countries do not push the meat in here. We pull it as we require it.

A statement was made earlier today from this seat that beef is beef and imported beef competes with the domestic. I disagree with that. In the industry we use the "National Provisioner" yellow sheet. I called my office this morning and on January 2, U.S. canners and cutters, cows, that is, carcasses from which meat comparable to the imported was produced, was selling at 50 cents a pound in the Midwest. Today that same meat, according to the yellow sheet, dated March 14, is selling at 60 cents, an increase of 10 cents per pound on carcass weight.

Senator DOLE. I have to leave and I know Senator Hansen has a number of questions, but if the meat import law is good for the United States why is it not good for Japan?

Mr. ROBERSON. I think if I were a Japanese I could answer that question.

Senator DOLE. I know your answer—you are not doing any business over there.

Mr. ROBERSON. I think that Japan is going to be importing this year substantial quantities.

Senator DOLE. I think the record is clear that, of course, you are just on the other side of the cattlemen. You have one interest and they have another interest. I don't quarrel with your views. I don't really believe that it is relevant to say that we export a lot of agricultural commodities because there are demands for those commodities and we could export more.

Mr. ROBERSON. Last year our exports were $20 billion and our imports were below $10 billion.

Senator DOLE. That is not relevant to running a cattle business. I tried that in the last election and it does not sell. I understand your position and I don't quarrel with it. Really, I do quarrel with it and I understand it. You are in the meat importing business and you are not up here, I would not say, to hurt anyone but you are here to preserve your own status quo or to help it.

Mr. ROBERSON. I would like to go on the record stating what happened to choice beef during the period I mentioned and we are producing choice beef in this country. I argue and the American Meat Institute has put out a paper to this effect, the grass-fed beef produced in the United States is not used in a factory or commercial kitchen.

Senator HANSEN. Who do you sell it to?

Mr. ROBERSON. The processors will buy it, whether they be manufacturers of convenience foods, hamburgers, hot dogs and so forth, and they take that meat and they mix it with choice trimmings, or prime trimmings for that matter.

Senator HANSEN. Then what is done with it?

Mr. ROBERSON. Then it goes with a 50 or 60 percent blend of domestic product or 70 percent in some cases. Then it goes to the consumer.

Senator HANSEN. But eventually it is eaten, is that right?

Mr. ROBERSON. Yes, surely.

Senator DOLE. Are you saying the stuff you import is too bad to eat it on the table? Perhaps you could have a picnic.

Mr. ROBERSON. I would eat it. It is good, healthy, and sanitary——

Senator DOLE. But you don't recommend it.

Mr. ROBERSON. I don't think my choppers could stand it.

Senator HANSEN. Is it tough?

Mr. ROBERSON. It is grass fed.

Senator HANSEN. You are looking at a guy who did not know there was any other kind of beef until I was 18 years old.

Mr. ROBERSON. You have better grass than New South Wales has.

Senator DOLE. I appreciate your question. I have no further questions.

Mr. ROBERSON. It was a quick decision, and I would appreciate it if the record could be kept open——

Senator DOLE. We will keep it open for any further imports.

Senator HANSEN. Let me say before you leave, Mr. Roberson, that this bill is prompted not to try to make wealthy people out of a very important segment of our domestic cattle industry. It was brought about because they are going out of business.

I come from the West, and there is a lot of land in the West that produces nothing that can be used by man except grass and that grass has two uses: One is to raise cattle and one is to raise sheep. If neither cattle nor sheep graze much of the West, there isn't any economic use that man has so far developed that will make much use of that grass.

Mr. ROBERSON. I am aware of that.

Senator HANSEN. I am a former Governor of Wyoming and I know a little bit about some of the problems trying to maintain county government and the costs that go into providing school systems for small communities, the importance that the ranchers represent in terms of the continuing economic viability of businessmen in small towns and trading areas in the West. Unless these people for whom this bill is intended directly to help can stay in business, they are going to go out of business. As they go out of business, others are going to be hurt and probably some of those other businesses, too, will fail.

The problem is when do we call a halt. How can we structure a bill so as to make certain that they don't go down the drain? The facts are before everyone who is interested enough to look at them. They have been going broke and going out of business. There are fewer than half as many sheep in this country as there were 2 or 3 years ago primarily because of two factors: The great increase in predators in this country and, secondly, the inability of the livestock industry which includes both sheep and cattle, and hogs, of course, but I speak of sheep or cattle now, to keep their prices in balance with the cost of production. It is this problem that we are looking at.

You think there should not be some line drawn that will bring about a protection for these people. Let me say these are the people, the old cows, the dairy industry is dependent upon ultimately having to send every cow it milks one time or another to the packers, as you know. That is where the meat that is boned and frozen and shipped into this country, the manufactured meat that you speak of comes into competition with a very important part of the livestock industry.

Have I said anything so far with which you would disagree?

Mr. ROBERSON. Mr. Senator, I would like to reiterate what I said earlier. We don't pull the meat in here.

Senator HANSEN. Would you answer my question? Do you disagree with anything I have said so far? Is there anything I have said that you think is not factual or true?

Mr. ROBERSON. I do not believe I could testify to that. You touched on lambs, for instance.

Senator HANSEN. You would not know about coyotes. I will exclude the sheep industry.

Mr. ROBERSON. I am a great lover of lamb and I am disappointed to read that we are now consuming about 1 pound per capita in the United States which is down about 50 percent from what it was. I was very, very much disappointed because I am a lamb lover.

As far as the beef situation is concerned on which I am testifying here today, as I said before, we pull the beef rather than it being pushed in by the producing countries. I would say if we had the beef here in this country, we would bring in less. I think the simple laws of supply and demand would be a balancing factor.

Senator HANSEN. Let me say I think I agree with you when you talk about whether we pull it in or they push it. I too find great merit in the marketplace in helping people determine what to do. I think the reason why the Australians send their meat indirectly and I don't mean to point out specially Australia although we know they are an important exporter of beef, but I would say every country that sends beef to America sends it because it is the best market they can find. If there was a better one, they would be sending it somewhere else. Do you disagree with that?

Mr. ROBERSON. I remember in 1973 our Government begged Australia to send beef in here.

Senator HANSEN. I am not talking about everyone.

Mr. ROBERSON. I am talking about the administration.

Senator HANSEN. It is hard to define who is the administration at times.

Thank you very much for your appearance here.

[The prepared statement of Mr. Roberson and attachment follow:]

STATEMENT OF KENNETH ROBERSON, EXECUTIVE DIRECTOR, MEAT IMPORTERS COUNCIL OF AMERICA, INC.

Mr. Chairman and members of the committee, my name is Kenneth Roberson. I am the Executive Director of the Meat Importers Council of America, Inc. Our Council is incorporated in the State of New York, with members throughout the United States, and is an organization of American businessmen engaged in the export and import of meat and meat products. A copy of our membership list has been provided to the Committee.

I have been the Executive Director of our Council for the past five years. I was a co-founder of the Council and have spent a lifetime in the international meat business, as did my father before me.

The Meat Importers Council appreciates this opportunity to appear before this Committee to express its concerns regarding the legislation before you, S. 595. Through the years, we have appeared before your Committee and other Congressional and Administration panels, to state our views on Public Law 88-482, known in our business as the "Meat Quota Law", and we believe the record would not be complete without a response to the Committee's announcement of Wednesday last regarding this bill which proposes a decrease in the meat quota levels which we believe are already too low and unrealistic.

Before discussing our views on S. 595, it is important to have an adequate understanding of the kinds of meat involved in the quota program. The imported meat which is restricted is primarily of the manufacturing type: it is the meat that goes into hamburgers, frankfurters, and convenience foods. The ratio of the lean-to-fat content of imported meat is comparable to "canner and cutter grade" range-fed beef and does not directly compete with table-cut meat which is the primary product of the United States Industry.[1]

To summarize our position: We are strongly opposed to the proposed further restriction of meat imports for the following reasons:

Our Members' business responds to a need of the American Consumer; especially those who for their daily food rely on manufactured meat products, such as hamburgers, frankfurters, and many others. We must remember that many of our fellow citizens are hard-pressed to afford daily steaks, as produced in the feed lots of the United States;

The United States exports 21 billion dollars of agricultural products annually, with imports of less than half that amount; therefore, a further restriction of already restricted imports is totally unwarranted as well as shortsighted;

The proposed legislation, S. 595, would not only severely aggravate an already existing situation, but the difficulties would be compounded by placing the restrictions on a basis (1969-1972) which has no relevance to the needs of the American Consumer or producer in 1976.

The proposed legislation perpetuates one of the central flaws of the Meat Quota Law, a flaw that hurts the American Producer as much as it does the importer: The restrictions of the law are couched in terms of the relationship between imports and domestic production. This, we submit, is economic and business nonsense for all concerned: When there are years of U.S. production shortages, imports would also be short; when there are years of high U.S. production, imports would be at a higher quota level. The first does not help the consumer, the second does not help the industry.

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[1] Only a minor percentage of imports, some 8% according to a study of the U.S. Tariff Commission, is imported in the form of table cuts.

In 1976, perhaps more than ever before, imported manufacturing grade beef of the type covered by the import quota law (P.L. 88–482) will be essential to U.S. consumers in tempering undesirably high prices for hamburger, sausage, and other traditionally low-priced items. Economic data indicate that U.S. ranchers and cattlemen have recently reached an unprecedented peak in herd liquidation.

To the U.S. consumer, this basically means that while there is *now* sufficient manufacturing meat resulting from the high current slaughter levels, supplies will drop radically in the course of 1976. If imports are not allowed to respond freely to demand and temper the relative shortage, the result is bound to be unacceptably high price levels for processed meat products.

Processing meat supplies in the United States are on the decline. Despite modest increases in meat imports, fat beef trimmings, and pork in 1975, the total supply will still be reduced in 1976 by about 200 million pounds as a direct result of decreased domestic lean production.

We are submitting herewith, as Appendix I, statistical evidence of the need for imports in 1976, and, as Appendix II, a summary of quota levels under P.L. 88–482.

It should be pointed out in this context that imported lean beef is blended with trimmings of domestic fat table cuts, thereby increasing the marketable value of domestic fat trimmings.

For these reasons, we submit and urge that S. 595 not be adopted.

Thank you.

STATISTICAL EVIDENCE OF NEED FOR IMPORTS OF LEAN BEEF IN 1976

Estimated U.S. processing meat supply (boneless basis)

[Millions of pounds]

Year	Lean beef, mutton and goat meat: Domestic	Imported (includes veal)	Total	Fat beef	All pork	Grand total
1967	2,631	895	3,526	2,121	1,391	7,038
1968	2,682	1,001	3,683	2,197	1,450	7,330
1969	2,771	1,084	3,855	2,228	1,445	7,528
1970	2,520	1,170	3,690	2,331	1,494	7,515
1971	2,647	1,133	3,780	2,347	1,659	7,786
1972	2,552	1,355	3,907	2,432	1,542	7,881
1973	2,651	1,356	4,007	2,284	1,427	7,718
1974	3,013	1,079	4,092	2,461	1,547	8,100
1975[1]	4,285	1,170	5,455	2,395	1,285	9,135
1976[2]	3,890	1,220	5,110	2,510	1,305	8,925

[1] November and December, estimated.
[2] Estimates.

U.S. production of processed sausage under Federal inspection—excludes fresh pork sausage

Year	Million pounds	Annual percentage increase	Sausage production under F.I. as percent of total processed meat supply	Annual average prices (cents): Bnls. cow chux	Retail hamburger	Retail franks
1967	2,311	+3.8	32.8	51½	52	71
1968	2,551	+10.4	34.8	54	55	71
1969	2,777	+8.9	36.9	60	63	77
1970	2,905	+4.6	38.7	64	65	82½
1971	3,099	+6.7	39.8	65½	67	82
1972	3,241	+4.6	41.2	72¾	74	89
1973	3,231	−.3	41.9	93¾	94	116
1974	3,471	+7.4	42.9	78	94	114½
1975[1]	3,750	+8.0	41.1	65½	85	119
1976[2]	3,900	+4.0	43.7	...	...	...

[1] November and December estimated.
[2] Estimates.

U.S. Import quota calculations

Year	Quota meats U.S. Com'l Prod. — Beef	Veal	Mutton and goat	Total	3-yr mov. avg.	Growth factor — Madigan-Abraham	USDA	Quota based on current law — Base	Trigger	Imports—quota meats — product weight[1]
1959 to 1963 Average	14,704	939	60	15,703		1	1	725.4		722.2
1963	16,049	847	42	16,938						1,049.0
1964	18,037	928	39	19,004						739.0
1965	18,325	936	35	19,296	18,413	1.173	1.170	848.7	933.6	614.2
1966	19,493	862	42	20,397	19,566	1.246	1.227	890.1	979.1	823.4
1967	19,991	749	43	20,783	20,159	1.284	1.247	904.6	995.1	894.9
1968	20,662	696	37	21,395	20,858	1.328	1.310	950.3	1,045.3	1,001.0
1969	20,960	640	39	21,639	21,272	1.355	1.362	988.1	1,086.8	1,084.1
1970	21,472	558	38	22,068	21,701	1.382	1.377	998.8	1,098.7	1,170.4
1971	21,697	516	44	22,257	21,988	1.400	1.413	1,025.0	1,127.5	1,132.6
1972	22,218	429	36	22,683	22,336	1.422	1.437	1,042.4	1,146.6	1,355.5
1973	21,088	325	43	21,456	22,132	1.409	1.443	1,046.8	1,151.4	1,355.6
1974	22,844	442	30	23,316	22,485	1.432	1.417	1,027.9	1,130.7	1,079.1
1975	23,760	815	26	24,601	23,124	1.473	1.481	1,074.3	1,181.7	1,208.9
1976[2]	24,200	675	25	24,900	24,272	1.546		1,120.9	1,233.0	

[1] Source: USDA.
[2] Estimates.

[From American Meat Institute]

A Look at Grass Fed Beef

What is grass fed beef?

The term "grass fed beef" is popularly used to describe meat from cattle that have been fed only on range or pasture or have received a *limited* ration of grain before being marketed. It is not an official government designation. These animals include steers and heifers that have not gone through feedlots and cows and bulls culled from the nation's breeding herd.

Younger "grass fed" animals are marketed at 12 to 15 months of age and weigh 600 to 800 pounds. These animals usually qualify for the U.S. Department of Agriculture *Good* grade.

Heavier animals—between 800 and 1,000 pounds—are marketed at 15 to 25 months of age and normally grade USDA *Good* or *Standard*.

Cows and bulls usually are 6 or 7 years old when marketed. Beef from these animals is used in processed meats such as hamburger or sausage products.

What is baby beef?

Baby beef—sometimes called calf—comes from very young cattle. The calves are marketed at weights between 350 and 550 pounds and have been fed mostly milk and grass. These animals are older and heavier than veal calves.

Baby beef is graded according to USDA calf grading standards. It usually qualifies for the *Good* grade, but some may receive the *Choice* designation.

Is much "grass fed" beef being sold in supermarkets?

Some, though mostly in supermarkets in the Southeast, South Central and West Coast states. Grass fed beef may be advertised and sold by store brands or by USDA grade. In some stores, baby beef (or calf) may be displayed separately from regular grain fed beef.

Does "grass fed" beef cost less?

Usually it is cheaper per pound than grain fed beef. Some stores have offered certain cuts of "grass fed" beef at 50 cents per pound less than *Choice* grade beef.

Does "grass fed" beef look and taste different?

Because "grass fed" beef has less fat covering and marbling than grain fed beef, it may be slightly less flavorful and juicy. The fat may be cream or light yellow in color due to substances in the grass the animal was fed. Fat color has no effect on the flavor or eating qualities of the meat.

Retail cuts of baby beef are smaller in size than those from more mature animals. The lean meat ranges in color from pink to light red with a thin fat covering. The meat is very tender but mild in flavor.

What's the best way to cook "grass fed" beef?

The most tender cuts from the loin and rib may contain as much marbling (fat with the lean) as grain fed beef and can be broiled. Cuts with slightly less marbling should be cooked to medium doneness for maximum flavor and juciness.

Cuts from the chuck and the round should *not* be broiled. Instead, they should be browned, seasoned and cooked in liquid (¼ to 1/3 cup) at 300–325°F. for 2½ to 3½ hours, depending on cut size.

What about cooking baby beef?

Baby beef has little or no fat covering. The shoulder, leg and loin roasts are best cooked at 300–325°F. in the oven to an internal temperature of 170°F., medium well to well done. The meats hould be basted with fat several times during cooking. Tender sirloin, T-bone and porterhouse steaks can be broiled.

Is "grass fed" beef nutritious?

All types of beef are excellent sources of protein, iron, B vitamins, zinc and many other trace minerals. "Grass fed" beef contains a bit less fat than grain fed beef, therefore somewhat fewer calories. However, lean for lean, the nutritive value is the same.

Is the long term trend toward all "grass fed" beef?

No, although the marketplace will determine how much grain actually is fed to cattle. Cattlemen have changed feeding practices due to high feed costs. But good weather and crops will moderate grain prices.

As long as grain prices are high, cattlemen will feed less grain and market their cattle at lighter weights. But most cattle marketed in the months ahead will receive some grain and the number of mature, grain fed animals will increase as feed costs decline.

Senator HANSEN. May I say to all present, this hearing record will be kept open for an additional 2 weeks so any additional statements anyone wishes to submit, they may do so.

Thank you very much, and this hearing is now adjourned.

[Whereupon, at 12:30 p.m., the subcommittee was adjourned.]

[By direction of the chairman the following communications were made a part of the record:]

A POSITION PAPER ON AGRICULTURAL IMPORTS: THEIR IMPACT ON AMERICAN AGRICULTURE

(By Jon Wefald, Commissioner of Agriculture, State of Minnesota)

The United States is by far the world's greatest food producing nation.

America is the major food exporting nation in the world as well.

Indeed, our farmers feed not only all of America but 25 per cent and more of the world's population.

America's farmers and ranchers almost yearly produce surpluses of meat, milk, poultry, vegetables, citrus fruits, vegetable oils, cereal and feed grains.

Rarely should it be necessary to import significant quantities of these foods.

Yet, we are importing shocking quantities of directly competitive food products—more than any other nation in the world.

In fact, imports are a major reason why domestic farm prices have fallen so sharply in recent months.

This year the United States produced record crops of corn and wheat, and the second largest soybean crop on record; moreover, cattle slaughter for beef and veal continues at record levels.

Record production represents record consumer supplies of these foods.

When supply exceeds demand, prices drop—certainly farm prices always do.

Yet the flood of imports continues at near record levels in directly competitive foods.

While the imports are pouring in, our domestic agricultural economy is being seriously undermined.

For example, in Minnesota, farm prices on most commodities are at the lowest levels in years. In 1974, Minnesota farmers experienced a record $543-million CUT in net farm income. For the first nine months of 1975 the estimated gross cash receipts from Minnesota farm marketings were nearly $624-million lower than for the same period last year.

These figures indicate that Minnesota farmers have lost over $1-billion in net farm income these past two years, compared to the record farm prosperity of 1973.

Imports have had an important impact on reversing the boom of 1973 into the bust of 1975.

Safeguards provided by the Congress are being both ignored and even employed to the detriment of American agriculture.

For example, the Meat Import Act of 1964 was designed to protect our domestic livestock industry against unfair and excessive competition from foreign meat imports.

The law provided for imposition of import quotas on beef, veal, mutton and goat meat when quantities of these imports exceeded a "trigger" level based on the period 1959–63 imports that totaled 725-million pounds.

The major flaw—and irony—in the law is the provision that the "trigger" level is increased at the same rate as domestic production of beef, veal, mutton and goat meat increases.

In other words, the more red meats American farmers produce, the more red meat that foreign suppliers can sell in the United States.

By fully responding to the Administration's appeals for full production of food since 1973, American farmers are actually hurting their own pocketbooks under this concept.

Quotas seldom have been enforced under the 1964 Meat Import Act.

True, quotas have been set by the President as required by the law, but these were almost always immediately suspended in favor of a "voluntary restraint" policy.

Voluntary restraint agreements were used for the first time in 1969, again in the last half of 1970 and until June of 1972 when all import restrictions on meat and dairy products were totally discarded.

Record meat and dairy imports of 1972 and 1973 and the accompanying disastrous impact upon our domestic livestock and poultry farmers are established facts.

Meat imports in 1972 totaled an all-time record 2,013,477,000 pounds, or 913,300 metric tons. Meat imports in 1973 totaled 1,975,427,000 pounds, or 896,048 metric tons, second highest on record.

Beef and veal imports were 671,711 metric tons in 1972 and a record 678,048 metric tons in 1973.

These meat imports are actual product weight, and must be converted to carcass weight to compare to domestic red meat production. Currently, U.S. Department of Agriculture advises that a factor of 1.35 may be used to convert beef and veal imports to carcass weight.

Beef and veal imports in 1972 were equal to 8.74 per cent of U.S. domestic production. In 1973, beef and veal imports soared to 9.35 per cent of domestic production.

Voluntary restraints were reimposed for 1975, but again at record levels. These agreements negotiated by the State Department—not the U.S. Department of Agriculture—set beef and veal imports from 15 supplying nations to 550,848 metric tons, actual product weight, or 743,645 metric tons in carcass weight equivalent.

1975 voluntary restraint agreement levels for beef and veal imports are 7.2 per cent higher than the restraint levels for 1971, the last year that restraints were imposed.

During the first ten months of 1975, the U.S. Department of Agriculture reports that beef and veal imports totaled 498,642 metric tons, a 9 per cent increase over imports for the same period in 1974. Of that amount, 462,134 metric tons entered under voluntary restraint agreements.

It is important to note that only six categories of fresh and frozen beef and veal are subject to the "voluntary restraint quotas." Canned and processed beef and veal imports are not restricted.

While total beef and veal imports for the January–October period this year are up by 9 per cent, the imports of the fresh and frozen beef products that compete most directly against our own domestic livestock industry were actually nearly 16 per cent higher than last year, according to the latest federal figures.

Most importantly, domestic beef and veal production is at record levels for 1975.

The U.S. production total for the full year may top 11-million metric tons—which is a total five times greater than the second ranking world exporter—Argentina.

The National Livestock and Meat Board has forecast (December 8) that beef production in 1976 will likely exceed the 1975 record, and total red meat production next year could increase by nearly 1-billion pounds.

In carcass weight, beef and veal imports for the first ten months of 1975 represent 673,167 metric tons. That is an amount equal to 7.3 per cent of our record domestic beef and veal production for that period, estimated by the U.S. Department of Agriculture 9,212,555 metric tons, a more than 5 per cent increase over January-October, 1974.

Indeed, the projection now is that American imports of beef and veal—in a year of record domestic supplies—may exceed 600,000 metric tons. That would be the third highest volume of beef and veal imports on record, topped only by 1972 and 1973 in which there were no quotas and no restraints.

The major point here is—America does not need and cannot afford such huge and unjustified imports. America is the world's leading producer by far of beef and veal. No other country even comes close to the United States in the production of beef and veal, or total red meats, or total food. No other nation has a higher degree of self-sufficiency.

Imports displace American farm production in the marketplace. The indicated 600,000 metric tons of 1975 beef and veal imports represent a displacement of over 1.7-million American cattle and calves. Such a displacement is nearly six times the number of cattle and calves that Minnesota farmers had on grain feed for this fall quarter. That level of displacement was equal to one-third of forecast national cattle and calf marketings for beef and veal slaughter in the October-December quarter.

America is not the only nation increasing beef and veal production to record levels. Cattle and calf slaughter is increasing world-wide due to drought and adverse price factors, particularly in Australia and Argentina.

But we are the only major nation that continues to increase its beef and veal imports, to nearly half of the world import total in 1975.

Japan and the European Common Market countries have severely restricted beef and veal imports to safeguard their own economies. The European Common Market banned beef imports during the last part of 1974 and is importing only token amounts in 1975.

Closing of these major world markets has shifted significant volumes of beef and veal to the United States. During the first seven months of 1975, imports of beef and veal from Australia were 45 per cent higher than for the same period in 1974.

The United States also has become a major customer for cooked and frozen beef from Argentina, which was denied its traditional markets in the European community.

The European Common Market countries have raised meat prices above world levels to limit domestic consumption to domestic supplies of beef and veal, estimated at 6.6-million tons annually. Imports to Europe have been restricted to only taken amounts equal to beef export sales.

Beef supplies are now backing up in Australia. Slaughtering plants there closed after Australia's voluntary restraint "quota" in the United States was filled on November 17. Cattle and calf prices in Australia are reported so low that ranchers are abandoning animals on the range because market value does not cover slaughter and marketing costs—an experience that Minnesota beef producers had to endure frequently during the past three years.

New Zealand, another major U.S. supplier of beef and veal, has asked for a sharp increase in its voluntary restraint level, frankly admitting it wants a bigger share of the American table beef market.

The buildup of world beef inventories represents a major continuing threat to American livestock producers, if voluntary restraint levels continue to make the United States the major dumping ground for surpluses other nations reject.

In fact, according to a recent speech by Assistant Secretary of Agriculture Richard E. Bell, the United States will be the only major world importer to import more beef and veal this year than last. Our share of these world imports for 1975, he said, will be nearly half. In 1973, a record year of U.S. beef and veal imports that fractured the economic spine of our livestock industry, our share of world beef and veal imports was only 35 per cent. To repeat, America will be importing about half of the world's total exports of beef and veal in 1975. The reason for this is that the other beef and veal importing countries are continuing to shut down imports.

Voluntary restraint policy is more generous than the strict quota system would be. According to one U.S. Department of Agriculture spokesman we contacted, the allowable levels of beef and veal imports under the voluntary restraint policy are about 10 per cent higher than the quota system required by the 1964 Meat Import Act.

New voluntary restraint allocations for 1976 are now being calculated. Best available advisement is that these may be another 10 per cent higher than those set for the current year.

Higher levels for meat imports in the future can be devastating for our domestic livestock industry already in extremely serious trouble.

In mid-November the U.S. Department of Agriculture reported that the average prices received by American livestock producers were at only 59 per cent of parity for beef cattle and at a disastrously low 42 per cent of parity for calves.

Cattle slaughter in the United States is at an all-time record volume, piling up inventories of domestic beef and veal in cold storage. Livestock producers are dumping inventories of cattle and calves they cannot afford to feed at today's depressed prices.

American meat producers receive no federal subsidies. Most of the foreign competition does, not only from their own government, but from ours as well—if not in direct financial and technical assistance, certainly in the form of defaults on the enforcement of tariffs and counter-vailing duties.

Livestock producers are not the only segment of American agriculture that is being undeservedly and unfairly whipped by imports.

In Minnesota and the Upper Midwest, we are alarmed at the dislocation of the markets for soybeans, our second most important cash field crop.

Imported palm oil from Indonesia and Malaysia and imported coconut oil from other tropical Asia and Pacific nations has already captured nearly 25 per cent of the domestic vegetable oil market and has helped dry up our foreign markets. Indeed, palm oil imports to America for 1975 will exceed soybean oil exports from America.

Soybean prices have dropped to the lowest levels since January, 1973, below the actual cost of production for many Minnesota farmers.

Accelerating palm oil imports threaten to negate soybean production in America as an important agricultural crop. If it is not a profitable crop, farmers won't plant soybeans.

This could set off a chain reaction of great consequence for this nation's most important industry of agriculture. What do farmers do with the nearly 4-million acres of cropland in Minnesota and 53.5-million acres of cropland nationally that they planted to soybeans in 1975?

Any massive shift in crop acreage of this consequence, to corn, wheat, barley, cotton, tobacco or other alternative crops, would have the potential for staggering surpluses that could jar the entire agricultural economy.

Palm oil imports are already at a crisis level. In just the past seven years palm oil imports by the United States have increased ten-fold, more than doubling just in the past year. Palm oil imports are forecast to double again before 1980.

Two different vegetable oil products are harvested from the tropical oil palms.

The one that competes directly against soybean oil in the world market is called palm oil, extracted from the pulpy fruit. Palm kernel oil is extracted from the pit inside that fruit, and competes against cottonseed and coconut oils.

During the marketing year ended September 30, U.S. imports of palm oil totaled 756.9-million pounds, and imports of palm kernal oil totaled 160.4-million pounds, or a combined total of 917.3-million pounds.

According to a soybean processing industry spokesman, 1-million bushels of soybeans is displaced from the vegetable oil market by each 10.4-million pounds of palm oil imported.

The means that 1975 imports of palm oil captured the markets for 72.8-million bushels of American soybeans. That amount of displaced soybeans is equal to nearly 75 per cent of Minnesota's total soybean production this year.

In the month of October, the last reported, palm oil imports exceeded 100-million pounds, a 44 per cent increase over than month last year, while palm kernel oil imports were 9.52-million pounds, a 46 per cent drop compared to October, 1974. The combined total was nearly 26 per cent higher than a year ago.

Palm oil has already totally replaced soybean oil in the potato processing industry. Palm oil is replacing soybean oil in shortenings, margarines, bakery and confectionary products, in many of the prepared foods in which vegetable oil is used.

Like imported meat, palm oil is a cheap substitute, and a subsidized one.

Oil palms require no cultivation. The only labor involved is in the initial planting and harvesting. Oil palms come into production in five years, and yield the two-product oil fruit abundantly for 25 years or more.

Like imported meat, palm oil competition has been developed and encouraged by significant United States technical and financial assistance.

Just last month the State Department overruled the U.S. Department of Agriculture's strong and economy-grounded objections, to approve another $11.3-million World Bank loan to Indonesia for a further increase in its palm oil production.

We've also had a hand in the development of other palm oil production plantations in West Africa, tropical Asia and in South America.

Further, five western railroads seek to grant the imported palm oil a rate reduction that amounts to $465 per tank car below the currently uniform rate for domestic soybean oil shipped in the same tank cars on the same railroads. But this bid for preferential rail freight rates from west coast ports to the heart of mid-America has been temporarily suspended by the Interstate Commerce Commission.

Yet the suspension won by strongly expressed objection by the agricultural community is only a temporary one, subject to a final decision by the Interstate Commerce Commission before next July 2, 1976.

The rate reduction is based on meeting competition from southern railroads, which have already succeeded in granting the preferential lower freight rates to coconut and palm oils imported through gulf coast ports.

Import traffic undermining the domestic agricultural economy is by no means limited to red meats and vegetable oils.

Dairy imports are again surfacing.

In a telegram to the Secretary of Agriculture in late November, the National Milk Producers Federation strongly objected to and asked an immediate cutoff of Canadian shipments of non-fat dry-milk-sugar mix into the United States, which began on November 18.

Patrick B. Healy, Secretary of the Federation, labeled the new milk-sugar import a clear effort to evade U.S. quotas for non-fat dry milk, and warned that these new imports will result in lower prices to American dairy farmers.

Canada supports its farm milk price at nearly 25 cents a gallon higher than does the United States.

Canada also protects its agriculture industry, as most of the rest of the major food producing nations, through the use of import quotas and embargoes.

Agriculture in other nations is given a major consideration and voice in the shaping of agricultural and economic policies.

In the United States, it seems, at least in light of recent experiences, agricultural and economic policies are excessively determined by the State Department, international political considerations, and cheap food economists.

These imports are seriously eroding American agriculture.

It is time that America employed the same established international rules of tightly regulating imports—like all other nations do.

It is time to limit competitive imports.

It is time for restoring agriculture to its rightful role in the determination of national agriculture policy.

It is time for Congress to act decisively on the establishment of a completely spelled out national food policy that will properly protect American agriculture, consumers and the general economy.

Rigid quotas must be established for directly competitive food imports to fulfill the original purpose—Food should be imported only in such quantities as to maintain ample supplies and stable, fair level prices for consumers.

Congress should require the full enforcement of all laws intended to safeguard the domestic economy through the collection of all tariffs and countervailing duties on all imported products to which these laws apply.

Congress should restore the authority for the establishment and enforcement of quotas on competitive food imports to the U.S. Department of Agriculture.

If given a fair shake on imports and exports and an opportunity to make a fair profit, America's farmers can help the nation towards full production, full employment, and a balanced budget.

Facts on meat imports

[Millions of pounds]

Place	1975 allotment	January to October 1975 delivered	
Costa Rica	54.2	49.0u	Now filled add 5.2.
Australia	638.5	596.50	Now filled add 42.
New Zealand	262.5	246.50	Nearly filled add 16.
Mexico	54.4	21.00	Anticipate 31.5 for year.
Canada	20.3	14.40	Now filled add 5.9.
Ireland	38.2	1.40	Anticipate 6 for year.
United Kingdom	1.0	.80	
Nicaragua	47.6	30.00	
Guatemala	33.4	21.60	
Honduras	34.8	26.00	Anticipate 27–28 for year.
Dominion Republic	14.0	6.80	Anticipate 8 for year.
Panama	2.5	1.30	
El Salvador	11.1	2.30	Anticipate 5 for year.
Haiti	1.8	1.20	
Belize	.1	.02	Anticipate .028 for year.
Total	1,214.4	1,018.82	(Or 91.7 percent of total beef-veal imports, 498,642 metric tons received during the first 10 months of 1975).

NOTES

1. Beef and veal imports under "voluntary restraint" agreements (1975) per USDA ERS/FAS.

Adding allotments filled and ERS/FAS anticipated receipts by yearend increases October total of "voluntary restraint" beef and veal imports by 89,608,000 pounds—to an estimated 1975 total of 1,108,428,000 pounds.

2. Only six specific beef and veal meats are under the voluntary restraint—primarily fresh and frozen, carcass and boneless meat—None of the canned or processed beef and veal products are under voluntary restraint allotments or under the quota system provided in the 1964 Meat Import Act.

3. According to USDA/FAS, the United States is the world's leading producer of beef and veal (10,657,700 metric tons compared to second place Russia's 5,766,000 metric tons in 1974) also leader in pork (6,241,900 metric tons compared to second place Russia's 3,796,200 metric tons in 1974). (Russia is the world leader in lamb and mutton, United States seventh.)

4. And in total meat production United States leads Russia 17,109,700 metric tons to 10,512,200 metric tons, based on 1974 production statistics—and Russia does not export.

Statement by Lester Blomberg, Secretary-Treasurer Meat Promoters of South Dakota

Mr. Chairman: I appreciate this opportunity today to submit a statement in behalf of the livestock producers of South Dakota.

My name is Lester Blomberg. I am secretary-treasurer of the Meat Promoters of South Dakota, an organization of livestock producers who support strongly the concept of family-sized farms and ranches. I am a rancher—that is my full-time vocation, and I am proud to be part of America's livestock industry.

Today, we find livestock producers in a serious predicament. Our part of the industry is ill and dwindling. We have been clamped in a vise by low prices for our livestock and by high prices for our operating costs.

In spite of this, the State Department strikes again and again at the weak and staggering cattle industry. As producers, we find ourselves caught in a crossfire of State Department tradeoffs, of large volumes of meat imports, of price fixing and of price manipulation.

We submit this statement in support of S. 595, the mean import reform legislation introduced by the distinguished Senator from Oklahoma, Mr. Bartlett. This bill would only reduce the imports that are salt in the gaping wound in the livestock industry, it would also make the basic formula much more reasonable.

We think it is good common sense to reduce imports when domestic livestock numbers rise. It is the only way to prevent imports from depressing market prices paid to American livestock producers.

We sincerely hope this public hearing will provide a strong message to Washington that S. 595 is an important step toward saving the grassroots family farmer and rancher now in the business of producing this country's meat animals.

Thank you very much.

CAMPBELL COUNTY FARM BUREAU,
Box 976,
Gillette, Wyo.

Mr. ROBERT A. BEST,
Chief Economist, Senate Committee on Finance,
Dirksen Senate Office Bldg.,
Washington, D.C.

DEAR SIR: We wish to submit the following written testimony concerning S. 595 to the sub-committee on intentional trade.

We are typical ranchers here in N.E. Wyoming, having been in this business since graduation from high school. We and many others like us are suffering another year of depressed cattle prices and ever increasing operating expenses. Contrary to the ideas some have, most cattle producers run less than 250 animal units.

The facts and figures presented here were gathered from ranchers with all types of ownership of their operation; those who owned 100%; those who own part and lease part from private individuals; those who own part and lease the rest from the federal or state governments; and those who lease 100% of their operation.

Because cattle prices are depressed and the operating expenses so high, many ranchers or their wives have been forced to obtain part-time or full-time jobs in an attempt to hold their operation together in the hope that cattle prices will rise to a level commensurate with producion expenses. Some ranchers in this area have supplementary income from natural resource development that has helped them keep operating, but even these ranchers wonder how long they can continue to operate a business that is losing as much money as the cattle industry is.

This should be a matter of concern to the entire nation, because it is not a healthy situation economically, politically or socially to have as large a segment of the nation's food production, as beef is, so dependent upon outside sources of income to keep going.

The length of time that any business can or will be operated at such a loss is very limited and this limit has about run out for many ranchers across the nation. If the beef industry collapses, the nation not only will find itself a little hungry and short of one of the best sources of nutrition the world has found, but it will have a severe economic impact on the nation's business world as much of the borrowed money that ranchers are using has come from such sources as insurance companies and other businesses that buy stocks in loan companies who serve the agriculture community.

The cattle industry is one of the few industries regulated entirely by supply and demand. If there is a lot of beef, the prices are low. If the supply is short, the price goes up. The cattleman can not put a price on his product and say, "This is the price of a cow," as can the automobile or other such industries. Cows are not made on an assembly line that can be shut down and thus limit production according to demand. The cattleman is faced to sell on the present market, high or low.

Inflation is raising the prices, of everything the cattleman needs to operate his business, at the rate of 16% a year and the price of meat in the supermarket is rising at the rate of 16% a year, yet the price the cattleman received for his live animals went down 4% in the last year.

We feel if the rule of supply and demand was allowed to work, the nation's cattlemen could adjust and get the cattle industry back into a profitable situation, but with unlimited foreign imports and a lack of comparable grading standards on this foreign meat, we are put in an unfair position.

The average cost of running a ranch last year (1975) in Campbell County was $230.00 per animal unit (AU) The average return per AU was $135.00 *before* expenses were paid which meant the average Campbell County rancher lost $104.00 per animal unit. If you multiply this by 90,000 head sold in

Campbell County last year, you are looking at an approximate total loss of $9,360,000.00 to Campbell County cattle producers alone, and we have no idea what the figures would run in other areas of Wyoming, but are very sure they would be comparable.

The American cattleman is not subsidized in any way, and does not wish to be. Yet he is forced to compete on the same market with foreign beef that is raised in countries that do subsidize their cattle industry and their citizens have meatless days so that they can export more beef to the U.S. under less stringent inspection rules than U.S. domestic beef

Foreign imports are not the only problem facing the American cattle industry, but we feel imports have upset the basic function of the rule of supply and demand as far as domestic beef is concerned. If import quotas were established and held at a level low enough to enable the rule of supply and demand to function properly and imported meat were required to pass the same inspection regulations as domestic meat the situation would be more fair. Also these countries could feed their own people better, thus not only benefiting the American cattle industry but the whole world.

Sincerely yours,

CLARALEE DILLINGER,
Vice President.
DUDLEY MACKEY,
President.

STATEMENT OF WAYNE MOORE, PRESIDENT, MEAT PROMOTERS OF WYOMING

I wish to make a few informal observations which, I hope, may be of some help in the passage of S. 595.

I do not have at my fingertips statistics on the meat import situation, but I am familiar with the situation and the detrimental effect that increasing imports have had upon our domestic market.

If the American housewife is to continue to have access to high quality domestic government inspected beef then those of us involved in its production are going to have to have an economic climate whereby we can make a decent return for our labor and investment, not to mention RISK. Weather alone constitutes a monumental risk, even if the market were always favorable. To increase imports as consumption of domestic beef rises is patently ridiculous. To do the opposite and increase imports only to alleviate a potential shortage of the domestic product, to me, makes sense both economically and politically.

Due to a catastrophic drop in prices of finished beef and feeder cattle at the same time that we have had record increases in all areas of our operating expenses, a lot of us are going to be forced out of business I want to point out here that as a cattleman, I want no part of any subsidy and its accompanying government control. It follows that if I didn't have some gambling blood, I wouldn't be in the cattle business. However, I am sick and tired of betting against a stacked deck. I know of no-one in the business who expects more than a fair shake in a free market. Ever increasing competition from substandard foreign beef which cannot meet the inspection standards which are routine for domestic beef does not constitute a fair shake for American producers.

Both American Industry and the American Housewife have a life-size stake in the future of the cattle industry and the economic health of the family operated ranch. As a highly capitalized segment of the economy, we represent one of the industry's better and more consistent consumers of manufactured goods, particularly trucks, tractors, wire, and steel products. We represent a source of good, wholesome beef second to none on earth, nor can our efficiency be matched without injecting a factor which is simply unavailable in this country. Cheap labor.

The availability of cheap labor, coupled with cheap land and, in many instances subsidies, some of them provided by our own United States of America, allows foreign interests, such as the Australians to produce beef cheaper than we can. Let's remember, though, that they can't match the quality of our product, nor can they begin to supply our entire needs. Nor does any foreign producer pay any local, State, or Federal taxes here.

The cattle industry's share of jobs provided in such areas as transportation, packing & processing, and retailing is enormous. I do not believe that is possible to adversely affect our domestic beef industry without damaging these vital areas of employment.

As to the argument that we must import substantial amounts of beef in order to keep the price down to the consumer, I have this to offer: Granted that beef has gone up in the stores, what hasn't? And while transportation, labor, and handling take a much bigger bite out of consumers beef dollar, the price of choice steers, as well as feeder cattle was higher thirty years ago when it was possible to buy a new pick-up truck for about $1400 as compared to $6000–$7000 today, and a roll of barbed wire was about $7 instead of $30 or so as it is today. The surest way to drive beef prices sky high in the long run is to put a substantial number of those currently producing beef out of business. Believe me, that process is well under way right now if we don't curtail these imports so detrimental to our business.

It is basic that we must trade. However, a nation cannot afford to run its business any differently than an individual. To invite imports when we have a surplus of our own is similar to a farmer buying alfalfa hay, when he already has more than enough, in order to encourage someone to buy his soybeans or cotton.

I offer these remarks, not as an expert, but as a representative member of the cattle industry who depends upon cattle for a livelihood. I have been in the business for over 25 years and have seen some tough times, but nothing to compare with the current cost-price squeeze.

STATEMENT OF THE MEAT PROMOTERS OF WYOMING

Mr. Chairman, "Overshadowing recent higher price trends, is a record large and growing cattle herd that has the potential of supplying record slaughter and production during the summer and fall, pushing fed cattle prices lower again. Cattle slaughter is not yet large enough to stop growth in the cattle herd. Further culling of the cow herd is probably still required to reach a level that will insure any continued profitable return to feeder cattle producers."

The above is a quote from the June 1975 *Livestock and Meat Situation*, a pamphlet published by the U.S. Department of Agriculture.

The Question is: Why is it necessary to cull cattle and reduce domestic herds while at the same time the State Department negotiates to import 100,000,000 pounds of meat above the 1974 quota? The State Department, as usual, is asking Americans (in this case the livestock producers), to sacrifice, so that foreigners may benefit. When does this kind of give-away-for-friendship end?

The livestock producer is nearing the end of his rope. Another year like the 1974 livestock disaster, and many producers will be forced to sell their herds and add to the long line of job hunters.

A specific example is needed here: Not even counting cost of machinery purchased in 1974, the livestock expenses on the Gerald Boardman ranch in Wyoming totaled $24,987 in 1974. Fifty heifer calves were kept over until the following spring, but the remainder of the calves were sold that fall and brought $16,968, and total cattle sales brought $25,425. This leaves a net gain of $438.

This year, all ranchers have tried to manage their ranches more economically than in the past, but with rising costs of fuel, repairs, machinery, freight, and supplies, this was impossible. A bale of twine cost an average of $30.00, as compared to $9.00 in 1973. All other costs were nearly doubled in the past three years. We raise this question: How much longer are we, the cattle producers, expected to operate without profit?

We respectfully submit that the proposed reduction in the meat import quota, as proposed by S. 595, will have an immediate effect on cattle prices this fall, and we hope that you will favorably consider the bill.

If the members of the subcommittee are thinking about the consumer side of the coin, as of course they should, consider for a minute the alternatives: If the cattle producers are forced out of business, what will happen? A look into the future will bring you the following prediction: that large corporations will completely control the cattle market, from the production end of it to the final sale in the supermarket. Prices have already been driven up in the supermarket because of monopolies of the conglomerates. If this trend is allowed to continue, the average consumer will not be able to afford to eat beef, if this is not already the case.

Another alternative would be to import all beef. Now, foreign beef does not have our careful, strict government inspection to insure that it will be clean, free from harmful substances, properly handled while it is in the process of being butchered. We believe that consumers like to know these facts.

Thank you for taking time to read this statement.

STATEMENT OF DAVID J. STEINBERG, PRESIDENT, U.S. COUNCIL FOR AN OPEN WORLD ECONOMY

REMOVE IMPORT CONTROLS ON HAMBURGER MEAT

Congress and the Administration should reject current efforts to bring meat imports under quota controls even more restrictive than those required by the meat imports legislation of 1964. In fact, that quota law should be repealed in the interest of the consumer stake in the largest supply of meat for hamburgers, hot dogs, sausages, salami and the like. Over 90 percent of U.S. imports of frozen meat is used for these products. These imports supplement domestic meats used for these purposes.

It is high time for the government's concern over inflation to be reflected in an all-out campaign to make the U.S. economy as productive as possible and with as much access as possible to the goods of the world market place. There may be no more appetizing example of what needs doing in this respect than to maximize U.S. access to the imported ingredients for such American delights as hamburgers, hot dogs, etc.

To whatever extent our livestock industry needs government help, such assistance should be provided through a coherent, constructive livestock policy addressing that industry's real problems and real needs directly and openly. The progress and cost of such a policy should be kept under constant review.

Moreover, the Congress, the Administration and the country should stop kidding themselves about the acceptability of "voluntary" meat export controls adopted by other countries under U.S. pressure as against unilateral import quotas and the special problems they pose. An import quota not found indispensable as a marginal part of a coherent policy of constructive help to an ailing industry whose problems and needs have been carefully diagnosed is totally unacceptable. Such a quota by any other name or device smells just as foul.

We need a meat import policy that does what is best for U.S. consumers. Such a policy will stimulate direct, constructive attention to the real problems of U.S. producers seeking import quotas. We don't need and cannot afford the meat import quotas mandated by the 1964 law as it stands—even less an import control policy made even more restrictive.

NOTE.—This statement represents the writer's personal views and does not necessarily, in every detail, reflect the views of the U.S. Council for an Open World Economy and its trustees. The Council is a nonprofit organization engaged in research and public education on the merits and problems of achieving an open international economic system.

AMERICAN FARM BUREAU FEDERATION,
Park Ridge, Ill., September 11, 1975.

Hon. ABRAHAM RIBICOFF,
Committee on Finance, Subcommittee on International Trade, U.S. Senate, Dirksen Senate Office Building, Washington, D.C.

DEAR SENATOR RIBICOFF: We appreciate the opportunity to comment on proposals to amend the Meat Import Act of 1964.

For the record, Farm Bureau is the largest general farm organization in the United States with a membership of 2,898,781 families in 49 States and Puerto Rico. It is a voluntary, non-governmental organization, representing farmers who produce virtually every agricultural commodity that is produced on a commercial basis in this country. More than 800,000 of these members are beef producers, sheep producers, feeders, or dairymen.

Current proposals to tighten the provisions of the Meat Import Act of 1964 reflect the serious losses experienced by some cattlemen in the past two years and producer concern over the fact that domestic cattle numbers are now at an alltime high.

In our opinion the enactment of such legislation would be unwise.

The applicable sections of Farm Bureau Policy for 1975 reads as follows:

"Legislated import quotas are unacceptable solutions to import problems. . . .

"Agricultural import problems can be handled best through determinations of injury and remedies by the U.S. International Trade Commission rather than through special legislation."

Our opposition to legislated import quotas reflects our recognition of the fact that our overall balance of trade in agricultural products is highly favorable to the United States and our concern that any new import quota legislation might provoke retaliation against our agricultural exports. The enactment of such legislation would be particularly unfortunate at this time because of the adverse effects it could have on the current international trade negotiations.

Sincerely yours,

WILLIAM J. KUHFUSS, *President.*

B. B. BROOKS CO.,
Casper, Wyo., August 20, 1975.

Re S. 595, a bill to reduce meat imports.

COMMITTEE ON FINANCE, SUBCOMMITTEE ON INTERNATIONAL TRADE,
U.S. Senate, Dirksen Senate Office Building, Washington, D.C.

GENTLEMEN: The cattle breeder, particularly the cow-calf and the cow-calf-yearling operator is in serious trouble. The problem is due to a multiplicity of factors. The greatest factor is the gradually increasing amount of beef imports. The amount of beef imports has gradually increased to nine percent of our local production. A second factor is the high cost of feed grains due to increasing exports some of which are financed by P.L. 480. If beef imports were cut back materially there would be a better market for cows and grass fat beef, as it is in, this area that foreign beef is causing the greatest competition. Almost all of the foreign beef is in the form of hamburger or boned beef. This is the area that competes seriously with our cow market. Given a better cow market, enough liquidation would take place to bring about a somewhat better balance in our cattle numbers.

The cattle industry of Australia and New Zealand from which almost all of these imports come is fitted for our market and they tell you so when you talk to them. Due to excess land, good climate, and an abundance of rainfall, cattle can be raised more cheaply than they can be here.

The cost of finishing cattle in this country has increased markedly because of the high price of corn. The liberal use of P.L. 480 in the past several years has created a shortage of feed grains, making the feeding of cattle almost prohibitive. The chain stores are also geared to choice beef which requires the use of corn for 90 to 180 days. Due to foreign sales, the use of corn as a feed grain has become almost prohibitive.

The most reasonable and rapid approach to a difficult multiphasic problem is to drastically reduce imports of foreign beef.

H. E. STUCKENHOFF,
President.

OFFICE OF THE COMMONWEALTH OF PUERTO RICO,
Washington, D.C., September 2, 1975.

Mr. MICHAEL STERN,
Staff Director, Senate Committee on Finance, Subcommittee on International Trade, Dirksen Senate Office Building, Washington, D.C.

DEAR MR. STERN: On behalf of Mr. Don Allan, Staff Director of the Puerto Rico Interagency Committee for Trade Negotiations, enclosed please find a copy of the official presentation made by the Commonwealth of Puerto Rico before the U.S. International Trade Commission on May 5 and 6, 1975, regarding the section on "Beef and Veal."

We respectfully request that the Subcommittee on International Trade consider the recommendation that separate and declining quotas for beef be established for Puerto Rico.

Should you need any further information we will gladly provide it to your committee.

We appreciate your consideration of Puerto Rico's position in this matter.

Sincerely yours,

PATRICIA HOLT,
Assistant to Donald M. Allan.

Enclosure.

BEEF AND VEAL (TSUS 106.10) DUTY US$0.03 CENTS PER POUND

I. INDUSTRY STATUS AND OUTLOOK

A. Domestic production, employment, et cetera

1. There are over 1,350 farmers producing livestock for beef and veal on a commercial scale in Puerto Rico. In addition, another 650 dairy farmers derive part of their income from the sale of livestock for beef. Total production of beef and veal amounted to 49.6 million lbs. in 1973/74, with an estimated value at farm gate in excess of $31.8 million. Although employment in this industry has not been officially estimated, it is felt that not less than 2,000 laborers derive their income from this industry. In addition, this industry provides inputs for 19 slaughter houses scattered throughout the Island, which in turn provide raw material for several meat processing plants.

2. Minimum farm wage for this industry is $1.17 per hour. However, many farmers pay substantially higher wages.

3. Resources utilized include manpower mentioned in A-1; 400,000 acres of land which in turn receive substantial amounts of fertilizer estimated at round 16,000 tons per year.

4. Volume of Exports:

a. None.

b. All beef and veal produced is for local consumption.

5. Imports:

a. Puerto Rican imports of fresh beef and veal in 1972/73 amounted to: From the U.S.A. 35.4 million lbs. with a value of $31.2 million; from foreign countries 32 million lbs. with a value of $19 million. That same year, U.S. imports of this commodity from foreign countries amounted to 1,354 million lbs. with a value of $860 million. In terms of value, total fresh beef and veal imports to Puerto Rico are equivalent to 5.8 percent of total beef imports by the U.S. and its possessions. In terms of physical volume it amounted to 5 percent.

B. Principal foreign markets

1. Not applicable

2. Puerto Rico does not export beef and veal, fresh, chilled or frozen. It does not contemplate future exports of this commodity.

C. Principal foreign competitors

1. Puerto Rico does not compete in foreign markets. It does, however, compete in the local market against foreign imports.

2. Competitors in 1973/74 (imports)/:	*Million pounds*
Dominican Republic	13.6
Honduras	5.4
Nicaragua	1.4

3. Country tariffs:	*U.S. cents per kg.*
Dominican Republic	10
Honduras	60
Nicaragua	60

For additional information see App. 1.

APPENDIX 1.—IMPORTS OF BEEF, FRESH AND FROZEN FROM U.S.A. AND FOREIGN COUNTRIES

[Net weight, thousands of pounds; 1963/64–1972/73]

Sources	1963/64	1964/65	1965/66	1966/67	1967/68	1968/69	1969/70	1970/71	1972/72	1972/73
Total imports	30,268	32,896	37,922	52,729	47,093	56,545	56,009	67,445	70,059	67,396
From the United States	15,458	22,597	24,554	31,291	29,790	28,601	39,243	44,566	39,223	35,434
From foreign countries	14,809	10,299	13,368	21,438	17,303	27,945	25,766	22,879	30,836	31,962
Australia			814		242			1,894	1,769	649
Costa Rica	1,373	1,403	5,118	13,273	2,580	2,139	2,095	2,041	2,748	1,584
Guatemala	2,334	269	151	131	750	1,052	1,139	1,140	1,130	551
Haiti	1,759	1,428	1,437	1,040	1,104	1,588	840	725	1,400	308
Honduras	1,184	1,781	2,197	786	1,524	3,641	4,254	4,559	6,537	5,893
Nicaragua	7,284	5,314	2,644	3,536	3,795	3,706	4,355	5,565	4,842	2,594
Panama	94		615	2,400	2,738	1,876	2,777	1,058	342	877
Dominican Republic		60			3,351	9,562	8,397	4,283	9,694	16,357
New Zealand	293		332		328	1,287	1,545	1,486	1,134	
Ireland	474			272	851	3,043	326		1,024	
Canada		44			40	51	38	128	84	83
Other	14								134	3,066

Source: U.S. Department of Commerce, San Juan Office.

D. Key competitive factors

1. Puerto Rico beef and veal is of high quality. We consider it to be slightly superior to beef and veal imported by Puerto Rico from foreign countries.
2. Low priced beef imports place a burden upon our industry.

E. Subsidiaries overseas

1. None.

F. Outlook

Production of beef and veal in Puerto Rico in 1973/74 amounted to 49.6 million pounds. Present public policy is to increase over a four year period, local production by 50 percent over the level of 1972/73. Plans have been designed and programs are under way to facilitate the achievement of this goal. Large investments have been committed for construction of new slaughter houses and improvement of existing facilities.

Imports of this commodity from foreign countries have increased from 14.8 to 32.0 million pounds during the period extending from 1963/64 to 1972/73. The magnitude of these imports, undoubtedly, has adversely affected our efforts to increase local production. The U.S. import tariff which presently applies to this commodity is fixed at 3¢ per pound. With the increase in price of beef and veal, this tariff's relative value decreases and at present is approaching 4 percent ad. valorem. If this trend continues the Puerto Rican effort to increase beef production will be further jeopardized, with concomitant adverse effects on farm employment.

II. RECOMMENDATIONS OF SPECIFIC AREAS FOR MULTILATERAL TRADE NEGOTIATIONS

A. Foreign tariff concessions to be sought by the United States

1. None.

B. Foreign NTB's concessions to be sought by the United States

1. None.

C. Possible U.S. tariff concessions to be negotiated

1. Any concession by the U.S. on existing tariffs would increase the vulnerability of Puerto Rico to increasing imports from foreign countries and damage the Puerto Rican beef industry. It is strongly recommended that either no general U.S. concessions be made or that special consideration be given to establishing a special quota possibly combined with a tariff to provide essential protection for the developing Puerto Rican beef industry.

D. Possible U.S. NTB's to be negotiated

1. Not Available.

E. Possible U.S. concessions to increase U.S. industry competitiveness

1. Not applicable.

F. Possibility of sectoral approach

1. Not Available.

G. Availability of supplies and access to supplies

1. Land availability for projected growth is considered ample.

H. Safeguards

1. Puerto Rico is a small, highly populated Island which depends exclusively upon air and sea transportation for its exterior commerce. This special situation makes Puerto Rico very vulnerable to maritime and air strikes either locally or in the mainland. In addition, the hurricane season every year produces its own disruption, although short lived, of sea and air transportation. This situation places Puerto Rico in special condition whereby it must make all possible efforts to safeguard local production of food for consumption to foreseeable limits.
2. Local production costs of beef and veal are higher than those prevailing in foreign countries which compete with Puerto Rican producers in the local market (Puerto Rico). Due to this condition imports need be regulated to prevent those countries from flooding the Puerto Rican market. Foreign or domestic beef dumping in Puerto Rico could easily destroy our beef and veal industry.
3. Total consumption of beef in Puerto Rico is less than ½ of one percent of total consumption in the United States, yet Puerto Rico imports 5.8 percent

of all U.S. beef imports. The quota system for imports of beef established by the United States considers total consumption rather than individual state or territory consumption. Thus, the total U.S. beef and veal import quota is allotted to foreign countries without specifying the maximum permissible quantity that could be shipped to any one state or territory. Consequently excessive amounts of this commodity could be channeled by one or several foreign countries to Puerto Rico. Such action could place a tremendous burden upon our industry.

4. To safeguard the Puerto Rican beef and veal industry it is proposed that special treatment be given to our particular situation in multilateral trade negotiations:

a. The Commonwealth recommends specifically that the U.S. negotiate an agreement which provides the protective framework for 50 percent increase in Puerto Rican domestic beef production in the FY 74–FY 78 period and which permits—

(1) Establishment in cooperation with the Commonwealth Government of a flexible quota on Puerto Rican imports from foreign countries (including transshipments from the mainland), which declines as Puerto Rican beef output increases, or

(2) Application of a traiff of 25% A.V. or a combination of quotas and a differential tariff if these would accomplish the objective with more efficiency and less market dislocation.

b. Beef and veal (106.10) should be removed from the President's 5 percent duty list unless Puerto Rican imports (including transshipments from the mainland) are excluded from this treatment.

LANDER, WYO., *August 17, 1975.*

MICHAEL STERN,
Staff Director, Senate Committee on Finance, Dirksen Senate Office Building, Washington, D.C.

GENTLEMEN: As a third generation ranching family, I am writing to express our support for Bill S. 595 to amend Public Law 88–482 referred to the Committee on Finance.

We are finding it soon impossible to continue in the cow-calf operation due to operating expenses of 50 cents per pound.

We are now being offered 32 cents per pound for steer calves and 28 cents per pound for heifer calves.

There is something wrong when the consumer is paying $1.08 per pound for hamburger (in Wyo.) and going up. The rancher is not even making enough to make a living.

The ranch has been our sole income for the fourteen years of our married life. And the sole income for over Forty years of our grandparents and parents.

The time has come that one of us will now have to look for outside work just to try to keep the ranch. This then will put more burden on the unemployed of the nation and the meaning of again a mother not home with her children.

The high cost of inheritance tax for ranching has caused many a family ranch to go under and with today's prices for land and the prices paid for cattle it is totally impossible to stay in the business or encourage your children to do also.

The rate we are now going we will soon be depended on foreign beef as well as oil, gas, steel, and many more items.

This is not the total answer for the beef industry but it is a step forward.

Sincerely,

Mr. and Mrs. TOM GRAHAM.

MEAT IMPORTERS COUNCIL OF AMERICA, INC.,
New York, N.Y., August 27, 1975.

Re S. 595—Restricting meat imports.

Mr. MICHAEL STERN,
Staff Director, Senate Finance Committee, U.S. Senate, Washington, D.C.

DEAR MR. STERN: I wish to refer to the recent announcement in the press that the Senate Finance Subcommittee on International Trade had requested that written statements on the above bill introduced by Senator Bartlett be submitted to you prior to the end of this month.

The Meat Importers Council of America is a national trade association incorporated under the laws of the state of New York. Its members account for an estimated ninety percent or more of the imported fresh, chilled or frozen meats covered by Public Law 88–482.

The meats which are imported by our members consist mostly of what can be described as "manufacturing meat" which is used in the manufacture of hamburgers, hot dogs and other convenience foods, and does not compete with U.S. table cuts.

The meats which are imported are vitally important to citizens in the middle or lower end of the income spectrum, particularly those with fixed incomes in these days of alarming inflation.

Consequently, we are opposed to S. 595 and in the event that hearings are held we hereby request that we be given an opportunity to express our full views on this matter.

Very truly yours,

KENNETH ROBERSON,
Executive Director.

CAMPBELL COUNTY FARM BUREAU,
Gillette, Wyo., August 24, 1975.

DEAR SIRS: You have asked for testimony concerning beef imports and their effect on the cattle industry. In this respect I am speaking as both a rancher's wife and as the President of Campbell County Farm Bureau. Both my husband and I are lifelong livestock producers.

Neither of us have ever seen the situation as unfair as it is now. It is questionable how long we can continue to operate as we have had to in 1974 and 1975, and the other livestock producers I represent are in the same boat.

The national average figure for operating expenses to run one animal unit (1 cow and her calf) for 1 year is $200.

At present market prices, if a rancher sells that calf at weaning age he will be lucky to get $130 to $135, a net loss of $65 to $70 per animal unit. How long can an industry that has not depended on government handouts going to be able to survive with losses like that.

It is the opinion of the members of my organization, as well as my own personal feelings, that the huge imports of beef are the prime offender in this whole mess. How can the domestic beef hope to compete with beef that has been produced in other countries at half the cost and in cases one-quarter? Beef imports are the highest they've ever been.

Why should we, who are consumers of tremendous amounts of industrial products that are produced in the U.S.A. be forced to suffer a severe economic loss while people consume livestock produced outside the U.S.A., many of these same people being the same ones whose jobs are made possible through our purchases?

Is not our industry deserving of the same consideration that others receive? No other industry has to compete so unfairly with such an overwhelming burden of cheap imports? Therefore I urge that your group put a stop to these imports, and impose a moratorium for at least 160 days or more to give the livestock producer a chance to recover.

Contrary to the idea some have, the bulk of cattle producers are small, having herds of only 100–250, and most depend on these small herds entirely for both personal and production expenses. So you can see that we are quite a large number of consumers, and our economic loss will be felt in many areas.

Sincerely,

CLARENCE DILLINGER, *Vice President.*

O