

# EMERGENCY TARIFF

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## HEARINGS

BEFORE THE

### COMMITTEE ON FINANCE UNITED STATES SENATE

SIXTY-SIXTH CONGRESS

THIRD SESSION

ON

## H. R. 15275

AN ACT IMPOSING TEMPORARY DUTIES UPON CERTAIN AGRICULTURAL PRODUCTS TO MEET PRESENT EMERGENCIES, TO PROVIDE REVENUE, AND FOR OTHER PURPOSES

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JANUARY 6, 7, 8, 10, 11, AND 13, 1921

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# EMERGENCY TARIFF.

THURSDAY, JANUARY 6, 1921.

UNITED STATES SENATE,  
COMMITTEE ON FINANCE,  
Washington, D. C.

The committee met, pursuant to call, at 10.30 o'clock a. m., in room 310, Senate Office Building, Senator Boies Penrose presiding.

Present: Senators Penrose (chairman), McCumber, Smoot, La Follette, Dillingham, McLean, Curtis, Calder, Sutherland, Simmons, Williams, Thomas, Jones, Gerry, and Nugent.

The committee thereupon proceeded to the consideration of the bill (H. R. 15275), an act imposing temporary duties upon certain agricultural products to meet present emergencies, to provide revenue, and for other purposes, which is here printed in full, as follows:

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That on and after the day following the passage of this Act, for the period of ten months, there shall be levied, collected, and paid upon the following articles, when imported from any foreign country into the United States or into any of its possessions (except the Philippine Islands, the Virgin Islands, and the islands of Guam and Tutuila), the rates of duty which are prescribed by this section, namely:*

1. Wheat, 30 cents per bushel.
2. Wheat flour and semolina, 20 per centum ad valorem.
3. Corn Corn or maize, 15 cents per bushel of fifty-six pounds.
4. Beans, provided for in paragraph 197 of the act entitled "An act to reduce tariff duties and to provide revenue for the Government, and for other purposes," approved October 3, 1913, 2 cents per pound.
5. Peanuts or ground beans, 3 cents per pound.
6. Potatoes, 25 cents per bushel of sixty pounds.
7. Onions, 40 cents per bushel of fifty-seven pounds.
8. Rice, cleaned, 2 cents per pound; uncleaned rice, or rice free of the outer hull and still having the inner cuticle on, 1½ cents per pound; rice flour, and rice meal, and rice broken which will pass through a number twelve wire sieve of a kind prescribed by the Secretary of the Treasury, one-fourth of 1 cent per pound; paddy, or rice having the outer hull on, three-fourths of 1 cent per pound.
9. Lemons, 1½ cents per pound.
10. Oils: Peanut, 26 cents per gallon; cottonseed, coconut, and soya bean, 20 cents per gallon.
11. Cattle, 30 per centum ad valorem.
12. Sheep: One year old or over, \$2 per head; less than one year old, \$1 per head.
13. Fresh mutton and lamb, 2½ cents per pound.
14. Cotton having a staple of one and three-eighths inches or more in length, 7 cents per pound.
15. Manufactures of which cotton of the kind provided for in paragraph 14 is the component material of chief value, 7 cents per pound, in addition to the rates of duty imposed thereon by existing law.
16. Wool, commonly known as clothing wool, including hair of the camel, angora goat, and alpaca, but not such wools as are commonly known as carpet wools: Unwashed, 15 cents per pound; washed, 30 cents per pound; scoured, 45 cents per pound. Unwashed wools shall be considered such as shall have been shorn from the animal without any cleaning; washed wools shall be considered such as have been washed with water

only on the animal's back or on the skin; wools washed in any other manner than on the animal's back or on the skin shall be considered as scoured wool. On wool and hair provided for in this paragraph, which is sorted or increased in value by the rejection of any part of the original fleece, the duty shall be twice the duty to which it would otherwise be subject, but not more than 45 cents per pound.

17. Wool and hair of the kind provided for in paragraph 16, when advanced in any manner or by any process of manufacture beyond the washed or scoured condition, and manufactures of which wool or hair of the kind provided for in paragraph 16 is the component material of chief value, 45 cents per pound in addition to the rates of duty imposed thereon by existing law.

SEC. 2. The rates of duty imposed by section 1 (except under paragraphs 15 and 17) in the case of articles on which a rate of duty is imposed by existing law, shall be in lieu of such rate of duty during the ten months' period referred to in section 1.

SEC. 3. After the expiration of the ten months' period referred to in section 1, the rates of duty upon the articles therein enumerated shall be those, if any, imposed thereon by existing law.

SEC. 4. The duties imposed by this act shall be levied, collected, and paid on the same basis, in the same manner, and subject to the same provisions of law, including penalties, as the duties imposed by such act of 1913.

Passed the House of Representatives December 22, 1920.

Attest:

WM. TYLER PAGE, *Clerk.*

The CHAIRMAN. We have met this morning to hear gentlemen who appear in relation to the consideration of H. R. 15275, which has been referred to this committee.

Mr. Hagenbarth, do you desire to proceed now?

Mr. HAGENBARTH. Yes, sir.

The CHAIRMAN. If you will proceed, then, Mr. Hagenbarth, the committee will be very much interested in what you have to say.

#### STATEMENT OF MR. F. J. HAGENBARTH, SALT LAKE CITY, UTAH, ON BEHALF OF THE WOOLGROWING INDUSTRY.

Mr. F. J. HAGENBARTH. I am appearing here, Mr. Chairman, on behalf of the woolgrowing industry. I am president of the National Wool Growers' Association and the executive officer of the National Live Stock Association. I will try to make my statement as brief as possible.

I would like to have the committee understand distinctly at the outset that the woolgrowers are not here pleading for profit. We are simply pleading for preservation, and hope to make a showing that will convince this committee that conditions have reached a point now in the woolgrowing and sheep-breeding industry, in the Northwest particularly, and in the great West, west of the Mississippi River, where we are not only facing liquidation, but we are actually in the process of liquidating our breeding herds, our ewes; the source of our future wool and meat supply are going to market in order to liquidate the expenses and the losses that have been incurred during the last three years in this business.

There has been a general supposition that the wool men, in common with many other industries of this country, during the war made a tremendous amount of money. I am sure certain members of this committee will remember that when the war broke out the wool men were called to Washington in 1918 by the Council of National Defense and asked to turn their wool over to the Government of the United States on the plea that it was a war necessity, that there was no shipping, and that the Government needed the wool. The woolgrowers did this, and they not only did it, but they

based their prices on which wool was turned over to this Government on the prices obtaining July 30, 1917, going back a year. In the meantime costs continued to advance.

Senator LA FOLLETTE. What were the wool prices in 1917?

Mr. HAGENBARTH. The average price to the grower in 1917 would average around 50 cents a pound, Senator. They were about 18 per cent higher in 1918 at the time this agreement was made with the Government.

Now, by doing that the wool growers shut themselves out from the possibility of making any excessive war profits or building up a surplus to take care of the shock which subsequently came about. It might have been very poor business, but it was at least good citizenship. And it is a fact that this was done.

In the following year, after the armistice was declared, we found the Government with about 400,000,000 pounds of wool on hand. The Government entered into the market as a competitor with the woolgrowers in the sale of its surplus products, so that the prices in 1919 that were obtained were not excessive.

I think you will find in the report of the Tariff Board, if those figures are available, that the cost of production of wool in the West amounted to from 45 to 48 cents a pound, after making all proper credits for the sale of the mutton and by-products pertaining to the industry.

Senator LA FOLLETTE. Did you state the price that was realized in 1919?

Mr. HAGENBARTH. The price that was realized in 1919 varied, Senator La Follette.

Senator LA FOLLETTE. Do you know what the average was?

Mr. HAGENBARTH. The merino wools brought very good prices. The average, perhaps, would be around 60 cents per pound. But unfortunately the lower-grade wools, through a peculiar circumstance which was caused by the Government initially, brought very low prices: in fact, some of those wools were unsalable.

I would like to know, Mr. Chairman, how much time this committee is going to allot, because if these questions are going to be answered intelligently and fully, I would have to be governed by the time allotted.

The CHAIRMAN. Well, Mr. Hagenbarth, you are perhaps just as much interested in brevity as the committee is.

Mr. HAGENBARTH. I want to be brief, but at the same time I want to answer fully and intelligently questions that are asked by members of the committee.

The CHAIRMAN. The committee is anxious to have this bill reported to the Senate and passed at this session, if possible, and the longer the hearings are prolonged the more difficult it will be to pass the measure.

Mr. HAGENBARTH. I might state briefly, in answer to your question, Senator La Follette, so that it will be understood, that the Government served notice on the wool manufacturers and others, that wools suitable for soldiers' uniforms would be used by the Government, and the very fine merino wools in this country were to be used for civilian use only, together with the shoddy and other substitutes. The manufacturers accordingly adjusted their machin-

ery for the use of fine merino wool, and they developed styles and developed a large trade for these fine merino wools, with a great deal of competition in those fine merino wools for civilian use.

When the war was over and the Government began canceling its orders for soldiers' uniforms, etc., there was a large stock of coarse three-eighths wools and quarter-blood wools and other wools thrown on the market for which there was no demand, owing to the fact that styles and everything else had been arranged for the fine merino wools. Those wools sold down to very, very low prices, as low as, for example, 20 cents per pound for quarter-blood wools which cost 45 cents per pound to produce.

Now, the emergency feature of this is what I presume this committee is interested in. We are not here to discuss economic principles of tariff; we are not writing a tariff, as I understand, at this time, at all. It is an emergency measure that is being considered, and it is our plan to show the emergency.

Now, the wool industry in this country, in common with all industries, is suffering from poor credit and mighty poor markets, poor consumptive power; the mills that would consume our product are shut down, and we have all the other evils that are afflicting the economic body of the country. But what we want to call your attention to particularly is a condition that is not entering into the situation of any other industry, and that is the physical condition that has entered into this problem, which I will explain to you.

In the winter of 1918-19 the West was visited with a drought, all the western country, and the Northwest, resulting in very light snowfall. The largest rivers in the West failed to give their usual supply of water. The Snake River in Idaho, the greatest irrigation stream in the world, not excepting the Nile, was so low that women and children would walk across the river in order to say in future years that they had done so. That resulted in a 50 per cent loss in the hay crop; sugar beets, grain, and crops of all kinds were reduced by about 50 per cent throughout that country. And all during the summer of 1919 there was not one drop of rain, until the latter part of September. And at that time all the accumulated moisture that had failed to come before began falling, and in October we were in the midst of winter. And that winter continued for seven solid months. In October there was 2 feet of snow over a great area in the West and the Northwest, and whereas we usually figured on feeding for 90 days as the extreme maximum, we fed at that time for as much as 7 months, owing to the light crop of hay, which, as I previously said, amounted to only about 50 per cent of the usual hay crop, and so the hay went up in price from \$4 a ton to \$30 a ton, the average price being from \$20 to \$25 a ton. Cottonseed meal was shipped in from Texas and Oklahoma to save that stock, which cost us as high as \$100 a ton, or 5 cents a pound, and you men who know cottonseed meal know what that means. Corn cost about \$90 a ton delivered to the railroad stations. In addition to that, we had the extra cost of taking it out. Now, I am citing all these details so that you gentlemen will understand the statements I am going to make.

The live-stock men had to take one of two horns of this dilemma. He either had to refuse to feed his live stock and lose them entirely through starvation, or he had to go to his bank or his cattle-loan

company and mortgage his farm or his ranch and borrow money to buy this feed with, or he had to ship his stock down to Texas, New Mexico, or Arizona by rail, a country where they had good feeding conditions, and winter his stock there and ship them back again in the spring.

Most of them chose taking a chance on buying the feed and mortgaging their live stock. We came out of that winter with mortgages on sheep averaging \$9 a head throughout the entire West. That is unbelievable, but it is so; and the value of those sheep to-day is not that great, and there is going to be a loss not only to the growers but to the banking structure of that country that will be unparalleled unless something can be injected into this situation to stabilize values. The banks never can liquidate these loans under present market conditions, and you will understand that when I tell you that ewes that are mortgaged at \$9 a head are shipped down to Chicago, and if you get a dollar and a half a head for them you are getting a big price.

Ewes weighing 93 pounds—and those of you who know sheep know that a 93-pound ewe is a ewe in good, fat, fleshy condition—have sold as low as 33 cents a head.

Senator NUGENT. Excuse me a moment. Do you mean 33 cents a head net to the grower?

Mr. HAGENBARTH. Thirty-three cents net a head to the grower; yes, sir. Those sheep were shipped from Rock Springs, Wyo., by the Rock estate. They struck the market at a time when there was no demand. There was so much of that stuff coming in for liquidation purposes that the market could not absorb it.

Senator NUGENT. Well, isn't it true that the freight charges and the commission charges, etc., amounted to somewhere in the neighborhood of \$5 per head on those sheep?

Mr. HAGENBARTH. Well, hardly that much.

The CHAIRMAN. Mr. Hagenbarth, would this bill materially benefit that condition?

Mr. HAGENBARTH. It would, Mr. Chairman.

Senator SMOOT. It would at least stabilize the market and give you a market that you haven't got now?

Mr. HAGENBARTH. Yes, sir. Now, leading up to that question, if the chairman will permit before I answer your question I would like to state two other facts.

The CHAIRMAN. We want all the information we can get.

Mr. HAGENBARTH. Now, I realize that no business has got a right to come here to Congress and ask for help under ordinary circumstances. If we had an ordinary change of administration, under ordinary circumstances, I feel that the wool industry, or any other industry, could wait in an orderly manner until in its wisdom Congress passed such tariff measures or any other acts as fit the circumstances. But we have an emergency here that demands immediate action. We are discussing the question of a man who is out in the water and has sunk twice and is about to go down for a third time, whether we will throw him a plank to save him temporarily until the boat comes along, or whether we will say to him, "Wait until the boat comes."

Now, following this winter, in the spring, wool will have absolutely no value. And I mean what I say when I say that.

Senator NUGENT. Why?

Mr. HAGENBARTH. You could not sell the wool.

Senator NUGENT. Why?

Mr. HAGENBARTH. Well, that opens up a pretty broad discussion. One of the reasons, in my judgment, is that the Federal reserve bank officials, and Mr. Houston and others, very wisely, I think, engaged in a process of deflation. They sent out word that no more credits should be allowed for handling certain speculative commodities, and wool was specified as such. They do not propose to furnish money for men to buy wool which they will then hold for high prices, but they forget the fact that money has to be furnished for handling wool as a crop. The wool dealers, and even the men that take the wool on consignment, could not find the funds, at least they told us they could not find the funds, for the purpose of financing the wool crop, and there is wool to-day out in the West lying in the shearing sheds that has not been moved at all, and we are utterly unable to move it, we are unable to get even advances on it from consignees.

Now, wool is not sold altogether right off the sheep's back, or from the shearing bin. A great amount of it is sent on consignment. Certain advances are made by the consignee, and the consignee sells that during the year as the mills call for it for their manufacturing purposes. They have told us that they do not have the money to make these customary advances, and the thing has gradually reached the point where the wool could not be handled at all. And one of the reasons for this situation is the lack of credit. And that situation came upon us practically overnight, that is, it all happened in about a week.

Now, whereas very choice clips from Fountain Green, Utah, sold as high as 70 cents a pound, within a very short time a condition was reached where they were worth only 30 cents a pound. And the wool-grower that had depended on liquidating some of these excessive physical costs that he had incurred through bad weather conditions, had to go to his bank and say, "We can not sell our wool. We can not liquidate." In the meantime his expenses go on.

And here is a situation that I want to call your attention to, gentlemen. The conditions in the woolgrowing industry are different from those of other industries. A manufacturer or a mine owner can shut down his plant, but the wool grower can not do the same thing in his industry.

Senator NUGENT. Just a moment, Mr. Hagenbarth. Do you not believe that the principal reason why there is no market for wool this year is because of the fact that the American Woolen Co., the Amoskeag, and other large woolen manufacturing establishments suspended operations last spring, and do you not think that as we can not use raw wool to any appreciable extent, and that it is only of particular value when it is being manufactured, that so long as it is not being manufactured, of course, there is no demand for it, and if there is no demand for it there is no market for it, and if there is no market for it, it is, to all intents and purposes, valueless? Now, do you not believe that the suspension of operations by the great wool manufacturers of the United States entered very largely into the proposition of depriving the wool growers of a market?



Mr. HAGENBARTH. Absolutely, but there is a cause back of that. Here is a manufacturer, we will say, that bought this Fountain Green wool at 70 cents a pound, and a month later he could buy, or his competitor could buy, similar wools for 50 cents a pound, and a month later than that they could buy it for 40 cents a pound, and a month later they could buy it for 30 cents a pound, and the manufacturers wondered where the bottom was, and where they were at. They could not accept orders for the manufacture of goods for the simple reason that they had no idea whatever what their low costs were going to be for wool.

Senator NUGENT. Well, do you not believe that some of the reasons that actuated the manufacturers in suspending operation were as follows: First, to suspend the manufacture of wool into cloth in order to place themselves in a position where they could buy the raw material, that is, the wool itself, at such a price as they saw fit to fix; secondly, for the reason that by suspending operations and not manufacturing more cloth, they could maintain the high prices that then prevailed for cloth? Do you think those reasons enter into the matter in any way?

Mr. HAGENBARTH. No, I could not give you ulterior motives, but I could state to you facts. It might be true that would be some men's methods of reasoning, but I would not agree with it as a statement of fact. But I can show you one physical reason why the manufacturer would not have been justified, and even up until recently would not have been justified, in starting up his mill. There is a wool called concordia wool, a half blood wool, from Uruguay that sold from between 55 and 56 cents last February. That same wool was offered the other day at 20 cents a pound, landed in Boston.

Now, during this period while wool has been going down, how could a manufacturer, as a wise and prudent business man, know where he was at in buying that wool?

Senator SMOOT. Well, there is another thing connected with it, too. The manufacturer has to buy his wool and manufacture his wool at least eight months before he ever sells and delivers the product, and when the manufacturer receives cancellations for 99 per cent of the orders he has received, how is he going to be able to go on manufacturing goods? It is perfect nonsense.

Mr. HAGENBARTH. That is another angle of it.

Senator SMOOT. Mr. John P. Wood told me the other day that his mill had received an order for one piece of goods in the last 90 days. Now, Mr. John P. Wood is not going to work and buy wool if he knows that he can not sell his goods, or have any place to put them. Now, that is the situation that the woolen manufacturers are in.

Mr. HAGENBARTH. Well, the same thing is true in regard to the clothier, who is the man you just spoke of, Senator, as canceling his orders; he does not know where the bottom is. There is no stabilization.

Senator NUGENT. You say that wool was imported into this country from Uruguay and sold for 20 cents a pound?

Mr. HAGENBARTH. Yes.

Senator NUGENT. Wasn't that wool purchased ultimately by these manufacturers?

Mr. HAGENBARTH. Yes.

Senator NUGENT. And they purchased that wool at a lesser price than they could purchase wool for here?

Mr. HAGENBARTH. Yes. Now, this was just about three weeks ago, and this condition is continuing right along in that way, and the bottom has not been reached yet.

Now the western grower, Mr. Senator, receives 14 cents a pound in Boston for that same wool. The very best wool that he produces he gets 14 cents a pound for. The foreigner that imports a similar wool from Australia would add 40 per cent to the price that he gets by reason of the exchange situation. He will get, we will say, 28 cents a pound and the western grower 14 cents a pound.

Senator NUGENT. I merely asked you these questions for information. I am a western man, from Idaho, and I am perfectly familiar with the situation confronting the western woolgrowers, but I am asking you these questions for information.

Senator SMOOT. Is that the lot of wool that was reported as having been purchased by the Cleveland Woolen Mills?

Mr. HAGENBARTH. No; that is another lot. That comes from these same people, but that is another lot.

Senator SMOOT. In answer to the Senator from Idaho I will say that that wool that was purchased in Boston at 20 cents a pound will not be in cloth for perhaps 10 months.

Senator NUGENT. I don't think that affects the situation.

Senator SMOOT. If you had to raise the money to carry it, you might think it would.

Senator NUGENT. I am talking about the manufacture, the motive that actuates the manufacturer.

Mr. HAGENBARTH. Now, Senator Nugent, here is a piece of quarter-blood wool. The man who brought this wool from South America happens to be in this room now. We raise a lot of such wool in Idaho and a lot of it in Utah; it comes from our mutton breed of sheep. And that sold for 9 cents a pound in Boston. If it were not for the health of his sheep the western wool man in Idaho could not afford to take that off of his sheep. It costs more to shear this wool off the sheep, load it on the cars, and pay the expenses of selling it in Boston than the wool is worth when it gets to Boston.

Senator SUTHERLAND. What is the freight?

Mr. HAGENBARTH. Three cents a pound, and the selling cost is about the same, so about 6 cents a pound has to be taken off of the wool for those expenses.

Senator SIMMONS. The freight is 3 cents a pound from where to Boston?

Mr. HAGENBARTH. From Idaho, Oregon, Washington, Utah, Wyoming, and that general intermountain territory. And we have had two advances in freight rates, Senator Simmons.

Senator WILLIAMS. Is the freight the same from all those places?

Mr. HAGENBARTH. Practically the same from all that territory, from the Rocky Mountains. There is very little variation in rates. Probably 20 to 30 cents a hundred variation.

Senator SIMMONS. How is that packed for shipment? Is that compressed in any way, or is it loose?

Mr. HAGENBARTH. No, no; it is sacked wool. You get a very small differential of 25 cents per hundred if you put it in bales, which amounts to very little, Senator Simmons.

Senator SIMMONS. Would that be 2½ cents a pound?

Mr. HAGENBARTH. No, 25 cents a hundredweight. So there is not gain there. The cost of doing that, the labor and so on, is prohibitive.

Now, you gentlemen can readily understand why a man can not pay a debt of \$9 per head on sheep when he can not afford to take the wool off his sheep. There is no need of going into any details on that feature of it.

I would like to put in the record some quotations, for the use of the committee, covering the different grades of wool being shipped in at present prices, and these are good grades of wool, staple grades of wool. And in this statement we are not taking the very choice grades of wool, nor are we taking the low-priced wools, but we are taking the best averages of wool, giving domestic and foreign wools, and what they will net to the fleece grower in Dakota or in Illinois, or the grower in Utah or in Idaho.

Senator SIMMONS. You have handed in a long document there. Can you not, in a few words, give us the differentials in prices that that document shows? I would like to save the committee from having to read as much of this as possible.

Mr. HAGENBARTH. These are simply the prices on these various grades of wool, and I am trying to save the time of the committee by not taking time to read all these figures into the record now, and that is the reason I offered to put it in without reading it.

Senator SIMMONS. We will be better able to ask you questions if we know what is in the document that you are putting in the record.

Mr. HAGENBARTH. Well, now, for instance, I have a table showing the prices that domestic wool must sell for on the ranches to compete with South American and Australian wools now offered to arrive. The prices used here are based on average lots. Choice lots would sell for a little more, and poor lots would sell for a little less. Now, for instance, the fine staple wools—and those are the very best wools that we grow in the West, though there is no great quantity of that wool grown in this country, but they are the very best wools that we have got—on those wools 16 cents a pound is what they will net to the western grower.

Senator SIMMONS. You mean at this time?

Mr. HAGENBARTH. At this time; and as a matter of fact, they will not net that much to the western grower, for this reason: You will have to deduct about 2 cents a pound—

Senator SIMMONS. Do you mean the wool as it is taken from the sheep, sheared from the sheep?

Mr. HAGENBARTH. Yes; the grease wool. Those wools cost about 48 cents a pound to produce, Mr. Simmons. The fine clothing wools will bring 30 cents a pound. We produce a considerable quantity of that.

Senator SUTHERLAND. Is that the Boston price, Mr. Hagenbarth, or the net price to the grower at the point of production?

Mr. HAGENBARTH. That is the price at the ranch; half blood staple 14 cents a pound. There is our big, standard clip of western wools, half blood staple, 14 cents a pound. Less than one-third of the cost of production.

Senator SIMMONS. Will you please tell me what those wools cost in 1912, 1913, along about that time?

**Mr. HAGENBARTH.** Yes; they brought more money at that time, **Mr. Simmons.**

**Senator SIMMONS.** Well, about what did they bring at that time, along in 1912 and 1913?

**Mr. HAGENBARTH.** I would prefer, **Mr. Simmons,** not to answer that question myself, because we have a market authority here from Boston who can give you very accurately the absolute information on that, and I would prefer to have him do so.

**Senator SIMMONS.** Well, he is from Boston; but you are speaking now, and you have been speaking, about the prices on the farm.

**Mr. HAGENBARTH.** Yes.

**Senator SIMMONS.** He would not know as much about the prices on the farm as you do, would he?

**Mr. HAGENBARTH.** Yes; he does know about the prices on the farm. He handles that end of it, and he can give competent, expert testimony on that question.

**Senator SIMMONS.** You are not able, then, to give us that information yourself, are you, **Mr. Hagenbarth?**

**Mr. HAGENBARTH.** No, sir; not from my present information, although I know that it was worth about 30 per cent more at that time than it is bringing now.

**Senator SIMMONS.** Well, then, that is your answer; that it would have cost on the farm 30 per cent more in 1912-13 than it now sells for?

**Mr. HAGENBARTH.** Just prior to the war they brought more money than they are bringing now. I make that broad, general statement.

Now, the three-eighths wool, which is our next largest production of wool in the United States west of the Mississippi River, brings 13 cents a pound, and it costs 45 cents a pound to produce that wool.

The quarter blood wool of a good grade brings 10 cents a pound. This wool that I showed you here, gentlemen, was an inferior grade of wool, that brings 9 cents a pound.

**Senator JONES.** **Mr. Hagenbarth,** do you mean to give the impression that there is a market at those figures?

**Mr. HAGENBARTH.** No, sir; there is not. When you do sell that is the price you would have to take, or less, for your domestic wools. These are the prices of the foreign wools that are coming in with a favored rate of exchange, and you must add 40 per cent to these prices to get the amount that the foreigner receives for his wool by reason of the favorable exchange situation.

The quarter-blood wool brings 10 cents. The low-quarter brings 7 cents, and braid wool of the best grades brings 5 cents a pound.

**Senator SIMMONS.** Now, you say it would cost about 40 cents to 45 cents a pound to produce that wool?

**Mr. HAGENBARTH.** From 45 to 48 cents, as shown by the best figures available, **Mr. Simmons,** in the intermountain territory.

**Senator SIMMONS.** You mean that would have been the cost last year?

**Mr. HAGENBARTH.** No; it would cost a great deal more last year. That was before we had the hard winter conditions that I speak of.

**Senator SIMMONS.** You mean during the war period?

**Mr. HAGENBARTH.** Yes, sir.

**Senator SIMMONS.** What would it have cost before the war?

Mr. HAGENBARTH. Well, those wools probably cost around 20 to 24 cents prior to the war; about half of the amount that I gave you.

Senator SIMMONS. Well, they were not selling wool at cost before the war, were they?

Mr. HAGENBARTH. No; in some instances they were not.

Senator SIMMONS. You said it was 16 cents, didn't you?

Mr. HAGENBARTH. Yes, sir.

Senator SIMMONS. For this best wool you are getting 16 cents?

Mr. HAGENBARTH. Yes; for fine staple.

Senator SIMMONS. Now, if it was selling for 30 per cent more than that before the war, and it would cost 24 cents to produce it before the war, it was not bringing as much as it cost to produce it before the war, was it? That is, your wool was not bringing you as much as it cost you to produce it?

Mr. HAGENBARTH. No; certain wools were not.

Senator SIMMONS. I thought you were speaking about the general character of wool a little while ago?

Mr. HAGENBARTH. Sir?

Senator SIMMONS. You said certain wools before the war were not bringing the cost of production?

Mr. HAGENBARTH. Yes.

Senator SIMMONS. You have not been speaking about particular characters of wool up to this time. Now, what kind of wools would have cost more than 30 per cent?

Mr. HAGENBARTH. You are speaking of before the war?

Senator SIMMONS. Yes.

Mr. HAGENBARTH. When I say certain wools, I mean, for instance, our heavy merino wools; before the war they were at a very great discount.

Senator SIMMONS. Well, they sold for more than the average that was spoken of a little while ago, didn't they?

Mr. HAGENBARTH. Since the war, yes; by reason of the forced consumption. I guess you were not here, Senator, when I made that point.

Senator SIMMONS. I wasn't here when you began.

Mr. HAGENBARTH. The Government compelled the manufacturers to use those fine merino wools and developed a great civilian demand for them. They could not use them for the soldiers' uniforms, etc.; they were using the three-eighths and the half bloods and other wools for the soldiers' uniforms.

The CHAIRMAN. If it had not been for the war, how would the so-called Underwood rates have suited the wool industry?

Mr. HAGENBARTH. Well, we were gradually coming to a point, Mr. Chairman, where the wool business was going to go anyway.

Senator SMOOT. With free wool?

Mr. HAGENBARTH. Under the free wool. We were just hanging on because we were there, and there was very little money made in the wool business. The men had their investments, they had their ranches and their farms, and they were practically working for nothing. The record in the wool business, as will probably be shown at the proper time here, has not been a very enviable one from a business standpoint. There was considerable money made by certain speculators, and so on, in different ways, but when the accounts were cast up, Mr. Simmons, and men who thought they

were making money took into account their depreciation, their loss and their interest, they found that they had lost money instead of making money. Many men would sell a lot of sheep for so much cash, and when they would figure up their expenses they would find that they had lost money.

The CHAIRMAN. How did the industry do under the co-called Payne-Aldrich rates?

Mr. HAGENBARTH. There was more profit at that time, Mr. Chairman, than there was later.

Senator SIMMONS. Well, will you be good enough now, Mr. Hagenbarth, and I don't suppose it would be much trouble for you to do this, to get the prices on wool, beginning, we will say, with 1904, and bringing that table up to the present time?

Mr. HAGENBARTH. Yes, sir; I can get those figures for you. I will be very glad to make up such a statement.

Senator SIMMONS. And will you, if you can, make up a table of the number of sheep in the country each year, starting with 1904, up to the present time?

Mr. HAGENBARTH. I will be glad to do that, Senator. And I would like now, Mr. Chairman, to introduce this statement which I previously referred to, in the record.

The CHAIRMAN. Very well.

(The statement presented by Mr. Hagenbarth is here printed in full, as follows:)

*Market prices for domestic wools in Boston Dec. 30, 1920—Prices nominal in the absence of buying.*

FLEECES—OHIO, INDIANA, MICHIGAN, NEW YORK, ETC.<sup>1</sup>

Grade.	Price.	To meet foreign competition, must sell at—	Grade.	Price.	To meet foreign competition, must sell at—
	<i>Cents.</i>	<i>Cents.</i>		<i>Cents.</i>	<i>Cents.</i>
Fine delaine.....	35-42	28-32	Quarter-blood.....	23-25	18-19
Fine unwashed.....	28-30	22-24	Low quarter-blood.....	18-20	14-15
Half-blood.....	30-34	22-24	Common and braid.....	14-15	11-12
Three-eighths.....	28-30	21-23			

TERRITORY—MONTANA, UTAH, WYOMING, IDAHO, OREGON, ETC.<sup>2</sup>

Fine staple.....	28-30	20-22	Three-eighths.....	22-24	18-19
Fine clothing.....	22-24	17-19	Quarter-blood.....	20-22	15-16
Half-blood staple.....	25-28	19-20	Low quarter-blood.....	15-16	12-13
Half-blood clothing.....	23-25	17-18	Braid.....	12-13	10-11

OFFERING OF 500,000 POUNDS OF MONTEVIDEO CROSSBREDS RECEIVED DEC. 28, 1920.

South American grade.	United States equivalent.	Pounds.	Price.	Shrink.	Cost, clean scoured, Boston.
			<i>Cents.</i>	<i>Per cent.</i>	<i>Cents.</i>
No 0.....	Half-blood.....	75,000	30	42	52
No. 1.....	High three-eighths.....	150,000	27	37	43
No. 2.....	Low three-eighths.....	125,000	22	33	33
No. 3.....	Quarter-blood.....	75,000	19	30	29
No. 4.....	Low quarter-blood.....	50,000	18	28	25
No. 5.....	Braid.....	25,000	14	25	19

<sup>1</sup>Prices on the farm would be about 6 cents less.

<sup>2</sup>Prices on the ranch would be about 6 cents less.

South American merino wools similar to fine clothing territory wools can be landed here on a basis of 50 cents clean scoured.

Good average Australian merino combing wools can be landed here on a basis of 55 cents for good average combing pieces to 65 cents for good average combing fleeces. These wools compete with the better staple wools from the Rocky Mountain States and are cheaper to convert into cloth.

*Table showing the prices that domestic wool must sell for on the ranches to compete with South American and Australian wools now offered to arrive.*

[The prices used here are based on average lots, choice lots would sell for a little more, and poor lots for a little less.]

FLEECES—OHIO, INDIANA, MICHIGAN, NEW YORK, ETC.

Grade.	Scoured cost landed for competing grades.	Prices at which the domestic wool must sell.	Difference between market price and price to grower.	Net price on ranch to grower.
	Cents.	Cents.	Cents.	Cents.
Fine delaine.....	80	32	6	26
Fine clothing.....	65	24	6	18
Half blood.....	52	24	6	18
Three-eighths.....	43	23	6	17
Quarter blood.....	33	19	6	13
Low quarter blood.....	25	15	6	9
Braid.....	20	12	6	6

TERRITORY—WYOMING, MONTANA, UTAH, IDAHO, OREGON, NEVADA.

	Cents.	Cents.	Cents.	Cents.
Fine staple.....	65	22	6	16
Fine clothing.....	60	19	6	13
Half-blood staple.....	52	20	6	14
Half-blood clothing.....	48	18	6	12
Three-eighths.....	43	19	6	13
Quarter blood.....	33	16	6	10
Low quarter.....	25	13	6	7
Braid.....	20	11	6	5

Senator NUGENT. Mr. Hagenbarth, the rate of duty on raw wool under the so-called Payne-Aldrich bill, if I remember correctly, was about 11 cents a pound, wasn't it?

Mr. HAGENBARTH. Yes, sir.

Senator NUGENT. Well, I presume you are as well aware of the fact as I am, Mr. Hagenbarth, that during certain of the years in which the Payne-Aldrich bill was in effect very many woolgrowers were obliged to sell their wool for 11 cents a pound?

Senator SIMMONS. For how much, Senator?

Senator NUGENT. For 11 cents a pound; many woolgrowers were obliged to sell their wool for 11 cents a pound during the time the Payne-Aldrich bill was in effect. With a 11-cent tariff certain wool growers in Idaho were obliged to sell their wool for 11 cents a pound, and that it netted them, the growers, about 6 cents a pound; you are aware of that, are you not, Mr. Hagenbarth?

Mr. HAGENBARTH. Well, I couldn't agree with you on that offhand, Senator Nugent, but I would say this, that if that was the case, the reason would be this—and we are facing that same thing now—that I don't care what kind of a tariff is made, if you gentlemen see fit to put a tariff upon wool, unless something is done between now and next September or October, why, by the time you get your tariff

written you will probably be selling wool again at 11 cents a pound, with a tariff of 20 cents a pound. It doesn't make any difference what amount you put on it; if you allow all the accumulated wools in the world to come into this country in the meantime, why, I say, gentlemen, that it doesn't make any difference what amount of tariff you put on wool at that time.

Senator NUGENT. Now, I will state to you, Mr. Hagenbarth, for your information, that Idaho sheepmen have advised me that under the 11-cent tariff in the Payne-Aldrich bill they sold their wool for 11 cents, and it netted them within a fraction of 6 cents a pound.

Now, passing from that question for the moment, could you give this committee any information as to the quantity of wool in the possession of the Government of the United States at the time the armistice was signed?

Mr. HAGENBARTH. There was in the possession of the United States Government at the time the armistice was signed about 400,000,000 pounds of wool.

Senator NUGENT. Four hundred million pounds?

Mr. HAGENBARTH. Yes.

Senator NUGENT. And the Government has since disposed of what proportion of that amount of wool, do you know, Mr. Hagenbarth?

Mr. HAGENBARTH. About 350,000,000 pounds of wool have been disposed of by the Government.

Senator NUGENT. Isn't it a fact that the condition that is now confronting the woolgrowers is due to the fact that the Government has disposed of that tremendous amount of wool in competition with the woolgrowers?

Mr. HAGENBARTH. That has had an influence, Mr. Nugent.

Senator NUGENT. Then, to a very considerable degree the conditions which now confront the woolgrowers of the country is due to that action on the part of the Government itself, isn't that true?

Mr. HAGENBARTH. Well, I wouldn't state it just that way, although it had a very depressing influence.

Senator NUGENT. Well, there would have been a much better market for wool if the Government had not disposed in competition with the growers of the 350,000,000 pounds which it has disposed of since the signing of the armistice?

Mr. HAGENBARTH. We might put it this way: I would agree with you, Senator, but to what extent that had affected the market I could not say.

Senator NUGENT. Well, you will agree that it did affect it quite materially?

Mr. HAGENBARTH. To some extent; yes.

Senator NUGENT. Now, do you not believe that in view of that situation, and the attitude of the Government in respect to this matter, that it would be to the best interests of the woolgrowers to levy an absolute embargo upon the importation of wool into this country instead of enacting a tariff?

Mr. HAGENBARTH. We have been in favor of that all the time Senator Nugent.

Senator NUGENT. I agree with you.

Mr. HAGENBARTH. I think that is the proper remedy.

Senator NUGENT. I agree with you, if it is found necessary.



**Mr. HAGENBARTH.** We have got two years' supply of wool on hand now, and five years' supply waiting to come into this country, and it is coming in every day, and the only thing that is holding it back at all to-day is because you gentlemen are here discussing that very question, and I think this situation will be made very clear to you by the proper persons.

Now, with this two-year supply of wool on hand in this country, a prudent business man would say, naturally, "What is the use of bringing in more?" and I think that that question of keeping this wool from coming into this country should be taken up, provided you are convinced that there is an emergency here which requires something to be done that will help the wool men so that they can save their breeding herds for future use, and to sustain the banking credit of the West.

But there is another angle to this question.

**Senator JONES.** Mr. Hagenbarth, before you leave the topic that you have been speaking on, let me say, that the thing that has been troubling me is this: If we have two years' supply of wool on hand, how is a mere embargo, or tariff amounting to an embargo, going to affect the present price of wool?

**Mr. HAGENBARTH.** As Senator Smoot said a while ago, the manufacturer does not know where the bottom is; he does not know when to begin work. The fellow that is buying from the manufacturer does not know where to place his orders. There has been no bottom to this business; it has been going down, down, down, all the time, and goodness knows where the bottom of it is yet. These fellows in Australia, in South America, or anywhere else in the world, who are in distress, who have wool on hand and can not get money, can ship this wool into this country at some price, and get an import bonus in the way of exchange, for shipping it into this country, getting gold for it, and if you put an embargo on this wool you will stop it from coming in, or if you put a tariff on it of 15 cents a pound it is stopped at least to that extent, and the manufacturer will then have at least that much assurance that cheaper wools are not going to come in; that is, that wools are not going to come in as cheaply as they otherwise would, and he would be able to place his orders at some price; it would establish confidence and stability at some level. Notice would be served that the bottom had been touched, in other words, and they could go ahead, and they would have some basis to figure on.

Now these wools have gone so low because of the wool coming in from abroad that they can not get much lower, but they are low enough now, so that if something is not done our business will be utterly destroyed; the sheep production and the wool production in this country will be utterly destroyed if something is not done.

**Senator NUGENT.** Don't you believe, as a matter of fact, that a 15-cent tariff is equivalent to an embargo?

**Mr. HAGENBARTH.** No, sir; I do not believe that it would be. You can readily figure that. There will be certain grades of wool that we do not produce in this country, and that wool will come into this country anyway and will produce revenue.

**Senator SIMMONS.** Won't it be equivalent to an embargo as far as wools similar to those that are produced in this country are concerned?

Mr. HAGENBARTH. No, Senator Simmons.

Senator SIMMONS. Well, I understood you to say a little while ago that unless you had some duty that would practically exclude this cheap foreign wool the industry could not survive.

Mr. HAGENBARTH. No; I said unless we had relief of some kind it could not survive.

Senator SIMMONS. Well, the relief that you want is something that will protect you from this cheap wool that is coming over here from being sold in competition with yours, isn't it?

Mr. HAGENBARTH. Yes, sir; and the best thing we could have, in my judgment, would be an embargo.

Senator SIMMONS. Well, to give you relief, under the circumstances, that duty must be nearly to the point of prohibition; isn't that true?

Mr. HAGENBARTH. That is correct.

Senator SIMMONS. Now, if you put a duty on the raw material to the point of prohibition, or approximately to the point of prohibition, you have got to give the manufacturer of wool a like compensatory duty, have you not?

Mr. HAGENBARTH. That is correct.

Senator SIMMONS. If that duty on the raw wool would be prohibitive, or practically prohibitive of import, will not the duty on the finished product, which will come as the result of that duty on the raw product, practically exclude the finished product from this country?

Senator SMOOT. Well, they are protected in this bill.

Mr. HAGENBARTH. Well, Senator Simmons, that would depend on the rate of duty that was written in the bill.

Senator SIMMONS. That is exactly what I say; suppose the duty on the raw material is high enough to give you the relief you want, and it is a duty which would practically exclude the importation of raw wool; then if the manufacturer is given that compensatory duty, in addition to what he already had, would that not also practically exclude imports of the finished product?

Mr. HAGENBARTH. Well, I would say no, Senator Simmons.

Senator SIMMONS. Well, why would it exclude it in the one case and not exclude it in the other?

Mr. HAGENBARTH. Well, I did not say that it would exclude it in the case of wool.

Senator SIMMONS. Well, I understood you to say, Mr. Hagenbarth, that it would practically exclude wool.

Mr. HAGENBARTH. No; I didn't say "practically."

Senator SIMMONS. Well, if it doesn't do it practically it would not give you relief.

Mr. HAGENBARTH. Yes; it will give us relief to the amount of the effective duty we get.

Senator McCUMBER. If it raises the price of the foreign importation 15 cents a pound it will raise the price of the domestic wool 15 cents a pound.

Mr. HAGENBARTH. That is the point. Now, to answer your question as to the manufacturer, Senator. If you have gone into the figures, you will know—

Senator SIMMONS. No; I am not assumed to have gone into the figures, because I want to get it from you.

Mr. HAGENBARTH. It is a fact that Germany to-day is being furnished wools by England and is making yarn in Germany and shipping this yarn back over to England, and we are receiving it in the United States from England. Now, do you know how they are able to do that, Mr. Senator? This is how they do it. Where a German workman was getting 5 marks a day before the war he is now getting ten times as much; that is, he is getting 50 marks a day, which looks like a tremendous amount, but when you consider the low value of the mark at the present time you will find as a matter of fact that he is getting 40 per cent less to-day than he did before the war.

Now, England brings this yarn over to this country, and because of the situation is able to ship it over at so low a cost that the manufacturer in this country must manifestly have the protection of a very high rate of duty if he is to put his workmen to work at any kind of a humane wage at all and do business. The manufacturer is in the same fix as the woolgrower, and I am here to say that the manufacturer must be taken care of in this country on the same basis as the woolgrower is, if we propose to sustain the wool business in this country.

(Senator McCumber presiding.)

Senator McCUMBER. May I ask you a question? This is a temporary measure, is it not?

Mr. HAGENBARTH. Yes.

Senator McCUMBER. Now, as I understand, the product that is shipped in here in the form of manufactured woolen goods must have been made from the wool that was purchased some 8 to 10 months ago?

Mr. HAGENBARTH. Yes, sir.

Senator McCUMBER. Therefore, they would have to come in at such a price as would give a profit to the importers on the basis of what they paid for wool 8 to 10 months ago. Now, isn't that of itself something of a protection, without interfering seriously with the present rates upon woolen goods?

Mr. HAGENBARTH. I think it would work out that way, Senator McCumber.

Senator McCUMBER. And before the importer could get rid of his goods manufactured from wool that was bought at a price two to three times as high as it is now, why, we will have some other bill—some other arrangement.

Mr. HAGENBARTH. Yes.

Senator SMOOT. I was going to say to the Senator that the orders that would be placed in the United States to-day for finished goods would be placed upon the price of the wools to-day. Take some of the finest worsted yarns. The price two years ago was \$5.25 a pound. To-day those same yarns can be bought for \$1.20 a pound, and any amount of orders could be taken for that yarn to be delivered in the United States.

Senator McCUMBER. How could that be when the person who is to deliver it 6 and 8 months from now knows nothing about what the tariff will be? Won't he wait to find out what the rate of duty will be?

Senator SMOOT. That does not affect him. That is the price of yarn to be finished and shipped from England. That is the price of the yarn in England to-day, of that character, as I say.

Senator THOMAS. What is the price of the same yarns here to-day, Senator Smoot?

Senator SMOOT. They are making very little of it here now, Senator. The mills of the United States to-day are only operating at 30 per cent of their capacity, and in another 30 days I think they will be operating at less than that.

Senator NUGENT. Mr. Hagenbarth, can you give the committee any idea as to the quantity of wool consumed in this country?

Mr. HAGENBARTH. Yes, sir.

Senator SIMMONS. Senator, if you will let me ask him one question that is pertinent to this matter now?

Senator NUGENT. Yes, sir.

Senator SIMMONS. Suppose we do give you a duty that protects you to the extent that you desire, if we do not impose a duty in favor of the finished product which would prevent the importation of those cheap wools manufactured in Germany and other countries in Europe, would the protection we give you amount to anything? I mean by that, if the finished product can be brought into this country at the low prices at which that product can be manufactured abroad, would not the foreign manufacturers with their finished product monopolize the American market, and therefore depress the price of the raw material, however much protection you might have on your raw material?

Mr. HAGENBARTH. Yes, sir; Senator, that is very sound, in my judgment. I agree with you on that.

Senator SIMMONS. So that it resolves itself into this: In order to make your protection effective it has got to extend to the finished product as well as the raw material?

Mr. HAGENBARTH. Yes, sir; and the woolgrowers stand absolutely on that proposition, that the manufacturer is in the same boat as the woolgrower, and if he has no market at home with his own manufacturer, he can not survive.

Senator SIMMONS. So that your proposition is not only to exclude to a point of almost absolute exclusion the raw material, but the finished product as well?

Mr. HAGENBARTH. Well, Senator Simmons, I dislike very much to disagree with you on that word "exclusion," but I can not agree with you on that. I would like to, but I can not. This is simply a temporary relief of 15 cents a pound on a product that we are selling at an average price here of around 15 cents a pound on our various grades of wool, that we hope will stabilize the price to some extent, and help us here. And any foreigner that can ship wool in at, say, an average level of between 20 and 30 cents a pound, can still ship his wool in; we are not excluding him. But on the other hand, we have an assurance here that we are going to get from 25 to 30 cents a pound for wool that cost us 40 to 45 cents a pound to produce. Now, that is the way we look at this, Senator; not as an exclusion. I wish it was an exclusion. I wish to God that it would exclude these wools. I wish we could have an embargo on wool.

Senator THOMAS. Then you have the consumers at your mercy, do you not, Mr. Hagenbarth?

Mr. HAGENBARTH. No, sir; Senator Thomas, we have got a two-year supply of wool in this country, and they are going to write a tariff in the coming summer that will be based on scientific principles.

Senator SIMMONS. I want to say, Mr. Hagenbarth, that I am very sympathetic with the wool producer. I wish that I could help do something for him, to do something that will relieve him from the situation he is in, which I think is very bad. But the apprehension I have in my mind is that in helping him we are bound to give the American manufacturer of woollens a monopoly of this market. We give you a monopoly of it, but the farmer can not ordinarily make much out of his monopoly, because he can not combine and hold up prices in this market; he never has been able to do it, and he never will be able to do it. But the manufacturer can do it very easily; and if in trying to help you we give the American manufacturer a monopoly of this market, with his combination he would have the consumers of this country absolutely at his mercy, and we have got to consider the consumers as well as the producers in this country in this business that we are now considering.

Mr. HAGENBARTH. If your premises were correct, Senator, that would be true. But I can not agree with you on that. It is not the purpose nor it is a proposition of giving the manufacturer the monopoly of this market. The proposition is to give them a proper protection, such protection as they are entitled to, against identically the same conditions of very, very low foreign costs, due to the exchange.

Senator SIMMONS. I am utterly unable to see, under the principle of compensatory duty, how it is possible to give you a duty that would practically protect you against foreign importations of the character of wool that we produce in this country, that would not at the same time give the manufacturer the same immunity from foreign countries.

Senator SMOOT. Well, all we are asking for is that the manufacturer have 45 cents a pound on his cloth, or on the material contained in the cloth, to compensate him for the 45 cents a pound that is given to the scoured wool in this same bill. That is all there is to it.

Mr. HAGENBARTH. Yes. Well, I will say, Senator, that I think there is one mistake in that bill, and, in justice to the manufacturer and as a woolgrower, I want to go on record in that regard. I think the clause providing for doubling of the duty is a little strong. It provides that on the wool which is sorted or increased in value by the rejection of any part of the original fleece the duty shall be twice the duty to which it would otherwise be subject.

Senator SMOOT. That has always been the practice in the past.

Mr. HAGENBARTH. Yes; but the compensatory on that basis is hardly high enough. There ought to have been a higher compensatory to the manufacturer—which Senator Simmons will seriously object to—but, as a matter of justice, I think that ought to be done.

Senator SIMMONS. I have not objected to a compensatory duty.

Senator SMOOT. It is only in the case of skirted wools.

Senator THOMAS. It ought to be double, anyhow. That will help to bring prices down in this country.

Senator NUGENT. Do you know what quantity of wool is consumed in this country yearly?

Mr. HAGENBARTH. The normal quantity, Senator Nugent, under normal conditions, is around 45,000,000 pounds a month. Our consumption will run from 500,000,000 to 555,000,000 pounds

Senator NUGENT. Annually?

Mr. HAGENBARTH. Annually.

Senator NUGENT. And about what proportion of that quantity, Mr. Hagenbarth, is produced in this country?

Mr. HAGENBARTH. Well, I would say, Senator, that about one-half of that amount is produced in this country.

Senator NUGENT. About one-half of it. Now, do you think, in view of that statement, that we raise only about one-half of the wool that is consumed in this country, that a rate of duty should be imposed upon the importation of all wool into this country, including the 250,000,000 pounds more than we consume? In other words, you are desiring protection here for the woolgrowers of the country who produce approximately 250,000,000 pounds of wool a year, and we consume in this country, according to your statement, approximately 500,000,000 pounds a year. Why would it be necessary to impose that duty on the 250,000,000 pounds of wool that we must consume, but that we do not produce in this country, in order to benefit you?

Mr. HAGENBARTH. Because it is not only the 250,000,000 pounds, Senator Nugent, but it is the 1,500,000,000 other pounds that can be produced so much cheaper than we can produce that wool, which is seeking an entrance to this country.

Senator SMOOT. Carpet wools are exempt under the provisions of this bill.

Mr. HAGENBARTH. Yes; the carpet wools are exempt. And if there were not some relief granted, some restriction put upon the importation of wool it would put us entirely out of business.

Senator NUGENT. Well, have you ever thought of any plan—I am free to confess that I haven't any that is particularly definite—by which the producers of this country could be protected as against the importation of wool to the extent to which they themselves produce it, and at the same time permit the entry into this country of the additional 250,000,000 pounds without duty?

Mr. HAGENBARTH. No, I have not. That brings up the question of a subsidy to the domestic grower, a direct subsidy made by the Government to enable him to continue in the business, which I don't think is a wise economic principle.

Now, the whole thing resolves itself into this: Whether, for war purposes or economic purposes or any other purposes, we want a wool industry in this country or not. If it is our policy to say, "It costs too much to produce wool in this country; let us wipe out the industry entirely, and buy all our wool abroad," then I can agree that we should have no tariff or anything else. But you can not say to us, "Gentlemen, you must produce wool for war purposes, or for other purposes, and you must produce it at a loss." That is manifestly impossible. We can not do that.

Now, we have got to take one or the other horns of this dilemma: Either let the industry go entirely by the board or take care of it.

Now, what are we going to do? That is for you gentlemen to decide.

Now, there is one other angle to this situation, as applied to the present emergency in the wool business and the sheep-growing business that I have not touched upon. After the failure to have a wool market this last spring, and with 95 per cent of the wool of the grower still in his hands, either at home or in pools in the various States, or in the hands of consignees, at various markets, and wool

warehouse companies, and so on, we only had a 50 per cent lamb crop this spring, and we figured we would receive very high prices for lambs. We told our bankers, "Now, we will be able to sell our lambs and liquidate some of this debt that we are owing to you."

Beginning last spring the English Government, through an arrangement made here with our people, began shipping over dressed lambs from New Zealand. Up to date there have been over 3,000,000 carcasses of those lambs shipped into this country.

Senator NUGENT. Will you permit me to interrupt you there, Mr. Hagenbarth? Two or three months ago I met a sheep man in Idaho who told me that a short time prior to the day I met him a publication had been received by mail from Australia which contained a statement to the effect that the representatives of either Swift & Co. or Armour & Co. in London had arranged for the transportation of tens of thousands of carcasses of frozen mutton and frozen lambs from New Zealand and Australia. Have you any knowledge in respect to that matter?

Mr. HAGENBARTH. No; I have not. If that were true it would not alter the case; no matter who brings them in here, whether it is Swift & Co., or Armour & Co., or the English Government, the fact remains that they come in.

Senator NUGENT. The point I had in view was this, that if that statement were true it would appear that the packers have transported those tens of thousands of carcasses, yes, hundreds of thousands.

Mr. HAGENBARTH. Millions.

Senator NUGENT. Yes, millions of these carcasses, in fact, from New Zealand and Australia, for the purpose of breaking this American market; and isn't it true that if that is a fact that when they succeeded in breaking this market they also broke the sheepmen?

Mr. HAGENBARTH. I wouldn't agree with that. I would take this view of it—that if this stuff were coming into this country anyway, the big packing concerns would be the best people to handle it. Now, God knows, Senator, that being a producer myself, and one of the largest producers heretofore in this country, of sheep, and also in the cattle business, that if anyone would be inclined to fight the packer it would be myself, because I am the man that he hates.

Senator NUGENT. You are right.

Mr. HAGENBARTH. But I would say, in all fairness, that I believe that it would be infinitely better for the producer if this stuff were coming into the country anyway, that the big concerns, having the proper distributive agencies, should handle it, as they would be better people to handle it than to have it scattered pell-mell and handled by brokers throughout the country. The scientific method of handling it would be to have it handled by the people who are prepared to properly distribute it all over the country and to handle it in a proper manner.

Now, bearing on that very point, when the first cargo of this New Zealand stuff came in, I know this, that Mr. Armour did not have that; that was handled by an English agency in New York City. The wholesale prices went off about 7 to 8 cents a pound.

Senator THOMAS. You say the wholesale prices went down. How much did the retail prices come down?

Mr. HAGENBARTH. Nothin whatever. They advanced.

Senator LA FOLLETTE. When did the first cargo come in?

Mr. HAGENBARTH. That was last April, some time, or in March, I believe. Now, the packers had been paying a pretty stiff price for Western domestic lambs at that time, based on the market prior to this, but as soon as the price dropped off 7 or 8 cents a pound he had to take a loss on all the stuff he had on hand or in his warehouses of 7 or 8 cents a pound to meet that competition. So the proper thing to do to protect himself would be to get into the game and distribute this foreign stuff, not only for his own protection, but for the protection, incidentally, of the producer.

Now, although I hate to be fair in this matter, and although I would like to jump on the packers, like a lot of us are inclined to do, I can not conscientiously do it, because the packer is interested as well as we are to protect his market, as well as our market.

Senator SIMMONS. Why did the packer have to take a loss? You said a little while ago that the price had not gone down.

Mr. HAGENBARTH. Oh, yes, Senator, the wholesale price had gone down very materially. I said the price had gone down 7 or 8 cents a pound.

Senator SIMMONS. Do you mean the price to the consumer?

Mr. HAGENBARTH. No; the price to the consumer has advanced.

Senator SIMMONS. But has the wholesale price gone down?

Mr. HAGENBARTH. Yes; very materially.

Senator SIMMONS. Has the price that the packers get gone down?

Mr. HAGENBARTH. Oh, yes, yes, very materially.

Senator THOMAS. These packers whom you refer to are largely interested in that business in South America.

Mr. HAGENBARTH. In South America?

Senator THOMAS. Yes, the packers themselves are largely interested in the business of slaughtering and exporting meats in South America.

Mr. HAGENBARTH. I think it is largely beef that they are interested in, Senator, in South America.

Senator LA FOLLETTE. What proportion of these 3,000,000 carcasses of lambs that came into this country were brought in by the packers, if you know?

Mr. HAGENBARTH. Well, I can not answer that, sir, but I think it is a comparatively small amount as compared with the total amount brought in. They may have bought it after it came in.

Senator LA FOLLETTE. What is your reason for thinking so?

Mr. HAGENBARTH. Because I went down to New York and saw Mr. Lewis, who is the manager of Vestey Bros.' cold storage concern there, and he told me that the packers were not handling the bulk of the imports.

Senator LA FOLLETTE. And what time was that?

Mr. HAGENBARTH. That was in July, when I was investigating this very thing, Senator La Follette.

Senator LA FOLLETTE. What time was covered in bringing in the 3,000,000 carcasses to which you referred? Over what period of time were they brought into this country?

Mr. HAGENBARTH. Well, beginning about in March, or in April. I can not give you the exact time, but around in March or April.

Senator LA FOLLETTE. And coming down to what time?

Mr. HAGENBARTH. Coming down to December.



Senator LA FOLLETTE. And your reason for thinking that the packers did not have any considerable interest in these importations is based upon the information that you got from this one man of this one concern on this one occasion at this one point in this country?

Mr. HAGENBARTH. Yes, sir.

Senator NUGENT. And he merely advised you that the packers were not handling the bulk of them?

Mr. HAGENBARTH. Yes, sir; that is what he told me. He said that the packers were not handling the bulk of the imports.

Senator NUGENT. Could you tell us what proportion of the imports the packers were handling?

Mr. HAGENBARTH. I couldn't answer that.

Senator NUGENT. Did he have any knowledge, or give you any information with respect to that matter?

Mr. HAGENBARTH. No, sir. Now, the sad feature of this, gentlemen, is this, that with those 3,000,000 and over of frozen carcasses that have come into this country, coming in as they have, they have occasioned a great loss to the sheep producer.

Senator SIMMONS. Just one moment, Mr. Hagenbarth. Have you any information as to the amount of carcasses held by the packers in storage now?

Mr. HAGENBARTH. No, sir; I do not know. In view of the markets it is a very difficult matter to get that information from the packers.

Senator LA FOLLETTE. What would be your judgment or opinion as to what proportion of those 3,000,000 lamb carcasses that have been imported are in cold storage now?

Mr. HAGENBARTH. That is just what I was going to give you, Mr. Senator. I have the figures here.

Senator LA FOLLETTE. I beg your pardon. Go on.

Mr. HAGENBARTH. I have the actual figures here, and we are not guessing at this: There are 1,750,000 carcasses now in cold storage in New York City.

Senator NUGENT. Of these importations?

Mr. HAGENBARTH. Of these importations.

Senator LA FOLLETTE. Did all the importations come to New York City? That is, all these 3,000,000 carcasses?

Mr. HAGENBARTH. No. But most of it is in New York.

Senator THOMAS. Is that all mutton?

Mr. HAGENBARTH. Lamb.

Senator LA FOLLETTE. Lamb carcasses.

Mr. HAGENBARTH. This does not include beef and mutton.

Senator NUGENT. Were they from South America or from New Zealand? You spoke of New Zealand. Were they entirely from New Zealand?

Mr. HAGENBARTH. New Zealand principally. There are some that have come from South America. But only 730,000 carcasses of mutton were imported from South America.

Senator NUGENT. I was under the impression that the carcasses from New Zealand and Australia landed at San Francisco.

Mr. HAGENBARTH. No; New York principally.

Senator SIMMONS. You don't know what proportion of those carcasses in New York are owned by the packers?

Mr. HAGENBARTH. No; I do not. Now, there are 65,699,000 pounds in cold storage, stacked up like wheat there, and more com-

ing in. There are three boats now en route loaded with the customary cargo, running from 85,000 to 200,000 carcasses.

Senator NUGENT. Consigned to whom?

Mr. HAGENBARTH. Consigned principally to the New Zealand Steamship Co., I think, which is an English concern in New York. As I understand it, the English Government, through its various agencies, has shipped most of this stuff. They bought the New Zealand lamb crop and mutton crop, and they buy it at approximately \$3.50 of our money, in their exchange, bring it over here and sell it for \$4.86 in our money.

Senator THOMAS. Do the purchasers store this mutton and this lamb, Mr. Hagenbarth?

Mr. HAGENBARTH. No. Some of it they do after they purchase it, but as I understand it, the English Government, or its representatives, have the most of it in storage. Then Armour & Co., or Swift & Co., or any other agency will come and buy so many thousand carcasses for their trade, and ship it out through the country.

Senator NUGENT. Do you know whether or not these carcasses were shipped into this country under a contract with somebody to purchase them?

Mr. HAGENBARTH. I think not.

Senator NUGENT. You have no definite information relative to that matter?

Mr. HAGENBARTH. No; I have not. Now, the increase in the imports of mutton and lamb, Mr. Chairman, is 1,200 per cent this year into this country.

Senator SUTHERLAND. Over last year?

Mr. HAGENBARTH. Over last year, and over any time that we have ever had importations of these meats. The holdings in cold storage are 300 per cent greater than at any time in the history of this country, and increasing right along. And as I said, there are three cargoes coming in right now. I have the names of the steamships on which these shipments are coming, and so on, but I do not believe it is necessary to trouble you with giving you that data.

Now, one of the things that resulted was this: When the time came for the western grower to sell his lambs, his last hope disappeared. Whereas he figured on getting 20 cents a pound, and justly so, because lambs had sold as high as 23 cents the year before, the most of that stuff moved at around 12 cents a pound in Chicago, and with a half a lamb crop, at half the price, his liquidations were mighty small, as you can figure, on his lambs. And instead of being able to liquidate, as he had hoped to do, on his sales of his lambs, he had to sell them at half the price, which leaves him in a deplorable situation to-day.

Now, a man who has a farm is in a different situation from a sheepman. If he loses a wheat crop this year he can produce another one next year, and although it is an unfortunate thing that a man should lose a wheat crop, yet he has the hope that in the next year he will be able to produce another. But in the case of these sheepmen it is a different thing entirely. It has reached a point where we are simply bankrupt, and we are going to bankrupt our banks. We can not liquidate. It is a dangerous thing, I know, to make this statement, but the truth has got to be told, and we have got to save this

situation in some way, and it is up to this Congress and up to this committee to help do it.

Senator THOMAS. Now, with the exception of oil, isn't every industry suffering similarly?

Mr. HAGENBARTH. Yes, sir.

Senator THOMAS. Not in the same degree, perhaps, but every industry is suffering; isn't that true?

Mr. HAGENBARTH. Yes, sir.

Senator THOMAS. Then, to be logical, we should enact an emergency tariff bill for the purpose of guaranteeing, or securing as far as possible, all industries against loss, and also take care of idle workmen during this period of depression.

Mr. HAGENBARTH. Senator Thomas, that is not the thing we are pleading for. We are not pleading for that.

Senator THOMAS. No; but I am asking you if that is not logical. Do you not think that that is the logical thing to do?

Mr. HAGENBARTH. That ought to be done; yes, sir.

Senator THOMAS. Why should we, if we have got the power to do it, use the authority of the Government of the United States for a very few industries, when all of them are suffering, and suffering severely? Why should we not also take care of the men and women who are thrown out of employment because of it?

Mr. HAGENBARTH. I think it ought to be done, Senator, and I believe it will be done by this Congress at the proper time.

Senator THOMAS. Don't you think that the result of this will be not only the bankruptcy of the woolmen and the bankruptcy of the banks, but the bankruptcy of everybody?

Mr. HAGENBARTH. No, sir; I do not. I will say this, Senator Thomas, that the whole crux of this thing is that a dead ewe can not have a lamb nor another crop of wool. A farin can produce another crop of wheat next year if there is a failure this year, but we have reached a point where liquidation demands that these breeding animals must go to market, or the bank must go bankrupt, and conditions have gotten so bad, and the market is so bad that liquidation will not take care of the situation.

Senator SMOOT. It is now 5 minutes to 12, and some of us have to go to the Senate. I thought it was understood that the afternoon hearing would begin at 2 o'clock at the other office.

Senator McCUMBER. That was the understanding, but in view of the fact that we have so many witnesses, perhaps it would be well to have the hearing here. The other room is quite small.

Senator THOMAS. But it is much handier for us. We will be able to go into the Senate at any time, if necessary.

Senator SMOOT. I suggest, then, that we take a recess at this time until 2 o'clock at the other office.

Senator McCUMBER. The hearing will now adjourn until 2 o'clock this afternoon at the other office.

(Thereupon, at 11.55 a. m., the committee took a recess until 2 o'clock p. m.)

#### AFTER RECESS.

(At 2 o'clock p. m. the committee reassembled pursuant to the taking of recess.)

Senator McCUMBER (presiding). Mr. Hagenbarth, will you resume your testimony, please?

**STATEMENT OF MR. F. J. HAGENBARTH—Resumed.**

Mr. HAGENBARTH. Mr. Chairman, after reciting the fact that the wool market lost its stability and the bottom dropped out of it, and the fact that woolgrowers were unable to sell their lambs at any price near the cost of production owing to the large accumulation of foreign meats, etc., that had been brought into the country and which are now on hand to a great extent, I just want to very briefly recite the effect on some of our big banking and loaning institutions in the West.

For instance, one of our very large institutions—the president of which happens to be here at this time—the National Wool Warehouse Co., of Chicago, and which has about 40,000,000 pounds of wool belonging strictly to growers—this is not a speculative concern at all; it is a cooperative concern for the marketing of wools through financing the woolgrowers, just like you put wheat in an elevator or cotton in a warehouse on warehouse receipts—they have over 40,000,000 pounds of wool in Boston and in Chicago, principally, and on which they have advanced an average of about 36 cents a pound on wools that to-day would not net them probably over 20 cents a pound, and yet they have loaned 36 cents a pound on those wools.

SENATOR LA FOLLETTE. What is the name of that organization?

Mr. HAGENBARTH. The National Wool Warehouse Co., of Chicago.

There are 30,000 consignors—farmers and live-stock men of Montana, farmers of South Dakota, Illinois, and throughout the country; there are no speculators, nobody interested but the growers. The Columbian Basin Wool Growers Co. is another in the Northwest in identically the same condition; and these big warehouse companies have been able so far to float their paper for the money loaned to the woolgrowers among banks. The banks have learned of the very unstable condition of the sheep industry, and they are refusing to rediscount this paper when it becomes due. They are simply carrying these institutions on hope that something in some way and some how something is going to turn up that will stabilize credits and bring the sheep industry back to a productive basis, and a basis that will enable these men to liquidate.

We are not only facing the probability here of destroying certain sheep men or their industry—that is all right; they can go to work at something else, but when it reaches out to such an extent and touches the banking fabric to a great extent throughout the great West and the citizenship, as it does with us—our very citizenship is involved there. For instance, the farmers in Idaho to-day have between 800,000 and 1,000,000 tons of alfalfa hay in the stacks that they can not sell, although the sheep men need it to feed their flocks, though they can not get the money to get it with; their credit is gone at the banks, and the only thing the farmer can take is the wool-grower's note.

The woolgrower has not sold last year's crop; he is coming up to another crop in three or four months of wool to be sold, and no prospects on earth of getting any price for that. How can he, when he can not sell last year's wool? That condition is very serious and very urgent in our western country, and I want to try and impress it upon this committee with all the force and conviction that is at my command. If the committee could only see the real meaning of this thing they would forget any other differences, geographically or

political or otherwise, and an emergency act would pass here to take care of those people and those banks in the great West.

We are not making a plea on any other grounds.

If this bill goes through, there will be for certain grades of wool, for instance, the very fine wool, as we call it 70/80's, that come into this country, that we do not produce here—we used to produce them in Ohio, Pennsylvania, and West Virginia in the early days, but they are not produced now—there would be a considerable amount of revenue and another class of wools used for making alpaca coat linings, etc., would come in; carpet wools would come in.

There is a considerable quantity of wool that would come in. This is not an embargo by any means, and it will produce somewhere between \$50,000,000 and \$60,000,000 of revenue in the interim, that will be used to great advantage, I should judge, at this time by the Government.

One of the questions that we have to meet here is, What good is a tariff on wool going to do? We have tried to make it clear that it will restore confidence, and at least give notice that the bottom has been touched, and the accumulated mass of orders and cancellations that are piling up would begin to come into the manufacturers, and there would be a natural flow of business. Of course, that is a supposition, a reasonable supposition, I think. But, here is the fact: During the war there has accumulated a supply of wool throughout the world amounting up to, variously estimated, between 1,600,000,000 and 2,000,000,000 pounds, and the only big cash market at the top price open to that is the United States to-day; that wool is just hanging like a pal' over the whole situation.

We can not relieve that except by an embargo, and an embargo seems to be out of the question. But we can modify its influence to the extent of 15 cents a pound to the grower here in this country and stabilize his industry to that extent and also stabilize the banking industry and the whole citizenship out through the West.

That is our plea, reduced to its simplest terms—to get some protection against this terrible weight that is terrifying the bankers, that is terrifying everybody. They will say what is going to happen to you when this foreign wool comes in, or waiting to come in; that is the think that is bothering us.

If this situation continues, disaster will follow. We have felt a good deal of concern for Germany and other nations, and justly so. They are freezing over there and starving over there, and yet it is our proposition to bring into this country wools that we do not need, when we have already got a two years' supply, when those wools should go to clothe those freezing people.

We are bringing in mutton here when we have already gotten our cold-storage houses full, when it should go to them. Some one will say, "They can not buy it; they have not got the means to buy it." We can not, on the other hand, take care of all the accumulated supplies of all the world. If they can not ship those goods to the United States at an import bonus, if there is some sort of stop-gap put up, will they not be forced to find markets and devise credits some way, and some how, to clothe and feed those starving people of Europe? The United States can not assume the whole burden of the whole world, and all their products, simply because we have gold here.

I want to put into the record, with the consent of the chairman, a letter that I presume 75 or 80 per cent of the woolgrowers, live-stock and other kindred associations—the American Federation of Farm Bureaus, the National Grange, and Patrons of Husbandry, and other concerns of a similar character—have presented to the President of the United States bearing on this subject.

Senator McCUMBER. It may be received and made a part of the record.

(The letter, addressed to the President of the United States, submitted by Mr. Hagenbarth, is here printed in full, as follows:)

WASHINGTON, D. C., December 11, 1920.

DEAR MR. PRESIDENT: It is with great timidity that the live-stock interests of the United States come before you at this time, and we can assure you that it is only in the face of the greatest exigency and forced by desperation that we do so.

While realizing the general deplorable condition of producers' markets upon practically all commodities in this country, we wish to submit that the situation as applied to live stock is more far reaching and the danger of permanent and irreparable damage to this basic industry is very imminent unless radical measures are adopted very promptly which will prevent the excessive liquidation of breeding and immature animals which is now taking place.

We wish particularly to advise you that in that area west of the Mississippi River, comprising what is known as the range breeding and feeding grounds, which produces about 70 per cent of the wool and mutton supply and about 50 per cent of the beef supply of the United States, the live-stock industry is facing annihilation.

These statements are not made in a general way, but with specific reference to the actual facts as have been brought by competent witnesses to the attention of Congress through hearings during the past week before the Ways and Means Committee of the House and the Agriculture Committee of the Senate.

The live-stock producer is not only facing conditions of general commercial depression and lack of credit common to this time to practically all productive American industries, but is bearing additional physical burdens not shared in, to our knowledge, by any other industry. These physical conditions are twofold: First, that, unlike the manufacturer or the miner, the live-stock producer can not curtail expenses and outlay by closing down his plant. His animals must be fed, however great the loss, or else he must ship to market and thus permanently destroy his plant. This is what is being done to-day and this is what we are striving to and must prevent.

Second, and applying more particularly to that group of States known as the Rocky Mountain and northwestern range territory, there is the added burden of a drought beginning in the winter of 1918, when there was a minimum of snowfall which curtailed water for irrigation of crops, and which continued all through the summer of 1919, and which was followed by a winter beginning in October and continuing until the end of April. Both the drought and the winter following were the severest known in the history of the western range industry. The net result of these meteorological conditions increased the cost of carrying animals through the winter from 500 to 700 per cent, and is evidenced by the fact that the average chattel-mortgage indebtedness now carried by the 30,000,000 sheep in these States is at least \$9 per head, and the average debt carried by cattlemen is conservatively \$45 per head. In addition there is the added burden of real-estate mortgages.

This physical condition last described, which might aptly be called "an act of God," must be borne by the live stock producer in addition to the added burden of having practically no market for wool and the demoralized, rapidly declining markets for live stock to which he must ship for liquidation purposes.

The live stock markets have apparently lost their absorptive power. Prices have rapidly declined, thus forcing additional shipments for liquidation purposes; these shipments, in turn, are causing lower prices and again further liquidation, thus creating a vicious circle. The evidence of credible witnesses before the congressional committees shows that during the first week of December western range breeding ewes were sold at a price which after paying freight, shipping, and selling charges only netted the Wyoming owner 33 cents per head—an entire animal thus bringing less than the cost of one mutton chop. Quarter-blood Buenos Ayres second clip wool was purchased in large quantities by one of the leading firms of Boston recently at 9 cents per pound f. o. b. Boston. The cost of shipping and selling similar wools from the western range territory, which produces 70 per cent of our wool clip, amounts to 6 cents per pound, so that the competing American grower would realize 3 cents per pound net

for a similar shipment and for wools which cost 45 cents per pound to produce. These instances of actual commercial transactions could be indefinitely extended.

The shipment to market of cows, calves, and other immature beef animals is unparalleled.

The Middle West farmer who has corn and other feed crops to market and whose market is principally found through the feeding of live stock is afraid to use his credit for feeding purposes by reason of the constantly falling markets and lack of demand for his product when finished. Thus the animals shipped to market instead of going out to the feed lots are slaughtered. In the present difficult credit situation the feeding farmer naturally finds it difficult to convince his banker that money should be loaned for feeding purposes. The banker with a broader vision and more in touch with world conditions knows that during the year 1920 up to date that the increase in shipments of foreign lamb and mutton has increased, as shown by the Bureau of Markets, 1,022 per cent. Statistics from the same source show that imports of beef, fresh and frozen, and beef products from abroad are steadily increasing with a formidable increase in percentages.

The increased imports of fresh and frozen beef for the month of August was 50 per cent, for September 62 per cent, and October 156 per cent. Fats and oils for the months of July to October, inclusive, show an increase over 1919 of 166 per cent and steadily increasing. All other beef product imports show an increase of 1,000 per cent for the four months named. The average increase in imports of beef fats and beef oils for the 10 months of 1920, ending with October, as compared with 1919, show an average of 140.8 per cent. The increase of general beef products show an increase of 108.5 per cent. The serious feature of these imports is not the present volume so much as the steadily increasing proportions which they are assuming. In the case of lamb and mutton there have been imported during the year, as reported by the Bureau of Markets, 2,663,000 carcasses, with several shiploads from New Zealand and South America now in transit.

In the case of wool, our imports during the past fiscal year were 427,000,000 pounds. On October 30 there were 27,000,000 pounds additional afloat bound for the United States, with other ships loading for the same destination.

These added imports of meats, especially lamb and mutton, are coming into the United States at a time when our cold storage supplies of 1,500,000 carcasses, principally composed of foreign frozen lamb, are the greatest stocks on record. Additional imports of wool are being added to an excessive supply already on hand and in sight, as estimated from figures of the Bureau of Markets, consisting of 966,000,000 pounds, exclusive of wools held by packers on pelts in storage which will bring the total supply of wool now available in this country up to and in excess of 1,000,000,000 pounds, which at normal rates of consumption is enough to supply our national requirements for the next two years to come.

That serious liquidation in live stock is taking place is evidenced by figures furnished by the Bureau of Markets which show a 27½ per cent increase of shipments in 1920 over 1919 in the case of cattle and an increase of 32 to 35 per cent in the case of sheep and lambs. The latter figure is arrived at by taking into account the fact that the western flock master, although he had only a half lamb crop this year, has shipped more than the normal number of sheep and lambs to market, thus showing that he is not holding the usual number of ewe lambs for the purpose of replenishing his flocks.

The combined effect of demoralized home markets, plus the impending weight of foreign importations, which owing to the exchange situation practically gives the foreign importer a bonus on imports of 30 to 40 per cent, has been to destroy the financial credit of the live-stock producer and feeder. There can be no good reason why an already overstocked market for wool and meats should continue to be a dumping ground for the whole world at prices utterly ruinous to our home producer (and from which lower prices the middleman derives the major benefit and the ultimate consumer but little). The producer under these conditions must of necessity be refused credit, he must lose his courage and morale. The net result of the whole situation is that our breeding herds of both cattle and sheep are being decimated and liquidated.

Mr. President, on behalf of these herds and flocks and on behalf of the future meat supply of this country and in order to save the credit and banking structure and economic life of the great live-stock breeding and feeding areas of the United States, we appeal to you to call the attention of Congress to the serious situation and to take action against the imports of such commodities as are causing the present demoralization and which are a menace to our future.

We most respectfully suggest that in the event of any one crop being produced or sold at a loss that another crop may be raised another year, perhaps at a profit, but in

the event that a breeding herd of cattle or a breeding flock of sheep is once slaughtered the plant is destroyed and production entirely ceases. The danger of this result is most apparent.

Mr. President, we submit these facts and this petition to you on behalf of the following organizations which have duly and authoritatively acted, and we call upon you in this crisis for assistance:

National Wool Growers' Association; American Farm Bureau Federation; American National Live Stock Association; National Grange Patrons of Husbandry; United Range States Live Stock Association; Minnesota and Wisconsin Wool Growers' Association; Wisconsin Live Stock Growers' Association; Louisiana Wool Growers' Association; Maryland Wool Growers' Association; Idaho and Oregon Wool Growers' Association; Ohio Wool Growers' Association; New Mexico Wool Growers' Association; Kansas Wool Growers' Association; Texas Wool Growers' Association; South Dakota Wool Growers' Association; Arizona Wool Growers' Association; Rambouillet Sheep Breeders' Association; Illinois Wool Marketing Agricultural Association; Montana Wool Growers' Association; Pennsylvania Wool Growers' Association; New York Wool Growers' Association; Wyoming Wool Growers' Association; Iowa Wool Growers' Association; Michigan Wool Growers' Association; North Dakota Wool Growers' Association; Missouri Wool Growers' Association.

The PRESIDENT,  
*The White House, Washington, D. C.*

Mr. HAGENBARTH. I have here a telegram which came this morning from Oregon, that will give you a side light on the situation there. [Reading:]

NAMPA, OREG., *January 5, 1921.*

F. J. HAGENBARTH,  
*Raleigh Hotel, Washington, D. C.*

The bank at Prineville, Oreg., already has closed its doors--

That is strictly a live stock bank in central Oregon.

Entirely the cause of delay in passing emergency tariff. Sheep men and farmers in the United States are placing the responsibility for failure to pass this legislation squarely on the shoulders of the present Congress. If the present Congress is sincere in its desire to help the farmers and stockmen, this emergency bill will be passed without delay or amendment. Western stockmen are unable to pay their taxes, forest reserve fees, or their labor. The whole situation can be fixed up immediately by passing emergency tariff which will interfere with no one in America except a half dozen wool importers.

S. W. McCURE,  
*Assistant Manager Colombian Basin Wool Warehouse Co.*

There seems to have been a misconception here. I have heard considerable statement from gentlemen that the manufacturer and the representatives of the manufacturers are opposed to the wool grower. There may be some isolated cases of that kind, but I do not believe it is true as a general proposition. I think they realize that the wool growers are citizens of this country and entitled to any reasonable consideration, the same as wool growers feel that the manufacturer is entitled to any reasonable consideration.

I wish to call your attention to a statement issued as an editorial in the "Manufacturer," dated December 31, entitled "The Emergency Tariff," published by the Manufacturers' Club of Philadelphia, which is the largest manufacturers's club or club of that kind and one of the oldest in the United States; and it is so apropos that if you will pardon me I would like to read a short portion of it. May I do so, Mr. Chairman?

Senator McCUMBER. Very well.

Mr. HAGENBARTH. I will be through here in five minutes. This is the manufacturer's periodical strictly. [Reading:]



There is need of comprehensive and adequate emergency tariff, with the least possible delay in putting it upon the statute books. Irrespective of political dogmas, the entire country is awake to the urgent necessity for new and higher import duties all along the line. They should be established at once, and by emergency methods, for the following reasons:

Those whose experience or recollection goes back to 1897 and the enactment of the Dingley bill do not have to be told of how forewarning and delay in the transition from a low to a high tariff may entirely defeat or delay the needed benefits thereof for one, two, three, even four years or longer.

Advance notice of tariff revision upward is the signal for wholesale importations, at the low rates preceding revision, of unlimited quantities of every commodity, raw materials and finished products alike, which are expected to be included in the upward revision. The inevitable result is what occurred with the enactment of the Dingley bill. The country is stocked with low-rate imports, to the extent of the demand for a period of two, three, or four years; those borrowing to make their own speculative importations are, for lack of capital and in the glut of the market, compelled to sell at a loss; the advance speculative importing deprives the Government of the increased revenue otherwise to be had by a quick imposition of the tariff duties; and, politically, the tariff party suffers by the business reaction and deferment of benefits, because the general public loudly demands, "Where is this prosperity that the new tariff was to bring us?"

There is at this time a dire need for an emergency tariff, and to avoid all of the evils just enumerated and many others which have not been mentioned, that emergency tariff should be imposed at once, without the costly delays of hearings, debates, amendments, etc.

And the only way by which that may be accomplished, effectively and with justice, and in a way to immediately revive the whole agricultural and industrial organization of the country, is by the quick reenactment of a tariff bill of the recent past that already has passed through the ordeal of all the legislative processes to which a new measure of general revision would have to be subjected.

Congress can, if it will, with only the slightest delay, put the whole country—industry and agriculture alike—back upon the road to normality and prosperity. And then, with the protection of agriculture and industry assured, and the Government's revenues guaranteed, attention may be given to a general revision or substitute measure, with all the deliberation or delays that may be necessary or unavoidable.

Along the same line—this is very brief—from the Boston Commercial Bulletin of December 21, which is an organ of the manufacturers, and this is an editorial also:

The emergency tariff, so far as the wool and wool manufacturing industry is concerned, has some inequalities in it. In the first place, the compensatory duties are not fairly apportioned and in the second place, the imposition of a double duty on skirted wool is manifestly unfair. So far as the tariff on raw wool is concerned, the fact that the duty is unusually high need not be considered of special moment just now, for with the situation obtaining in foreign exchange, a high tariff is imperative if any protection is to be afforded.

Certain Congressmen no doubt feel obliged to stand meekly when handed a lemon tariff proposal, and others, quite naturally, may be susceptible to peanut politics, but it will be a serious reflection upon the country if an industry like that of wool-growing, which in time of war would be an indispensable asset, is allowed to go practically bankrupt. The rehabilitation of the sheep flocks of a nation, once it is decimated, is not restored over night but only after a series of years of constant breeding.

Mr. Chairman, as direct evidence to you of what the actual condition is in the market where men, such as I have described in the wool-growing industry, have been unable to liquidate their bank accounts and their expenses and who have been compelled to ship their breeding ewes to market for the purpose of getting money for liquidation and paying interest and taxes and other things that must be met, I want to quote from a market report published by the Knollin Sheep Commission Co., of Chicago, the largest strictly sheep commission company in the United States, under date of November 26. [Reading:]

The sheep market is even worse than the lamb trade. Choice, big, fat, heavy, native ewes—

That is Wisconsin, South Dakota, and Illinois, not western ewes, which sell at a lesser price, even—

are selling at 4 cents, and thousands of cull to medium ewes from 2 to 3½ cents.

That takes in the western ewes.

We believe we have solved the sheep business. Quotations on the Chicago market show tankage is selling at \$80 to \$90 a ton. You can buy the best, native ewes here at \$80 and the bulk of the ewes at \$50 to \$70 a ton, so we advise our friends who are feeding hogs to kill the sheep and feed them to the hogs, as it is the cheapest feed that you can get, much cheaper than tankage and fully as good; then you have the skins besides. There is nothing on the list as cheap as these fat, native ewes now. Not only that, but the packers say they can not sell the mutton, and if you come to Chicago and buy a few loads for feed, it will help people who have sheep to market later on.

Senator SIMMONS. I want to ask you for information; I do not know anything about it: To what extent has the price of hogs fallen?

Mr. HAGENBARTH. Hogs to the best of my judgment have fallen about 50 per cent.

Senator SIMMONS. And sheep how much?

Mr. HAGENBARTH. Sheep about the same.

Senator SIMMONS. Hogs and sheep are about the same?

Mr. HAGENBARTH. Yes. But, remember, Senator Simmons, you have to deduct from the price of a ewe or sheep that is sold in the market the freight from Idaho or Utah or Oregon where she originates, and the expense of selling, which you do not have to deduct from a hog.

Senator THOMAS. The freight would be less on the native ewes you speak of?

Mr. HAGENBARTH. On the native ewes there would not be such an item of freight, Senator.

Senator SIMMONS. If hogs have fallen as much as sheep, how do you account for that fall in the price of hogs by quoting importations and by the big supply of wool already in the country?

Mr. HAGENBARTH. In the first place, Senator Simmons, I spoke hastily in making my reply. I said 50 per cent, which was perhaps an exaggeration. I could not say definitely. There has been a considerable fall in the price of hogs since war-time prices.

Senator SIMMONS. I do not think you are wrong. I have seen in the papers that they were down to 9 cents, I think. They were somewhere around 20 cents during the war.

Mr. HAGENBARTH. I was going to say that by reflection the tremendous surplus of other meats which are very cheap at wholesale may have had an effect on the price of hogs. That is indefinite and intangible, but it is reasonable to suppose it would have an effect.

Senator SIMMONS. How about cattle?

Mr. HAGENBARTH. Cattle have fallen very materially.

Senator SIMMONS. About the same?

Mr. HAGENBARTH. Well, I do not know the exact figures on cattle. But I think there has been fully a 40 per cent reduction in cattle on the hoof.

Senator SIMMONS. Have there been importations of cattle into the country?

Mr. HAGENBARTH. There has been a considerable importation of cattle.

Senator SIMMONS. Do you think there has been enough—

Senator NUGENT (interposing). There have been very large importations of frozen beef?

Mr. HAGENBARTH. Yes. But there has been a very large amount of excess cattle, Mr. Simmons, that should have gone to the feed lots, and an outlet had to be made for those cattle for the fresh meat at some price. For instance, the cattle that should have gone back into the corn belt out there to consume the Illinois, Missouri, and Iowa corn have been slaughtered and disseminated through the trade, and it has created a tremendous overplus of beef.

Senator SIMMONS. Has the tendency been to reduce the amount of meat in the country? If you kill a cow when she is lean, she does not weigh anything like as much as when she is fat, and you have lost that much?

Mr. HAGENBARTH. Yes.

Senator SIMMONS. So that that has been somewhat of a reduction?

Mr. HAGENBARTH. It is coming to that point. We are not suffering from that yet, and we will not for two or three years. But if this stuff had been marketed—it is largely a lack of confidence in the whole meat situation.

Talking about beef, Senator Simmons, in October last year our imports of frozen beef were 2,030,000 pounds, if my memory serves me, and this October they were 7,370,000 pounds. There was an increase of 156 per cent. Beginning last July, the increase was 40 per cent in July, 62 per cent in August, about seventy-odd per cent in September, and 156 per cent in October, and there is a gradual ascending scale. New ships are being fitted out for the bringing of meats in from South America, and although the volume is not yet great, there is a tendency that way, as you can see in the gradual increase in these monthly imports.

Senator SIMMONS. How much did you say had been imported?

Mr. HAGENBARTH. In October there were 7,370,000 pounds.

Senator SIMMONS. As against what?

Mr. HAGENBARTH. As against 2,030,000 pounds a year ago in the same month. But it is a gradually ascending scale.

Senator SIMMONS. Give us for the record there the total amount of beef consumed in this country.

Mr. HAGENBARTH. I can not give you that.

Senator SIMMONS. That is necessary in order to determine what effect that importation would have on the price.

Mr. HAGENBARTH. The serious factor is the tendency to increase month by month. It is stepping right up very rapidly.

Senator NUGENT. Do you know anything about the quantity of frozen beef now in these cold-storage warehouses?

Mr. HAGENBARTH. No; I do not. I have not those figures available.

Senator McCUMBER. The importations have gone up while the prices of American cattle have gone down, have they not?

Mr. HAGENBARTH. Yes.

Senator McCUMBER. About the same percentage?

Mr. HAGENBARTH. Yes.

Senator NUGENT. And the price to the consumer is about the same as it was?

Mr. HAGENBARTH. It is higher. The price to the consumer, Senator Nugent, this fall was 19 per cent higher on a 40 per cent reduction in the wholesale price of beef than it was last year right here in the city of Washington. In the last week in November your wholesale price of meats was 19 cents.

Senator NUGENT. We do not expect anything else.

Mr. HAGENBARTH. The packers' price has been reduced to 13½ cents the third week in December, and the retail price actually increased.

Senator THOMAS. Does not that argue, Mr. Hagenbarth, that there is an enormous profit now being realized by the retailers at the prices charged to the consumer?

Mr. HAGENBARTH. I would not say that. That might be true, but I will say this, Senator Thomas, that there are five retailers where there ought to be but one. That is entirely a separate consideration.

Senator THOMAS. But if the wholesale price has fallen so remarkably at the same time the retail price, instead of corresponding with it, has risen, it must follow that somebody is making a very large sum out of the consumer.

Mr. HAGENBARTH. Either a very large sum or a very expensive system of distribution exists. I would not accuse these retail butchers of profiteering until I was sure.

Senator THOMAS. I am not accusing them.

Mr. HAGENBARTH. I am stating my position; I am not stating yours, Senator. My own judgment is that we have five retailers and five delivery wagons and five retailers' families and clerks and everything else to support where we ought to have but one.

The census shows that two-thirds of our people are now living in the cities of over 2,500 inhabitants, and there has been a gravitating to the cities and these dealer people have to live, and that is the way they live, as parasites on the other consumers.

Senator SIMMONS. The automobile has to be taken care of just as much as the family?

Mr. HAGENBARTH. Yes; the automobile has to be taken care of, and you can not charge it to the producer.

Senator THOMAS. I am not charging it to the producer at all, but there is something wrong somewhere.

Senator SMOOR. There is both a distribution and a sale's profit made by the retailer, you know, when they charge you 55 cents now for mutton chops.

Senator SIMMONS. That is moderate—as high as 70 to 75 cents.

Senator SMOOR. They charge you 55 cents a pound for ham, when you can buy that ham right now from any wholesale dealer at 19 cents.

Senator THOMAS. You can not buy it from the wholesaler.

Senator SMOOR. Yes; you can.

Senator THOMAS. Under the combination existing you have got to buy from the retailer.

Senator SMOOR. No, no; you have not.

Senator SIMMONS. I want to see how far the wool and lamb situation differentiates itself from the situation of other farm products. You said they had fallen about 50 per cent—wool and hogs

and cattle. Can you name any staple agricultural products in this country that has not fallen 50 per cent since the war?

Mr. HAGENBARTH. No; Senator Simmons.

Senator SIMMONS. Are they not all in the same boat?

Mr. HAGENBARTH. No. Evidently my powers of description, or whatever power I lack, is very serious. I said, in starting, and I say again that we are on a level on all these things with everybody else with our wool and with our mutton, and so on. But plus that, the physical conditions that I explained, the drought and the hard winter and the debt that was laid on these sheep out West, has brought us to a point where we are shipping our ewes to Chicago, our breeding ewes, for their meat and wool supply and for hog feed; and, putting it that way, that head ewe never can produce another lamb nor another crop of wool, but a farm that fails in its wheat price this year can produce another crop of wheat next year. There is where we are different.

Senator SIMMONS. I understand all that. You made it very clear.

Mr. HAGENBARTH. There is the difference.

Senator SIMMONS. But you are contending here that the reduction in the price of wool is the result of importations of wool into this country, and you say that same reduction applies to all the other staple agricultural products. Many of the other staple agricultural products are not imported into this country at all, are they?

Mr. HAGENBARTH. Even if that were true-----

Senator McCUMBER (interposing). I would like a description of those which are not. You spoke of staple products.

Senator SIMMONS. Corn is not imported into this country.

Senator McCUMBER. That is only one.

Mr. HAGENBARTH. Pardon me if I ask you a question, Senator Simmons.

Senator SIMMONS. Corn is in the same fix. Corn has fallen 50 per cent and more than 50 per cent. Corn was selling at \$10 a barrel, and now it is selling for probably about \$4. Corn is not imported into this country. There is in two counties in my State as much corn as was imported into this country last year.

Senator McCUMBER. There is being imported an immense quantity of wheat, potatoes, onions, and all of the ordinary products that make up your table.

Senator SIMMONS. As compared with the great amount of meat produced in this country, while the importations are larger than usual, they are rather negligible as affecting the general price. The importations have not affected the price of either of those articles.

Mr. HAGENBARTH. But you can sell wheat even at these low prices.

Senator SMOOT. Do you say that wheat has fallen in price more than anything else?

Senator SIMMONS. I do not say wheat. I said cotton, corn, and tobacco.

Mr. HAGENBARTH. Nothing has fallen as much as wool. You can not sell wool, Senator Simmons.

Senator SIMMONS. If you made a correct statement as to the extent that wool has fallen in price, you are mistaken when you say nothing has fallen as much. Cotton has fallen more than wool.

Mr. HAGENBARTH. Can you not sell cotton at some price, Senator Simmons?

Senator SIMMONS. You can sell cotton at some price; yes.

Mr. HAGENBARTH. You can not sell wool at any price.

Senator SIMMONS. I do not know. You have not stated that.

Mr. HAGENBARTH. I am stating that. Referring back to Senator Simmons's question as to why prices fell off on meats; as good an authority as I can give is the United States Department of Agriculture Bureau of Markets, dated December 6, on sheep. [Reading:]

A liberal run of sheep and lambs in Chicago and elsewhere, an unusually large proportion of killers in the local run, the recent sharp decline in cattle and hog values, and the depression here and in the eastern markets on the dressed product which naturally followed the arrival at New York last Thursday of another large consignment of New Zealand dressed lamb and mutton, combined to force a sharp break on all classes of fat sheep and lambs.

There is evidence given by our own Bureau of Markets, and I can not think of any better authority. I do not know whether it is an authority or not, but that is the best authority I can give as to some of the causes of these breaks.

On December 11 Mr. Armour, in an interview quoted in the Washington Post, dated December 12, states under a Chicago heading [reading]:

Lower prices for live stock, which have resulted from declines in feed stuffs and from excessive receipts of stock in all markets have had marked influence on the wholesale selling prices of all meats, resulting in level prices which are below the prices that obtained April 1, 1917, and also below the prices that ruled in 1914 in many instances.

He goes on to give details there, showing they are now below the prewar level in prices.

We might supplement Mr. Armour's statement by saying that notwithstanding that fact the heavy costs that we put into the production of that stuff were not reduced by any process whatever, and it is coming right back on the producers and coming back on the banks and on the whole situation.

To sum up again, in closing, Mr. Chairman, I want to repeat what I said in the beginning: We are not here pleading for profit: we are not talking tariff at all, and we are not here even to talk for the preservation of our flocks and herds, our breeding cows, our breeding sheep out in that western country, but we are here pleading for the very citizenship, for our children and our homes. We have—I am not going to indulge in an oration—these are facts. We have got three interests only in 90 per cent of our western country—west of the Rockies, including the Rockies—that is, mining, farming, and live stock. The farming depends entirely on the mining and the live stock. You men are well enough informed to know the present condition of the mining industry, and the effect it has had. In killing this live stock as we are now, it has a national aspect; and I say if this Congress does not do something it is their own deliberate act: they are destroying the farmers in that great intermountain country, and it would be much better for that country if the Louisiana Purchase had never been made; it would be better for that country if the Union Pacific Railroad had never been built, because you can not put a people out there on those desert plains and then deliberately starve them to death.

When you talk about Germany with no market and no credit, we are going to be in identically the same circumstance. If you

think that is an overdrawn picture, I am here to go into details as long as you want to hear them, and give you specific instances of individuals and banks.

In closing, I just want to state the record of one big live-stock outfit that I know from top to bottom, that has been in the business since 1886, that put a great deal of money into the business and has the best organization, the best ranges, and one of the best managed and best equipped companies in the West. In 1918 they made, on an investment of over \$3,000,000, \$7,000; in 1919 they lost \$56,000; this year they are going to lose between \$240,000 and \$250,000—I ought to know exactly in a few days. They are in this producing game, and how long they can keep that up you gentlemen can judge for yourselves.

Senator McCUMBER. We are much obliged to you, Mr. Hagenbarth. Who is the next witness who desires to be heard?

Mr. THURMOND. I would like to make a short statement.

**STATEMENT OF MR. GEORGE M. THURMOND, SECRETARY AND TREASURER OF THE TEXAS SHEEP AND GOAT RAISERS' ASSOCIATION, DEL RIO, TEX.**

Mr. THURMOND. Gentlemen of the committee, I am here from western Texas for the purpose of testifying before this committee as to the conditions surrounding the production of sheep and wool in my section of the country. This committee has before it not a tariff bill, as tariff bills are generally drawn.

It has not before it general tariff legislation, but it has before it a measure that, in my judgment, ought to be called an emergency war measure, because the conditions existing in the industry that we represent have been brought about as a consequence of the war in a large measure, if not entirely.

Therefore, I think we ought to appreciate the consideration of the enactment of this legislation from that viewpoint, and not from the viewpoint of the enactment of the general tariff legislation. Mr. Hagenbarth has very graphically described to you, gentlemen, the condition of the sheep men of this country in general. While we, in Texas, are not in the dire condition that Mr. Hagenbarth's people are further to the Northwest, because of our wonderful climatic conditions in Texas and because we are not required to feed sheep through the winter. But the industry in my State is in as deplorable a condition as it could possibly be, and I venture to say that unless there is some relief given that the conditions arising in 1893 will not be a marker to the conditions that we will find in our section of the country in a short while.

We can not produce wools in Texas—and we can produce them there as cheaply as any place in this country—for double the amount that the market for our wools is to-day, and we can not sell our wools at the market price.

In considering whether or not this legislation should be passed, I take it that every Senator will desire to do that which will relieve the country, if it is possible to be done. This question will be determined upon its merits, without consideration, so far as possible, of political issues.

As I said, this is an emergency measure, and in determining whether or not this legislation should be adopted, it seems to me we ought to inquire, first, what is the condition? Then, what causes the condition, and then the remedy for that condition.

You have heard the conditions stated by Mr. Hagenbarth. It would be mere supererogation for me to repeat them. I say to you that those conditions exist in Texas.

What is the remedy for that? Gentlemen have expressed themselves to me as being in favor of an embargo that would prevent any wool coming in. There seems to be some question in the minds of the same gentlemen as to the adoption of a tariff bill that amounts to an embargo, and I can not for my life see the distinction. It seems to me that a rose would smell just as sweet whatever you might call it, and whether or not you call it a tariff bill or embargo bill, it seems to me, can make no difference if it effects the purpose that we have in mind.

Now, ought we to protect the wool growers of this country against the dumping into our market of the wools that are being brought, and ought we to protect them against the dumping into our country of the mutton and frozen lambs being dumped here? That seems to me to be the question. Gentlemen speak of the interest of the consumer. Well, of course, he has an interest and his interests should be subservient.

Senator NUGENT. Will you excuse me for an interruption a moment?

Mr. THURMOND. Yes, sir.

Senator NUGENT. You just made a statement to the effect that we should protect our own producers' live stock?

Mr. THURMOND. Yes, sir.

Senator NUGENT. Against the importation into this country of the frozen mutton and lambs?

Mr. THURMOND. Yes, sir.

Senator NUGENT. And I gather from Mr. Hagenbarth's statement that he entertains the same view with respect to beef.

Mr. THURMOND. Yes, sir.

Senator NUGENT. Are you aware of the fact that there is no item in this bill that would impose a tariff on importation into this country of frozen meats of any kind?

Mr. THURMOND. Absolutely, I am.

Senator NUGENT. Do you not think that in order to effect the relief that you are seeking that such an item should be included in this bill?

Mr. THURMOND. I would very much prefer to have frozen beef in the bill.

Senator NUGENT. Why was it not put in?

Mr. THURMOND. I do not know; I did not participate in the preparation of the bill, and I do not know why frozen meat is not in the bill, but I assume that it is because the committee preparing the bill had information that there was being practically as much frozen beef exported from this country as there was imported, and I believe that this committee, if it will get the statistics, will find that to be a fact.

Senator NUGENT. One moment. You believe, however, that it is necessary for the protection of the live-stock growers of this country to include importations of frozen beef in this bill?



Mr. THURMOND. Yes, I do; that is, I think it would be well that it be done. I do not think that it is absolutely essential to save the life of the cattle industry, perhaps, that it be done in this emergency bill. But let me tell you my position——

Senator NUGENT (interposing). What is your view with respect to that matter concerning the sheep industry?

Mr. THURMOND. I think that the sheep industry is absolutely destroyed unless this measure is enacted and enacted quickly.

Senator NUGENT. Including a tariff on the importation of frozen carcasses of lamb and mutton?

Mr. THURMOND. Yes, sir. My position upon frozen meats is just exactly this: There ought to be sufficient tariff on frozen meats to equalize the cost of the production of those meats in the countries that send them here with the production of the meats in this country.

Senator NUGENT. I presume that you are aware of the fact that conditions are changing so rapidly throughout the world that it is to all intents and purposes impossible to ascertain that difference?

Mr. THURMOND. Yes, sir. But we could ascertain, it seems to me, practically what it would be. At any rate, the tariff should be put high enough so that we would be certain, and then the tariff should not be a fixed thing, and if it became necessary to change a schedule in order to meet changed conditions it ought to be done.

In other words, the producers of this country ought to be protected in the production of what they are producing.

Speaking of the interest of the consumer--has it ever occurred to you gentlemen that until a thing is produced there is nothing to consume, and if you kill the production of a food article in this country then there is nothing for the consumption of the consumer to consume; and whenever you destroy an industry of this kind in this country, and you must get your production from a foreign country, it will not be long until the consumer of this country will realize that his interests have been sacrificed in an effort to preserve him against what seems to be the idea that the producer must be crushed in order to save a consumer.

Besides, in so far as wool is concerned, the price of wool will never affect the price of the finished suit of clothes made of the wool that the consumer buys, because you can take our best Texas wools to-day at the price that they were during the war and a suit of clothes that would retail for \$100 would contain not over \$6.70 worth of wool. What makes the suit cost is the value of the labor that goes into the suit and the dyestuffs that enter into its making.

Senator THOMAS. Then there is no reason for a compensatory duty to the manufacturer?

Mr. THURMOND. Oh, yes, there is.

Senator THOMAS. I would like to ask you a question on that.

Mr. THURMOND. Because the cloth made in England and foreign countries would be brought over here in competition with our cloth, and we want a compensatory duty in order that the cloth man could not come in competition with it on the same basis, unless it is upon the same basis of pay to the laborer in that country that our laborer gets in this country, and if you want to reduce the laborer in this country to the level of the laborer over there, then your argument would be good.

Senator THOMAS. That presupposes there is no tariff in countries like Germany and France. They have a higher tariff really than we have, but there is quite a difference in labor just the same.

Mr. THURMOND. That is true. There is quite a difference in labor in Germany and there is quite a difference in labor in England also.

Senator THOMAS. Where there is no tariff.

Senator NUGENT. I agree with you on the proposition of the cost of wool entering into a suit of clothes is, comparatively speaking, a negligible quantity.

Mr. THURMOND. Yes, sir.

Senator NUGENT. I call your attention, however, to the fact that you are in error that the dyestuffs with which a suit is dyed cuts any material figure in the matter, because the value of the dye entering into the dyeing of cloth in an ordinary suit is only 32 cents.

Mr. THURMOND. Perhaps I am mistaken with reference to dyestuffs. The labor, as I stated, is the big item in the cost of a suit of clothes.

Senator NUGENT. And the profits of the manufacturer.

Mr. THURMOND. And, certainly, the profits—the manufacturer is entitled to a legitimate profit and the retailer is entitled to a legitimate profit, but I am talking about the cost of production.

Speaking of the effect upon the industry of this legislation, at the present time we have absolutely no market. This measure would stabilize the market of the country. It would beget confidence in the banking institutions of the country and the credit of these people so that they could go on and do business. It would let the manufacturer know that the bottom had been reached, that there was a stable price upon this commodity, and he would go into the market and buy and could go in and buy intelligently. It would let the retailer know what he could pay for the manufactured article. In other words, it would beget a condition of confidence, and a stable condition of business would on, and instead of having thousands upon thousands of men locked out of our manufactories as they are to-day, those men would go back to work and the consuming power of this country would be rehabilitated, the purchasing power of this country would be rehabilitated, and in that way we would help your cotton, we would help everything. Business would begin to move.

Now, if we can bring about that and thereby save these flocks and the production of wool, can it be said that because of any kind of political ideas, our ideas of political economy, that that ought not to be done?

The bankers throughout all of the sheep-raising section of this country are united upon the proposition that this bill will bring about this effect. The wool commission men throughout this country are united upon the proposition that this bill will do that. Telegram after telegram has come here from men who have been engaged in the sheep business of my State for a lifetime, men who have reached the age of 80 years, in large banking institutions; and they all say that the only salvation for the business, for the industry, is the passage of a measure such as this.

Treating this bill from a revenue standpoint, what is the situation? I dare say to this committee that this bill, if enacted into law, will save to this Government at least \$50,000,000 of revenue, and I say that for this reason: There is a great accumulation of wool

ready to be dumped into this country. The mere introduction of this bill and its passage through the House has caused that wool to hesitate in coming in here under a duty-free tariff law. If this bill is killed, or even by indication they are led to believe that it will be killed, that wool will be dumped in here free.

We all know that a tariff bill is going to be enacted soon. But if this session is allowed to go by with this bill dead, that wool will be rushed in here under our present free wool tariff law, and this Government will lose at least—in my humble judgment—\$50,000,000 of revenue that it would collect under the bill that the incoming Congress will undoubtedly enact into law.

Senator SIMMONS. Will the wool come in if you put these duties on it?

Mr. THURMOND. Yes, sir—you mean these duties in this bill?

Senator SIMMONS. Yes.

Mr. THURMOND. I do not know that the duties in the bill of the incoming Congress will be as high as the duties in this bill.

Senator SIMMONS. If this bill is passed, if it does not stop the importations of wool then it will do you no good; if this bill is passed and the wool does not come in because of the revenues, then we will not get the revenues.

Mr. THURMOND. You do not catch me. If this wool does come in free of duty, certainly you will lose the revenue that you would get under the bill that will be passed, will you not?

Senator SIMMONS. Of course.

Mr. THURMOND. And it would amount to a loss of those duties, because the wool will already have been piled up here in anticipation of this.

Senator SIMMONS. You said if this bill was passed you would get the relief and the wool would not come in. In that event we would not get the revenue.

Mr. THURMOND. There are certain wools that would come into this country under the provisions of this bill and would pay these duties.

Senator SIMMONS. There are wools we do not produce in this country?

Mr. THURMOND. Yes, sir; there are wools we do not produce in this country—certainly there are—carpet wools, and we do not produce them, as I understand, in this country.

Senator LA FOLLETTE. Let me just ask this question?

Mr. THURMOND. Yes, sir.

Senator LA FOLLETTE. Would it then afford any relief to the wool industry to put a duty on those wools that we do not produce here?

Mr. THURMOND. No, sir.

Senator LA FOLLETTE. Then, why not let them come in free?

Mr. THURMOND. They are excepted from the bill.

Senator LA FOLLETTE. I understood you to say that there were certain wools that under this bill would pay a duty, and that we would collect a certain amount of revenue from the admission of those wools into this country under this bill?

Mr. THURMOND. Some wool would come in.

Senator LA FOLLETTE. But those wools that will come in, notwithstanding the duty, compete with wools produced in this country.

Mr. THURMOND. I can not say whether they do or not. I do not think they do with the wools from my country, sir.

Senator LA FOLLETTE. I understood that there were wools that would come in that would not compete, wools used in making coat linings and carpet wools, and I was just wondering whether if those wools do not compete with the wools produced in this country and are named in the bill and would have to pay a revenue, why it was advisable to put them in here with the high duty on them, when the sheep industry will get no benefit from the collection of that duty?

Mr. HAGENBARTH. They are not in the bill, Mr. La Follette, though there are some wools in the bill. It is very difficult to differentiate on that. But, to go back a little, of course, in this emergency bill we are not considering the tariff. This has sort of drifted on to a tariff discussion.

Senator LA FOLLETTE. Yes.

Mr. HAGENBARTH. Of course, where in the past in Ohio, western Pennsylvania, and West Virginia, they formerly produced 70/80's, which they produced in great abundance at one time, they can be brought back with a proper tariff.

Senator LA FOLLETTE. Then, I can see some reason for including them.

Mr. THURMOND. Considering this matter as to frozen beef or frozen mutton-----

Senator McLEAN (interposing). Where do those wools come from that compete with your wools?

Mr. THURMOND. Australia and South America.

Senator McLEAN. What is the difference in the cost of producing wool in Australia and in Texas?

Mr. THURMOND. Well, sir, I have tried to find the cost of production in Australia since coming to Washington, and I inquired at the tariff commission for it, but I can not get definitely any information there relative to the cost of production in Australia. There is one item of cost of production in Australia that I have some authority upon--I do not know how reliable it is--but I understand that they are furnished forage in Australia at 8 cents per head per year, and it costs us a great deal more than that.

Senator THOMAS. Is that pasturage?

Mr. THURMOND. Yes, sir; that is pasturage; and in South America at 48 cents per head a year, and, of course, it costs us a great deal more than that for pasturage for forage for our flocks in my section of the country and, in fact, in any section of this country.

Senator McLEAN. Can they export their wool to this country at a profit?

Mr. THURMOND. Yes, sir; they are exporting to-day. You can buy the finest wools that come in competition with our Texas wools at, I think, 20 cents.

Senator McLEAN. You do not know what profit that returns to the Australian grower?

Mr. THURMOND. No, sir; because I do not know what the cost of production of the wool is in Australia. But I understand that the Australian is taking some of his wools and withdrawing some of his wools from sale.

Congressman HUDSPETH. Mr. Waddell says in his statement that it costs 4 cents a pound to produce wool in Australia.

Senator McLEAN. How much does it cost you to produce it in Texas?

Mr. THURMOND. Under present conditions it would cost us 50 cents a pound, practically, in Texas. It costs less than that under normal conditions.

Senator McLEAN. That is under normal conditions?

Mr. THURMOND. No, sir; I said under present conditions.

Senator McLEAN. What would it cost you to produce under normal conditions?

Mr. THURMOND. Under normal conditions I think we can produce wool in Texas for about 30 cents a pound.

Senator McLEAN. This same grade of wool which comes from Argentina and South America?

Mr. THURMOND. Some of it comes from South America.

Senator McLEAN. What does it cost there?

Mr. THURMOND. I do not know, sir. I have not the figures as to what it costs to produce it.

Senator McCUMBER. You produced a number of years prior to the war for less than 30 cents a pound, did you not? On an average—take the 10 years prior to the war, say, 1903 to 1913.

Mr. THURMOND. I understand from gentlemen who are in the wool business that they sold their wools in 1912 for 30 cents a pound, and the cost of production then—the wool in our country was just about—was just about expected to pay the expense of running the sheep, and the profit we had out of the sheep, if any at all, was the lamb produced by the sheep. We could possibly produce wool under those conditions; that is, the conditions existing from the time you state—1903 to 1913.

Senator McCUMBER. That is, 10 years prior to the war?

Mr. THURMOND. About 25 or 30 cents a pound.

Senator McLEAN. What is the difference in cost of delivering the Australian wool to our markets and the delivery of your wool to our markets?

Mr. THURMOND. It costs us about twice as much, as I understand it. Freight rates you refer to?

Senator McLEAN. Yes.

Mr. THURMOND. It costs about twice as much, although the Australian has 500 miles more of railway haul than we do.

Senator LA FOLLETTE. In maintaining the flock, how do you calculate the productivity of the wool and the mutton?

Mr. THURMOND. We do it in this way: For instance, if we are figuring each she stuff, stock sheep—

Senator LA FOLLETTE (interposing). I mean, taking your entire flock.

Mr. THURMOND. We figure the cost, first, of the land to run the sheep, and the interest upon the land investment. We figure the cost of the labor, we figure the cost of the feed—that is, of the necessary foods we must buy, such as salt and other feed and furnishing water; and then we credit the ewe with the average lamb crop; and we in our State get, I would say, 60 per cent of lambs as a fair estimate of the production in lambs.

Then the market for those lambs would depend entirely upon the wool market, because the wool market fixes the market for sheep, of course. The lambs might be worth \$3 with wool at reasonably fair

prices, might be worth \$5, and by figuring the lambs at \$5 a head it would cost us under present conditions from 45 to 50 cents to run sheep, varying, of course, upon the condition as affecting each individual, because one man may have high-priced land that he has recently purchased, whereas the other man may have purchased his land years ago and, of course, he can produce cheaper than the other fellow.

Senator LA FOLLETTE. In other words, what per cent of revenue is derived from a flock of sheep, one year with another, on the average, do you get from your wool, and what percentage of the revenue do you get from the sale of mutton from your flock—how does it run? There must be some accepted basis of calculation.

Mr. THURMOND. I have never figured it out, but I believe it would run just about equal.

Senator LA FOLLETTE. About an even thing?

Mr. THURMOND. Yes, sir; that would be my experience with that.

Senator LA FOLLETTE. Then you would not charge up the cost of keeping a flock, your overhead and depreciation and everything against the wool production?

Mr. THURMOND. Oh, no.

Senator LA FOLLETTE. But you would charge it against both?

Mr. THURMOND. Certainly.

Senator LA FOLLETTE. And in saying that it costs you so much a pound to produce wool, do you take into account the income from the mutton?

Mr. THURMOND. Oh, absolutely; yes, sir.

Senator LA FOLLETTE. You say it costs 30 cents a pound to produce wool, do you count—

Mr. THURMOND (interposing). Absolutely, and the mutton that is produced, and we give the ewe credit, of course, for the mutton, not only the mutton, but the increase to the flock—the reproduction of the flock. We give credit for every lamb. In other words, we give the ewe credit for every lamb that is produced. Then we deduct that from the cost of the running of the animal, and then we figure what the wool has cost us by taking the difference between the credit for mutton and the cost of running her, and dividing it by the number of pounds we get from the ewe each year.

Does that make it clear to you, Senator?

Senator McLEAN. If the wool growers of this country are driven out of the business, will the Australian and Argentine producer compete in their efforts to furnish this country with raw products, or will they put their heads together to exact from the American consumer all that the trade will bear?

Mr. THURMOND. Well, sir, I never knew of people yet who would not get all they could for a commodity of this kind where they had a man at their mercy who had to buy from them.

Senator McLEAN. Have we ever had an experience in the history where we could get any light on that subject?

Mr. THURMOND. No, sir; I do not think so; it may be.

Senator SIMMONS. They have had the experience in Great Britain where you could get the exact figures about it. Great Britain does not produce anything like the foodstuffs necessary. Have they combined against Great Britain and put the price up higher there?

Mr. THURMOND. She gets her wool from Australia. It is a colony of Great Britain—and from New Zealand, which is another colony.

Senator SIMMONS. We get ours from New Zealand?

Mr. THURMOND. No; we get frozen beef from New Zealand.

Senator SIMMONS. Where do you say we get wool from?

Mr. THURMOND. We get wool from Australia, South Africa, and from the Argentine and South America.

Senator SIMMONS. Now, the question I want to ask you, in line with Senator McLean's question, Great Britain in buying her wool from Australia has no particular wool interests to compete with them. She would be in the same condition we would be in if we had no wool, would she not?

Mr. THURMOND. You mean Great Britain?

Senator SIMMONS. Yes.

Mr. THURMOND. Except she gets it from her colonies, and we have no colonies to get it from.

Senator SIMMONS. Does Great Britain make her colonies sell to her at a less price than they sell elsewhere?

Mr. THURMOND. I do not know whether she adopts that policy toward her colonies or not.

Senator SIMMONS. Has anybody in European countries combined against Great Britain in producing wool?

Mr. THURMOND. I do not know, sir, whether they have or not.

Senator SIMMONS. If they have not combined against Great Britain where they do not produce, why should they combine and exact an exorbitant price from this country?

Senator McLEAN. Because we have facilities for competition, and the habit of combining has grown very rapidly in the last 20 years in the production and distribution.

Mr. THURMOND. I do not know that they will combine against Great Britain.

Senator SIMMONS. Is there any reason to believe they would combine to a greater extent against us than they would against France, Germany, and Great Britain?

Mr. THURMOND. I do not suppose so.

Senator SIMMONS. I thought so.

Mr. THURMOND. But there is just this about it: You remember, I think it was coffee, that Brazil put a very heavy export tax on at one time, that being the country we got our supply of coffee from, and the coffee went very high in this country.

Senator McLEAN. These wools are handled by commission men very largely, are they not?

Mr. THURMOND. Yes, sir; they are handled by commission men.

Senator McLEAN. And it would not take them more than 24 hours to have an understanding whereby they could exact the last dollar from the American consumer of wool?

Mr. THURMOND. I do not think there is any question about that. But the question is, it seems to me, gentlemen, Do we want to stop producing wool in this country?

Senator McLEAN. The question is not that. It is whether it is an economic proposition for us to do it.

Mr. THURMOND. Yes, sir.

Senator McLEAN. If we are going to get our wool very much cheaper for all the time, it is worth considering, but if we by destroying

American industry are going to destroy competition with American products and put ourselves at the mercy of a foreign country, it seems to me it is worth protecting.

Mr. THURMOND. I should think so.

Senator NUGENT. To what extent has the recent increase in railroad freight rates increased the cost of marketing lambs and sheep?

Mr. THURMOND. It has increased it materially, Senator. The exact amount I can not state. But I know this, that at the time that the increased rates went into effect, there was on hand a large clip of wool in the warehouses of my section, and in order to save the difference in the freight rates we consigned our wools to Boston before the rates went into effect and put them aboard the cars and sent them there. It would have made a difference in the wool clip in Valverde County alone we figured, of something between \$30,000 and \$40,000.

Senator NUGENT. Where do you ship your lambs and sheep?

Mr. THURMOND. We ship to Fort Worth largely and some to Kansas City.

Senator NUGENT. What price are you obliged to pay now because of the increased cost of freight rates over what prevailed prior to the increase?

Mr. THURMOND. I am not informed.

Mr. HAGENBARTH. Forty per cent.

Senator NUGENT. And 40 per cent has been added to the cost of marketing lambs and sheep because of the increase in freight rates?

Mr. THURMOND. Yes, sir—if 40 per cent is correct.

Senator LA FOLLETTE. Prior to the passage of the Esch-Cummins bill there was an increase of about 25 per cent in freight rates during the war period.

Congressman HUDSPETH. An increase of about 40 per cent went into effect the 1st of September on live stock.

Senator McCUMBER. What is the increase above 1914?

Senator LA FOLLETTE. We had a 25 per cent increase during the war period, before this last law went into effect, which was called an increased war freight rate; and then on top of that you get a 35 or 40 per cent increase?

Mr. THURMOND. We got an increase of 70 per cent in all, I think, now.

Senator McCUMBER. An increase over 1914?

Mr. THURMOND. Yes, sir.

Senator LA FOLLETTE. You have got the rate, in other words, a little higher than the traffic can stand?

Mr. THURMOND. Yes, sir.

Senator LA FOLLETTE. They have made the rate, in other words, a little more than the traffic can stand, and it is falling off, just as they have made the passenger rates a little more than the traffic will stand, and it is falling off.

Mr. THURMOND. Yes, sir.

Senator SIMMONS. That is the only reason they are not asking for more. If they thought the traffic would bear it they would ask for more, and they are not asking for any more.

Senator LA FOLLETTE. They are warning us now that at the present rates the railroad companies are going to go into the hands of receivers pretty soon.



Senator NUGENT. I saw the statement a few days ago that the railroad companies were appealing to the commission for further relief, basing their petition on the fact that the revenues derived were not sufficient to pay the 6 per cent guaranty.

Senator McLEAN. Well, most of the people will pay from 15 to 20 cents a mile to ride in an automobile, and they are not willing to pay the railroad 3 cents a mile to carry them more quickly and more safely.

Mr. THURMOND. May I present to the committee some considerations with reference to the relationship of the manufacturer of woollens and the producer of wool? If this measure is adopted it has been suggested that the manufacturer would receive certain benefits from it. The only benefit that I can see is this: It seems to me that the interests of the manufacturer of woolen goods in this country and the interests of the producer of wool ought to be mutual. It may be that the manufacturers will oppose this bill. I do not believe they will, but let us say that we already have in this country a great supply of wool; something like a two years' supply of wool. It came in free of duty. It is here waiting to be manufactured into cloth. If that wool is purchased by the manufacturer at the price it is now and he does not manufacture cloth out of it until after a higher duty goes into effect, then he will sell the cloth to the consumer under a protective tariff bill when he bought the raw material out of which he made the cloth under a provision for free raw materials.

Senator SIMMONS. You do not mean to say they would do a mean thing like that, do you? [Laughter.]

Mr. THURMOND. The consequence is that the consumer would not be benefited at all by the failure to enact this bill. In answer to your question, I do not know; it seems to me they will buy the wool as cheaply as they can.

Senator THOMAS. I have been told that the high tariff did not increase the price of the product to the consumer. Your argument would indicate the contrary.

Mr. THURMOND. I do not think it will, sir. I do not think the price of wool affects the price of the cloth or the price of the suit to the consumer at all. But arguing it from the standpoint that it would, I understood your statement while Mr. Hagenbarth was presenting this matter that this would not reduce the cost of living, or that this was not reducing the cost of living. I do not think it has affected the cost of a suit of clothes at all, but it certainly will not do the consumer any good, and it certainly would hurt the producer, if the manufacturer were given that advantage in the matter.

But aside from and above all considerations as to the economic effect of this legislation, let me suggest to you that unless something is done for the benefit of the men who will be benefited by this bill, it is going to destroy the morale of these people.

Senator McLEAN. What could you substitute for the wool product in Texas if this industry were discontinued?

Mr. THURMOND. I do not think there is any substitute for wool at all, sir. I do not think there is anything that could be substituted for it. Of course we have shoddy.

Senator McLEAN. That is not the question. What could you produce in Texas instead of wool if the wool industry were discontinued?

Mr. THURMOND. In our section of Texas, absolutely nothing.

Senator McCUMBER. How about cattle? Could you produce cattle?

Mr. THURMOND. No, sir; we could not run cattle successfully on the ranges on which we produce these sheep. We do run a few, but the ranges are very rough and they are not well watered for cattle, and we could not possibly run cattle upon the ranges that we now put to sheep. Is that what you mean, sir?

Senator McLEAN. Yes; that is what I had in mind. Would that same statement apply to the sheep ranges farther north?

Mr. THURMOND. Yes, sir; I think it does. I am not well acquainted with the northwestern ranges, but I do not believe that the summer ranges in the Northwest could be utilized profitably, except in the production of sheep. Am I correct, Mr. Hagenbarth?

Mr. HAGENBARTH. Absolutely.

Mr. THURMOND. Now, the question is, Will you destroy the citizenship in that country? What are they going to do? What is going to be the effect upon them if this bill is prevented in any manner from becoming a law? The effect in Texas is going to be, I can assure you, that the people will lose confidence in their Government, because the Government encouraged my people to go into the sheep business. They asked them to conserve their sheep during the war. They asked them to produce, produce, produce, to the highest that you possibly can. Then the sheepmen of my State came to the Government and submitted to price fixing. In my humble judgment, wool would have gone to a dollar a pound except for that. They submitted to that, and they sold their wools to them in 1918 for just a little, if any, above the cost of production under the conditions existing then.

Our wool sold for a fair enough price in 1919. In 1920 when we were expecting to get a fair price for wool under the conditions existing, when our wools were bringing about 72 cents per pound, the order came out for an increase in the rediscount rates to be charged by the reserve banking system, and in 24 hours the men who were in our country purchasing wool at 72 cents a pound in the grease, which means \$2 a pound for clean wool, immediately went out of the market and our wool went down and down and down, until now we can not sell it at all. The consequence is that these men who have advances upon their wool—when the wool had a theoretical value to amply sustain it the banks advanced us about 35 cents a pound on the wool, and those banks are now calling for that money back, or a rebate upon it, so as to reduce it to something within the value of the wool. Our men can not pay that, because they have not sold the wool with which to pay it. What is the consequence? The consequence is that they must sacrifice not only their sheep but they must sacrifice their homes and their lands.

Who are these men that will be sacrificed that way? They are the backbone of this Republic. They are the salt of the earth. They are the fathers of boys whose bodies rest in Flanders field. Those are the men that we appear for here. And I say to you that whoever is responsible for the death of this bill must take upon their shoulders the responsibility of the effect that failure is going to have upon the morale of the people of that section.

Senator McCUMBER. We are very much obliged to you, Mr. Thurmond. We will now hear from Mr. Schilling for a short time on the dairy question.

Mr. HAGENBARTH. Mr. Chairman, with your permission, I would like to make a correction in my testimony. I understand I was understood as saying that the National Wool Warehouse in Chicago had advanced 36 cents a pound on the 40,000,000 pounds of wool that they have. The advance is 26 cents instead of 36 cents.

**STATEMENT OF MR. W. F. SCHILLING, NORTHFIELD, MINN.,  
PRESIDENT TWIN CITY MILK PRODUCERS' ASSOCIATION.**

Mr. SCHILLING. Mr. Chairman, I am a farmer, living at Northfield, Minn. My business is raising diversified farm products. Also I am president of the Twin City Milk Producers' Association, an organization composed of 3,500 farmers producing and marketing milk, and also making about 3 carloads of cheese and 3 carloads of butter a week and selling it cooperatively. It is strictly a farmers' cooperative organization from start to finish.

I am interested primarily in the marketing of butter and cheese at the present time and the condition of that market relative to the foreign products that are coming into our country. I want to say to you that in the year 1917 there were 1,307,750 pounds of butter imported into this country.

Senator THOMAS. Have you the export figures?

Mr. SCHILLING. No; I do not have those here.

Senator THOMAS. Have you any idea of the amount?

Mr. SCHILLING. I could not give it to you; no, sir. I am here in the place of Mr. Campbell, the president of the National Producers' Association, who had to leave the city at noon.

Senator THOMAS. Are you prepared to say whether there is any export or not?

Mr. SCHILLING. I presume there was—in 1917?

Senator THOMAS. The same year you have given.

Mr. SCHILLING. I can not give you that. In 1919 there were 9,519,000, and in the first 10 months of this year there were 30,642,000 pounds of butter imported into this country.

I want to say to you that we, as dairymen in the Central West—and I believe we are in the very heart of the best dairy section in the world—have something over 900 cooperative creameries in our country, and the product is all marketed and made as cheaply as it can be made anywhere in America, the expense of manufacturing being about 8 per cent, costing about 2½ to 3½ cents a pound to manufacture that butter at these cooperative plants at the present time.

Senator NGENT. You are aware of the fact, are you not, that neither butter nor cheese is included in this bill?

Mr. SCHILLING. Yes; we would like to have them included.

Senator NGENT. It is your desire to have the bill so amended, then, so as to include a tariff duty on both butter and cheese?

Mr. SCHILLING. Butter and cheese, yes; and also on the milk.

Now, there is not a very vast amount of liquid milk brought into this country, except over the Canadian border; I can not say exactly how much, but I should think around 700,000 pounds a month.

But my object is this, putting the proposition as I see it as a practical farmer in our country. I want to emphasize this fact, that

I believe you people will recognize that the dairy industry, or the cow, is the cornerstone and backbone of successful agriculture all over the world, not alone in this country but everywhere else. In other words, it is the backbone of the feeding of the American people and the people everywhere. I think most of us realize that, and that the effect of this foreign material coming in here in such large quantities is going to drive those people out of business.

Let me illustrate. Yesterday I was down at a building here in your own city of Washington. I met there a farmer who lives in Virginia and supplies his milk to Washington. He said he was milking 25 gallons of milk a day, and he was the fiftieth one within two weeks who came in and said it was impossible, that they had turned his milk down and he could not sell his milk. That is a very serious situation.

Senator NUGENT. Why had that action been taken?

Mr. SCHILLING. There was no market here.

Senator THOMAS. Well, we consumers have to pay just about the same as we did during the war.

Senator NUGENT. Was that condition attributed to the importation of milk into the country?

Mr. SCHILLING. The importation of dairy products, very largely, because it is backing up milk in every center. It is closing up the condensaries everywhere.

Senator NUGENT. I knew that the one in my State, near where I live, had closed down some time since, but I did not know they had been closing generally.

Mr. SCHILLING. Practically generally.

Senator THOMAS. Do you not think that that indicates in some degree a decrease in the purchasing power of the people?

Mr. SCHILLING. Well, I could not say that exactly. Up to this date it has not affected—up to September that would not have affected anybody, the decrease in purchasing power, because things were practically normal in September.

Senator THOMAS. When you say that right around here near Washington the farmers are unable to sell their milk it is astonishing to me.

Mr. SCHILLING. It works this way. There is from 4½ to 5 per cent of the milk in this country that goes to the condensaries. You close those condensaries, and where are those fellows going to put that stuff? They have no factory, the thing is shut down, and they have no way to manufacture it into butter.

Senator THOMAS. Was this Virginia dairyman selling to a condenser?

Mr. SCHILLING. No; he was selling here on the local market. There were 50 of them within two weeks.

Senator THOMAS. I am not questioning your statement, but it is a remarkable fact.

Mr. SCHILLING. It is so in every large city in the country. It is because of the fact that there is so much importation of butter and cheese and these other things. When you increase in 10 months time from 9,000,000 to 30,000,000 pounds of importation—

Senator THOMAS. How has that affected the prices here?

Mr. SCHILLING. The prices have come down very materially.

Senator THOMAS. To the consumer? [Laughter.]

Mr. SCHILLING. Well, I do not know as to that, but still quite materially to the consumer, a great deal more so than with meat. The prices of dairy products are far below those of any other farm commodities and also the prices of manufactured goods. They have been running below them all.

Senator McLEAN. Just how does the importation of cheese and butter affect the consumption of fresh milk?

Mr. SCHILLING. It has not affected the consumption of milk. We are selling practically \$4,000,000 worth of milk. It has not affected the price of milk in St. Paul or Minneapolis. The consumption of milk in those cities has increased rather than decreased.

Senator McLEAN. Then why has the market for fresh milk in Washington been so curtailed that the farmers are compelled to dispose of their herds?

Mr. SCHILLING. I can not tell you that; you would have to get that yourself.

Senator NUGENT. Do you suppose they have curtailed the supply in order to maintain high prices? I am referring to the dealers.

Mr. SCHILLING. I do not know as to that, Senator.

Senator NUGENT. If there were 50 farmers who within a period of two weeks found themselves unable to sell their supply of milk to the dealers in this city and there has been no reduction of the price to the consumer, would that tend to indicate to your mind that it was the policy of the dealers to curtail the supply of milk in order to maintain the high prices?

Mr. SCHILLING. Unfortunately, Senator, I do not know the conditions with reference to milk in Washington, but here is what prevailed in our State: I am the president of the organization that furnishes the milk to St. Paul and Minneapolis, and I know that when the supply of milk is increased we have lowered the price and the consumption increased. I want to say to you, too, that it was because of our cooperative organization that that was done.

Senator SIMMONS. Have you the figures that show the annual production in this country of this condensed milk you were speaking about?

Mr. SCHILLING. Not the figures, only that it is about 4½ to 5 per cent of the total product of milk in America that goes into the form of condensed product.

Senator SIMMONS. You gave us some figures as to importation a while ago.

Mr. SCHILLING. That was butter, not condensed milk.

Senator McLEAN. Is the consumption of fresh milk decreasing, or is it increasing?

Mr. SCHILLING. I can not say relative to that. But I want to say it is very significant that the production of butter in America has fallen off greatly in the last year.

Senator McLEAN. The consumption?

Mr. SCHILLING. The production, I say; not the consumption. The production of butter is falling off and will continue to fall off.

Now, just a few words, and I will give you what to me, as a farmer who is interested in the eight children I have at home----

Senator THOMAS. Just a moment. Some gentleman in the audience here has handed me this statement, and I will put it into the record in connection with the question I asked. The retail price of milk here in Washington now is 18 cents a quart.

Mr. SCHILLING. That is the retail price here.

Senator McLEAN. It is from 18 cents to 30 cents. That is, one quality: if you want the best milk in the market here you must pay 30 cents.

Senator THOMAS. Eighteen-cent milk is good enough for me; I am a salaried man.

Senator McLEAN. It runs from 18 to 30 cents.

Senator SIMMONS. You gave certain figures as to importation, but I did not understand what production you were speaking about.

Mr. SCHILLING. It was the importation of butter that I referred to.

Senator SIMMONS. Now, can you give us the annual production of butter in this country?

Mr. SCHILLING. I have that here-----

Senator McLEAN. I was wondering why the general consumers' strike throughout the country on almost every necessity had not finally touched milk. Have they got the price so high that the consumption has decreased?

Mr. SCHILLING. Have you ever studied, Senator, the food value of milk relative to that of other products?

Senator McLEAN. I have read the statement many times.

Mr. SCHILLING. That is the last thing that people will go without. A man will stand a raise of 25 cents a drink on whisky, but not on milk.

Senator McLEAN. Gasoline is the last thing he will go without.

Senator NUGENT. What is milk selling for per quart in your section at retail?

Mr. SCHILLING. Twelve cents.

Now, I would like to give you something here that will interest you gentlemen as Senators living in different parts of this country. I want to say to you that our cooperative organization has served this purpose, that when milk sold at 14 cents a quart throughout America in the majority of the cities the farmers received 6 cents a quart and the distributor of the milk received 8 cents. In our two big cities of St. Paul and Minneapolis the farmer received 8 cents and the distributor received 6 cents. There is the most striking example of practical cooperation and what cooperative industry can do, I think, that has ever been exemplified in America.

You asked me what the production of butter was. The production of butter in 1919, as sent to the four leading markets—New York, Chicago, Philadelphia, and Boston—was 431,846,100 pounds, and in 1920 only 370,381,000 pounds, a falling off of over 100,000,000 pounds.

Senator SIMMONS. How much did you say was imported?

Mr. SCHILLING. We imported in 1920, 30,642,000 pounds, as against 1,307,000 in 1917.

Senator McCUMBER. What effect has that had on the price of butter?

Mr. SCHILLING. It has brought it down.

Senator McCUMBER. How much has it decreased?

Mr. SCHILLING. Between 40 and 50 per cent.

Senator McLEAN. What is the wholesale price of butter?

Mr. SCHILLING. I would say, offhand, about 55 cents a pound.

Senator THOMAS. And what is it at retail?

Mr. SCHILLING. I do not know that. We take our butter home from our cooperative factory and have it charged back on the milk.

Senator McCUMBER. Do you mean to say it was from 40 to 50 per cent higher than that before?

Mr. SCHILLING. Yes; that is, that the slide has been about that.

Senator SIMMONS. What was the price before the war?

Mr. SCHILLING. The wholesale price before the war was around 34 or 36 cents per pound. New York prices.

Cheese is something we are interested in. At the present time cheese is only 19½ cents by the carload, and hard to sell. We make three carloads a week, and it is very hard to sell it.

Now, I asked these gentlemen, these farmers that came in here yesterday, "What condition are you in? Haven't you anything else on your farm to sell?" He says, "Absolutely nothing; I owe a lot of bills, and I have got to sell that milk and get the money to pay those bills. There is no market, they say, and I can not sell it." That is an awful condition. In our country we have some potatoes and a little wheat, corn, and oats, but this fellow had nothing else. I said, "Are you going to sell your cows?" He said, "I can not; they cost me from \$150 to \$200 apiece, and I can not sell them for \$50 apiece."

But the point is this, gentlemen: Must we raise our children—well, I won't say our children, because I want my children to work. I want my kinds to milk cows. I want them to work. I want them all to work. But I do not want my wife to milk cows, and yet the women of Denmark are producing this butter, and the butter that comes in here is produced by women entirely. I have had some Danes working for me on my farm. The man had never milked a cow in his life, but the woman—although she was not required to do anything but housework—could milk a cow, and she said the women of Denmark did all of what we call man's work.

Senator McCUMBER. About what protection do you think you ought to have?

Mr. SCHILLING. I would say from 6 to 10 cents a pound on butter.

Senator McCUMBER. How about cheese?

Mr. SCHILLING. Well, say from 7 to 15 cents, Senator.

Senator McCUMBER. Very well; we are very much obliged to you, Mr. Schilling. Is there any one else that desires to be heard on this subject?

#### **STATEMENT OF MR. A. M. LOOMIS, SECRETARY NATIONAL DAIRY UNION, WASHINGTON, D. C.**

Mr. LOOMIS. Mr. Chairman, we are making arrangements for the putting of the official figures on this situation into the record on Monday, if we may have permission. I represent the National Dairy Union as its secretary. Prof. George L. McKay, secretary of the National Creamery and Butter Association, will be here.

#### **STATEMENT OF MR. PRAGER MILLER, ROSWELL, N. MEX., PRESIDENT OF THE NEW MEXICO WOOL GROWERS' ASSOCIATION.**

Mr. MILLER. Conditions surrounding the sheep industry of New Mexico and the Southwest at this time are extremely critical, and without the relief expected through the enact-

ment by the present Congress of emergency tariff legislation the industry will be practically destroyed. It is physically impossible for us to compete with the cheap foreign wools now being sold in this country, and unless market conditions are stabilized we will be compelled to avail ourselves of a thoroughly demoralized mutton market for our breeding stock. It is not a matter, Senators, of saving a few sheep men, but one of saving the whole business structure of the Southwest. Aside from a very few industries, we produce practically nothing but live stock and farm products, and when the farmers and live-stock men are put out of business you have certainly destroyed our financial institutions as well. In fact, gentlemen, we are facing such a serious situation that without immediate relief we will be set back 25 years.

As evidenced by the gentlemen who have preceded me, these same conditions prevail throughout the entire West. Senators, I have been brought up to believe that our Government was a Government for the people, and I hope that I am not to be disappointed in that belief. The Fordney emergency tariff bill, as I understand it, is intended to function to preserve the food and clothing supply of this country. The putting into effect of the duties specified in this measure could not possibly, in view of the tremendous surplus of wool in this country, work a hardship on the consumer, but, on the other hand, would prevent the destruction of the producers' power to furnish the future demands of the consuming public for food and clothing. If further dumping of foreign wools into this country, at prices that would net the American grower 14 cents per pound, which is far below the actual cost of production, is allowed it will mean absolute suicide to the industry.

We realize, gentlemen, that the present condition of the country is a result of the World War. Confronted as we are with the increased burden of taxation and increased cost of production to the producers of the nation, together with the difference in exchange which affords a bonus to those importing commodities into this country, it is plainly business suicide to continue production.

I appeal to the members of the committee for relief in behalf of my people, not for the protection of the individuals engaged in the lines of industry affected in this bill, but to save the industries themselves.

This emergency act would undoubtedly stabilize the wool market and thereby create a basic value for wool at or near the price at which foreign wools can be laid down in this country. This would invite abundant capital that now lies idle waiting for the bottom prices to be reached, and thus save the plant that produces the major portion of our wool and mutton supply. Delay of a relief measure until a tariff law could be enacted by the incoming Congress would spell disaster to us that would necessitate years from which to recover.

The woolgrowers of my State ask no favors over any other class of American citizens and believe this legislation would affect our entire citizenship equally.

Senator McCUMBER. If there is nothing further this afternoon, we will adjourn until to-morrow at 10.30, to meet in the Office Building.

(Thereupon, at 4 o'clock p. m., the committee adjourned, to meet at 10 30 o'clock a. m., to-morrow, Friday, January 7, 1921.)



**FRIDAY, JANUARY 7, 1921.**

**UNITED STATES SENATE,  
COMMITTEE ON FINANCE,  
Washington, D. C.**

The Committee on Finance met at 10.30 o'clock a. m. on the above date in room No. 312, Senate Office Building, Senator Porter J. McCumber presiding.

Present: Senators McCumber, Smoot, McLean, Calder, Sutherland, Simmons, Thomas, Jones, Gerry, and Nugent.

**STATEMENT OF MR. GEORGE D. BRIGGS, NO. 25 MADISON AVENUE,  
NEW YORK, N. Y., REPRESENTING THE NATIONAL SHEEP AND  
WOOL GROWERS OF AMERICA.**

The CHAIRMAN. We will go right on with the hearing, if you are ready, Mr. Briggs. We will be very glad to hear from you.

Senator SMOOT. If you can confine your remarks to a subject matter that has not already been covered, Mr. Briggs, we will appreciate it greatly. We do not want to be caught here next Tuesday with a house full of people to be heard from and then have that used as an excuse to continue these hearings.

Mr. BRIGGS. I shall be very glad to act in conformity with your suggestion, Senator. In fact, I will take only about 10 or 15 minutes.

There are one or two phases especially in connection with the wool industry that I wish to emphasize. I believe that we are all agreed that the farmer and the stock raiser are the basis of our national prosperity and, in consequence, should be protected. They are the producers of our necessities. If they do not produce, we do not eat. The growing of wool involves not only food but clothing—two necessities. I would suggest that it is not alone because of the importance of the industry to the Nation, but also because of the importance of not depending upon the outside world for so important a necessity as wool.

We all recall that during the World War, when we were cut off from the wool from the outside world, it was a very serious situation; and if sheep husbandry in America is permitted to languish, that serious situation may recur at any time.

The woolgrowers, as we all know, are now in a very serious position. They are unable to market their wool, even at a ruinous figure, and the tremendous amount of unmanufactured virgin wool in the world is a menace, because it naturally would be dumped in America. America is the great market, for three important reasons: First, be-

cause we have the money and can pay for the wool; second, because the prevailing rates of exchange place a bounty upon sending the wool to this country; and, third, because the United States, while it has approximately one-sixteenth of the population of the world, uses more than one-fifth of the total amount of wool manufactured in the world.

I would like to emphasize the large amount of unmanufactured virgin wool that is now in the world.

Senator THOMAS. You say we consume one-fifth of all the production of wool in the world?

Mr. BRIGGS. Practically; yes, sir.

Senator THOMAS. What proportion do we produce of that one-fifth?

Mr. BRIGGS. We produce approximately 300,000,000 pounds. I think. I believe the 1920 clip is only about 260,000,000 pounds.

Senator THOMAS. What percentage of the fifth would that be? Or, to put it in another way, if we consume one-fifth of all the wool production, what is, in fractions, the proportion of the production in the United States to the world production?

Mr. BRIGGS. The world production? The British statisticians estimate the 1920 clip as 2,700,000,000 pounds.

Senator SMOOT. We produce in the United States one-tenth of the amount of wool grown in the world?

Mr. BRIGGS. Yes. I was speaking of the amount manufactured.

Senator THOMAS. We produce about one-half of what we manufacture and consume. Is that right?

Mr. BRIGGS. It is considerably less than 300,000,000 pounds that is manufactured each year, and the world's production ranges from 2,500,000,000 pounds to 2,800,000,000 pounds.

Senator SMOOT. No; we manufacture more than 300,000,000 pounds of wool in the United States.

Mr. BRIGGS. In 1919 we manufactured 627,000,000 pounds of grease wool.

Senator SMOOT. I understood you to say 300,000,000.

Mr. BRIGGS. I would like to quote from a press notice dated London, England, January 5, which appeared in a New York daily newspaper on the same date:

One of the most important problems is the large stock of colonial wool bought under war contracts.

Continuing this dispatch states:

This stock comprises about 2,500,000,000 bales.

The colonial bale ranges as high as 350 pounds, but, allowing only 300 pounds to the bale, this means that the British Government to-day owns colonial wools to at least three-fourths of a billion pounds. This does not include the new clip. As I stated a moment ago, the British statisticians estimate that the 1920 clip will be 2,700,000,000 pounds. That is three-quarters of a billion pounds of colonial wool to-day owned by the British Government as exclusive of the present clip.

In connection with these figures please note that the Government Census report of the Bureau of Markets of the United States Department of Agriculture estimates on June 30 that the amount of wool in the hands of manufacturers and dealers in the United States was 431,031,547 pounds. At that time, as you will recall, very little of the

1920 clip had been marketed, if any, as in fact to-day probably from 30 to 90 per cent of the 1920 clip is still in the growers' hands.

But let us deduct from that what possibly has been manufactured. In 1919 we manufactured 627,000,000 pounds of grease wool. That would be about 300,000,000 pounds for the six months. During 1919, the greater part of the year, the demand for wool cloth was unprecedented; but let us remember that in the past six months probably not more than one-half of the textile machinery is being operated in the United States. So it is fair and conservative to estimate that in the past six months not more than 150,000,000 pounds have been manufactured.

So that a very conservative estimate would be 281,000,000 pounds and over, exclusive of the present year's clip, and that would not include Government-owned wools.

Therefore from those three sources that I have mentioned there would be to-day in the world 3,731,031,547 pounds of unmanufactured wool.

Please also note that that does not include the South American and African wools, exclusive of the 1920 clip, of which there is a considerable amount. So it is a conservative estimate that to-day there is more than 4,000,000,000 pounds of unmanufactured virgin wool in the world.

This, gentlemen, menaces the woolgrowers in the United States.

In connection with those figures, and bearing in mind what I have attempted to emphasize, the three important reasons why this wool, unless we have an adequate tariff, would be dumped in America, add to those reasons the difference in the cost of production. I have not seen the report of the Tariff Commission, but I am informed that they gave as the average cost of production for the western range States 45 cents and a fraction per pound. They gave the cost of production in certain States as high as 48 cents and a fraction per pound.

Senator LA FOLLETTE. Is that confined to the cost in a particular center? If so, state what center.

Mr. BRIGGS. Those figures were for 1919; but I am informed by the western woolgrowers that the cost of production for 1920 was a little in excess of that.

Senator LA FOLLETTE. Can you give the cost of production for 1918, 1917, 1916?

Mr. BRIGGS. I can not.

Senator LA FOLLETTE. 1915, 1914?

Mr. BRIGGS. I understand that in certain States the normal cost of production is as low as 30 cents, but my understanding is that that is prewar cost.

Senator THOMAS. Prewar cost?

Mr. BRIGGS. Prewar cost. I was informed that there are certain range States where the present cost of production is as high as 50 cents.

Senator THOMAS. What was wool selling for in 1913?

Mr. BRIGGS. I can not give you that figure this morning.

Senator THOMAS. It was not selling for 30 cents, was it?

Mr. BRIGGS. I am not prepared to give you those figures this morning.

The point I wish to emphasize especially is that these facts that I have just stated, it seems to me, make it apparent that unless unusual measures are at once adopted to protect the American wool-grower he is going to be wiped out, and it means an industry that is important to us not only from the standpoint of producing wealth but also from the standpoint of our being able to provide our necessities in case of exigencies arising—for instance, war.

In this same connection I wish to emphasize another point.

The National Sheep and Wool Growers received a letter from a retail clothier, who stated he had a number of farmers among his customers, and he stated also that during the war he urged these farmers who did not keep sheep that, as a patriotic duty, they should stock up with sheep, which they did. And now they came to him and they said, "You have gotten us into this. We have invested our money in sheep. Now tell us where we can sell the wool." This retailer wrote to the National Sheep and Wool Growers and said, "You will have to help us out on that." Of course, we could not help them out on it. The National Sheep and Wool Growers' campaign for more sheep and more wool during the war was effective. It established boys' and girls' sheep clubs, etc., and we were instrumental in getting a great many people to keep sheep; and there are plenty of instances to-day where these men who were induced to go into the sheep business have had their loans called by banks and have been closed out of a third or less of the costs they put in.

Gentlemen, I submit to you that we ought to do something for those men in the way of protecting them.

Senator SMOOR. All of them are not in the same fix. There is one member of our committee who was induced to go into the sheep business, and bought a number of head of sheep, and last year when he wanted to shear them he had a difficult task on his hands to find anybody that would shear his sheep for the wool. He is in this room at the present time, and can speak for himself.

Senator McLEAN. The farmers in Connecticut who were persuaded that it was their duty to take up the sheep industry in order that the soldiers might wear woolen in the winter found that they could not sell their wool this spring for anything. There was no market. So we pooled our wool and hired somebody in Rhode Island to make it up into blankets.

Mr. BRIGGS. Then could you sell the blankets?

Senator McLEAN. Well, that remains to be seen. We can use the blankets. We can give them away.

Senator THOMAS. You have had a similar losing experience in regard to all your farm products, have you not, Senator? I think you were telling me something about it.

Senator McLEAN. I should not have mentioned this but for the fact that Senator Smoot called attention to it. It is true that, no matter what the product is, the farmer just now is probably suffering as much as, if not more than, any other class of people.

Senator THOMAS. Yes; he is suffering on the whole line of his products.

Mr. BRIGGS. It is very important, it seems to me, for us to protect the farmer wherever he needs it, because the boys will certainly leave the farms. In almost every crop, from cotton right down the line

to wheat, the cost of production is greatly in excess of what you can sell it for. The young fellows are not going to stay in a losing game. There will be an exodus from the farms, and the old folks will be forced to cut down on production to their own needs.

Senator THOMAS. On the other hand, manufacturers in the cities are closing down.

Mr. BRIGGS. That is very serious, indeed, and I feel that the manufacturer should have protection in this crisis, because it is necessary to keep these industries going. But in that connection I would like to emphasize this point, that in case of need, even if the boys leave the farms and if the farmers have to curtail their production to merely what they consume themselves, in case of an emergency, war, for instance, and increased demands, we can plow the fields and in a season or two we can take the crops. But not so with the wool industry. If we permit sheep husbandry to be wiped out, as it certainly will be unless it is protected from the dumping of these 4,000,000,000 pounds of foreign wool, it means that it will take years to reestablish the industry; and it can not be reestablished in time to meet the emergency in case of another war if we are cut off from the outside world with our own industries wiped out. That would mean that we would have to pay a frightful price for our shortsightedness. Sheep husbandry could not be reestablished in one year or in two years. It would take several years.

Senator JONES. May I ask the witness a few questions?

The CHAIRMAN. Certainly.

Senator JONES. Have you any information as to the different grades of wool now in the United States?

Mr. BRIGGS. I have not any detailed information on that, Senator, but I would state this point—you refer especially to the question of fine wools?

Senator JONES. Yes.

Mr. BRIGGS. I can not give you detailed figures on that question, Senator, but I would like to emphasize this point: During the past few years we had to develop finer grades of wool here, so that the United States could meet all demands, and I believe we have the blood and the brains to do it if the woolgrowers can be given reasonable assurances that the business will be stabilized so that they will be given a chance to get on their feet. It would be the part of un-wisdom for any man to invest his brains and capital in the wool-growing business unless he has some reasonable assurance that the present critical situation is not likely to recur from time to time.

Senator JONES. We have had that problem in this country for many years, have we not?

Mr. BRIGGS. We have, yes; and the woolgrowing industry has been declining steadily in America.

Senator JONES. What I am getting at is this: The statement has been made to me, and I have every reason to believe that it is an accurate statement, that we have in this country now a very large supply of the coarse wools and that we have no need for them in our manufacturing industry, but that there is not in this country any large supply of fine wools. I would like to know what percentage of the wool consumed in this country is the fine wool and what percentage the coarser wool.

Mr. BRIGGS. I doubt, Senator, if there are figures that show that definitely. It can be approximated.

Mr. SMOOR. It varies every year. One year the season is for chev-iots, and, of course, they will take a coarser wool. Next year it will require another class, possibly cashmere, which will require a finer wool. Every year varies as to the demand for the cloth that is manufactured and the wool required to manufacture it.

It is true that we are short of real fine wools. In fact, we have not any wools to speak of raised in this country that will produce a No. 70 or No. 80 thread.

Mr. BRIGGS. It is also true that these cheaper, coarser wools, of which we have plenty, make very serviceable fabrics, and they are very appropriate at this time, when the public are crying for lower prices. I believe they would be welcomed.

Senator SMOOR. They can only be made into a certain class of goods.

Senator JONES. I am also advised that we have a large supply of coarse wools in this country that there is no prospect of being consumed in this country for some years to come, and that we will have to manage somehow to export a considerable part of the coarse wools now in the United States. Do you know anything about that?

Mr. BRIGGS. I believe that we will be able to use up the coarser grades of wool.

Senator SMOOR. We are importing now a great deal of carpet wools, one-quarter and three-eighths bloods, from South America. They are coming in here for carpet purposes all the time. The bulk of the importations is of carpet wools.

Senator SIMMONS. To what extent do we produce carpet wools in this country?

Senator SMOOR. We are producing great quantities.

Senator NUGENT. Let me ask you this question: I was advised a short time ago that approximately one-half of all the wool that was raised in the United States was consumed in Germany and Austria prior to the war. Is that correct or is it not—or do you know?

Mr. BRIGGS. I think it is a mistake.

Senator SMOOR. Of course, it is a mistake. All you have got to do is to go down here to the Treasury Department and find the number of pounds of wool exported.

Senator NUGENT. I did not know the facts. I had been told that that was true, and I was merely asking for information.

Mr. BRIGGS. I think it is a mistake, Senator.

Senator NUGENT. Thank you.

Mr. BRIGGS. The great point I want to emphasize, and which I will emphasize and close with that, is that sheep husbandry, even more than other industries, should be protected, for the reason that it takes several years to reestablish it if it is permitted to languish. It should be protected and developed, not only because of the wealth it produces but because it is necessary for the preservation of the safety of the Nation. Wool is an important necessity, and we should not depend upon the outside world to produce it.

Senator GERRY. Does not the question of dogs come in there? It does in the East.

Mr. BRIGGS. Those points are all important, and I feel that the wool growers should be protected on that score also. I am not saying that this is the only thing that should be done for the wool grower, but I say that this is the immediate thing. When a person is about to die from a preventable cause, of course we have to save his life, and then there are a great many other things that we can do for him afterwards. I believe that there should be national dog legislation, if necessary, to protect the wool growers against predatory animals. The National Sheep and Wool Growers' Association advocates that.

Senator McLEAN. Where the towns or municipalities pay for the damage done by dogs, that is the only market the farmer has got for his sheep.

Mr. BRIGGS. I believe there should be National and State legislation on that point.

Senator GERRY. I know that legislation was suggested on that point in one of the revenue bills.

Mr. BRIGGS. It is a very important point.

Senator THOMAS. Do you think the Government should undertake the expense of protecting the sheep industry against dogs and predatory animals?

Mr. BRIGGS. I have tried to emphasize that it seems to me that sheep husbandry, for the reasons I have mentioned, is a part of our national defense. We spend a great amount of money on fortifications and coast defenses, and all that sort of thing. In addition to its being an important industry that contributes wealth, we take the stand that the sheep husbandry, because it produces an important necessity of life which can not, like wheat and cotton, be raised in a season, should be protected as a matter of defense, because if we have a war and are cut off from the outside sources, it is going to be a mighty serious thing. We realized that during the last war.

Senator THOMAS. How long have you occupied your present position—about how long?

Mr. BRIGGS. You refer to the position on the governing board of the National Sheep and Wool Growers' Association?

Senator THOMAS. The position you now occupy.

Mr. BRIGGS. I have been a member of the governing board for about a year.

Senator THOMAS. About how long have you been identified with the wool industry and sheep industry?

Mr. BRIGGS. I am not identified with the sheep industry. I am interested in it.

Senator THOMAS. I do not, of course, assume that you have any pecuniary interest in it. How long have you studied the subject?

Mr. BRIGGS. I would like to mention that the National Sheep and Wool Bureau is a coordinate body to provide an instrumentality not only where woolgrowers and farmers but others who are interested in promoting sheep husbandry may come. We have among our membership Herman Ritter, ex-president of the National Retail Clothiers' Association, so that the membership of the bureau is not exclusively farmers and woolgrowers.

Senator THOMAS. I was simply trying to ascertain your competency to answer a question that I wanted to put to you.

Mr. BRIGGS. I would not for a moment pose as an expert in any of these things. I am interested for the reasons that I have explained.

Senator THOMAS. My question is this: Of course you are aware, as we all are, that at various times in our commercial history we have given wool considerable tariff protection. During those periods the number of sheep in the United States has decreased, and I wanted to ask you if you are capable of explaining that phenomenon?

Mr. BRIGGS. In that connection, I am not wholly unfamiliar with sheep and farming, because the first 21 years of my life were spent on the farm, and I am familiar with sheep and all that sort of thing, and I am deeply conscious of the truth of what you say, because I realize that sheep are unprofitable, but not because of the tariff. It was in spite of that fact.

Senator SMOOT. Would it not be fair to make this statement, that they decreased just as the ranges have been decreased, and the number of the sheep in the United States are regulated by the range they have to graze upon?

Senator THOMAS. Precisely. In other words, it is not because of the tariff, but in spite of it.

Senator JONES. I think we had better put Senator Smoot on the witness stand. We will get more evidence here.

Mr. BRIGGS. My thought on that is this: The decline is not as great as it would have been had there not been a tariff.

Senator THOMAS. But the decline was about the same as it was when you did not have a tariff.

Mr. BRIGGS. I would like to use the illustration again that I used awhile ago. Here is a person that is threatened with death that is preventable. Of course, there may be several things the matter with the man, but the first thing we must do is to save his life. The same thing is true of sheep husbandry. It seems to me perfectly apparent that 4,000,000,000 pounds of unmanufactured virgin wool ready to be dumped into this country, under the conditions which I have mentioned and with which you gentlemen are familiar, will act as a magnet to draw that here, and it will be dumped here.

The Tariff Commission's report to which I referred a moment ago, I am informed, states that the average cost of foreign production is only about one-third of the average cost of production in the United States. If we are going to save the life of sheep husbandry in the United States we have got to have protection against this foreign wool that is all ready to be dumped here. That is the first thing we have got to do. There may be other things which should be done, and perhaps we have been remiss in not doing the other things before; but that is the first great task.

Senator THOMAS. That statement is perfectly clear, but I do not think it is an answer to my question.

Mr. BRIGGS. Senator, I would be very glad to make a further effort if you will restate your question.

Senator THOMAS. No; I think the Senator from Utah [Senator Smoot] has answered it.

Senator JONES. What I have been trying to get at is how the tariff on wool is going to help the present price of wool if we have such a surplus of wool already in this country.

Mr. BRIGGS. It will help to that extent.



Senator JONES. To what extent?

Mr. BRIGGS. The tariff that you are placing—

Senator JONES. How can that affect the quantity of wool which we already have here?

Mr. BRIGGS. It will not affect the quantity that you already have here, but it will tend to consume the quantity that we already have here.

Senator JONES. It will tend to do it? What do you mean by tending to do it?

Mr. BRIGGS. What I mean is this: If you put a tariff on wool at the present time and the demand for cloth and clothes resumes, it would give the woolgrower a better chance to sell his wool.

Senator JONES. You say it will. How do you know that?

Mr. BRIGGS. By a process of deduction.

Senator JONES. What sort of deduction?

Mr. BRIGGS. We will say that you are a manufacturer. If you can buy wool from Australia or from South America or from Africa or from some other source at a few cents a pound cheaper than the woolgrower in the United States can afford to sell it, you will buy it there, will you not?

Senator JONES. Here you have got a two years' supply of wool now, the witnesses have stated. Who is going to carry that wool until it is ready for manufacture, until the manufacturer wants it, and what is to prevent the manufacturer from paying whatever he pleases until it is consumed or practically so?

Mr. BRIGGS. I do not think that it is an absolute remedy, but I say it is a help. It will be a tremendous help.

Senator JONES. How will it help?

Mr. BRIGGS. By placing a premium on buying American wool.

Senator JONES. But the supply is here. We have got a two-years' supply in this country now. Who is going to carry that wool and say what it shall be sold for?

Mr. BRIGGS. It will place a premium—it inevitably would place a premium on the manufacturer buying American wool instead of foreign wool.

Senator THOMAS. He will not buy until the supply is exhausted.

Senator McLEAN. If you put an embargo on foreign wool, how long do you think it would be before every pound would be picked up at a fair price?

Senator THOMAS. I do not know.

Senator McLEAN. It would not be a week.

Senator THOMAS. It would not be a week?

Senator McLEAN. No. Anybody who had any money to invest in it would invest it.

Mr. BRIGGS. There is a tremendous amount of unmanufactured virgin wool.

Senator JONES. This bill is presented as an emergency measure, and I will state that I am in sympathy with the general idea. I am not antagonistic to it at all, but I think we ought to get the facts if we can. It is an emergency measure for the purpose of helping the present supply of wool. If we have a two-years' supply on hand how can a tariff or an embargo against the importation of other wools affect the present price of wool?

Mr. BRIGGS. Of course, an embargo will give the American grower an exclusive market; that is, all the wool that is manufactured or bought will be bought here. A high tariff can not act as an embargo. I do not anticipate that this proposed tariff will act as an embargo. At the same time, it places a premium upon it—

Senator JONES. As far as I am concerned I hope it will.

Mr. BRIGGS. It will place a premium on buying the wool here.

Senator McLEAN. It is a matter of degree. It will operate to the same degree as an embargo will operate. Men with plenty of capital can afford to take this wool and hold it if there is a possibility that they are ever going to sell it at a fair price. If you make a bottomless pit they will not do it.

Senator THOMAS. But when you embargo your imports you embargo your exports. Do not forget that.

Senator McLEAN. That is another point.

Senator THOMAS. But it is inseparable from this one.

Senator McLEAN. Exports are being embargoed very fast now.

Mr. BRIGGS. If we permit our industries to die we will have nothing to sell abroad. We have got to protect our own industries here, it seems to me. It is of very great importance, and of greater importance to-day than ever before.

Senator JONES. Those generalities, I think, occur to all of us; but I would still like to have some further light upon the thing that is troubling me. If my information is correct, during the 16 years of the Aldrich tariff bill, when we had a tariff of 11 cents a pound on raw wool, the average price of wool in Boston was only about 1½ cents a pound above the average price of wool in Liverpool, the world's market. If, with a tariff of 11 cents a pound on wool during the operation of that law, it did not raise the price of wool in the United States, nor the producer in the United States did not get any benefit from it, how, with a two-years' supply on hand, are you going to raise the price of wool to the producer in this country to a point at least where he can live and encourage the industry?

Mr. BRIGGS. Well, Senator, it seems to me that those points are indeterminate. So far as the comparison in prices is concerned, had there not been a tariff on wool the prices here would have been lower, doubtless. It seems a reasonable conclusion that they would have been, perhaps, 10 or 11 cents lower.

Senator JONES. The point I want to get at is this: Is it not a fact that with the same tariff and with the wool industry in this country in such a condition as it is and has been, when the purchasers of wool in this country are enabled to buy that wool at practically whatever they see fit to pay for it, whether we have a tariff or not, should we not try to devise some other means in addition to this to help the industry?

Mr. BRIGGS. Senator, I agree with you that we should not stop at this. My point that I wish to emphasize is that here is an immediate thing, that we have got to do and do quickly if we are going to save these men from being closed out and ruined.

Senator JONES. You say we have got to do this. Why and how is it going to operate to raise the present price of wool to the producer?

Mr. BRIGGS. It seems to me that it is a reasonable conclusion that it will stabilize prices and will help mightily.

Senator JONES. How can it stabilize prices when you have got a two years' supply on hand, and somebody has got to carry the load in the meantime—

Mr. BRIGGS. It limits competition to just that extent, does it not, Senator? It decreases competition. The tariff we put on now will have that tendency, inevitably.

Senator JONES. But we are not oversupplied with competition, even excluding foreign wool?

Mr. BRIGGS. We are, and we can not stand the added competition. It will be the last straw that broke the camel's back.

The CHAIRMAN. I think we are getting more into an argument between Senators than we are getting any new testimony. We have limited our time for the hearings, and I wish we could just get testimony in, if possible, so that all can be heard.

Mr. BRIGGS. If there are no further question, I will ask to be excused, thanking the committee for its attention.

Senator JONES. With all deference to the chairman, I think the questions that I am asking go right to the point we are trying to develop.

The CHAIRMAN. We are not objecting to that, but it is developing simply into argument on the tariff rather than bringing in any new testimony.

Senator JONES. I think it is developing the fact that this witness is unable to answer the question.

Senator SMOOR. I think that is right.

(The witness was excused.)

The CHAIRMAN. We would like to close the wool branch of the hearings as soon as possible. I will call Mr. John P. Wood, a manufacturer, of Philadelphia, Pa.

#### STATEMENT OF MR. JOHN P. WOOD, PHILADELPHIA, PA.

The CHAIRMAN. Mr. Wood, will you give your name and whom you represent, please?

Mr. WOOD. My name is John P. Wood, and I am representing three associations of the woolen industry, the National Association of Wool Manufacturers, the American Association of Wool and Worsted Manufacturers, and the National Association of Worsted Spinners.

Mr. Chairman, on behalf of the organizations mentioned I desire merely to record their position with respect to the bill under consideration.

This measure does not include any provision for the protection of the industry of wool manufacturing, which at the present time is in as desperate a situation and menaced by as serious a foreign competition as any of the industries covered by the bill. We understand that it will be impossible quickly to pass a more general tariff bill, and if that is a fact we are unwilling to oppose or delay immediate relief for those industries which are covered by the pending bill, provided that it is so amended that no additional disadvantage to those now existing is imposed upon the various branches of wool manufacture; and with the understanding on our part that at the earliest possible opportunity further emergency legislation will be

enacted to safeguard domestic industry during the period that will necessarily be occupied in making a general tariff revision.

As the bill stands the duty on the wool contained in imported manufactures does not bear the proper ratios to the duties on unmanufactured wool. The effect of this would be just as disadvantageous to the woolgrower as an inadequate duty on raw wool, because if it is made more profitable to import wool in a manufactured state than in its raw condition it will come in, in the form of manufactures, with just as much detriment to the woolgrower as if it were imported in the raw condition, and with equally great detriment to the manufacturing industry.

We, therefore, urge that the compensatory wool duties be fixed at the same ratios that have been in effect with every wool duty since 1867, and that the other provisions with respect to wool which have been developed by long experience as necessary for the mutual protection of the growing and manufacturing industries be reincorporated in the bill.

It is also respectfully submitted that the new rates in this bill shall not apply to shipments actually in transit at the time of its final passage. This proposal is made in the interest of justice to those who have contracted for importations before the original introduction of this measure in Congress and not for the benefit of those who may continue to speculate on the chance of the bill not being passed. With these changes, although the business of manufacturing wool will not be benefited by the measure, it will not be put in a worse condition that it now is.

I can not, however, too strongly impress on your committee the importance of protection for the manufacturing interests of the country during that long period of time that will be occupied by the general tariff revision now in contemplation. Past experience has shown that a general tariff revision requires nearly a year from the time when it is begun. If the present low rates are in effect for so long a period, without the war-created embargoes, the damage to American business will not be confined merely to the time required for that revision, but will continue long after, because of excessive importations brought in in anticipation of tariff changes.

Only once before in more than two generations has the change been made from a merely revenue tariff to a protective tariff; and in anticipation of the change in 1897 imports were made in quantities so greatly in excess of current requirements that in some classes of goods the excess was not absorbed for from two to four years after the new act became operative. The excessive importation made during the months that the Dingley bill was under consideration not only deprived American industries of the protection the bill was designed to afford them, for a considerable period after it was enacted, but it also deprived the Government of the additional revenue which the new rates would have yielded. Incidentally, opportunity was given for criticism of the protective policy, because the presence of these redundant supplies prevented as immediate a revival of business after the new law became effective as should have occurred if the markets had not been overloaded with a surplus.

To avoid repetition of those conditions pending a general revision while low rates are in force a temporary and adequately protective

measure should be first enacted without protracted hearings and extended debate. Then, with as much investigation and deliberation as may be considered necessary, a general revision can be undertaken without peril to the business of the country, without loss of needed revenue, and without prejudice to the principle of protection.

Senator THOMAS. How many woolen manufacturers do you represent or speak for?

Mr. WOOD. I can not tell you the exact number, because I have been asked to speak for three different associations. I can say that, combinedly, we represent a majority of the wool manufacturers in this country, and I should think a very great proportion of the whole number.

Senator THOMAS. Can you give the committee an itemized statement of their profits for the last four years?

Mr. WOOD. It would be quite impossible for me to do that. They represent upward of a thousand different concerns scattered all over the country.

Senator THOMAS. They have been very large, have they not?

Mr. WOOD. I should think they had not been as large as in most other industries; and, if I might be permitted, I would say also that the question of what constitutes a profit in the last few years is a very doubtful one. Profits, I should say, generally were divided into three parts. First, that which goes to the United States Government in the form of excess-profits and corporation taxes; second, that amount which represents an insurance, or a partial insurance, against the deflation and shrinkage in values which is now going on; and, third, that residuum which was actually realizable profit.

Senator THOMAS. Can you give us the profit for the current year—1920?

Mr. WOOD. No; I can only give it to you for a company with which I am personally associated. The actual net loss for the current year is about \$200,000 on a capital invested of \$450,000.

Senator THOMAS. That includes the excess-profits tax?

Mr. WOOD. No, sir; there is no excess-profits taxes on a loss, so far as I understand.

Senator THOMAS. I understand there is not, but a good many are claiming that that is the case at the present time.

In 1919 what were your profits?

Mr. WOOD. That particular company made in 1919 on a capital of \$400,000 about twenty-five thousand and some odd hundreds of dollars.

Senator THOMAS. Exclusive of the Government tax?

Mr. WOOD. No; that was inclusive of the Government tax, before deducting the Government tax.

Senator THOMAS. How about 1918?

Mr. WOOD. It was not in existence at that time.

Senator THOMAS. It is, then, a new concern?

Mr. WOOD. It is a new organization. It bought out and took over part of a preexisting business.

Senator THOMAS. Capitalized at what?

Mr. WOOD. This company?

Senator THOMAS. Yes.

Mr. Wood. Capitalized at \$500,000, of which \$400,000 was paid in.

Senator THOMAS. You can not speak with reference to the profits of any of the other concerns which belong to the association?

Mr. Wood. Only as I have seen their statements in the press.

Senator CALDER. Did the woolen manufacturers of this country make a profit generally during the year 1920?

Mr. Wood. I believe that, so far as my information goes, none of them have, and that almost uniformly they have made losses which will probably absorb all of the residuum of profit made during the war period.

Senator CALDER. How do you account for that?

Mr. Wood. The enormous shrinkage in values which has occurred in the last eight months by a deflation of values much more rapid than could possibly have been anticipated or provided for.

Senator SMOOR. Can you tell the committee something about the price of yarns that can be purchased now in England and what those same yarns were in 1918 and 1919?

Mr. Wood. The domestic price of 240's worsted yarn of one-half blood—that is generally considered a kind of standard—in March or early April, 1920, was \$4.25 to \$4.35 a pound. To-day it can readily be bought at \$1.50 a pound, and "distress" lots can be bought, where it is absolutely necessary to make the utmost sacrifice to obtain ready money, at even less than that. The import cost of that yarn at the present time, from the latest information that I have been able to get, would be about \$1.25. The actual cost of producing the yarn in the United States at the present time would be much over \$2. I do not know just how much.

Senator SMOOR. That is, in this country?

Mr. Wood. It is hard to say just what the value of wool is of which the yarn is made.

The CHAIRMAN. Are there any other questions? If not, that is all.

Senator JONES. I would like to ask Mr. Wood a question.

I believe in your former statement you referred to a passage of a previous tariff bill. I forget just which one—

Mr. Wood. The Dingley bill.

Senator JONES. The Dingley bill, I believe. And at the time of the passage of that bill, or shortly before its passage, there was brought into this country a large amount of foreign wool that prevented for some time an increase in the price of wool in this country. Am I correct in that statement?

Mr. Wood. Both wool and manufactures of wool were brought in at that time, and it did prevent the stabilization of business. You may remember that immediately preceding that, business was in a very ruinous state. My recollection is that sheep sold for as low as 25 cents a head, and it was hoped that there would be an immediate recovery upon the passage of a protective tariff measure, but in the 10 months or so that the bill was under consideration there were speculative importations brought here in very large amounts which, as I say, took a long period afterwards to absorb.

Senator JONES. We already have in this country a two years' supply of wool. Even if we pass this bill, do you believe that it will have any immediate effect in advancing the prices of wools already in this country?

Mr. WOOD. I think it would have an immediate effect in restoring some part of the shrinkage of price that has occurred, because if the bill is not passed you will not only have the quantity of wool that is now in the country but a very much larger quantity also; and, of course, the larger the supply, the intenser the competition and the lower the price must be.

Senator JONES. I understand that there is practically no price for wool now. Is not that the case?

Mr. WOOD. Practically speaking.

Senator JONES. Where do you think a price would be fixed upon the passage of this bill?

Mr. WOOD. I would not like to prophesy that, but I should think it would be fixed at a point which would not give the wool grower the cost he has been at in growing the wool that he now owns, but at much less sacrifice than would be the case if the bill is not passed. I can not predict just what the price will be. I know it will not put the price of wool in the market back to that level which probably represents the cost of production to the woolgrower, but I am equally satisfied that it will put the price above the present, and therefore save him some part of the great loss that otherwise he would sustain.

Senator JONES. What is the product of the factory in which you are directly interested?

Mr. WOOD. Worsted cloth.

Senator JONES. Have you a supply of wool on hand suitable for the manufacture of worsted cloth?

Mr. WOOD. No wool whatever, because that mill does not use the wool in its raw state but buys the spun yarn. It would have no supplies of yarn on hand excepting for the great cancellation of orders which it had for goods to be made which cancellations unexpectedly left an amount that I suppose would represent probably two months' consumption.

Senator JONES. Your concern is not a purchaser of raw wool?

Mr. WOOD. No, sir; excepting as it purchases it in a partly manufactured state—the yarn.

Senator SUTHERLAND. Was there anything like a surplus of wool at the time of the passage of the Dingley Act?

Mr. WOOD. In the world, you mean?

Senator SUTHERLAND. In this country, that there is now?

Mr. WOOD. Neither in this country nor in the world generally.

Senator SUTHERLAND. Then if it had no effect at that time you would be certain that it would have no effect now?

Mr. WOOD. The passage of the law now?

Senator SUTHERLAND. Yes. If you have a two years' supply on hand now and a very large surplus, and the passage of the Dingley Act did not have any immediate effect on the price of wool—

Mr. WOOD. There are two things that I would like to say in answer to that. First, if the passage of this law should be delayed as long as the Dingley Act was, so that importations could continue to come in here for the next nine months, it would not have any effect for an appreciable length of time—not during the life of the act, which I understand is limited to ten months.

The other thing is that the wool grower unless some provision is made for his protection—while it is true we have on hand nearly a two years' supply, including the forthcoming clip, it must be remembered that there must always be on hand a very considerable quantity in transit, unmarketed, in the course of sorting and preparation for the market and in the hands of the mills in various stages of manufacture; so that when you say there is a two years' supply, if no augmentation were made we could not work until that was absolutely exhausted. Long before that you would have a famine condition here. The real menace is the great surplus wool outside of the United States which is certain to come here. It will come in in increasing quantities in proportion to the delay in giving this needed relief exists.

Senator SMOOR. To what extent did your company receive cancellations of orders placed for goods?

Mr. WOOD. It was engaged in the manufacture of goods only on order, which is the case with most of the woolen and worsted mills, and at the time this recession began it had a substantial part of its product sold for probably three months to come. Nearly all of that was canceled, so that at the present time it has on hand, I presume, about \$200,000 worth of finished merchandise at liquidated values.

Senator SMOOR. How are the orders coming in?

Mr. WOOD. There have been no orders for months.

Senator SMOOR. How many have you received in the last three months?

Mr. WOOD. None whatever.

Senator SMOOR. That is what I thought.

Senator CALDER. Have you closed down?

Mr. WOOD. It has been closed excepting that an effort was made to run in September and continuing until the early part of November, when an unsuccessful effort was made to operate. But it has been closed continuously since the early part of June excepting in so far as designing has been continued on in the hope that there might be a future business later on.

The CHAIRMAN. Will you please explain why these orders are being canceled and why no new ones are being made?

Mr. WOOD. It is pretty difficult to answer that, because so many influences have operated. I think that probably as much as any one cause has been the unwise campaign by the Government to persuade the public not to buy. There has been, I think, an unwise persecution of retailers for alleged profiteering, which has caused them to feel that the only thing to do was to stop buying and run their business on the smallest possible stock. I think that the newspapers have promulgated the idea that by holding off, prices would come down. And they have. There is no doubt about it. The campaign has been successful, but it has been successful in throwing hundreds of thousands of people out of work, and that, in turn, has now reacted on the distributor. The deflation was necessary. If it had come in a more orderly, deliberate way it would have involved considerably less loss for everyone. It was inevitable, but if it could have come more deliberately and more naturally the losses would have been less ruinous than they have been, not only to the industry but to the distributing trade and the financial institutions which have to finance a great deal of the business of the country.



The CHAIRMAN. What effect has the announcement as to where the bottom will be had upon the situation?

Mr. WOOD. I am afraid, Senator, I am unable to answer that question.

Senator SMOOT. What effect have the importations of cloths had in the last eight months?

Mr. WOOD. I should say that the importations that have actually been made have not had a material effect in reducing prices at the present time, because simultaneously with the cancellations of domestic goods there were large cancellations of foreign orders. That heavy importations will come with the first return of buying is, of course, inevitable, as an examination of foreign conditions will show.

For example, I have just obtained a copy of the last wage agreement made for the textile industries on the right bank of the Rhine, in Germany. The wages have apparently been considerably advanced in the currencies of the respective countries; but, by reason of the depreciation of the currencies of those countries being greater than the advance, the relative difference in the cost of production here and abroad shows a very great increase over the prewar difference. In Germany the wages of adult time workers in the woolen industry in the district of the right bank of the Rhine at the increased rates in paper marks, but converted into the exchange equivalent in United States currency, is \$4 a week of 48 hours. For the same kind of employment and time American mills were paying before the mills closed down rates ranging from \$28 to \$45 a week.

Senator THOMAS. What is the ratio of production between the German and the American workman?

Mr. WOOD. The German production would be rather more, because, as in all the older European countries, there has been a permanency from generation to generation in the same employment.

Senator THOMAS. You say it would be; but is it, as a matter of fact, since the war?

Mr. WOOD. It is to-day. The efficiency is greater for that reason. We have precisely the same kinds of machinery, but the labor there has been trained from generation to generation in the same kind of work. In Austria the depreciation is even greater.

Senator THOMAS. Is Austria exporting anything?

Mr. WOOD. It will very shortly, because England has arranged to give credit to Austria for \$20,000,000 worth of wool, and that is the only thing that has delayed the exports of wool goods from Austria. As soon as that wool has been put through the processes of manufacture there is probably no place else for it to go but into the export trade, because Austria is too poor to indulge in the purchase of new clothing.

Senator THOMAS. The country is starving to death. I am glad they are starting up some work there.

Mr. WOOD. The wage for an adult spinner in Austria for a 48-hour week, converted at the current rate of exchange for crowns, amounts to \$1.70 a week.

Senator SIMMONS. I do not think that giving the rate of wage in Germany and in Austria upon the basis of the conversion of their

paper money into our money is very enlightening to us. It is not to me. The only way in which I can understand the difference between costs now and before the war in European markets is by ascertaining what is the purchasing power in their own market of the money that they now receive as compared with the purchasing power of the wages that they received before the war.

Mr. Wood. I will be very glad to answer that, Senator.

Senator SIMMONS. I do not myself know anything about it. If you have any information on that line, it would help me very much.

Mr. Wood. I think that there are two answers to that question—

Senator SIMMONS. You said a little while ago that they got German paper money. That is true. Take the money they get, the depreciated money, resolve that into its purchasing power, and tell me how that purchasing power compares with the purchasing power of the wage that they received before the war.

Mr. Wood. According to all the investigations that I have been able to find, the purchasing power of the daily or weekly wage over there is much less than it was before the war, and that economically is the invariable consequence where there has been a great decline in the value of an irredeemable paper currency. That is to say, while the natural tendency is for the prices of labor and service and commodities to go up as the value of the currency goes down, the movement is not synchronous. There is a lag in the adjustment of prices and wages to the depreciation of the currency, and until that is overcome there is a disadvantage in the purchasing power, and that is what exists over there. A day's wages in Germany or Austria to-day will not purchase anything like as much as a day's wages would purchase before the war.

But I would further say that for American purposes that has nothing to do with the question, because it does not make any difference to us what the value of that currency may be locally. All that I have to consider is what can be bought in the way of wages, in the form of manufactured products, with a given amount of United States money when it is converted into German or into Austrian money. If the wages of a spinner in Austria are only \$1.70 a week when I take my letter of credit, or buy drafts and convert them into Austrian crowns and buy the product of his spinning, I am just paying in American money \$1.70 for the fruit of his labor. That is the only question that concerns America industrially as far as competition is concerned. It does not make a bit of difference whether locally the recipient of these wages can buy little or much for his week's wages. It is what we can buy the product of his labor for here in the equivalent of American currency.

Senator JONES. You stated awhile ago that this deflation in price should have been brought about in a more deliberate way; a less radical way. I am asking you what suggestions you have to offer as to how that might have been done.

Mr. Wood. The first suggestion is that the Department of Justice should have sought out actual cases of profiteering and prosecuted them instead of attacking by and large the entire business of the country.

Senator JONES. Is that all the suggestion you have to make?

Mr. WOOD. I think that is the most important one. I think there was such an unsettling of confidence by reason of that campaign that it more than any other one thing was responsible for the suddenness of the deflation.

Senator JONES. I understood you to say awhile ago that it was the advertising to the public that prices should be reduced and that they should not become purchasers at the prevailing prices.

Mr. WOOD. All of which was, as I understand it, initiated by the activities of the Department of Justice.

Senator THOMAS. Is it not a fact, Mr. Wood, that the Department of Justice has done just what you complain that it has not done—that it is proceeding against specific instances of profiteering as reported to it?

Mr. WOOD. Proceeding against a great many specific instances but without evidence of actual profiteering.

Senator THOMAS. How do you know that?

Mr. WOOD. And by a process of discredit in local communities has caused this lack of confidence.

Senator THOMAS. Can you give instances to this committee where the Department of Justice has proceeded on general information instead of specific information?

Mr. WOOD. I have not the particulars at hand, but I have in my recollection many cases of which note was made at the time.

Senator THOMAS. We have a committee now that is doing mighty good work, I think, in looking into the matter of profiteering; but they have proceeded along generally and are proceeding along generally in order to get specific information. Would you carry your criticism so far as to apply it to that committee?

Mr. WOOD. I would not like to do that, Senator, because I am really not familiar with what it has done, though I am very familiar with what was done by State commissions operating under the Department of Justice or in connection with it. I do not want to place the responsibility, Senator, for the campaign I spoke of upon any individual person. I think that there was a great deal of unwise effort upon the part of those to whom authority was delegated in the different States to try to justify their appointment by making a great deal of noise and commotion.

Senator THOMAS. Mr. Wood, this difficulty which we are suffering from now is not confined to the United States. It is world-wide, beginning in Japan with the silk trouble. Is it not one of those reactions, a legacy of the war, which a man of your age has passed through once or twice before in your experience?

Mr. WOOD. That is too large a question to which to give a categorical answer, but my impression is that a large part of the disturbance outside of the United States is a reflection of the disturbance in the United States.

Senator THOMAS. But it began outside, first—in Japan, for example.

Mr. WOOD. You must remember that the United States was the principal customer of Japan for raw silk.

Senator THOMAS. Precisely; and the price had reached to such an enormous extent that the reaction naturally set in and first found its expression in Japan.

Mr. WOOD. I would not undertake to say definitely what the facts are, but I think a great deal of it was reflex. Of course, the subject is so large that, for the purposes of the committee, I am afraid I would consume too much time if I undertook to go into it.

Senator THOMAS. I hesitate to ask questions when I know that a man is limited in his time.

Mr. WOOD. I think the primary question is as to where the fault exists for the great inflation of prices. I think it is most unfortunate that there was so great an inflation of prices. If that had not occurred we would not be suffering from the present serious effects of so sudden a deflation.

Senator JONES. My recollection is that during the previous session of the Senate on the floor of the Senate nearly every day for some weeks prior to the adjournment of that session there was continual agitation there for the reduction in the high cost of living, and the Department of Justice was being criticized severely for not doing some broad act or thing which would reduce the prices of commodities. Do you not think that action in the Senate had something to do with this?

Mr. WOOD. I think so, possibly. There is no doubt that there was a warrantable resentment against the excessive prices of things; there is no doubt about that upon the part of the public. I think we all shared in it. The only question is as to whether or not due account was taken of the evil results that would flow to everyone from a too sudden correction of an admitted evil.

Senator JONES. Then, the blame did not lay wholly with the Department of Justice?

Mr. WOOD. No; I did not intend to infer that, Senator. I only mentioned that as probably the chief cause; and even that perhaps chiefly with the many subordinate agents in the different States and communities, who were delegated by it to do this work. Many of them had an excess of zeal for their reputation for efficiency in the work.

Senator JONES. In the public press of the country last spring and during the summer was not the Department of Justice criticized severely because it had not been able to bring about a reduction of prices?

Mr. WOOD. I think it may have been by some of the press.

Senator THOMAS. It is a question of "he will be damned if he does and damned if he don't." [Laughter.]

Mr. WOOD. Yes.

Senator NUGENT. And did not the statements on the subject contained in both the Republican and Democratic platforms also contribute to that result to some extent?

Mr. WOOD. They may have, but this process was well under way before either party held its national convention.

Senator LA FOLLETT. And nobody took either very seriously. [Laughter.]

Senator THOMAS. You know the Democratic platform is committed to a policy of rigid economy in public affairs. [Laughter.]

Mr. WOOD. I do not think the public is particularly regardful of the platforms of any party.

Senator NUGENT. You think they are to get in on?

Mr. Wood. I would not say that.

Senator THOMAS. We did not get into power on that ourselves. I think we lost a great many votes because we pledged ourselves to economy. [Laughter.]

Senator SIMMONS. Do you believe the consumers are getting the full benefit of these reductions in prices that you have been talking about?

Mr. Wood. I do not believe they have commenced to get the full measure of those reductions.

Senator SIMMONS. Why are they not getting the benefit of them?

Mr. Wood. I suppose because of the natural disinclination of those who own stocks that cost high prices to take the full measure of the loss on what they already own.

Senator SIMMONS. That gets to the point that I want to ask you about. I have heard it stated that the manufacturers gave to their customers some sort of a guarantee at the time they sold them these large orders when the prices were so high, that those prices would be maintained for a certain length of time. Is there anything in that story?

Mr. Wood. Nothing whatever, Senator. I think that guarantee is very greatly misunderstood.

Senator SIMMONS. What is that guarantee?

Mr. Wood. The practice of giving a guarantee is this, at the time when buyers are apprehensive that there will be a decline in the prices—

Senator SIMMONS. And that was the condition?

Mr. Wood. Yes. There is naturally an unwillingness to buy; they feel that if they wait they will buy goods at lower prices, and under those circumstances many manufacturers made this kind of a guarantee, that if the prices are reduced, "if our prices are reduced in consequence of a decrease in the cost of raw material, or from whatever cause; if our prices are reduced to any of our customers who later on place orders, we guarantee that you will buy as cheaply as any customer who defers his purchases." That is the only kind of a guarantee that has been given, there has been no guarantee to sustain prices, but only guarantees that would protect the buyer who was willing to place an order and so keep the wheels of industry moving, without disadvantage to the customer who was willing to order.

Senator SIMMONS. You mean, if he reduced the price within a given period the previous customer was to have the benefit of the reduction?

Mr. Wood. That was all. Those are the only guarantees which have been made.

Senator SMOOR. And the only goods were goods ordered for future delivery? That is, if you placed an order for goods to be delivered six months ahead and in the meantime if the manufacturer had sold those goods at a lower price, the lower price would be granted to the person who placed his order first?

Mr. Wood. That is it, exactly. These were seasonal goods, most of them. The orders are taken at or about the same time of the year in a great many of the woolen industries, the same as they are in other industries of a seasonal character, and the producer soliciting

business in September to keep his plant going for some months ahead would find a great disinclination on the part of customers to buy at all, and it was because of that condition that he said, "If you buy now, I will guarantee you will be at no disadvantage as compared with the man who is holding off. Give me your order now and let me keep my people employed, and if I have to sell at a lower price to a competitor of yours during the current year I agree that you shall have the benefit of the lowest price anybody else obtains."

Senator SIMMONS. You mean, in the sense, that you were to give him a rebate on goods he had already purchased from you which had been sacrificed at the time of your reduction of the prices?

Mr. WOOD. It rather applies to goods which have been ordered but which will not be delivered until a later period.

Senator SIMMONS. It does not apply to goods that already have been delivered?

Mr. WOOD. It would not usually apply to goods that have gone into consumption—that have been completed and delivered. The general understanding was that it was for the period of the manufacturing season.

Senator CALDER. So that the retailer sells his stock at a higher price?

Mr. WOOD. No.

Senator CALDER. And we will not get lower prices until they are disposed of?

Mr. WOOD. I think they have reduced their prices considerably, but I think there has been a hesitation to take the full measure of their loss. I think there has been an attempt to see if they could not minimize their loss by reductions that would not go to the length which the retail market must eventually reach.

Senator CALDER. So that if the manufacturers' prices continued low for 30 or 60 days the retail prices would be lowered?

Mr. WOOD. Reduction has been going on every week.

Senator SIMMONS. Do you not think what is called a consumers' strike is due in large part to a feeling among the consuming public that the retailer, at least, is not giving him the benefit of the reduction that has taken place in the product?

Mr. WOOD. Well, Senator, I think that would be a very difficult question to answer, because it involves so large a number of merchants. I judge from the information that has come to me that some of them have made very large reductions. I think some of them have made very much less radical reductions, but I do not believe there are any noteworthy cases where the prices have not been substantially reduced below the top level that they had reached.

Senator SIMMONS. I can tell you that in a great many sections of this country, especially in the smaller towns—it is not so pronounced in the larger cities—they are charging war prices right now.

Mr. WOOD. Well, I am afraid they will have to see the light very soon, because I think the public is sufficiently informed not to continue to pay war prices, and the merchant who persists in that will probably see his goods remain on his shelves.

Senator SIMMONS. A good deal of that is going on in Washington City. The hotels here are charging war prices now, and it is a matter of common knowledge in the sections of the country around

Washington, during the season when vegetables were being marketed, that the producer could hardly get enough for his vegetables in this market to pay the expense of bringing them to the market, and yet there was very little reduction in the price of vegetables in this city, and absolutely none on the menus of the hotels.

Senator McCUMBER. We are very much obliged to you, Mr. Wood. The committee will recess until 2 o'clock, to meet in the Capitol Building.

(Thereupon, at 12 o'clock m., the committee took a recess until 2 o'clock p. m.)

## AFTER RECESS.

The committee reconvened at the expiration of the recess, Senator Porter J. McCumber presiding.

**STATEMENT OF MR. JOHN ASPEGREN, PRESIDENT OF THE PORTSMOUTH COTTON OIL REFINING CORPORATION, PORTSMOUTH, VA.**

The CHAIRMAN. Please state your position and what you represent.

Mr. ASPEGREN. I am chairman of the foreign-trade committee of the Cotton Seed Oil Association. I have called my committee together, but they came from all parts of the country and will not be here until the 20th. I will preface my remarks by saying that I have up to the present moment no authority to act for them, and consequently I am here in my other capacity as president of the Portsmouth Cotton Oil Refining Corporation, which has a factory that manufactured last year \$20,000,000 worth of oil.

Senator SMOOT. Are the other representatives coming here on the 20th?

Mr. ASPEGREN. The entire committee, I think, will be here on the 20th.

Senator SMOOT. That is, to appear before the House committee?

Mr. ASPEGREN. It is for that purpose as well as other purposes. I doubt whether we will take any decided stand on this matter, because opinion is very much divided in our association on the subject, and I shall not argue either for or against the matter, but I have appeared here simply to call your attention to what we call a mistake in this bill. These vegetable oils are sold not by measure but are sold by weight. They are sold not by gallons but by pounds. Somehow or other in the hurry of making this bill as an emergency measure whoever drew it up has figured the duty per gallon.

Probably that is caused by the fact that the 1913 bill imposed a duty of 6 cents a gallon on peanut oil. Nobody protested against it because nobody thought of it, but this time they have carried that out and put a duty per gallon on various oils. Cottonseed oil is sold by the pound. Coconut oil, to my recollection, has never been sold except by the pound.

Senator SMOOT. That would not make any difference, would it?

Mr. ASPEGREN. Yes; it would.

Senator SMOOT. Why?

Mr. ASPEGREN. It would make it impracticable, because it is always impossible to ascertain the gallonage by measure. The only way it

could be done would be to pound it and then calculate how much it would be by gallons.

Senator SMOOR. That ought to be easy enough.

Mr. ASPEGREN. It is easy and it is not easy.

The CHAIRMAN. In what containers is the oil handled?

Mr. ASPEGREN. It arrives in tin cans, in barrels, and in bulk. The weight of a gallon of oil varies with the temperature; so that the trade has all long ago abandoned the attempt to sell it by the gallon. Olive oil and linseed oil are still sold that way.

We suggest to you that it be put on a pound basis instead. The official basis adopted by the leading exchanges, as well as by our association, is  $7\frac{1}{2}$  pounds to the gallon, and we would suggest that if you pass this bill out of this committee you put it on a pound basis instead of on a gallon basis. I know that I not only speak for myself on this subject, but for the various ones whom I represent. I know the entire trade is back of me in this matter.

That would make it instead of 20 cents a gallon  $2\frac{3}{4}$  cents per pound. Instead of 26 cents a gallon it would make it  $3.46\frac{2}{3}$  cents. It might be well to round it off and make it in a round figure; but we suggest that if you pass this bill you put it on a pound basis.

I am sure I speak not only for myself but for the rest of the trade in this matter.

I shall not argue for or against this bill at all, no matter what our own interests are, for we are willing to do whatever you gentlemen consider best for the country as a whole.

I desire to call your attention, however, to one thing, and that is that this country exports more oils and fats than it imports, so that the practical end of this bill's being passed, if it is passed, will simply mean that our importations naturally will decrease and our exportations will decrease to the same extent. The sentimental effect, of course, will not be so much, but the practical effect will be the decreasing of the imports and exports to the same extent.

There is one other feature that I would like to call attention to and that is that there is a very large amount of oriental oil imported every year to be refined and deodorized here and shipped to Europe, and whatever we do we must not kill that trade. It is something that will not affect prices here in this country at all, because it simply comes in here and goes out of here.

Senator JONES. Will this bill, as it is now prepared, affect this industry?

Mr. ASPEGREN. I am not quite sure. I believe there is in the general provisions something that will not allow us to export it. I would like to call your attention to it so that it might be looked up, because if such drawback is not permitted it would simply mean that all the business would be taken by England.

Senator SMOOR. There is no danger of that. You need not discuss that.

(Witness excused.)

#### STATEMENT OF HON. D. LAWRENCE GRONER, OF NORFOLK, VA.

The CHAIRMAN. You represent the peanut industry, do you?

Mr. GRONER. I represent an association formed for the protection of the peanut industry.



The CHAIRMAN. Very well, Mr. Groner; we will be glad to hear from you.

Mr. GRONER. If the committee would indulge me for a moment I would like to make this very brief personal explanation.

My appearance in behalf of the peanut growers and the peanut cleaners was somewhat unexpected to me, because they had not known nor had I known until very recently that this committee would have these hearings. But at their request, and because of my presumed familiarity with the subject, I desire to make a brief statement to the committee, after which, if the committee's patience is not exhausted, some of the practical men of the industry would like a moment in which to supplement what I may say.

The peanut, or ground nut, as it is sometimes called, is grown in nearly every country in the world. It is found in tremendous quantities in Africa and in India, in such large quantities, indeed, that I believe no attempt has ever been made to make a statistical computation of the quantity of tons produced in those countries.

The character of the nut as to its edibility in those countries, however, is so inferior to the nuts produced in this country and in other foreign countries that it is not a competitor in the American market.

It is also grown in very large quantities in China; in Japan to a lesser extent, and in Spain to a very large extent. In fact, at one time Spain was the largest peanut market in the world, both in the matter of peanut oil and peanuts per se. During the period of the war the necessity of the conservation of fats and oils caused the Spanish Government to place an embargo on the exportation of peanuts from that country, and the sight of a Spanish ship loaded with peanuts in the harbor of Norfolk, which is the large peanut producing and handling section of this country, was entirely a customary and ordinary thing.

Recently that has not been the case. The bulk of foreign grown peanuts which are imported into this country and which come directly in competition with the American grown peanut, come mostly from China and Japan. I think that I am accurate in saying that there was practically no importation of peanuts in this country prior to the Spanish-American war and our effort to secure trade in the East. After the war they began to come in, and in the first or second year after the war the importations amounted to a negligible quantity, 200,000 or 300,000 pounds. It has been increasing with the increased use of and increased demands for peanuts from that time until now except during the period of the World War, when, by reason of the difficulty of shipping, the cost of shipping and the natural embargo that flowed from that condition of affairs, there was more or less of a hiatus in the importation, although there was some importation through all the period of the war.

The cost of production abroad, the cost of production in China and in Japan, I think, has never been established with that definiteness that would, of course, satisfy the minds of this committee or anybody else investigating the subject. The difficulty of determining it is very great. The department, I believe, has made an effort to ascertain exactly, or as nearly exactly as possible, what it costs to produce a pound of peanuts in China and Japan, but it is a concession that the cost of production in China or in Japan, even in the

last year—and there was an increase in the amount of wages, a small increase in the amount of wages paid to the coolie labor in those countries, most of which labor in the peanut industry is woman labor—there is, I think, an understanding that the cost of production at no time exceeded a cent to a cent and a quarter, or perhaps, at the most, one and a half cents a pound.

If I make any statement that you think is not accurate, Mr. Baine, I would be glad if you would correct me.

The cost of transportation during the war was necessarily higher than usual, as it was with everything else that was transported overseas, and that had a very decided tendency to check the importation of peanuts from the east. There was also the difficulty of shipping, the lack of cargo space, etc.

The present cost of transportation from Japan to either New York or Norfolk via the Panama Canal is about two-thirds of 1 cent a pound. That statement is based upon a number of actual transactions and quotations, so that I submit it with confidence in its accuracy.

The cost of importation into the Pacific coast ports is about one-fourth of 1 cent per pound, so that if I am accurate in my statements, as I submit I am, the cost of production, plus the cost of transportation of the Chinese peanut and the Japanese peanut, makes it possible to put them in the markets of this country, in the far west, on the coast, at approximately 2 cents a pound, duty paid.

The cost of transportation from the west coast of the country to the east coast of the country is, under the new schedule of railroad tariffs, I think, 2 cents a pound. So that it is possible and entirely feasible and it is a fact that the Chinese nut and the Japanese nut can be carried either via the Panama Canal or into the Pacific coast ports and overland on railroads and can be dumped into the markets of the East at approximately 4 cents or a little less than 4 cents a pound on the basis of the present duty.

In the last year—I do not desire to weary the committee with too many statistics—there were imported into this country considerably more than 50 per cent more pounds of peanuts than had ever been imported in any previous year. The amount of peanut oil was approximately 170,000,000 pounds. The amount of shelled peanuts imported into this country via the Pacific coast ports was approximately 120,000,000 pounds. I believe there are 25 pounds to a bushel. So that you can figure out in bushels the quantity of peanuts that came into the country, both as to peanuts proper and in the peanut oil. It takes about  $2\frac{1}{2}$  pounds of peanuts to make a pound of peanut oil.

The CHAIRMAN. What proportion is that to our production?

Mr. GRONER. The production in this country last year as estimated by the bureau, as to which I think there is some reasonable ground for question as to its accuracy, was approximately 35,000,000 bushels, which would be equivalent to approximately 900,000,000 pounds. The production this year is estimated to be slightly in excess of that, around 39,000,000 bushels.

The CHAIRMAN. I understood you to say that there were how many pounds to the bushel?

Mr. GRONER. Twenty-five.

Senator JONES. Then we are importing about 10 per cent, are we?

Mr. GROSER. When we figure the amount of peanuts that it takes to make a pound of peanut oil, the amount of importations to the amount of production at home would be at least 25 per cent—from 20 to 25 per cent.

Mr. BAINE. Over 50 per cent.

Senator JONES. Do we export any of these commodities?

Mr. GROSER. I heard the statement of the witness who preceded me with regard to oil. The peanut oil that is exported is negligible. I have not the exact statistics at hand, and I doubt if they have ever been published, but it is a very small quantity, practically nothing. The European countries obtain a very large supply of their peanut oil from the African, the Indian, and the Spanish nuts, which they grind up and compress there, and the market abroad is not of an inviting character to the American producer.

Senator JONES. For what prices are those Chinese and Japanese nuts actually sold in this country?

Mr. GROSER. The price, of course, varies. During the period of the war, when the importation fell off, the market for peanuts very materially advanced, and the price per pound went as high as 12½ or 13 cents. Just as soon as the war was over, or as soon as the conditions readjusted themselves and the importation began to be heavy and to be felt by the local market, the price went down, and the price of American-grown peanuts to-day, on the basis of the market quotation—I mean for the crop as a whole—is an average of about 4 to 4½ cents a pound.

The price of Japanese or Chinese shelled nuts in the Norfolk market is approximately from 3½ to 4 cents a pound.

I come from perhaps the largest peanut-producing and peanut-handling section in the country. The large market of this country is located in Norfolk and in Suffolk, which are in my congressional district. Formerly the cost of production there was a good deal less than it is to-day. The cost of fertilizer was about \$20 a ton. We have to use a tremendous amount of fertilizer in order to produce almost any crops on our lands in the peanut belt of this country. The cost of fertilizer to-day under the changed condition of affairs is from \$50 to \$55 a ton. The cost of labor formerly was much cheaper than it is to-day. It was approximately all Negro labor, and mostly labor that lived on the farm. A house was furnished in which they lived indigenous to the soil. The cost was about 75 cents a day, rarely more than a dollar a day; never more than a dollar a day except in those cases in which a place to sleep was not furnished. The price of labor under precisely the same conditions is now about \$2.50 a day.

Those are the major items making up the cost of production. Figuring conservatively and accurately and reasonably the cost of production of peanuts in this country to-day in Virginia, North Carolina, Georgia, and Texas, which are the four large producing States, Alabama being also now considerable of a producing State, the cost of production in none of those States by the most scientific method of cultivation and care in regard to one's interests is less than 7 cents a pound.

So that it is not overstating the case to say that unless there is a complete and absolute readjustment of the cost of production and a

radical readjustment to prewar conditions, every pound of American-grown peanuts sold on the present market in the current year will net the producer at least 3 cents deficit or less.

Senator LA FOLLETTE. What does a quart of peanuts weigh?

Mr. GRONER. How many quarts are there in a bushel, Mr. Baine?

Mr. BAINE. Thirty-two.

Mr. GRONER. Twenty-five pounds to a bushel.

Senator SIMMONS. You spoke about Japanese-grown peanuts which are being sold in the market of Norfolk. Are they being brought here to any considerable extent now?

Mr. GRONER. They are being brought here, Senator, of course, not measurably to the extent that they are in places west of the Mississippi River, where the cost of transportation is less and the profit is higher, but they are being brought to this country and being offered at a price a cent and a half to two cents and a half under the North Carolina and Virginia market price as it is to-day.

Senator SIMMONS. Is it equally as good a nut?

Mr. GRONER. If they are mixed up together and used in the manufacture of candy or for confectionery, or something of that kind, you can not tell one from the other. For purposes of roasting and selling by the street vendors, the Virginia nut has a very decided superiority. It is larger. What we call the Jumbo peanut is the peanut which is culled out from the balance and used exclusively in the street in the roasting bag trade.

Senator SIMMONS. Are they bringing them regularly, or has there just been one or two cargoes come in?

Mr. GRONER. I do not know in what quantity they are coming in. Mr. P. D. Baine, who is president of the corporation, is here, and he can answer that question. He is a very large cleaner and grower of peanuts. But they are being brought in in very considerable quantities.

Senator SIMMONS. Have you any information as to the amount coming in on the whole south Atlantic and north Atlantic seaboard?

Mr. GRONER. They are not coming in except via Panama, and that is a matter that has only recently begun as a result of this difficulty now in getting cargo for ships.

Senator SIMMONS. What I was trying to get at was whether they come in in a tramp steamer or whether the trade had just started—

Mr. GRONER. No, sir; the trade has started. They are being offered, and while they are not being bought in any appreciable quantities the effect of the offering is to very materially depress and reduce the price which the farmers of your State and mine are able to obtain for them.

Senator SIMMONS. What is the difference between the market price of peanuts on the Atlantic coast and on the Pacific coast?

Mr. GRONER. The price of Japanese nuts or Chinese nuts on the Pacific and Atlantic coasts is not quite the cost of transportation overland, which is 2 cents per pound.

Senator SIMMONS. That is, you mean to say that the price of peanuts is a little higher on the Atlantic coast than on the Pacific coast?

Mr. GRONER. I think it is slightly higher, but it is not materially higher, for the reason that any importer of peanuts or any user of

peanuts in this country can import them without transporting them overland by bringing them around through the Panama Canal; and the cost of transportation from Japan to New York or Norfolk via the Panama Canal is not quite two-thirds of 1 cent per pound.

Senator THOMAS. Is there any exportation of American peanuts?

Mr. GRONER. No, sir; no appreciable exportation except in the form of candy.

Senator McLEAN. If you are driven out of the market and have to stop growing peanuts, what industry can you substitute?

Mr. GRONER. I do not think that on the soil that I am acquainted with in my section of the country you can grow anything else. The land is not fitted for corn or tobacco or cotton, except at the very largest expenditure of fertilizer. It is particularly a peanut soil, being a sandy, loamy soil.

Senator McLEAN. Your industry is comparatively recent, is it not?

Mr. GRONER. The growth of the industry is comparatively recent. It is an old industry. It has existed for a long time, and we had the market in America practically to ourselves, until, as I said—

Senator McLEAN. What did you grow before you grew peanuts?

Mr. GRONER. Tobacco was grown on that land, and some corn was grown on it. It is land that is gradually being taken up from the forest and used for agricultural purposes. It is land that formerly sold for from \$50 to \$75 an acre.

Senator McLEAN. How many people are engaged in the industry? What is the capital represented?

Mr. GRONER. In the growing or the cleaning industry?

Senator McLEAN. How many people are engaged in the industry?

Mr. BAINE. I would say that peanuts are grown in Texas, Georgia, Florida, Alabama, Mississippi, North and South Carolina, Virginia, and Tennessee. The Government gives so many acres, but it is a hard matter to say how many people are engaged in the industry. I would imagine in those States there would be 750,000 people indirectly and directly interested in peanuts.

Senator THOMAS. Exclusively in that business?

Mr. BAINE. No; I would not say exclusively, because a farmer has his corn crop, and so on. That is an extra crop.

Mr. GRONER. His corn crop is simply to provide corn for his stock. He does not depend upon the corn crop as his money crop. The money crop to the peanut farmer is almost exclusively peanuts.

If the duty which is imposed by this bill of 3 cents a pound is retained we think that it has been demonstrated by the occurrences of the war, by the events which resulted from the practical embargo established by the war, that the cost to the consumer would hardly be increased at all, if at all.

The manufacturer of candy, when he is making peanut candy, is more or less influenced by, first, the cost of the peanuts or the cost of the sugar. If sugar is high, he puts in a good many peanuts and very little sugar, and if the sugar is low in price he puts in a good deal of sugar and very little peanuts. So that really the consumer of the article during the war, when prices were up as high as 12 cents a pound, paid no more for the candy except as it was advanced by the sugar conditions. He certainly paid no more for the roasted peanuts and no more for the oil than he would pay, and is paying

to-day under the present quotation, which is just 33 per cent of the then current quotation.

Senator THOMAS. The sugar man is asking for an amendment to this bill. I suppose if we include that we can establish an equilibrium in the candy business between peanuts and sugar.

Senator SIMMONS. This land that is now devoted to the culture of peanuts in your State and in the adjoining States of North and South Carolina, in the main is not suitable to the growth of cotton?

Mr. GRONER. It is not, Senator.

Senator SIMMONS. Nor to corn, to any very great extent?

Mr. GRONER. No, sir.

Senator SIMMONS. And it is not considered good land for tobacco, although it will grow tobacco? Is that true?

Mr. GRONER. That is absolutely accurate, sir. The peanut crop is grown only on land which in very large measure will not produce any other kind of a crop. There is a tier of counties running immediately contiguous to Norfolk and running straight down through the South which would be almost sterile and abandoned, and will be abandoned, if conditions are not so remedied that the crop can be cultivated at a greater profit.

Senator THOMAS. A good deal of the cotton lands in the Northern States that have been rendered useless for cotton, or largely so, by the boll weevil are now being used for peanuts?

Mr. GRONER. That is true, sir.

Senator THOMAS. I recall that the citizens of a certain county got together and erected a monument to the boll weevil. I believe I introduced it in the record some time ago.

Senator SMOOR. When the Government gets to manufacturing nitrates, of course that will all be changed.

Senator THOMAS. I think we ought to go into the manufacture of nitrates and then put a duty on foreign nitrates.

Mr. GRONER. We have to have ammonia and potash and other things as well as nitrates.

Senator McLEAN. Do you use commercial fertilizers altogether?

Mr. GRONER. Almost altogether. The cost of it is very material now. It is a very large item in the cost of production. It has to be used because the soil will not produce without it.

Senator SIMMONS. We are discussing in the Senate now the subject of nitrate of soda and certain other fertilizers. Can you tell us how much the yield of peanuts has been increased per acre by the use of these fertilizers?

Mr. GRONER. I do not believe that there would be any profit at all, Senator, without a considerable use of them, and the quantity of them is constantly increasing. I think that it is certainly safe to say that in my country, in Nansemond, Southampton, Isle of Wight, Surry and Sussex Counties, the production has increased at least 50 per cent.

Would you say that, Mr. Baine?

Mr. BAINE. Oh, yes.

Senator SIMMONS. By the use of fertilizer?

Mr. GRONER. By the use of fertilizer.

The CHAIRMAN. Is there anything further?

Mr. GRONER. I have nothing, unless the committee wishes to ask me further questions.

Mr. P. D. Baine is the president of the American Peanut Corporation, which, I think, is perhaps the largest handler of peanuts, certainly in my part of the country. He has been engaged in that business all of his life. He is also a grower of peanuts, and he has informed me that he would be embarrassed to make a statement, but would be very glad to have the committee ask him any questions which occur to it as pertinent or relevant in the matter.

Senator SIMMONS. I believe you said that peanuts were selling now at about  $3\frac{1}{2}$  to 4 cents a pound?

Mr. GRONER. Yes, sir.

Senator SIMMONS. Can you tell us what they were selling at before the war?

Mr. GRONER. At substantially  $3\frac{1}{2}$  cents before the war, up to 4 cents.

Senator SMOOR. The consumer pays about 5 or 6 cents an ounce?

Mr. GRONER. Yes; just about. They went to 12 cents, though, Senator.

Senator SIMMONS. Yes; I know they did during the war.

Mr. GRONER. But when we sold them before the war at 3 to  $3\frac{1}{2}$  cents the cost of production was 3 or  $3\frac{1}{2}$  cents less than it is to-day.

The CHAIRMAN. We are very much obliged to you.

Mr. Baine, we will hear from you if you have any suggestions to make.

Mr. BAINE. I guess Mr. Groner has about covered it all. If there are any questions I can answer I feel as though I could answer questions about peanuts. I have been in that business all my life.

#### STATEMENT OF MR. P. D. BAINE, NORFOLK, VA.

Senator McLEAN. Does this oil come in competition with olive oil for domestic purposes, or what is it used for?

Mr. BAINE. It used to come into competition with it before we had the pure food law, and it may be adulterated now. That I do not know. It used to be substituted for olive oil largely.

Senator McLEAN. What is it used for?

Mr. BAINE. Peanut oil, of the low grade, is used for soap. The better grade is used for salad oil and for lard and butter.

The CHAIRMAN. Was it not used for the same purposes as cottonseed oil?

Mr. BAINE. Only a little higher grade. It sells for  $1\frac{1}{2}$  cents, as a rule, higher than cottonseed oil.

The CHAIRMAN. Before the pure food law the cottonseed oil entered to a great extent into our olive oil, did it not?

Mr. BAINE. And peanut oil was largely used.

Senator THOMAS. Why do you limit it to that period of time?

The CHAIRMAN. I have an idea that there is very little of it mixed now.

Senator McLEAN. What is the by-product used for? What is left after you extract the meal?

Mr. BAINE. You mean the cake?

Senator McLEAN. Yes.

Mr. BAINE. That is used for feed for cattle.

Senator McLEAN. It is very valuable for that purpose, is it not?

Mr. BAINE. Yes. There is such a thing recently put on the market as a peanut meal for human food. It is very, very nutritious and very valuable. It is also very fine for cattle feed and hog feed as well as for fertilizer.

Senator McLEAN. What can you get for that?

Mr. BAINE. That peanut meal varies very much. Just at present it is very low. I imagine peanut meal to-day is worth about \$35 a ton from the oil mills.

Senator McLEAN. It is good for fertilizer?

Mr. BAINE. Yes, sir; it is very good for fertilizer.

Senator McLEAN. Do you use it for tobacco?

Mr. BAINE. It is not quite high enough grade for tobacco, but it is used for it and can be used for it, though tobacco requires a very high ammoniate fertilizer generally.

Senator McLEAN. It is not as good as cotton seed?

Mr. BAINE. I do not think so. I do not think it contains as much ammonia as cottonseed oil does.

The CHAIRMAN. Are there any other suggestions which you wish to make?

Mr. BAINE. I do not know of any, unless you have some other questions.

The CHAIRMAN. We are much obliged to you, Mr. Baine.

Senator SIMMONS. Can you give us the value of the invested capital in peanuts?

Mr. GRONER. The total amounts to about 35,000,000 bushels, and there are 25 pounds to a bushel, and on the basis of about 4 cents a ton—I can figure it out for you in a moment, Senator.

Mr. BAINE. About \$35,000,000.

Senator SIMMONS. That is the part raised for market?

Mr. BAINE. Yes, sir.

Senator SIMMONS. Is there any part of it that is devoted to fattening hogs?

Mr. GRONER. Yes, sir; the hogs are turned loose in the fields to grub up what is left, and they produce that very fine article known as Smithfield ham.

Senator SIMMONS. But in addition to the peanuts that you place on the market there are some that you keep in the ground and that makes a very valuable food product?

Mr. GRONER. Yes, sir.

Senator LA FOLLETTE. The total farm value of the 1919 crop was \$79,000,000, as given by the Agricultural Yearbook. There were 33,000,000 bushels produced in this country.

Mr. GRONER. That was on the basis of 12 cents a pound—9 to 12 cents a pound. On the present basis it is just about half of that.

The CHAIRMAN. Did I understand you, Mr. Groner, to say that the nuts that were left in the ground are consumed by the hogs and they produce this "Beechnut" ham?

Mr. GRONER. The Smithfield ham. [Laughter.]

Senator SIMMONS. That is not quite a laughing matter. There are large sections of the country that grow peanuts for no other purpose except as a hog food. That is true of the section of North Carolina in which I live. In the northeast counties they raise them for market, and in the section in which I live we raise them for feed for hogs and for the improvement to the land.



**Mr. GRONER.** A fertilizer.

**Senator SIMMONS.** It is a nitrogen-gathering plant and it is of great benefit to the land if it is left in the soil.

**STATEMENT OF MR. FRANCIS M. TURNER, CHEMICAL ENGINEER,  
AMERICAN NUT AND SEED OIL CORPORATION, NEW YORK,  
N. Y.**

**The CHAIRMAN.** Will you state your occupation and what you represent?

**Mr. TURNER.** I am a chemical engineer of the American Nut and Seed Oil Corporation, New York City. The American Nut and Seed Oil Corporation is a manufacturer of coconut meal. They are also equipped to press other seed oils, but their attention is directed toward the manufacture of coconut oil. The coconut-oil industry in the United States is almost directly caused by the shortage of fats during the war. In Europe coconut pressing has been done for the last two centuries, but in the United States, with the exception of a small quantity, which was pressed for soap making previous to the war, there was none made. While there was no coconut butter or margarine eaten in 1914, last year there were 219,000,000 pounds of it consumed in the United States. In Europe I had an opportunity this year of studying the oil conditions abroad—in Scandinavia, Germany, France, Belgium, and Great Britain. There the use of coconut oil for food obtains very greatly. Thirty-three pounds per capita were used in Scandinavia notwithstanding the fact that they are a butter-producing country. In this country last year we used rather less than 2 pounds, but the industry, as I stated, is growing enormously.

**The CHAIRMAN.** They use it in making butterine?

**Mr. TURNER.** Coconut butter, sir. Coconut butter is a mixture of refined coconut oil and cream which has been cultured.

This industry has been developing. A great deal of capital has been invested, and to-day we stand in the position of being absolutely unable to operate. Every ton of copra or dried coconut meat we press here we stand to lose \$30 a ton, and if we continue to do it it is going to put us out of business.

I will tell you the reasons for that condition.

As I stated, here is one of the plants of the American Cottonseed Oil Corporation which has just been built. [Exhibiting a photograph to the committee.] It is as fine a mill as there is in the world to-day, much finer than anything in Europe, although not quite as large as some of the European mills. During the war there was a shortage of fats—

**Senator CALDER.** When was that factory built?

**Mr. TURNER.** That factory is just completed, sir. It was started, and we had many troubles in building it during the war because of lack of material, strikes, labor troubles, etc. It should have been completed two years ago.

**Senator THOMAS.** When was your company organized?

**Mr. TURNER.** Our company was organized three years ago.

**Senator THOMAS.** What is its capitalization?

**Mr. TURNER.** It is a close corporation. It is owned by the Farmers' Feed Co. of New York, who were practically legislated out of busi-

ness. They were producers of brewers' grain and other feeds for cattle, and we have had to direct our energies into other lines, and we built that plant at Newark and this plant [indicating] at Buffalo, which represent an outlay of considerably over one and a half millions.

Senator THOMAS. Did I understand you to say it was a constituent of some other corporation?

Mr. TURNER. The Farmers' Feed Co. own the American Nut & Seed Oil Corporation. They own also the Maritime Milling Corporation, of Buffalo, which is a manufacturer of mixed feeds for cattle. They take the by-product from this mill.

Senator THOMAS. When was the Farmers' Corporation organized?

Mr. TURNER. About 50 or 60 years ago. It is a very well-known concern in its line.

During the war, of course, the price of coconut oil was high here. The differential between copra, which is the dried coconut meat produced in the South Sea Islands and in Manila, and the oil was about 50-50. A large oil crusher says that as a fair differential if copra cost 6 cents oil should cost 12. They should be able to get 12 cents a pound for it. If copra costs 7 cents, they should get 14. To-day the cheapest that copra can be bought is 7 cents. There is 60 to 65 per cent of oil in the copra, and if I dry a ton of copra at 7 cents it costs \$140. I press the oil out of it and get 60 per cent of oil, which is just as much as can be pressed out of it. That would only give me 1,200 pounds of oil, and the cost of pressing is, say, \$20 a ton or 1 cent a pound, and my ton of copra has cost me—

Senator THOMAS. Is the copra, after the oil is pressed from it, of any commercial use?

Mr. TURNER. It is a very valuable cattle food. It is rich in protein and rich in fats. It is a very valuable cattle food indeed, but unfortunately it is selling at a very, very low price to-day.

Senator McLEAN. What price is it selling for, and why should it be selling at a very low price when other cattle feeds have been very high?

Mr. TURNER. Cattle feeds are very low, sir, at the present time.

Senator McLEAN. Just now; yes.

Mr. TURNER. They have come down. Cattle feeds are very low, and they are very low in spite of the fact that their source is very much diminished. There is not as much brewing done in these days as was done a short time ago. Consequently the source of brewer's grain is very much less.

Senator McLEAN. Do you get all your raw material from abroad?

Mr. TURNER. Yes, sir. The coconut is produced in latitude 20 north and south of the Equator.

I would be very glad to answer any questions regarding the cost of copra.

It costs to produce it in the South Sea Islands about 4½ cents, and the freight to bring it to San Francisco makes it about 5½ cents, and that is the bottom price of copra to-day on the coast. The freight on copra from the coast here is \$1.13 a hundred, so that copra to-day ranges from 6¼ to 7¼ cents from China to New York. So I put it at 7 cents so as to be perfectly fair.

As I said, a ton of copra costing \$140 and \$20 to crush it really costs \$160. It costs \$160 to produce 1,200 pounds of oil, for which the best price to-day is 10 cents. There is a loss to-day of \$30 on every ton.

If this duty were put on it would cost approximately 2½ cents a pound, and that would enable us to come out about even and preserve the industry. There is no doubt in my mind but what the price of oil will be somewhat higher as the stocks become exhausted. There is no pressing being done at the present time. No presser can afford to do it.

It is an industry that affects your State, too, sir [addressing Senator La Follette].

Senator SIMMONS. You mean that you want a duty put on the finished product? You do not want a duty put on your raw material that you get abroad?

Mr. TURNER. No; we do not. That is one of the things that we do not grow in the United States.

Senator McLEAN. They grow coconuts in Florida, do they not?

Mr. TURNER. We use a million and a half coconuts a day. That is more coconuts than there are grown in Florida in a year.

Senator McLEAN. You could grow more in Florida, I suppose?

Mr. TURNER. I do not think so. Seriously, the coconut does not obtain 20° north of the Equator. You might think that the West Indies would afford a very good source of supply of copra and coconuts, but they do not. There is not enough grown now in all the West Indies to keep us in operation three months.

Senator SIMMONS. But suppose these Florida people would come here and say, "It would help us if you would put a duty on this product. It is being brought here and used in competition with ours." Would you object to that?

Mr. TURNER. I happen to be a Floridian myself. I have a farm down there of 10 acres.

Senator SIMMONS. You would prefer them, would you?

Mr. TURNER. I say I own a farm of 10 acres in Florida, so I can speak as a Floridian and answer your question.

Senator SIMMONS. I would like to hear you.

Mr. TURNER. It would be rather difficult to grow copra there. We are in competition with Great Britain and with the oriental oil pressers, and to-day, with the differential of exchange, it is the practice of the Japanese presser and the Chinese presser and others to dump their oil into the United States. They have dumped it in so successfully that they have depressed the price of crude coconut oil.

There is a differential between coconut oil and refined coconut oil for edible purposes. They are dumping crude coconut oil in here, and it has been offered at 8½, 8¼, and 9 cents a pound, just about the price of the copra. We can not compete with Japanese labor and with oriental labor in pressing oil. If we are not given some protection the millions of dollars that have been invested in apparatus for pressing coconut oil in this country to meet the demand for coconut butter will be lost and gone. It is a very serious matter, very serious, indeed.

After coconut oil is pressed out it must be treated so as to render it edible. It contains a large quantity of fatty acids, and they must

be removed. The oil is treated. It is neutralized and decolorized and it is finally deodorized, and it is then fit to be used in baking and in lard compound and in the making of margarine butter.

Senator THOMAS. I should think it would come into competition with American lard.

Mr. TURNER. It enables us to ship a great deal of compound lard abroad every year. We take very little lard and a large amount of coconut butter, and they are churned together and sold as compound lard.

Senator SIMMONS. Where does that go?

Mr. TURNER. It is shipped abroad when they can pay for it.

Senator SIMMONS. Where abroad? Where is your chief market?

Mr. TURNER. Great Britain takes a large quantity of fats.

Senator SIMMONS. Do you not have to sell it in competition with this Chinese and Japanese material that you have spoken about?

Mr. TURNER. No, sir; because the differential in exchange to-day does not allow the British manufacturer to suffer very materially from having Japanese oil dumped in on him.

Senator SIMMONS. What do you get for it in Great Britain?

Mr. TURNER. We do not manufacture compound lard ourselves.

Senator SIMMONS. You said you sold some of this other material in Great Britain that you say you produce.

Mr. TURNER. Yes.

Senator SIMMONS. I assume you do not sell it over there unless you can make some profit on it. What do you get for it?

Mr. TURNER. I can tell you what the price of coconut margarine is to-day in contradistinction to the price of butter. The price of margarine retailing to-day—and it is very palatable, and if it were on the table here and you ate it you would say it was equal to the highest grade of creamery butter. It is being used in Denmark, although that is a butter-producing country, and the Danes are dumping their butter into the United States and it is being sold in New York at 30 cents a pound, and it will readily displace our butter.

Senator SIMMONS. What do you say you are selling your butter for in this country now?

Mr. TURNER. At the present time we have met the competition—

Senator SIMMONS. I am not talking about competition, but the price that you are selling it for now.

Mr. TURNER. The price of what, sir?

Senator SIMMONS. Your product, whatever it is.

Mr. TURNER. The price of crude coconut oil to-day is 10 cents.

Senator SIMMONS. In this country?

Mr. TURNER. Yes, sir.

Senator SIMMONS. You say you are exporting some?

Mr. TURNER. No, sir; I did not say we were exporting some.

Senator SIMMONS. I understood you to say so.

Mr. TURNER. Under normal conditions we can, but we are not at present.

Senator SIMMONS. When did you make your last exportation?

Mr. TURNER. We have not been in operation to any extent yet. This is a new concern. We stopped a year ago when the price of our oil was so depressed that we could not manufacture it any further.

I will be very glad to answer any questions you have to ask me. I want to correct a statement made by a witness here previously, Mr. Aspregen, I think it was, regarding the large amount—

Senator SIMMONS. Will you pardon me a moment? A little while ago you gave a very clear statement of your reasons why you thought you ought to be protected against the Japanese product sold here in competition with yours. You said you also had a farm down in Florida.

Mr. TURNER. Yes, sir.

Senator SIMMONS. I suppose you raise coconuts on your farm?

Mr. TURNER. No, sir; I can not. I raise a few grapefruit.

Senator SIMMONS. Speaking from the Florida standpoint, do you not think they will be just as much entitled to protection against coconuts as you?

Mr. TURNER. Florida is not a coconut-growing country.

Senator SIMMONS. They do grow there.

Mr. TURNER. They are only specimens. You could not grow them commercially.

Senator SIMMONS. How many do they grow down there; do you know?

Mr. TURNER. In my section of Polk County they do not grow any. They grow long-leaf pine there.

Senator SIMMONS. I want to know how much they grow, if any, in Florida.

Senator McLEAN. It does not amount to anything.

Senator SIMMONS. I do not know.

Mr. TURNER. There are not enough grown in the whole of the West Indies, notwithstanding the suggestion made—there are not enough grown in the whole of the West Indies, on the Mexican coast, the Honduran coast, the northern coast of South America, to supply a mill such as I showed you a photograph of for three months every year, nor is it possible.

We have been trying through the Department of Commerce here to get in touch with the American consuls at the various points there to try to develop, if possible, a copra business there, because we realize that the freight from the West Indies would be very much less than the freight from Java, the freight from the Fiji Islands, and the South Seas generally. The sources of copra now are Java, Borneo, the Solomon Islands. Sydney, Australia, is the great copra port of the world to-day.

Senator THOMAS. How about the Philippines?

Mr. TURNER. They produce some, but the quality of the Philippine copra is not as high as some of the other copra. It has more acidity. I think it is due to the climate. It is damp there, and it molds readily. The finest copra comes from Samoa. The next finest is Malabar and Java copra.

Senator SIMMONS. The sum of it all is that you do not think we produce enough coconuts in this country to entitle the growers of them to protection?

Mr. TURNER. No, sir; it is impossible.

Senator SIMMONS. You have forgotten the theory of the "infant industry." have you not?

**Mr. TURNER.** Yes; but we are an infant industry. The infant industry you speak of in Florida is in embryo, largely, at the present time—absolutely unborn.

The imported oil is selling at 9½ cents here.

**Senator THOMAS.** Wholesale?

**Mr. TURNER.** Yes.

**Senator THOMAS.** The consumer does not get it for any such price?

**Mr. TURNER.** The consumer gets it very cheaply. I think the consumer is able to get good butter for 28 cents a pound now; and if none of you gentlemen have ever tasted it, I wish you would try to sample a good quality of coconut butter.

**Senator LA FOLLETTE.** What is its appearance?

**Mr. TURNER.** The law of this country will not allow it to be colored at this time, therefore it is snow white. It must be colored by the consumer.

**Senator THOMAS.** We can not artificially color anything but butter?

**Mr. TURNER.** That is the only thing that is allowable now.

**Senator GERRY.** Did not the pure-food law cut down the trade very largely in these products?

**Mr. TURNER.** No, sir; it has increased its trade enormously. I can tell you that in 1914 not a pound of coconut butter was consumed in the United States, and last year 219,000,000 pounds were eaten.

**The CHAIRMAN.** You did not start manufacturing until after the pure-food law had been in operation for several years, did you?

**Mr. TURNER.** No, sir.

**Senator McLEAN.** When you make butter out of peanuts, tallow, and coconuts, what are the dairymen going to do?

**Mr. TURNER.** We are importing Danish butter now.

**Senator GERRY.** Was there not a great quantity used of oleomargarine previous to the pure-food law?

**Mr. TURNER.** I was not interested in anything of that nature at that time, but I understand that some dealers took a certain amount of animal margarine and mixed it with butter. That is allowable in some States now. I think the State of New Jersey allows that yet.

**The CHAIRMAN.** The principal use of this coconut oil is in the manufacture of a butterine, is it?

**Mr. TURNER.** Yes, sir; and of bakers' fat. It will largely come into the manufacture of milk.

**Senator CALDER.** The manufacture of milk?

**Mr. TURNER.** Yes. It makes a very fine milk of standard 4 per cent butter fat by taking dried skimmed milk and water and refined coconut oil and by processing it will make a glass of milk that you would think was extremely fine if you drank it.

In making coconut butter the flavor of the coconut butter is introduced the same way into the coconut butter that the flavor of ordinary butter is introduced. It is introduced by the bacillus lactus. The bacillus acts on the cream and sours it—in other words, giving a flavor to it.

I want to correct an impression that has been made that there are large quantities of oils imported here to be refined and then exported. I do not know of a single pound that has been shipped

under those circumstances. That is a statement that, I think, was made by a previous witness by mistake. There are no oils that I know of that have been imported into this country and refined and exported again.

Senator SIMMONS. You mean none of the oil that you make?

Mr. TURNER. None of anybody's oil. No oil that I know of is imported into this country, refined and exported. The Southern Cotton Oil Co. have in Hamburg a refinery for Europe. They ship their crude cottonseed oil over there and refine it. The English refineries refine enormous quantities of oil there. It is brought there crude. The French do the same and the Germans do the same. The mill that we have is a fine mill, but let me tell you that the capacity of that mill is only 160 tons a day, and I saw several mills in Europe this year, one at Harburg near Hamburg that pressed 1,700 tons a day. Another one in Denmark that presses 400 tons a day; and another one at Orestes, in Denmark, that presses 800 tons a day.

Senator THOMAS. Eight hundred tons of copra?

Mr. TURNER. Yes, sir. It is a very large industry here, but it is an infant industry there. We can protect ourselves from Great Britain on account of the freight differentials, because if we get our copra here at the same price that they do we do not fear the competition of Great Britain. But we do fear the competition of the Orient, because their labor costs are very much lower than ours. We have to pay \$4.50 and \$5 a day for labor in the oil mills.

Now, gentlemen of the committee, all we are asking is that the tariff be given to us, the protection that is stated there in that bill, of 20 cents a gallon. It should be so much a pound, because, as stated here, oils are sold by the pound and not by the gallon. I think outside of fish oil and linseed oil the other oils are sold by the pound.

Senator SIMMONS. I think it should be by the pound so that we could understand it better.

Mr. TURNER. Yes, sir. Now, gentlemen, I brought no notes with me, but if this committee wants any definite statistics as to the amount of oils, or fats, or food fats, or any sort of statistics regarding them, I want to say to you that I have them in my office, up to date, and I think I can furnish you with anything you might wish in the way of assistance that way, and which I think is reasonably correct because I got the data from the different seller sources.

Senator McCUMBER. If you will prepare a short and concise statement along that line, we will make it a part of your statement.

Mr. TURNER. I thank you. If there are any questions you would like to have me answer now, all right. I think you, Mr. Chairman, asked me what, besides butter, coconut oil is used for. In its crude state it is used for soap.

Senator McCUMBER. The committee is much obliged to you, Mr. Turner.

Mr. TURNER. And I wish to thank you, gentlemen.

Senator McCUMBER. Representative Walsh desires to be heard in the matter of long-staple cotton, I believe.

Representative WALSH. Yes, sir.

**STATEMENT OF HON. JOSEPH WALSH, A REPRESENTATIVE IN THE CONGRESS OF THE UNITED STATES FROM MASSACHUSETTS.**

Senator McCUMBER. The committee will be glad to hear you, Mr. Walsh.

Representative WALSH. Mr. Chairman and gentlemen of the committee, I have been asked by some of the manufacturers of my district, which includes the city of New Bedford, having some 30 cotton mills, to bring to the attention of this committee, they not having an opportunity to be heard when the matter was taken up in the House, the matter of the duty placed upon long-staple cotton and a presumed compensatory duty upon manufactured products from long-staple cotton. This proposed duty is fixed in the House bill at 7 cents a pound. As nearly as I can find out from any of the manufacturers, it was not asked for, and their view is that the cotton schedule of the tariff bill is of a rather technical nature, and that to put a duty upon long-staple cotton of 7 cents per pound at this time would throw the cotton schedule somewhat out of balance. They tell me that it does not come in competition particularly with cotton from the South; that is, the southern long-staple cotton which is used in different products. And, furthermore, they tell me that the compensatory duty of 7 cents per pound upon manufactured articles from long-staple cotton is not in fact a compensatory duty.

Senator McCUMBER. Does that come in competition with long-staple cotton from Arizona and that portion of the United States?

Representative WALSH. No, sir; they tell me not; not to any great extent, at least. It is used in the manufacture of mercerized goods, tire fabrics, and in certain other cotton materials.

Senator McCUMBER. Is Arizona and Oklahoma cotton used almost exclusively now in the manufacture of automobile tires?

Representative WALSH. Not in any great quantity as compared with the Egyptian cotton, which this long-staple schedule in the bill affects. It is not so good a grade of cotton, I am told.

Senator McCUMBER. What is the principal use made of what we know as long-staple cotton? That is being raised quite extensively in the Southwest.

Representative WALSH. Now known as Arizona cotton?

Senator McCUMBER. Yes.

Representative WALSH. That goes into tire fabrics, but in tires of a different grade, I think, than the tire fabrics made from the Egyptian cotton. One hundred pounds of long-staple cotton I am advised will make about 60 pounds of yarn, so that if it is the desire to put a compensatory duty upon manufactured products the compensatory duty ought to be about 12 cents a pound. But it is the feeling of the manufacturers in New Bedford that this matter could well wait until the general revision of the tariff is taken up, as it will be, and that it could then be considered in connection with the cotton schedule. And in the meantime they tell me—and there are 30 manufacturing establishments in New Bedford, and I think about only 6 of them are working at this time on anything near full schedule, and a good many of the establishments I think are only operating on about 3 days a week—and in the meantime they tell me they have



just begun to receive inquiries for orders for manufactured goods. They say if it is intended to put a duty upon long-staple cotton and a compensatory duty upon manufactured products they fear that it will upset the market and that it will interfere with their figuring on the costs of production until they know just what the effect of that tariff is going to be.

A great many of the goods that they manufacture are made from this Egyptian cotton mingled with other grades of cotton, the shorter lengths, and of course it would be necessary to know the proportionate costs of the various grades. They feel that these two cotton schedules might well be eliminated from this temporary tariff measure and taken up in conjunction with the entire cotton schedule later on.

Senator McLEAN. Did you present this situation to the House committee?

Representative WALSH. No; no opportunity was given to present it to the House Committee on Ways and Means. There were no hearings, and I did not know until the day the bill was reported that a cotton schedule was in the bill. It was only put in the day the bill was reported, and, under our procedure in the House, I endeavored to have the second schedule stricken out. I could not secure recognition upon the 7 cents a pound duty proposed upon long-staple cotton, but when the next item came up I endeavored to have that stricken out; but, as you gentlemen know, under the five-minute rule little could be done.

Senator McLEAN. How did it come to get into the bill?

Representative WALSH. I have not been able to ascertain. There was no representative of the cotton manufacturers present as nearly as I can find out. It was put in, I understand, in executive session.

Senator BA FOLLETTE. They bared from within, as it were?

Representative WALSH. Yes.

Senator SIMMONS. It was put in, probably, as a sop to the cotton-growing States.

Representative WALSH. I do not know about that.

Senator McLEAN. It might have been put in to kill the bill.

Representative WALSH. I do not know.

Senator SIMMONS. I am not aware that anybody from the cotton-growing States has asked for any protection; if so, I have not heard of it. I am not saying this by way of suggesting any new duty on cotton—and I do not think we need any—but I think you are mistaken in your statement that Egyptian cotton does not come in competition with certain long-staple cotton grown in this country. There are about 50,000 bales of 500 pounds to the bale grown in New Mexico and Arizona and in that part of the country out there that is about the same length as the Egyptian cotton; that is, as I recall it now, one and five-eighths. There are about 300,000 bales of long-staple cotton grown in this country, not of that length but ranging, probably, up as high as one and one-half. My understanding is that the long-staple cottons are used wherever an American manufacturer makes a high-grade cotton product. And it is the general understanding—though I do not know whether it is true or not, as I have not investigated it—but it is the general understanding that there is competition between this long-staple cotton grown in the South and Egyptian cotton, especially that longer staple cotton.

Competition is sharper on that longer staple cotton grown in New Mexico, I understand. I have the data in my office. I got it from some publications that have been furnished to me, and they are very illuminating, I think. I did not bring the data with me, because I did not suppose there was anybody coming here to ask for that duty, and I did not know that anybody was going to come to ask that it be stricken out. It is a statement prepared by the Tariff Commission, and furnished for use of the Ways and Means Committee of the House.

Representative WALSH. Yes; I saw that while the matter was under discussion.

Senator SIMMONS. It deals very fully with this question, and I would like in connection with your statement, Mr. Walsh, to hand in some extracts from that statement so prepared by the Tariff Commission, so that the facts about this matter may be known.

Representative WALSH. Might I say; Senator Simmons, that I think the information contained in that statement I saw, and possibly it was the same as given you, is back some time. Furthermore, I think the information given me by my constituents may have been peculiar to certain manufacturing establishments in my home city, where they make the finest yarn. I think they are able to draw down the cotton to the finest yarn that is made in the world, and which they say is due to atmospheric conditions.

Senator SIMMONS. That is the reason why England uses so much larger a percentage of Egyptian cotton than we do; they make a higher grade of fabric than we make, and use it in those high-class goods. But we make some of that in this country, and a very considerable extent of the long-stable cotton here is necessary to make that class of goods.

Senator McLEAN. Has the price of this long staple Egyptian cotton dropped recently as compared with the cotton grown here?

Representative WALSH. I am not advised on that. You see, Senator McLean, I did not know that there would be any hearing, and I have only had a conference over the telephone with the gentlemen to whom I refer, and they did not know whether they would have an opportunity to come down and appear before your committee.

Senator THOMAS. These hearings are open to all.

Representative WALSH. Yes; but I read in the press, Senator Thomas, that the hearings would be very brief, and those gentlemen did not know whether they would be able to arrange to come down and they just asked me to come over and give these facts and make the suggestion that the matter might well be deferred. If the hearings before this committee will continue until such time as they may be heard it is possible they will wish to come down themselves.

Senator McLEAN. The price has not dropped very much. I understand the fabric is considerably higher. If the price of the imported article has dropped some little in the last few months it seems to me your manufacturers ought to be able to get raw material and still make a profit at the present price of tires.

Representative WALSH. I think if your committee is likely to be in session for three or four days that those gentlemen who have knowledge of conditions would be glad to come down.

Senator McCUMBER. We will close these hearings on next Tuesday. I think we can cover the subject pretty well by that time. Mr.

Walsh, do you know to what extent long-staple cotton has declined in price during the last six months?

Representative WALSH. No, sir; but I can get that information for you.

Senator McCUMBER. I understand it is about 50 per cent. In other words, about a year ago it was selling somewhere from \$1 to more than \$1 a pound and that now it is selling at about 50 cents to 55 cents a pound. I am speaking now not of the imported article but of the Arizona crop. You have no definite information on that?

Representative WALSH. No, sir; but I can secure it.

Senator McCUMBER. Have you any definite information as to what amount is being shipped in of the Egyptian long-staple cotton as compared with the amount that was shipped in under normal conditions?

Representative WALSH. The table referred to by Senator Simmons comes up to a certain date and gives that information.

Senator McCUMBER. Well, that may give all I want, but anything you may wish to put in the record you are at liberty to put in.

Representative WALSH. Very well. I thank you.

Senator SIMMONS. I think these are about the figures—

Senator McCUMBER (interposing). That is not up to date?

Senator SIMMONS. Yes; I believe it is.

Senator McCUMBER. Well, up to what date? There has been quite a change since October.

Senator SIMMONS. They have it up to sometime in—well, it is not as late as I thought it was, but up to sometime in 1920.

Senator GERRY. Mr. Walsh, if your constituents may not be able to appear before this committee they can send, however, some data to be included in our hearings.

Representative WALSH. Very well. I will ask them to get up the information as to price and quantity of shipments, etc.

Senator GERRY. I presume they may be included in the hearings, Mr. Chairman?

Senator McCUMBER. That may be done.

Representative WALSH. I will be glad to file that with your committee. I thank you.

(The statement was subsequently furnished by Representative Walsh and is here printed in full, as follows:)

BOSTON, MASS., *January 10, 1921.*

HON. JOSEPH WALSH, M. C.,  
Washington, D. C.:

Price of long staple cotton declined past six months from about \$1.15 to 35 cents per pound; Egyptian from \$1.10 to 33 cents per pound. Arizona cotton used in some products, mainly tire yarn and fabric the same as Egyptian, but is not a good substitute and is not adapted to uses where yarns or cloths are required to be mercerized. Sea Island and Egyptian used in finest cloth, thread, tire, yarns, laces, fine insulations, balloon and airplane cloth, and is substitute for silk in embroidery, dress goods, hosiery, and underwear. Proportion of long staple used compared with Egyptian largely matter of estimate; from figures received from Industrial department of Merchants' National Bank for last cotton season about 530,000 bales of American long staple used and about 320,000 bales Egyptian. The Government, however, estimated the American cotton long-staple production at about 900,000 bales.

WM. M. BUTLER.

Senator McCUMBER. The committee is much obliged to you, Mr. Walsh.

The committee will now hear Mr. Delapenha.

**STATEMENT OF MR. RODOLPH U. DELAPENHA, PRESIDENT OF THE OLIVE-OIL IMPORTERS' ASSOCIATION, POUGHKEEPSIE, N. Y.**

Senator McCUMBER. Mr. Delapenha, the committee will be glad to hear you.

Mr. DELAPENHA. Mr. Chairman and gentlemen of the committee, I only have a sympathetic interest in peanut oil. I am appearing before you for two reasons: One is because in a few words of conversation I had with Senator Simmons just after recess he thought that you would give me permission to express a few ideas, and I appreciate very much the privilege. I came down as a committee of one and as the president of the Olive Oil Importers' Association, and appeared before the Ways and Means Committee of the House this morning, urging them not to change the tariff on olive oil and giving them my reasons why. I also appear before you, asking you not to change the duty on peanut oil. My judgment is—

Senator McCUMBER. This bill does not touch olive oil.

Mr. DELAPENHA. I know it does not, but as to peanut oil it does.

Gentlemen, my own judgment of the matter is that we are treating the patient from the wrong end. This is an international question, not a local one. If a remedy can be found for the international question the local question will get well of itself.

Let us assume that we put an emergency tariff on; and let us assume that we follow up with another tariff in March, where is it going to land? Aren't we really at the parting of the ways? Confidence has been disturbed; how are we going to renew confidence? It can only be done in one of two ways, applying the proper remedy. The first thing, in my judgment, that we should seek to do is to stabilize exchange. Until we do that we are producing goods, because of our tremendous value of the dollar, not at any real measure or values but at sacrifice prices which, no matter what tariff you may put on, will not counterbalance.

Senator McCUMBER. Have you any scheme for stabilizing exchange?

Mr. DELAPENHA. I have not. That is not my duty. I am simply expressing my opinion of the difficulties before the world to-day.

Senator McCUMBER. It is a difficulty that the committee will have to deal with, and I did not know but what you had some suggestion to make along that line.

Mr. DELAPENHA. I wish I had. I should be very glad to suggest it if I had one. But I am a manufacturer. We have large interests just south of Poughkeepsie, N. Y. I have listened attentively and with interest to some of the speakers who have appeared before you, but I want to say that when men attempt to come before you to-day and give you prices and have you believe that those prices are the prices at which goods can be sold, or that those are the values that are existent, you, in my judgment, are wasting your time.

We are manufacturers, for example, and packers of preserves, tomatoes, corn, beans, citron peels, and lemon and orange peels. The

business is flat on its back; there is no market. We can not dispose of our merchandise. If that be true of any article of food, how much truer is it going to be of any article that one can not do without.

I am also an importer. The conditions in Europe have changed. I was over this year—in France and England. Labor is getting over there more than it did before the war. I had occasion to examine the labor bills of some very large manufacturers in England in kindred lines, and there is very little difference in the price of labor. We could get along excellently if the pound sterling was worth \$4.86 without increasing our tariff in any way. We could continue to compete with them. So that it seems to me that any measure of increase in duty would in no way benefit us as a Nation, for the reason that what we must do is to find a market for our surplus production. At the present time it is impossible for the older countries of the world to purchase from us because they have suffered to a far greater extent than we have through the holocaust of war. There is no doubt but that those countries need our merchandise. There is no doubt but that those countries will take our overproduction. But no means has yet been proposed; neither has any means been found to permit them to do so. We can surround ourselves with a tariff wall. I believe in protection—I believe in the theory of protection, but I only believe in the theory that favors a balancing up of any difference that might exist between the cost of production in one country and the cost of production in another country.

Of course, there has been profiteering. Speculation entered into the life of trade. It made it impossible for anyone to understand values or to know where we were going. Confidence is completely disturbed, and therefore there are no market values. The fact that our imports are increasing is because we have been buying and are now buying merchandise in Europe on the depreciated currency over there.

Just to give you an illustration of that, I will say that I purchased this suit of clothes I am wearing in London, made to order of very fine material, as you will see, for the sum of £6. If you deduct from that the difference in exchange, you will see how utterly ridiculous it would be for us to imagine that any dealer over here could compete with any such conditions. But if you take that difference off, the cost of labor in England that the trades are demanding and getting is so near that of our own that I shall be perfectly satisfied to continue on our present basis of tariff and to continue to make preserves in my factories at Poughkeepsie—and every dollar that I have ever made is there, invested in those factories—and compete with all of the English and German preserves that can come over here. But we have a condition now by which it will be utterly impossible for us to meet competition with the depreciated currency which exists between the United States and Great Britain.

Senator THOMAS. In other words, that depreciation acts as a balance on exports.

Mr. DELAPENHA. Exactly; and it does more, because Great Britain helps her manufacturers by giving them back the duty on sugar that they use in the manufacture of jams as soon as it leaves England, and it is done without the red tape that we had to go through on

sugar in jams and jellies that we exported during the war. If that be so with England, how much more is it going to be so with Italy and France, where a franc is worth 6 cents?

Then, again, you must not for one minute imagine that the franc only buys 6 cents' worth of merchandise in France, because it does not. In February last I was in Paris. In the finest restaurant there, which is the La Rue—and I have no doubt you Senators have been there and seen it and have had food there—two gentlemen and myself dined excellently, and we had a bottle of champagne, and the whole bill was 100 francs. So that while there is this terrific difference between the currencies of one country and another country, it must not be assumed that the money is altogether worthless at home.

Now, let me recite a little instance that might give you some food for thought: Our associate in Paris had been for a very long time an extreme optimist. We in America realized that sooner or later this period of deflation had to come. We kept writing to him that the prices they were quoting were entirely too high; that prices had to break; that there was a point beyond which the consumer would not purchase. He used to laugh at me, and he did in February. To-day that man has changed his opinion. But what do you suppose he has the nerve to write me? That we have been the cause of it; that if we had not started this thing in America that France would be just as prosperous to-day as she was when I was over in February and March, and that the United States started it, and that the United States does not realize what it has started, because it is growing with such momentum that unless the Government of France does something speedily to create a different condition over there Heaven only knows where the people will wind up.

So that aren't we attacking this subject on the wrong hypothesis? I am only expressing these opinions because they may give you some food for thought. I may be simply repeating what you have heard a thousand times before, and if I am I want to apologize for the time I have taken up, but hope that there will be no increase in the tariff until some international scheme has been worked out by which we can all go back to work.

This is an exceedingly serious moment in the lives of manufacturers. We to-day do not know where we are going. I am an executive. It is the first time in the 31 years of my business experience as an American in the United States that I have been in a situation where I did not know what to say to my salesman; neither do I know what to inventory my stock at. There is absolutely no market, and you can not force it.

Now, gentlemen of the committee, we deal in olives. The nominal market price to-day is \$4.25 a gallon. I would like to put it to the test to show you. I believe that if we wired our representatives throughout the United States to-day offering olives for \$2 a gallon we could not sell them, because they are not going into consumption.

Now, gentlemen, there has been profiteering. Everybody has profiteered; and, what is worse, every child who has passed through the period of the last few years, say, who was 14 years of age in 1915 and to-day is 19 years of age, has got some ideas in its mind that will have to be expunged by suffering. The whole country has gone mad on the subject of making wealth. No other consideration has counted; get it no matter how you get it. Speculation has been rife. The greatest crime in history was created with that sugar deal.

Senator McLEAN. Assuming that we want to do all we can to rehabilitate Europe and do all we can to help them to get to work on full time, everything we can afford to do; that means the production of enormous quantities of all kinds of products, doesn't it?

Mr. DELAPENHA. Yes, sir.

Senator McLEAN. Where are you going to sell them?

Mr. DELAPENHA. They will consume more themselves. We will ourselves be able to sell stuff at a lower price from the getting back to a stable basis.

Senator McLEAN. If Germany raises \$35,000,000,000 or \$40,000,000,000 to pay her penalties to her conquerors, she will not do it on what she consumes herself.

Mr. DELAPENHA. What did Germany do before the war?

Senator McLEAN. Well, let us confine our discussion to what we are going to do now. She did not do it before the war.

Mr. DELAPENHA. Did not she let her own people pay, through the very efficient system that they had in vogue, a higher price for the stuff that they themselves consumed in Germany and sell her surplus in foreign markets?

Senator McLEAN. Yes.

Mr. DELAPENHA. Did she prosper under that system?

Senator McLEAN. But she can not do that now.

Mr. DELAPENHA. Of course not.

Senator McLEAN. Let us confine our discussions to what she has got to do now. She must raise an enormous sum of money, and it is proposed that we do what we can to help Germany rehabilitate herself, because if she can pay \$4,000,000,000 or \$5,000,000,000 to her conquerors, they in turn can pay interest on their debts to us and possibly some of the principal, which would be a nice thing for us. But when you stop to consider the amount or quantities of goods that must be made that can not be consumed and they must find an outside market for a large portion, what is going to happen to us?

Mr. DELAPENHA. Well, I was told by a gentleman who has just returned from Germany that the day after the armistice Germany inundated England and France with toys. This gentleman is the largest importer of toys in the city of New York, and when he got over there he was too late to get any toys for the market; they were all sold to France and England.

Senator McLEAN. Well, France and England are both not exactly putting on embargoes but limiting our exports; there is a limit to our exports of shoes into Great Britain to-day. They are going to protect their home markets. What are we going to do?

Mr. DELAPENHA. Well, I think that Great Britain—

Senator McLEAN (continuing). You know as well as I do that instead of the flood tide of exports which we have been enjoying it is going to be a tidal wave of imports; you know that.

Mr. DELAPENHA. I do. But let me ask you another question, if I may: What is going to happen when we do the other thing?

Senator McLEAN. Well, it is a serious situation, I will admit that. Their roof may need shingling, but if our house is on fire we have got to put that fire out before we can help them. We must in some

way take care of our domestic market, which is at least nine-tenths of the total.

Mr. DELAPENHA. If some way can be found to stabilize exchange confidence will be restored and the floodgates that you speak of will be opened in so many directions, and there is such a tremendous need for merchandise still in the world that some of our fears will be dissipated before we know it. Confidence is the backbone of business. There is not a dollar less in the United States to-day than there was when we were flying in aeroplanes in our thoughts about business; not a dollar less. It is purely this, confidence has been disturbed. How are we going to change that condition? We must restore confidence, and when we do all these troubles will dissipate. And, in my judgment, nothing can be accomplished at the present time by this proposed tariff, because even though men want protection, and I am one of them, and I must have protection, and if I do not I may be driven out of business and my whole life's earnings will go—but when we are driven out, what then? I can not see any hope unless the international question is settled, because it will be impossible for the United States to get along in itself with a wall around it, simply trading from one post to another.

Senator McLEAN. We are not attempting to build a wall, neither are we talking about a wall, but unless we fairly equalize the difference in labor costs—and I realize it is a very difficult thing—but unless we can in some way equalize the cost of labor in production here as compared with the cost of production there, our mills are going to close, and the purchasing power of America is going to zero. How even can we be expected to buy these enormous importations?

Mr. DELAPENHA. I do not take that view of it. I do not think the American purchasing power has gone to zero.

Senator McLEAN. But it is fast going, and wouldn't it go under the conditions I have mentioned?

Senator SIMMONS. Let me ask you a question: Isn't England and all Europe, and especially that part that was engaged in war, buying now from us all the goods they can get the money to pay for?

Mr. DELAPENHA. I wouldn't say all the goods they can get the money to pay for.

Senator SIMMONS. Well, then, all that they can buy.

Mr. DELAPENHA. They are buying what they must have, and nothing more.

Senator SIMMONS. If the flood gates of importations from Europe are opened and goods flow in here in immense quantities, as Senator McLean predicts, wouldn't that so far increase their purchasing power that they would leave that money here with us in the purchase of our goods?

Mr. DELAPENHA. That is my judgment.

Senator SIMMONS. So that this loss of export trade that Senator McLean speaks of would be recouped.

Mr. DELAPENHA. Immediately; that is my judgment, but I may be wrong.

Senator McCUMBER. Then, how are you going to get this country wealthier or on a better footing by buying goods from another country that it is producing itself so that they may buy goods back? I can not see the philosophy of that proposition.



Mr. DELAPENHA. But the various nations of the world, and their commerce, are so interwoven to-day that it is almost impossible to pry them apart without breaking down the relations.

Senator THOMAS. Right along that line, did not the Versailles conference break down that economic system by paying more attention to political conditions, boundaries, indemnities, and so forth, than to the economic structure of Europe?

Mr. DELAPENHA. You may be right, sir. Of course, you gentlemen are very much more able to deal with this situation than I am.

Senator THOMAS. I do not think so.

Mr. DELAPENHA. I am a manufacturer who desires to place before you what the dictates of his common sense tells him.

Senator THOMAS. You are a man of experience, and we depend very largely, at least I do, upon those who are in the various lines pursued, not only for facts, but for views of the course that legislation should take. I have been impressed for at least a quarter of a century with the tremendous result upon trade and commerce of fluctuating exchange, and of course that began years ago with the demonetization of silver. The fluctuation is now well nigh universal, and particularly so far as European countries are concerned. As measured by the American dollar there is no stable currency anywhere in the world that I know of.

Mr. DELAPENHA. There is not.

Senator THOMAS. As a consequence we have the handicap which rests upon the nation having the highest exchange in all matters of commerce. Now, I fully agree with you that there must be some solution of that tremendous question, no matter what we do by way of legislation, before normal conditions will even approach a solution.

Mr. DELAPENHA. It is a great compliment for you to tell me that you agree with me; a great compliment indeed. It is fundamental. That is the one thing that is going to stabilize world conditions. There is nothing in the world that affects a man so much as uncertainty. Let you and I have an ailment. Let us go to our doctor and he will say, "Well, old man, I don't think you are in very good shape." Let us say that he recommends as the best man for you or I to see is Dr. Erdman, in New York, and we go over to New York and see Dr. Erdman, or some other specialist, and he looks you or I over very carefully and tells us, "Well, I think I can fix you up." We ask, "Fix up what?" And he answers, "Well, you have a kidney that has dropped, and I am going to open you in the back and stitch it; but you will be all right, old man." What do you do?

Senator THOMAS. I would first make my will.

Mr. DELAPENHA. Do you go home and mope around for six months? No. You tell him to go ahead, if you are the right kind of man and believe he is telling you what should be done, if you think he knows what he is talking about. But this situation has been permitted to go along so long that Europe herself, not knowing what we are going to do in America, has gotten into such condition as to be almost approaching chaos, and they are standing upon the very brink of the precipice, and if they should fall over it it would mean more to civilization than any other difficulty that has been before mankind up to date. There is no man who can say what the next six months has in store for us.

Senator THOMAS. That is right.

Senator McLEAN. I realize the whole force of what you say, or I think I do. But it is not a case of curing the kidney; it is a case of a need for a large quantity of fresh blood. We are willing to give all we can to the patient that is dying in Europe, but we do not want to give all that we have got.

Mr. DELAPENHA. Well, let us explain that. Our extreme situation to-day, outside of the international question, was brought about, in my judgment, by the injudicious action of manufacturers and merchants in continuing this vast inflation after the armistice was signed. I am in business. I am a large operator. I have to go to my banks. In January 1920—and we visit our banks at least once a year—we were in excellent shape and owed no money, and had large balances. We went to our bankers and they told us: Now, slow up. We have heard from the Federal reserve system that we must be most careful to prevent speculation of any kind. You manufacture only those goods which you think you can sell, and go slowly. Merchandise has reached such prices that they have long since passed the danger line. We said: All right, sir; does that mean that we get no credit at all? He said: Yes; you are going to get your credit; we are going to take care of you; you have been a good customer for 25 years, but we have the right to inform you of what conditions are.

I went to Europe in January and visited all over. I saw the most extraordinary conditions in France. There was prosperity everywhere. No sign of misery; nobody in black; no wounded soldiers; no broken-down men and women. On the contrary the theaters were crowded; the streets were crowded with well-dressed people; hotels crowded; restaurants crowded; everybody spending money as if it were water.

I went over to London. I found the same conditions there. I talked with some of the big banking interests, the biggest in England and in France. They said, "What are you about in America? Why, there is nothing the matter. We are going to get over this thing all right. There is going to be good business in 1920. We are giving all the credits necessary to perform the functions of business. What is the matter with you folks over in the United States?" They added, "When we got word from our partners in New York we could not imagine what had gone wrong over there."

I came back home. Naturally, one of the first visits I made was to my bankers. I said to them, "Look here, old man, I find everything is going at a 100 per cent gait in Europe——"

Senator McLEAN (interposing). Yes; but you know the fool's paradise.

Mr. DELAPENHA. That is quite true. What did the banker tell me?

Senator McLEAN. Why should we follow them?

Mr. DELAPENHA. What did the banker say? "I guess we were mistaken about 1920. It will be all right, go ahead; but as to 1921 be very careful." That is what happened. The flood gates were opened up again; business jumped forward, and we had the biggest business in our history, in January, February, March, April, May, June, and July. Then all of a sudden, out of a clear sky, the 1st of August you would have thought that you were in another country and not in our own beloved land. And from then on until now the situation has been a hell upon earth for the business man, and it is to-day.

**Senator McLEAN.** You know very well that you have to start in the other direction at some time. Ninety-eight per cent of the American people made something to sell, and they exacted the last dollar that the trade would bear. You know that, everybody who could.

**Mr. DELAPENHA.** Absolutely, and they are doing it to-day.

**Senator McLEAN.** And they woke up to a realization that they were robbing Peter to pay Paul and then robbing Paul to pay Peter, and that it was a process that had its limit. Moreover, the people got tired of paying extortionate prices, and we had in a measure a consumers' strike, aided by the press and possibly by the bankers. I do not know whether they went too far or not, but we had to start downward, and no banking system can be devised that will prevent losses to the producers in the country on a rapidly falling market.

**Mr. DELAPENHA.** I agree with you.

**Senator McLEAN.** When you go to the extreme that we went, unequalled in history, of course whenever you start the other way you will go to an extreme in that direction; and how you can prevent it I do not know.

**Mr. DELAPENHA.** Is it your judgment that the tariff is going to prevent it, that this emergency measure is going to prevent it?

**Senator McLEAN.** No; but I do believe it will help to restore confidence in this country.

**Mr. DELAPENHA.** There is where I follow you. It is going to restore some confidence, but it will be temporary in effect, and we will regret doing it after it is done. Now, gentlemen of the committee, I may be wrong but that is my impression, that we will regret it after we have done it. How are we going to get down to the bottom? How are we going to arrive at the bottom, and where is the bottom?

**Senator McLEAN.** We may regret it, but my opinion is that we will not regret it as deeply as we will if we leave open the flood-gates and let this stuff come in, come pouring in until we are in a situation of employing nobody.

**Mr. DELAPENHA.** Well, aren't we nearing that situation now?

**Senator McLEAN.** The imports are very rapidly increasing, and our exports are rapidly declining. And if that process keeps up it will not be long before we will reach that condition.

**Mr. DELAPENHA.** If I were Prof. Taussig, whom I have the pleasure of knowing—

**Senator McLEAN.** (interposing). I am very familiar with Prof. Taussig's writings.

**Mr. DELAPENHA.** I have a son up there. If I were him or some of the other persons up there I might be able to answer, but I am only a poor merchant.

**Senator McLEAN.** He answers it himself there, that under the conditions for us to remove the protective policy we have followed for years will result in disaster.

**Mr. DELAPENHA.** Well, the Harvard Research for Economics, in a public statement said that the tide will turn about April 1.

**Senator McCUMBER.** Will turn?

**Mr. DELAPENHA.** Yes, sir; will turn about April 1. Let us hope they have made a mistake and that it will be about March 1.

Senator McCUMBER. I fear it may be rather late and that we may go down a short time before it arrives.

Senator THOMAS. Our exports exceeded our imports about \$2,500,000,000 last year.

Senator McLEAN. That is a pretty small item in an \$80,000,000,000 transaction.

Senator THOMAS. But it represents the difference between exports and imports in the last year. That is being carried by British capital, and British capital has extended its aid as far as possible. Consequently our exports must fall and this balance must be paid, if paid at all, by imports, because this notion that is generally prevalent that sales to foreign countries or purchases made by foreign countries can all be paid in money is not true. When you interfere with the exchange of notes it necessarily affects our trade. Europe can not pay this great balance now. It will pay slowly and is trying to pay by imports and can not pay in any other way.

Mr. DELAPENHA. Did not Sir John Paish, if I remember the name correctly, come over from England and tell us we could not pay our debts in August, 1914?

Senator THOMAS. He came over.

Mr. DELAPENHA. Didn't he tell us that the United States owed so much money in Europe that we could not pay? And, gentlemen, in September and October, 1914, I paid \$6 for a pound sterling to pay the Delapenha indebtedness in England. But the tide swung the other way.

Senator THOMAS. There is the crux of the difficulty.

Senator McCUMBER. You have mentioned several times what is really at the bottom of our trouble, which is the exchange question.

Mr. DELAPENHA. And loss of confidence.

Senator McCUMBER. And the exchange.

Mr. DELAPENHA. Yes, sir.

Senator McCUMBER. And the exchange has less to do with the loss of confidence when we are importing goods as cheaply as we are importing them now compared with the American dollar. Germany conducted her war on a little different system than the others—she taxed her own people less and issued more paper money.

Senator THOMAS. So did France.

Senator McCUMBER. Perhaps, also did France, but I am dealing with Germany, on the one hand, as compared with England and the United States on the other. Therefore, not being victorious, and not being able to convert those marks into dollars or pounds sterling from a defeated world, she has it on hand. She has such an enormous quantity of them on hand that I can see no possibility of ever getting the exchange as represented by the dollar on the basis of her paper money. How are you going to meet that situation? You say stabilize the exchange; how are we going to stabilize the exchange with Germany?

Mr. DELAPENHA. That is a banking question. Credits can be arranged by which Germany can sell us goods and she must pay us in return from credit balances of trade. In other words, no money must be sent out of the country. If we give her a credit of \$100,000,000 and she puts that into manufactured articles that she sells us for \$150,000,000 on which she has made \$20,000,000, she must spend that \$20,000,000 in the United States for merchandise.

Senator McCUMBER. But the money has to come from somewhere in the beginning. That is merely an exchange of products. Where are the dollars to come from to pay the difference? The man who furnishes the raw material, and the man who manufactures, must have the real dollar and not merely book exchange, not merely a big exchange statement with Germany.

Mr. DELAPENHA. Not always. All he needs is credit. We, ourselves, have done some high financing on credit.

Senator McCUMBER. Yes; and we got into trouble about it.

Mr. DELAPENHA. Yes; and we are in trouble now. It is a question of credit to a large extent. It is some form of credit to be given to those countries by which they can be made to pay; that is, develop business between the United States and themselves. Not necessarily to make a profit and pay France or Italy something that Germany owes them, or pay South American countries something that Germany owes them. We will at all times have to proceed from knowledge that our money is all right or our credit is all right.

Senator McCUMBER. I think we can come to a closer understanding if you will give us an illustration in actual exchange of goods; what you would exchange for. Remember, that this tariff is levied as against the things that come in direct competition with our own. Is there any use of our saying to Canada that we will send you over 100,000,000 bushels of wheat and you send 100,000,000 bushels of wheat back to us, and exchange in that way? We have to have the protection and then let there be an exchange of the things which the other country does not produce; and this is designed to effect that.

Mr. DELAPENHA. That is true.

Senator McCUMBER. If Germany has anything that we want that we do not produce in the United States, and if we can bring that in without destroying our own industry; why, we will say, for Heaven's sake do it and do it quickly. But it ought to be an exchange of things that will be beneficial to both countries and without injury to our country.

Mr. DELAPENHA. I think I can mention one item.

Senator McCUMBER. Very well.

Mr. DELAPENHA. Toys. Germany leads in the manufacture of toys. I am not interested in that business, but use it as an illustration. This country does not make toys to any extent, and we could give her enormous order for toys and she could take the money made on toys and buy something in America that she needs.

Senator McCUMBER. I do not know to what extent we manufacture toys.

Senator THOMAS. To a very large extent, and probably there will be a duty on them, too.

Senator McLEAN. Do you know that American capital is building mills in France and in Germany to-day for the purpose of taking advantage of the low cost of labor there and selling the goods so manufactured there?

Mr. DELAPENHA. American capital?

Senator McLEAN. Yes.

Mr. DELAPENHA. Bravo for America.

Senator McCUMBER. You said another thing that I do not think is in harmony, if I understood you aright, with the statement of the

previous witness, and that was that there were higher prices paid for labor in France and in Germany to-day—

Mr. DELAPENHA (interposing). I know nothing about Germany. I visited France and England. I had occasion to go over the books of two large concerns from whom we used to import, and since we are now manufacturing goods in America it was very interesting to me to examine what the real difference was between the cost of labor for making preserves, jams, and jellies in England and here; what the women received and what the men received. I knew what we were paying our men and women in our factories, and it was very interesting to me.

Senator McCUMBER. I know they receive a number of francs and marks greater than they did before the war, but measured in American dollars, are they receiving as much as they did before the war—that is, on the gold basis?

Mr. DELAPENHA. I think they are.

Senator McCUMBER. The testimony we have had is to the contrary.

Mr. DELAPENHA. I think the testimony you have had specifically mentions the German marks and specifically mentioned, if my memory is correct—and if it is not I would like to have you set me right—crowns from Vienna or from Austria. I do not think that the gentleman who spoke referred to either England or France.

Senator McCUMBER. It may be possible.

Senator SIMMONS. Just one question here I want to ask you: During the war there was an excess export in our favor of something over \$4,000,000,000 a year. That was all right at that time. The war ended and the world is in the state that you have described. Still our export balance against the world is still about \$3,000,000,000. Is it not true that the countries that we have been selling to have reached the point now where they are no longer able to pay us for those goods in money, where they can only pay us with goods or by borrowing from us the money with which to pay that debt to us? Is not that about the situation now?

Mr. DELAPENHA. I should say that to a very large extent I would agree with you, but not altogether. I think Great Britain is abundantly able still to buy lots of goods from us.

Senator SIMMONS. And pay for them?

Mr. DELAPENHA. And pay for them.

Senator SIMMONS. Great Britain may be an exception; I agree with you about that. But taking the world at large, they are unable to continue to buy from us this large excess over their imports every year, unless they can borrow money from us to pay for the goods or unless we will buy from them enough to pay for the goods. Now, under that situation, is it not inevitable that our export trade is bound to fall off until the imports that come to this country will about equal our exports? Is not this process of the loss of our export trade under the present conditions, unless they are changed, bound to go on and on, cutting down our exports year after year until finally the exports and the imports will about equalize themselves in this country?

Mr. DELAPENHA. Yes; I think it will. That would be a natural conclusion to arrive at.

Senator SIMMONS. If they had things to sell to us that we wanted to buy and could safely buy, they could increase their exports to the extent of our purchases and that is about as much as they can increase them?

Mr. DELAPENHA. There is no question as to that. Take Italy, for example. There are no better workmen than the Italians, there are no workmen who are more intelligent than the Italians. They have factories there that are lying idle with nothing to do; they have no means of buying raw material to reconstruct their business. Italy fought for the same ideals that we fought for, and here she is, a country of 30,000,000 or 40,000,000 people without the means of doing business. She needs hundreds of millions of dollars of stuff that we manufacture and that we can sell her. We need large quantities of Italian products, and we can not sell to her because of her present poverty.

Senator SIMMONS. And we can not, under present condition, sell her any more goods than she can pay for with what we buy from her?

Mr. DELAPENHA. Exactly.

Senator SIMMONS. Then if we stop our purchases of Italian goods that eliminates Italy as the purchaser of our goods.

Mr. DELAPENHA. It does worse than that, in my judgment. It leaves the people idle, and idle men get envious thoughts. That is what I dread in the world more than anything else; that is what I dread in our own country more than anything else.

Senator McLEAN. You said you are a protectionist.

Mr. DELAPENHA. I am, sir.

Senator McLEAN. To what extent?

Mr. DELAPENHA. To the extent to the last Dingley tariff law.

Senator SIMMONS. The Payne-Aldrich law, you mean?

Senator McLEAN. What is that supposed to cover?

Senator LaFOLLETTE. That is enough, is it not?

Mr. DELAPENHA. When you ask a man to express his views in regard to the tariff, you must bear in mind that human nature is no different in me than in anyone else. I have expressed views to-day that are diametrically opposed to my interests. I should be coming here to-day asking you to put an extremely heavy duty on glace fruit and an extremely heavy duty on preserves.

Senator McLEAN. What duty would you put on?

Mr. DELAPENHA. On glace fruit?

Senator McLEAN. No. But what would it cover—what is your idea of the principle?

Mr. DELAPENHA. The principle should be the equalization of one commodity made in one country by the equalization of the labor and the other costs in the other countries. But we are going beyond; we are going beyond the labor costs and adding on the depreciation in exchange.

Senator McLEAN. How do you know we are going beyond that? We have not even started to go anywhere yet.

Mr. DELAPENHA. When I make that statement I am speaking in general terms; I am not speaking specifically.

Senator THOMAS. We do not know where we are going on this bill, because we have had no hearings except what we have held here.

Senator SIMMONS. I have understood that unless you include enough to cover exchange that the duty would do them no good.

Senator THOMAS. That is what one Congressman said—it is an embargo.

Senator SIMMONS. You have not only to provide for a duty that will cover the difference between the labor costs here and abroad, but you have got to add to that enough to cover the difference in exchange. I have taken that to be the idea?

Mr. DELAPENHA. Did you ever look at the other side of the question for a moment—and that is the importer's side of the question? Let us assume that we purchase a half million kilos of olive oil from Spain to-day and the basis of our purchase was a peseta worth 13 cents. We go out to sell that olive oil to various wholesale groceries in the United States on the basis of 13 cents to the peseta. At the end of 90 days, when our draft becomes due with our foreign producers on our letters of credit, the peseta is worth 18 cents instead of 13.

Can you not see what a tremendous loss would be involved? Is there not some means by which they can stabilize exchange so that the world will know how it can trade, irrespective of what the value is going to be? For instance, if merchants know pesetas were going to remain at 13 and if merchants knew that francs were going to remain at 6—some stable point at which it can be kept so that men can trade with one another again and interchange commodities, so as to bring about that prosperous movement of goods which would result in the general good of all.

Senator McLEAN. Of course, when you make your purchase, you can have an understanding of what the rates will be?

Mr. DELAPENHA. With whom?

Senator McLEAN. The man you buy from.

Mr. DELAPENHA. No. You assume the risk the moment you make your purchase.

Senator McLEAN. You do, if you have any agreement to the contrary.

Mr. DELAPENHA. You can not make an agreement with a foreign seller. He says 13 cents to the peseta; that ends it.

Senator McLEAN. If he is unwilling to, you can not.

Mr. DELAPENHA. We have only touched the high spots here to-day, and let me assure you, gentlemen, that I shall always regard this as a privilege.

Senator THOMAS. I want to make a statement before you leave. It is not a question; possibly it may be a prediction. There will be no stabilization of exchange in Europe until the indemnity that Germany has to pay has been definitely fixed.

Senator SIMMONS. I think that is true.

Mr. DELAPENHA. Senator, do you not think we are nearing the day now?

Senator McCUMBER. It will have to be fixed or all of it will be gone.

Senator THOMAS. Yes; I do.

Mr. DELAPENHA. And if that should happen, what will happen to us.



Senator THOMAS. And the fundamental offense to me of the treaty is the fact that the indemnity against Germany was indefinite.

Senator McLEAN. You think Germany can not fill the bottomless pit?

Senator THOMAS. I do not think any Nation should be called upon, no matter what her offenses, to contribute to her conquerors without knowing how much she must contribute, because otherwise the enterprise of the inhabitants, their desire even, is so paralyzed by the tremendous unknown burden to be fixed from time to time, that rests like a pall upon the people, makes it impossible.

Mr. DELAPENHA. Did you read Keen's book on that?

Senator McLEAN. I have read every book I know of upon the subject.

Mr. DELAPENHA. Did you read that book?

Senator THOMAS. Yes.

Mr. DELAPENHA. As I say, to try to argue a question of this kind in the limited time is futile.

Senator THOMAS. That one fact has done more to disturb the financial conditions of Europe and this country than all others combined.

Mr. DELAPENHA. There can be no doubt about it.

Senator THOMAS. That is fundamental. The League of Nations is nothing.

Mr. DELAPENHA. And, therefore, fundamentally we agree.

Senator McCUMBER. Do not stop right there on that agreement, because it is not wholly true, as I think.

Senator THOMAS. What?

Senator McCUMBER. I do not think that would settle the question.

Senator THOMAS. I do not say that would settle the question. I say there would be no solution until that matter is out of the way.

Senator McCUMBER. We will have that matter settled in a short time. France has no reparation; Canada has no reparation; Great Britain has no reparation to pay. And yet none of their currency is up to par. So it is not dependent entirely on that.

Senator THOMAS. There are twice 70,000,000 in central Europe that have reparations to pay, and they pay it to the Allies, excepting ourselves; and, of course, as long as they do not know how much that is to be there is no incentive for them to do anything.

Mr. DELAPENHA. Gentlemen, there is just one thought I want to leave with you, and it is this: Had we borne their burdens, would our country have been up to par?

Senator McCUMBER. If we had issued as much paper money, it certainly would not be.

Senator McLEAN. We did come in at the right time?

Mr. DELAPENHA. You certainly did.

Senator McLEAN. We do not minimize our obligation to them and we do not want them to minimize their obligation to us.

Mr. DELAPENHA. I predict further for the United States that they are going into some concert of nations to make the world a fit place to live.

Senator THOMAS. And it will not be the League of Nations.

Mr. DELAPENHA. I did not say anything about the League of Nations. I do not want to start a political argument.

**STATEMENT OF MR. NATHAN MUSHER, 302 FIFTH AVENUE,  
NEW YORK CITY.**

Senator McCUMBER. You wish to discuss oils?

Mr. MUSHER. I wish to discuss oils. I would like, however, to answer one question propounded by Senator McLEAN, chairman of the Banking and Currency Committee of the Senate, that Mr. Delapenha has not answered. There is no such thing as making an agreement in regard to the rate of exchange.

Senator McLEAN. I understand that thoroughly.

Mr. MUSHER. I want to bring another point home clearly and not go back to the exchange question, because it is altogether too big. It would take days and days to argue it pro and con.

I can buy olive oil from a Spanish merchant and he guarantees the pesetas at 12 cents. I pay him at 12 cents, bringing over \$1,000,000 worth of goods, as we have been in the habit of doing at one time or another—bring the goods here; and inside of two months the Spanish peseta will go to 8 cents, and the very goods that I have in my tanks will depreciate exactly to the extent of the depreciation of that exchange, because somebody else, maybe Mr. Delapenha, my competitor over there, will bring over another lot of oil, and so will sell that oil against Musher's oil, because he paid for the peseta only 8 cents.

So that the stabilization of exchange is the most important thing. There is nothing more important; and until you get to that you can not argue tariffs, because you do not know costs; you do not know the differentials between goods manufactured in Europe and goods manufactured here. You can not enter into anything until the world is back on the same basis where the exchange of commodities and the carrying of balances of trade is arranged. I am an exchange shark, if you want to put it as such. I was in the very same position that Mr. Delapenha awhile ago mentioned to you—contracting and bringing over olive oil in 1916 and 1917 when our dollar was worth a good dollar over here.

I brought over a million and a half dollars worth of goods into the United States, sold the goods under contract to jobbers at a price fixed upon the existing rate of exchange. When we had to commence to pay for our goods in 1917, the dollar commenced to depreciate; the good dollar depreciated until a peseta to-day selling at 12 cents was at that time worth 30 cents; the dollar was selling at 60 cents in Europe. I was calling upon Senator Simmons and Senator Owen, who had the places that are now-occupied by you gentlemen. I was at the Treasury Department day and night. Many days I go to the Treasury Department at 7 o'clock in the morning, waiting to see if my man I wanted to see would go through the door, because you could not go through the doors off and on. You had to have passes. After seven months I persuaded somebody, as an American citizen, and avoided closing the doors and throwing ourselves on the mercy and charity really—because we would have had to close up and go into bankruptcy—to give us permission to export \$1,250,000 in gold. We exported \$1,250,000 in gold and paid in Spain our obligations to our Spanish bankers without suffering a loss of \$700,000. That is exactly what we had to do. I am not going any further unless you wish me to answer questions.

Oils are something altogether different from toys. You remember of reading about the shortage of oils in France. Mankind would go under if they did not get enough fats in their system to keep going. It is just like a little gasoline in the automobile engine. But it goes beyond that. Not only must you have oils but you must get the right kind of oils. And you must get oils that contain a certain amount of fat soluble enzyme. When we speak of cottonseed oils and similar oils produced in the United States, we speak only of recovered oils; we speak of oils not really fit for human consumption, as Dr. Turner, the engineer, told you about coconut oil. It has to have a deodorizing process and refine and extract all the impurities; in other words, it is a recovered oil, and that recovered oil goes into oleomargarine and into butter compound and lard compounds that we get.

The British Government issued a little textbook promulgated by the British Association of Physicians and research men on the vitamine question of butters and fat compounds, and that is the thing we should go by.

If you put a duty on peanut oil, cold-pressed peanut oil—and there is a vast difference between cold-pressed peanut oil and recovered peanut oil. In 1918, when there was not a drop of olive oil coming from any European country, I bought \$1,000,000 worth of peanuts in Georgia, Alabama, and Florida and crushed them at Charleston, S. C. We were the first people to have the courage to cold press peanut oil, and I happened to find a banker in New York who had the courage to finance me, the vice president of the Guaranty Trust Co. I walked into his office one day and I said, "Do you know anything about peanuts?" He replied, "I know something about peanuts; I used to live in New Orleans, La." "I want to test your knowledge of peanuts. I ask you to lend me \$1,000,000 to start something new, to cold press peanut oil." He looked at me and said, "Musher, I think you are all right on olive oil, and if you say this is all right I will go with you." And he gave me a credit of \$1,000,000. Mr. Allen de Ford, of our development department, used that to buy about 240 carloads of peanuts in the South. We bought them and crushed them in Charleston, S. C., and we cold pressed the peanut oil.

We had an awful time to find a market to take the place of olive oil, because the public would pay for olive oil but not for cold-pressed peanut oil.

And we tried to establish a new industry in America. We took the peanut flour, which was said to be only fit to feed cattle or to work up into fertilizer, and put it through laboratory tests. We spent no less than \$25,000 or \$30,000 on experiments, and we found that we could take peanut flour and make the insoluble protein become soluble by a growth of bacteria—that is, an enzymic process. The enzymics take up the insoluble proteins and then squeeze them out and you get a soluble juice exactly the same as Valentine's beef juice or Armour's beef juice and other kinds, and which we have tested in the hospitals of the city of Philadelphia and found did not produce the value and did not respond to the same extent by 33 per cent as that of the flour, vegetable beef extract responded.

But I stopped producing peanut oil because olive oil commenced coming in and because I did not have enough resources and means to put peanut oil on the map.

I only want to bring out to you gentlemen that the peanut oil that comes from Delft, Holland, Marseille, France, and from Hull, England—though not very much from the latter, as reported by Mr. de Ford, our research man, who has just come back from a trip of five or six months investigating peanut oil and sesame oil—in the South we call it benne oil; the Senator from North Carolina is familiar with the name of the oil from sesame seed, produced in North Carolina, a great oil, even finer in the matter of keeping than peanut oil—it will keep fresh 10 years. And by the way, cold-pressed peanut oil will keep fresh and improve somehow with age. We have on hand to-day 40,000 or 50,000 gallons of peanut oil packed in cans, as we could not move that during the war, and that is improving, as there is some unknown quantity there that reduces the free fatty acids. So to that extent it is better than olive oil. I also want to make the statement that the British authorities find more vitamins in cold-pressed peanut oil than in olive oil.

There were 250,000,000 gallons of all kinds of recovered oils produced in the United States in a year, and not one gallon, commercially speaking, of cold-pressed peanut oil, except what might probably be produced by some research man.

You have been told about the coconut oil. They bring over the dry copra, the coconut after being sliced and dried in the sun—it turns rancid in the sun—we bring it here and extract the oil, and then it goes through the process of refining, deodorizing it, and bleaching and treating it in order to put it back into condition where it would be if the coconut was squeezed and pressed right there on the job.

The Croft Allen candy people, the company headed by the State senator of Pennsylvania, tell me that all the coconut oil that they use in the manufacture of candy they buy fresh coconuts and crush their own oil. It need not be deodorized, because the fresh oil which comes out of the coconut that is beautiful in color and fine in taste and is full of vitamins, just like fresh butter to some different extent. Butter contains butyric acid. Every oil is different. Take olive oil. The oleon, which is the biggest constituent of olive oil, is nearer to breast milk than is any other oil. Prof. Ladd, of the University of Massachusetts, in Boston, in the children's hospital there, has installed omogenizer machines in the hospitals in Boston, so that the milk for the infants is omogenized with about 10 to 15 per cent of olive oil. The olive-oil fat is added to the milk in order to make the milk more palatable and more nutritious for the babies.

You will find olive oil spoken of, but somehow or other the American public have never had the benefit of a food research by a Government bureau. We have the pure food law and we have the Bureau of Chemistry, but the scope of their activities has been only to the extent of finding violations, which has done a wonderful work; but we have not gone a step further in order to bring out and tell the public about cold-pressed peanut oil, and we can produce enormous quantities of cold-pressed peanut oil.

The president of the Sea Island Cotton Oil Co. was in to see me a week ago to-day. He is the man who crushed our peanut oil for us during the war. I said to him, "How are you getting along?" He replied, "I have lost \$108,000 on peanut oil and, due to there being no market, everything I have been in. That is pretty good. I have a letter from my bank stating that for the next 12 months I do not have to spend a cent on my indebtedness; that they will provide me with all the money necessary to continue operations until I get back on my feet." It is very fortunate for the business man that they have southern bankers to deal with. That condition does not exist in New York City, and that condition does not exist in other large cities. The American banker is a red-flag banker. He wants to have the kind of collateral that the next morning he can step out of his door and hang out his red flag and sell it. He does not want to go even five blocks to hang out the red flag; and that is the reason we are so far behind Europe in a good many things.

The farmers throughout the South are paying 10 to 15 or 20 per cent for money. And when you are talking about dropping values you are talking about an impossibility for a merchant to get money at a reasonable cost in order that he can keep going.

I had my bankers together yesterday for three hours. I have a large stock on hand. I have the largest stock of olive oil in America. I have 350,000 gallons in Baltimore. If I wanted to give it away at \$2 less than cost, I could not move it, because the wholesale grocers, which are practically the only channel outside of the drug trade, can not handle it on account of the sugar situation, and they will not buy anything.

The loss in values is not because commodities have dropped, but because the bankers are not extending credit, and because they say the Federal-reserve credit system is not providing funds; and I can give you, Senator McLean, evidence at the proper time that the Federal reserve system is not functioning properly and is not working the same as the European banking system is. We can borrow more money to-day in Spain at a lower rate of interest—and Spain is to-day in very bad condition—than we can in New York, and on not as good security as required by New York City bankers.

The putting on of an emergency tariff is not going to get us anywhere. We have done a great deal in a quick way, because we had to do it quickly. Our excess-profits tax was made a law in a hurry, and we now regret having this tax.

Senator SIMMONS. The fact that we have not a high prohibitive tariff has not brought about these conditions?

Mr. MAHER. No, sir; absolutely not, gentlemen. But we want to open for the American public the best goods for the least money and make our people here live up to the market and produce as cheaply as we can in Europe, and we can do it if you give us the proper banking conditions. If you tell us when we buy a thousand gallons of peanut oil to-day or a thousand tons of peanuts to-morrow, and that we must provide overnight for the loan we got from our bank, as we may have to pay for it, although we made tentative arrangements to carry it until we can crush the peanuts and sell the oil, it will hamper us. Commodities must be carried from the time and place of production to the time and place of consumption, and the banking function

is to carry it at the lowest rate of interest. When Moses prohibited the interest of all kinds, and when he laid down in the laws for the Hebrews that no interest of any kind can be charged, and called it usury, and the usurer could not get into the house of God under the Jewish rites, here is what was laid down: The Senator and myself could go into a partnership—it would be a great honor if we did—and invest \$1,000, and say, “Here is my thousand, but out of your profits you can get my proportion”; but he can not say, “You guarantee \$10 or \$5 or \$1,” because if I did not make that dollar I could not give you that dollar; and you can be a common stockholder under the laws of Moses, but you can not be a bondholder.

Senator McCUMBER. The Jews have departed from the laws of Moses, I imagine.

Mr. MUSHER. The Jews have departed from those laws. But allow me to tell you that the Christians have followed their example in a very large way. [Laughter.]

Senator McLEAN. I would add that I would rather be in the oil business than in the banking business.

Mr. MUSHER. Not to-day. Let me tell you the difference between the banker and the merchant. The banker deals in a commodity which does not fluctuate. The dollar is worth a hundred cents to-day as much as it ever was. He can not run into the trouble of depreciation in values, only to the extent of his securities.

To-day the big thing is to really get down to a permanent cure for what we have on our hands. If we do not sell goods to Europe, we can not buy goods back from Europe; if Europe is not permitted to sell us goods, they can not buy goods back from us; and it is not really a question at the moment in this emergency tariff to find out just what goods we ought to protect. I am a protectionist myself, inasmuch as I feel that the goods that ought to come to this country against competition here, we should give our own people the fullest protection. But there is a limit, and it is a scientific study to find out; and you can not do that with any emergency measure. We went into an emergency measure and sold good Government bonds at a hundred cents on a dollar. We sold \$24,000,000,000 bonds to 22,000,000 people, and the 22,000,000 people are disappointed because the Government bond of the United States, the best security on earth, was not worth a good hundred cents on the dollar in current money. We went into the excess-profits tax, which is another bad thing. I did not pay any excess-profits tax; I did not have any to pay.

If you put on an emergency tariff, we are going into the same position. Gentlemen, we ought not to put on anything in the way of an emergency tariff until we settle down and find what the world is going to do.

You take the picture in the Literary Digest the other day, which was very impressive. I took it along with me and gave it to one of the gentlemen on the Ways and Means Committee of the House this morning. You are going outside, and you would want a pencil, and you would know that the old lady selling pencils has not enough money to get something to eat. You would buy a dozen pencils. Europe is not exactly in that position, but almost there. The majority of people in Europe must have goods to work with. They can not get our goods unless we buy something back in return.

Senator McLEAN. You said they have nothing to live on?

Mr. MUSHIER. Only the rich in Germany, those who have made a great deal of money during the war, have it now to spend. And that is not the condition throughout the German Empire.

Senator McLEAN. I think it would be a good idea for them to spend it for something besides champagne before they come to us for credit.

Mr. MUSHIER. Senator, permit me to tell you that champagne in France that was made available for export to the United States, and there not now being a market in the United States, that champagne, on account of prohibition, had to find a market some other place.

Senator McLEAN. Do they not make champagne in Germany?

Mr. MUSHIER. They make Rhine wines, not champagne.

Senator McLEAN. This article said it was very poor stuff. I do not know whether it was made in Germany.

Mr. MUSHIER. It was France that asked Germany to buy champagne. It was French salesmen who sold that champagne in Germany.

Senator JONES. Is it likely that those countries would want to export to the United States any of the commodities mentioned in this bill?

Mr. MUSHIER. Yes, sir. You take peanut oil. A section of Africa produces the finest nut for oil purposes in the world. It yields 65 to 70 per cent of its content in oil. The American peanut will only run 40 to 50 per cent oil. It is a peanut particularly adapted for oil from the vitimine standpoint, and also for quality.

Senator JONES. You were speaking of those countries being in such dire need of foodstuffs. Do they raise anything which would be exported to us, coming within the provisions of this bill?

Mr. MUSHIER. Yes, sir. You take Italy, for instance, in respect of olive oil. After all, olive oil is the biggest thing in Europe from the fat standpoint. Two-hundred and fifty million gallons of olive oil was produced in normal years.

Senator McCUMBER. Is olive oil covered in this bill?

Mr. MUSHIER. No; but it is in the Ways and Means bill.

Senator THOMAS. In that connection, I would like to ask a question for my own information. I saw a statement, I think in the Literary Digest, a few weeks ago, to the effect that most of the olive oil consumed in Italy was exported from the United States and was really cotton-seed and peanut oil. Is that true?

Mr. MUSHIER. No, sir. The Bureau of Chemistry can detect one-half of 1 per cent of cotton-seed oil in olive oil. The Bureau of Chemistry can detect to-day the minutest quantity, and all the mixings and substitutes that you find sold to-day in the United States is sold not only—

Senator THOMAS (interposing). I do not mean it is exported as olive oil, but that the Italian people consume this oil in place of olive oil.

Mr. MUSHIER. Yes, sir; I do.

Senator THOMAS. Then we have an export trade there for our cotton-seed and peanut oil?

Mr. MUSHIER. Yes, sir; 143,000,000 pounds of cotton-seed oil for 11 months last year were exported from the United States—in value,

in dollars and cents, \$29,775,000 worth of cotton-seed oil that left our shores.

Senator THOMAS. What was the export of peanut oil?

Senator McLEAN. They do not rebottle that and sell it back to us?

Mr. MUSHER. No, sir; it is used for home consumption. They did not export any olive oil from Italy because they were so short of food. There was a complete shortage of food, so that children in Europe have not been nourished because they do not get the proper diet, and in the proper diet you must have a certain amount of fats; without fats we can not get along.

Senator THOMAS. Have you the export figures upon peanut oil?

Mr. MUSHER. Yes, sir; I have.

Senator THOMAS. Give us that, please.

Mr. MUSHER. All exports of peanut oil for first 11 months 1920 were \$20,044 from the United States, against the imports of peanut oil 94,914,977 pounds in the same 11 months. We brought over \$16,960,000 worth of peanut oil and exported \$201,000 worth of peanut oil.

Senator THOMAS. Thank you.

Mr. MUSHER. So that there is no reason, as you will see, for the emergency tariff to carry with it such an important item as oils and foods of all kinds. I do not know whether other foods are included in this emergency bill or not. There is really no reason for an emergency tariff at this time until we find out really where the world is going to end.

Senator JONES. From what country does that peanut oil come?

Mr. MUSHER. The most of the peanut oil, as far as I know, came from Japan and China—mostly Japan. The port of Seattle to-day is the largest center of imports of soy-bean oil.

Senator JONES. I understand that now there is a great famine in China. Should not those countries keep that food for their own people instead of exporting it to the United States?

Mr. MUSHER. Their people have not the money, apparently, with which to pay for it. The whole trouble in the world is money; without money we can not do anything, and without the bankers we can not navigate, because it is not value that counts any longer; it is the immediate cash that counts. If I had on my person 10 gold watches and walked into a street car and offered those gold watches to pay the fare of 5 cents, the street car conductor would say to me, "I am supposed to collect a cash fare," and a gold watch worth \$75 or \$100 is not cash. Therefore the bankers are dealing in petty cash. The things that you must have to pay current bills have got in such a squeeze that we can not move.

Senator McLEAN. The bankers can not create cash themselves.

Mr. MUSHER. But they apparently are making a great deal of money. They are the controllers of cash and the controllers of values of other goods in their relation to cash.

However, I have not any trouble with bankers; I do not want to be misunderstood on that, because my bankers have been particularly liberal with me. I have a borrowing capacity in this part of the United States of \$3,000,000, and a borrowing capacity in the vicinity of Washington and Baltimore of \$3,000,000 is not so very bad. So I have not complaints to make. But the prices you pay and the



uncertainty you are under makes business precarious. Though I am not complaining myself; I am not here to complain for myself. The general situation is such that values have been depreciated. It is the question of getting immediate cash that has put us in the present panic we are in.

Senator THOMAS. The money has gone out of circulation?

Mr. MUSER. The same money that was in circulation is in circulation to-day.

Senator THOMAS. It is not in circulation?

Mr. MUSER. It is not in circulation. We have been taken from a hot room and dumped into an ice cold shower, and we can not stand it. Mr. Delapenha had to stop business. I am closed up. Tens of thousands of others are closed up, and the banks themselves will have to close up because the very Government bond, the very railroad securities, the very things they have to-day they want to charge to market values. They are all bankrupt. There is not enough capital and surplus in the banks. The insurance companies are bankrupt if they charge all the securities down to market values. They ask our merchants to charge inventory to market value by the Comptroller of the Currency, and the other Government institutions to permit bankers to take out one-tenth in order to come back gradually. They do not ask the merchant to come back gradually to par; they take care of themselves in the right kind of a way, and that is where the trouble exists and not for an emergency tariff.

Senator McLEAN. If you have a complete statement of exports you might put it into the record.

(The statement of exports subsequently submitted by Mr. Musher is here printed in full, as follows:)

[Fosco Bulletin, vol. 11, No. 66, Dec. 30, 1920.]

IN RE TARIFF ON VEGETABLE OILS.

A number of Fosco clients have protested to their Senators and Representatives regarding the proposed tariff and have also written requesting that we send copies of Fosco Bulletin, vol. 11, No. 65, of December 24, our analysis of the tariff situation, to their representatives in the Senate and House. We hope that all parties interested in fats and oils will do likewise and enter their protest with Members of Congress from their district. We, of course, immediately took the matter up with several Senators and Representatives upon hearing of the bill and forwarded to the principal ones, and forwarded to each member of the Senate Finance Committee a copy of the above-named bulletin.

	Imports.		Exports.	
	November.	11-month period ending Nov. 30.	November.	11-month period ending Nov. 30.
Chinese nut oil.....	\$299,603	\$10,975,481	\$45,715	\$551,451
Cottonseed oil.....	3,752	1,302,712	3,020,601	20,775,611
Coconut oil.....	800,282	31,330,505	70,759	5,396,228
Linseed oil.....	02,540	6,349,515	05,080	1,150,310
Olive oil, inedible <sup>1</sup> .....	6,688	120,472	None.	6,600
Olive oil, edible <sup>1</sup> .....	900,500	11,597,090	3,099	198,722
Palm oil.....	276,123	5,168,975	1,320	19,943
Palm kernel oil.....	19,485	223,271	None.	346
Peanut oil.....	84,618	16,600,708	5,142	201,039
Rapeseed oil.....	38,452	1,936,071	None.	None.
Soya bean oil.....	122,701	13,502,003	255,314	9,922,531
Corn oil.....	None.	None.	215,911	2,207,730

<sup>1</sup> Exports exclusive of corn oil cake and coconut cake.

	Imports.		Exports.	
	November.	11-month period ending Nov. 30.	November.	11-month period ending Nov. 30.
All other vegetable oils.....	\$53,550	\$1,745,450	\$90,609	\$1,840,500
Cod and cod liver oils.....	98,888	1,824,872	9,321	420,874
Other fish and animal oils.....	3,075	551,368	83,204	760,418
Lard.....	None.	None.	12,806,953	123,418,888
Neutral lard.....	None.	None.	203,599	5,502,753
Lard compound.....	None.	None.	582,371	6,379,971
Tallow.....	29,188	1,720,136	227,017	2,582,494
Oleo oil.....	None.	None.	1,380,890	15,243,710
Oleo stearin.....	12,615	178,529	163,346	3,277,748
Lard oil.....	None.	None.	10,781	122,386
Vegetable stearin.....	None.	None.	13,646	322,612
Olive foots.....	10,583	1,363,353	None.	4,211
Other grease.....	117,528	2,200,750	20	205
Margarine.....	None.	None.	142,118	4,427,333
Copra.....	752,850	13,260,492	None.	68,901
Dessicated coconut.....	114,703	5,117,093	3,520	44,007
Coconuts.....	424,183	3,972,477	4,522	57,490
Flaxseed.....	3,982,192	70,654,143	161	213,077
Peanuts (shelled).....	2,101	10,570,703	113,165	1,097,528
Peanuts (not shelled).....	1,093	767,588	3,868	40,891
Palm kernels.....	134,030	481,730	None.	None.
Castile soap.....	9,462	402,869	1,904	3,339
Toilet soap.....	None.	None.	442,611	5,280,681
All other soap.....	33,678	243,620	813,386	12,472,420
Candles.....	None.	None.	80,561	1,313,931
Glycerine.....	167,895	2,873,992	14,149	401,547
Soap stock.....	None.	None.	437,280	6,198,212
Cottonseed cake.....	None.	None.	2,016,868	6,599,770
Cottonseed meal.....	None.	None.	112,164	538,362
Flaxseed cake.....	None.	None.	707,164	6,553,505
Flaxseed meal.....	None.	None.	48,449	372,750
All other oil cake <sup>1</sup> .....	343,349	1,266,987	26,913	405,201
Beef <sup>2</sup> .....	736,898	7,757,036	838,589	26,466,778
Baron, hams, and shoulders.....	16,917	228,966	16,833,639	187,303,764
Pork <sup>2</sup> .....	27,160	375,760	1,072,420	14,092,989
Mutton, except canned.....	1,549,702	11,382,904	22,698	711,441
Sausage.....	7,622	60,107	279,194	6,139,075
Other meat products, canned.....	None.	None.	164,281	5,953,492
All other meat products.....	630,349	9,796,837	478,692	6,726,872
Calf skins.....	348,577	18,858,525	47,124	1,971,933
Cattle skins.....	2,107,333	82,317,326	620,332	10,153,170
All other skins.....	3,626,132	137,761,775	176,449	4,322,120

<sup>1</sup> Exports exclusive of corn oil cake and coconut cake.

<sup>2</sup> Includes fresh, pickled, and cured. Exports of all commodities include both foreign and domestic.

Mr. MCSHER. And then when dealing with oils, you are not only dealing with oils but by-products of oils—soap, compound lard, oleomargarine. You have so many things that oils enter into as the basis settlement, and you must consider that, because I can not for my life understand, gentlemen, how the Congress of the United States after approving the establishment of the War Finance Corporation, which was the best thing ever done, and on top of that to say, "We will approve the reestablishment of the War Finance Corporation, but at the same time we are going to make it impossible for Europe to ship us anything." The reopening of the activities of War Finance Corporation is not going to do any good if you stop the movement of goods into the United States.

Senator McCUMBER. That brings us right back to the same question asked you by the Senator from New Mexico [Senator Jones]: What articles covered by this bill are we prevented from being imported from Germany, from France, or from any one of these European countries that are in this bad condition, which we all recognize.

**Mr. MUSHIER.** If you want me to limit myself to Europe, only, I would have to exclude some Asiatic countries, like China. China, to-day, from an exchange standpoint, is also in a bad condition.

**Senator McCUMBER.** They are always in bad condition, are they not, from the exchange standpoint, at least for a good many years?

**Mr. MUSHIER.** No, sir; the Chinese money was very much appreciated during the war, and to-day it is very much depreciated. So that China is in bad shape to-day just as the other countries of the world are. China's staple dollar ran up during the war to \$1.75, and now it is down to \$0.75.

**Senator McCUMBER.** Assuming that China would be affected by this peanut-oil situation, what is it that affects you?

**Mr. MUSHIER.** China peanut oil imports during the 11 months were \$16,960,708.

**Senator McCUMBER.** All right.

**Mr. MUSHIER.** Cotton seed, \$1,302,712 altogether. Coconut oil, \$31,336,565, mostly from British possessions, so that it is really British products.

**Senator McCUMBER.** Of course, the British provinces are not starving for our goods particularly.

**Mr. MUSHIER.** They are not starving, except to the extent that Great Britain must finance the exports from the United States. She is stopped from financing to that extent the products from their own countries to those European countries who are in need of both our own and the European products.

**Senator McCUMBER.** What we are trying to get is, you know, to what extent this bill is going to injure the importing trade from these particular countries in Europe that are suffering.

**Mr. MUSHIER.** I must say, Senator, that I would have to familiarize myself with the items involved in the emergency tariff. I only came here prepared to talk about oils, and only to the extent of oils can I answer questions.

**Senator McCUMBER.** Turn over one page of the bill and you have a list of them.

**Mr. MUSHIER.** You have wheat.

**Senator McCUMBER.** Our wheat comes from Canada?

**Mr. MUSHIER.** Yes, sir.

**Senator McCUMBER.** The Canadians are not starving.

**Mr. MUSHIER.** In such things Canada has about 15 per cent against her, and that is not a very good thing to have against a neighborly country who is well able to pay her bills in the future, but yet can not pay in the terms of American bank balances.

**Senator McCUMBER.** When we are buying their wheat and when we are doing that and underselling American farmers on the exchange we feel it.

**Mr. MUSHIER.** When the Russian situation opens up, if it ever does, you are going to be able to buy large quantities of hard macaroni wheat from the Russian provinces. Corn, I think, would be another Canadian proposition?

**Senator McCUMBER.** No; very little of that from Canada. It is a South American proposition.

**Mr. MUSHIER.** Next is beans—I am really not familiar enough with this to tell you.

Senator McCUMBER. That is mostly Mexico and Japan.

Mr. MUSHER. I know a lot of beans come from Italy, too. Peanuts and peanut oil are very important to Europe, particularly to France. France controls Tunis and Algeria and all through that section where they have abundant peanuts and peanut oil, and they depend almost entirely upon peanuts to give them a livelihood.

Senator McCUMBER. I know, but they do not sell in the United States to any extent.

Mr. MUSHER. We should be getting a great deal more peanut oil, and we have been getting some peanuts from France. They do not come over so well, because they come shelled; they ought to be left in the shell.

Senator McCUMBER. The amount of importations from France in peanuts would be a mere bagatelle.

Mr. MUSHER. Yes, sir; and would be even from Japan. We can not buy things from Japan unless we buy a lot of other things.

You have potatoes. A lot of German potatoes have come over in the past—little potatoes for making salad.

Senator McCUMBER. I do not think any are coming over, because they would not be in such great need of them there and at the same time be sending potatoes over here.

Mr. MUSHER. Spanish onions do come in. The exchange is against them to-day. It has reversed itself in the last year and a half or two years from 12 cents to 30 cents per peseta.

Rice is from Japan mostly, and some Spanish rice and some Italian rice coming for the Italian Nationale.

Lemons run into the Italian situation very much.

Oils, such as peanut oil, cottonseed oil, coconut and soy-bean oil—you are running into oils that come from countries that are mostly financed over the London counter. That is a very important thing, because when we bring over goods from China that are banked over the London counters it is helping Europe just as much as China.

I am not familiar enough with these questions to talk to you about them. But on the general principle that an emergency measure is not going to do us enough good to make it valuable, because our merchants and our importers and our consumers can not adjust themselves in a quick time to an emergency measure of any kind. If we are going to have a permanent tariff we ought to wait until that permanent tariff comes along, until after we have had an opportunity to study everything carefully and take everything into consideration from a practical standpoint in every direction, so that we will not have to keep on readjusting ourselves to new conditions in the future.

Senator McCUMBER. We are having to readjust ourselves now on a continuing falling market, so I do not see that we would injure the situation by doing something to stabilize the market, at least to give to the world some legislation that would indicate that there is really a bottom to the whole.

Mr. MUSHER. Except this kind of stabilization, Senator, if I may say so, is not going to prove successful. Our problem is to be able to sell more goods to Europe and keep our merchants and factories and our people employed. We can not keep them employed until we find some ways and means for providing for our foreign securities or goods. Unless we do buy foreign securities—and those bonds are the

first mortgage on the lands and tax powers—but until such time as we apply the Joseph and Pharaoh theory to feed them and give them raw material and then take one-fifth back for our services, I do not believe we can get anywhere.

Senator McCUMBER. We are not minimizing the importance of export trade. I do not think we ought to minimize the importance of getting our own people, who are consumers of 95 per cent of our products, in a condition where they can buy.

Mr. MUSHER. Ninety-five per cent of our people who are consumers—if you are going to speak for consumers and on that principle, then a tariff of any character would not be justified, because the consumers who have to pay that tariff are always the majority as against those who receive the benefit from that tariff.

Senator McCUMBER. And it may be that the tariff gives them an opportunity to earn something to buy with; that is the importance of the tariff, and that is the only importance. If our farmers are put down to a condition where the cost of raising wheat is twice what they can get for it by reason of importations from Canada you have destroyed their ability to purchase. We want to put them in a position in which they can purchase from the American manufacturers, and that will do a whole lot toward solving the present situation, which situation is that we are none of us buying at the present time. When you get right back to it you have got to start the buying ability right upon the farm, and the farmer has got to have something that he can sell for more than it cost him to produce in order that he can have a little balance with which to buy. That is all that is intended in this bill.

Mr. MUSHER. That is very, very true, Senator, and to that extent you can not help but say that the tariff would be a good thing, except that you also must take into consideration the relative good as to relative value. I am in favor of protecting every commodity produced in the United States, only at the present moment, when Europe is starving and naked—they have no clothing, and they have no food; cold, and they have no shoes. And yet we have stopped our machinery because we say, "We can not give you anything; we can not sell you anything because you can not give us gold and because we have not worked out some bargain exchange to the extent of what they can pay; we are in very bad shape.

Senator McCUMBER. We all agree with you that we want to help that situation, but in addition to that we want to help the American farmer to buy the products of the manufacturer.

Mr. MUSHER. Yes, sir; we do; that is very true.

Senator McCUMBER. Let us do both at the same time; that is all we are asking.

Mr. MUSHER. Then, is it best to do it through an emergency measure of this kind or something permanent?

Senator McCUMBER. That is a matter for argument, and I do not want to take up your time with argument.

Mr. MUSHER. Thank you very much, Senator. That is very true.

(Thereupon, at 5.15 o'clock p. m., the committee adjourned, to meet at 10.30 o'clock a. m. to-morrow, Saturday, January 8, 1921.)



**SATURDAY, JANUARY 8, 1921.**

**UNITED STATES SENATE,  
COMMITTEE ON FINANCE,  
Washington, D. C.**

The committee met pursuant to call of the chairman in room 310, Senate Office Building, at 10.30 o'clock a. m., Senator Porter J. McCumber presiding.

Present: Senators Penrose, Smoot, Curtis, McLean, Calder, Simmons, Thomas, Jones, Gerry, and Nugent.

Senator McCUMBER. The committee will be glad to hear Mr. Loos, if he is present.

**STATEMENT OF MR. K. D. LOOS, CALIFORNIA CITRUS LEAGUE,  
CHICAGO, ILL.**

Senator McCUMBER. Please give your name, address, and whom you represent.

Mr. LOOS. My name is K. D. Loos, of Chicago, Ill. I represent the California Citrus League, which is composed of a large number of lemon growers in the State of California. I desire to make a brief statement to the committee with respect to the duties on lemons.

Senator SMOOT. Do you want an increase over what the House put in?

Mr. LOOS. We are asking that the duty provided be increased from 1½ cents a pound, which the bill now provides, to 2 cents a pound.

Senator McCUMBER. All right. We will hear you, Mr. Loos.

Mr. LOOS. American lemons are grown principally in the State of California, and the lemons are shipped from California to the eastern markets in standard boxes, the boxes being of uniform size and usually containing 300 or 360 lemons, depending on the size. Therefore, in my statement I will talk about the lemon box, which is comparable also to the lemon box in which Italian lemons are imported.

It costs the California lemon grower \$3.50 a box to grow, pick, and pack the lemons and place them on board railroad freight cars. To transport the lemons from California to the eastern markets—any markets east of the Rocky Mountains, all of that territory being covered by the so-called blanket rate—\$1.50 a box. This cost is made up of the railroad freight cost of \$1.67 100 pounds and refrigeration demurrage, reconsignment and other charges.

Senator THOMAS. What is your Rocky Mountain blanket rate?

Mr. Loos. That rate is \$1.67 from points of origin in California to any point of destination east of the Rocky Mountains to the Atlantic seaboard, with the exception of a few points in the Northwest, to which the rate is slightly lower.

Senator THOMAS. Then you charge my constituents, so far as freight rates are concerned, the same as you charge the constituents of the Senator from North Dakota or from the State of New York or to Philadelphia?

Mr. Loos. That is the general basis of trans-continental commodity rates.

Senator THOMAS. In other words, you are now discriminating against your nearest customers by compelling them to pay the same rate of freight that those customers pay who live 2,000 miles beyond, and yet you want an additional duty from the Government?

Senator McCUMBER. Is it you that do that or is it the railroad companies?

Senator THOMAS. It is no difference who does it, we pay the freight.

Senator SMOOT. We are only half way to Colorado from California and yet we pay the same rate as New York.

Senator THOMAS. You are victims of the same situation.

Mr. Loos. That is the basis of transcontinental rates that the railroads have been making for a long time.

Senator THOMAS. I know we have suffered from it for a great many years; I wanted to see if we had any relief.

Senator McCUMBER. You will have to submit to it the same as these States.

Senator THOMAS. I imagine that the producers will submit to it readily.

Mr. Loos. The total cost, then, to the lemon grower in placing his lemons in the eastern market amounts to \$5 a box, made of \$3.50 for growing and placing on cars, and \$1.50 for transportation charges.

During the past year, since January 1, 1920, the average selling price of lemons shipped from California has amounted to \$4 a box. That is less than the total cost of producing and transporting by \$1.

Senator THOMAS. That is the wholesale price.

Mr. Loos. That is the wholesale price.

Senator NUGENT. That is the price that the producer receives.

Mr. Loos. That is the price that he gets for his lemons, from which must be deducted transportation costs and packing costs and selling costs.

Senator NUGENT. About how many lemons, generally speaking, are packed in a box?

Mr. Loos. There are 300 or 360—25 or 30 dozen, depending on the size of the lemons.

So that the cost per dozen on the basis of \$4 price per box amounts to 16 cents a dozen.

Since November 1, 1920, the grower has realized but \$1.44 a box. This is the equivalent of a selling price in the eastern market of \$2.94 a box. That is more than \$2 less than is required by the grower to pay his costs of production and transportation. The amount which he receives of \$1.44 a box, after deducting transportation



costs, is actually 21 cents a box less than it costs him to harvest the fruit, pack it in boxes, and place it on the railroad cars.

Senator McCUMBER. That is irrespective of interest on his land, etc.

Mr. LOOS. That is irrespective of any interest on any investment and of any wages paid for culture and for development of the orchard—and it takes 10 years and an investment of \$1,000 per acre to develop an orchard to a commercial bearing state, in addition to the original investment in the land and water. This \$1.44 is 21 cents a box less than it actually costs him to pick the fruit after it is ripe and pack it in boxes and place it on the railroad cars.

Senator THOMAS. You say that is since November 1?

Mr. LOOS. Since November 1.

Senator THOMAS. How was it before that?

Mr. LOOS. Before November 1 the average return, January 1 to November 1, to the grower was \$2.52 a box, which is enough to pay his harvesting and packing costs, but not enough to pay the growing costs. It does not even pay the labor.

Senator THOMAS. What is the name of your company?

Mr. LOOS. I represent the California Citrus League, which is a voluntary organization, composed of all the lemon growers in the State of California, for the purpose of handling matters of general interest to the industry.

Senator SIMMONS. Will you state the price during the year 1918 and 1919?

Mr. LOOS. I have here the average prices at New York for 1918 and 1919, but I do not have the average price for all lemons sold in the United States. Will that answer your question?

Senator SIMMONS. That will help some.

Mr. LOOS. I am sorry I do not have those figures.

The lemon year, so called, runs from the 1st of November to the 31st of October, and for the period ending October 31, 1919, the average price at New York was \$4.21 per box.

Senator SIMMONS. What sort of a profit would that allow?

Mr. LOOS. That made a return to the grower of \$2.71 a box, which is 79 cents less than the actual growing, packing, and harvesting cost.

Senator THOMAS. The cost at that time or the cost on the 1st of November?

Mr. LOOS. The 1st of November.

Senator THOMAS. That is hardly fair to the committee.

Mr. LOOS. I beg pardon: I did not mean to make the statement as it sounds.

I can not say just what profit that did represent in 1918, or whether it represented any profit or not.

Senator THOMAS. Of course, the only way to ascertain that is to ascertain the cost at that time, and that you say you can not give us?

Mr. LOOS. I do not have that, Senator.

Senator NUGENT. Can you not furnish it?

Mr. LOOS. I can obtain it. But I prepared myself only to speak with reference to present conditions, because of the fact that our notice of these hearings was very short.

Senator SIMMONS. That was for the fiscal year?

Mr. LOOS. That was for the fiscal year ending October 31, 1919.

Senator SIMMONS. I can imagine from what you have said that there was no profit in the industry that year?

Mr. LOOS. I rather doubt whether there was a profit; there may have been a return.

Senator SIMMONS. Was there any profit in the industry at any time during the war period?

Mr. LOOS. The highest prices realized during the war period were realized during the year ending October 31, 1918, for which period the New York sales averaged \$5.65 per box.

Senator THOMAS. You speak of New York sales. Is that representative of the average sales all over the country? What do you sell for in St. Louis, for example, and Denver? I have a sort of recollection—it is not very clear—that the price per box of lemons in Denver was a good deal higher than that.

Mr. LOOS. Of course, it is in New York that the competition of foreign lemons is primarily met, and the probability is that New York sales are not representative of the sales of the entire country.

Senator SIMMONS. I think you ought to have brought us some figures here that are representative.

Mr. LOOS. I will be very glad to furnish those.

Senator NUGENT. Are Italian lemons shipped west of the Mississippi River?

Mr. LOOS. No; they are not.

Senator NUGENT. Then you have no competition in that part of the country?

Mr. LOOS. We have no competition there.

Senator NUGENT. How far west are Italian lemons shipped?

Mr. LOOS. I think there is no competition with foreign lemons west of Pittsburgh.

Senator NUGENT. West of Pittsburgh?

Mr. LOOS. Yes, sir. They sometimes come to Chicago, but there certainly is no competition west of the Mississippi River.

Senator THOMAS. Then you have no competition, practically speaking, west of the Allegheny Mountains?

Mr. LOOS. I did not get that.

Senator THOMAS. I say then you have no competition, practically speaking, west of the Allegheny Mountains or west of the Mississippi River. I will put it that way.

Mr. LOOS. Well, there are shipments of Italian lemons made right through to Chicago.

Senator THOMAS. The Mississippi River is a good deal west of Chicago. I am using that as a basis. Now, have you the market for California lemons in the territory west of the Mississippi River?

Mr. LOOS. We have a market in that territory, but far below the requirements of the California producer.

Senator THOMAS. But what I am getting at is the foreign competition of which you speak. That does not affect you in the territory west of the Mississippi River?

Mr. LOOS. It does not in so far as having an Italian lemon sold side by side with the California lemon.

Senator THOMAS. Merely potential.

Mr. LOOS. But indirectly the effect of the foreign competition throws a great quantity of lemons back into the western markets,

and the effect of the foreign competition is felt in every market of the United States.

Senator THOMAS. Will you tell the committee that you are selling lemons at a loss or have been during the last two years in the territory west of the Mississippi River?

Mr. LOOS. I will say that the average prices for the country as a whole—

Senator THOMAS (interposing). No; I am not speaking about that. That does not answer my question.

Mr. LOOS. I can not give you those figures.

Senator THOMAS. Then your position seems to be this, that while you have an exclusive market west of the Mississippi River you want this tariff so as to give you an exclusive market over the whole country?

Mr. LOOS. No. We want this tariff so as to enable us to sell our lemons at somewhere near cost.

Senator McCUMBER. The depression in the New York market necessarily reflects over the whole country, does it not?

Mr. LOOS. Yes; it does, Mr. Chairman. You understand that the lemons are not sold by the producer at a price fixed by him; they are shipped into the market by hundreds of producers.

Senator THOMAS. That is true of all producers; they do not sell at prices fixed by themselves.

Mr. LOOS. Many of them are sold at public auction. In speaking of the competition of Italian lemons I failed to consider the fact that substantial importations are made through New Orleans. During the calendar year 1920, 110,000 boxes of Italian lemons were sold at auction in New Orleans. These were distributed through Louisiana, Arkansas, and Texas.

I have also learned upon inquiry that representatives of the California lemon shippers located at St. Louis, Kansas City, St. Joseph, and Houston have reported instances of arrivals of Italian lemons from New York at those points. It, therefore, appears that I was wrong in saying that there was never any competition west of the Mississippi River.

Senator SIMMONS. Here is what you ought to give us, and that would be a frank demonstration of the truth or untruth of what you are saying—the price that you get in New York for your lemons, after taking out the freight, and the price that you get west of the Mississippi River, where you get no competition after taking out the freight.

Senator SMOOR. The freight is the same, Senator.

Senator SIMMONS. I say, take it out.

Senator THOMAS. They charge just as much for lemons in Salt Lake or Denver as they do in New York or Philadelphia.

Senator SIMMONS. Let us see what they get for their lemons, net, in both places.

Mr. LOOS. I have with me the figures showing the New York sales, and I can furnish within a day—say, by Monday noon—figures showing the average cost or prices of all lemons sold west of the Mississippi River.

Senator McCUMBER. You furnish that, and we will place it in your testimony.

Senator THOMAS. Can you furnish also for 1919?

Mr. Loos. Yes, sir.

(The statement showing average prices of lemons sold west of the Mississippi River was subsequently furnished by Mr. Loos, and is here printed in full, as follows:)

The following table shows the number of boxes and the average price, f. o. b. California (exclusive of transportation charges from California), of lemons as shown by the available statistics for the years ending October 31, 1918, 1919, and 1920. The statistics are not kept in such a manner as to make it possible to segregate exactly the territory west of the Mississippi River. The western territory for statistical purposes is divided as follows in our records:

Northern division including Minneapolis, Calgary, Denver, Des Moines, Kansas City, Omaha, Regina, Sioux City, Wichita, Winnipeg, and the various other localities tributary to those points; southern division including Fort Worth, El Paso, Houston, Memphis, New Orleans, Oklahoma City, San Antonio, and localities tributary thereto; northwestern division including Seattle, Boise, Butte, Los Angeles, Portland, Sacramento, Salt Lake City, San Francisco, Spokane, Vancouver, and localities tributary thereto. These three divisions include all of the markets in the United States at which California lemons are regularly sold west of the Mississippi River, and in addition include Memphis and New Orleans which are east of the Mississippi River and the Canadian points which are Calgary, Regina, Vancouver, and Winnipeg.

Chicago and New York sales are also shown in the table for comparative purposes.

Year ending Oct. 31—	Northern division.		Southern division.		Northwestern division.	
	Boxes.	Average price f.o.b. California.	Boxes.	Average price f.o.b. California.	Boxes.	Average price f.o.b. California.
1918.....	413,900	\$5.91	284,180	\$5.46	205,720	\$5.50
1919.....	692,800	4.45	430,800	3.91	344,400	4.27
1920.....	615,600	3.62	388,000	3.04	382,400	3.64

Year ending Oct. 31	Northern, southern, and northwestern divisions combined.		Chicago.		New York.	
	Boxes.	Average price f.o.b. California.	Boxes.	Average price f.o.b. California.	Boxes.	Average price f.o.b. California.
1918.....	993,900	\$5.66	130,880	\$5.22	203,651	\$5.65
1919.....	1,467,600	4.25	216,400	3.82	399,671	4.21
1920.....	1,386,000	3.46	201,200	3.10	191,141	3.22

The statistics from which the above table has been compiled were kept on a basis of carloads and were converted into boxes on the basis of 380 boxes to the car for the period up to September 1, 1918, and 400 boxes to the car for succeeding months. On the date mentioned the railroad freight tariffs prescribed a change in the dimensions of the standard box which resulted in an increase of the number of boxes loaded in a freight car. For New York the figures are the actual number of boxes.

It should be noted that the northern and northwestern divisions used first-grade fruit almost exclusively, while the southern division used small sizes and all grades, and Chicago used both first and second grades. The greater percentages of the sales at New York consist of first-grade fruit.

Senator Smoor. Let me ask you a question there: Without a duty or under existing conditions to-day, you have the Chicago market?

Mr. Loos. Yes, sir.

Senator SMOOR. Can the price at which imported lemons can be sold in this country take that market away from you?

Mr. LOOS. The Italian lemons are shipped into the Chicago market, but not to the extent of monopolizing the market.

Senator SMOOR. But can you sell your lemons in the Chicago market and get cost of producing those lemons back to-day?

Mr. LOOS. I have not the figures on the Chicago sales, but I do not believe that they equal the cost of production. I am quite confident they do not. I will be glad to furnish a statement of Chicago sales.

Senator SMOOR. In the figures you are going to send us you better include that.

Mr. LOOS. Do you want the Chicago sales for the last three years?

Senator SMOOR. Yes; and what the imported lemon can be delivered there at.

(The statement referred to was subsequently furnished by Mr. Loos, and is here printed in full, as follows:)

The average prices *f. o. b.* California received in the Chicago market for California lemons for the years ending October 31, respectively, were: 1918, \$5.22 per box; 1919, \$3.82 per box; and 1920, \$3.10 per box. The 1920 figure is 40 cents less than the total cost of production.

The average prices delivered at Chicago are not available in the statistics as kept in California, but may be approximated by adding to the *f. o. b.* California price the sum of 88 cents per box for the period preceding June 25, 1918; \$1.12 per box for the period from June 25, 1918, to August 25, 1920; and \$1.47 per box for the period since August 26, 1920. These amounts represent the transportation costs for the various periods named and are slightly lower than similar costs for New York, because of the fact that refrigeration charges to Chicago are less than refrigeration charges to New York and fewer reconsignments are made on Chicago shipments than on New York, thus reducing the average transportation costs slightly under that of New York.

The above amounts have been added to the average monthly prices for Chicago and the averages recomputed, showing an average delivered price as follows: 1918, \$6.18; 1919, \$4.90; and 1920, \$4.24.

The freight charges on Italian lemons from New York to Chicago amount to approximately 72 cents per box. Adding this to the New York selling price of \$2.11 makes a price of \$2.83 per box at which the Italian lemons can be delivered at present in Chicago. In addition, there would be expenses of handling at New York and brokerage fees which would probably bring the total price at Chicago to approximately \$3 per box. The exact information as to these costs, with exception of the New York sales price and the freight rate, is not available to us and the foregoing figure of \$3 is an estimate.

Senator THOMAS. Mr. Loos, do those you represent consider that the international trade of this country with Italy is worth preserving and developing?

Mr. LOOS. I do not think that the tariff which we propose on lemons and for which we are asking would prevent the importation of Italian lemons; that is true to some extent, perhaps.

Senator THOMAS. It is due, is it not, to the fact that the combined export products of Italy, together with the domestic products, are necessary to furnish the American market?

Mr. LOOS. The answer to that question is that the estimated crop for the current fiscal year, which begins on November 1, is 5,000,000 boxes of lemons.

Senator McCUMBER. The crop of Italy or the United States?

Mr. LOOS. California.

Senator THOMAS. Before you go any further, let me interrupt by asking how that compares with the crop last year. Is it larger or smaller?

Mr. LOOS. That is almost 1,000,000 boxes more.

Senator THOMAS. Now, go ahead.

Senator NUGENT. I understood you to say that at this time California lemons are being sold in the New York market at about 16 cents a dozen, so far as the producer is concerned.

Mr. LOOS. That is the selling price that the producer receives.

Senator NUGENT. I presume that approximately the same price is charged to the consumers here in Washington as charged in New York, is it not?

Mr. LOOS. The retail prices?

Senator NUGENT. Yes.

Mr. LOOS. I do not know.

Senator NUGENT. What are those California lemons selling for, at retail in New York per dozen?

Mr. D. D. BLACK (representing California Fruit Growers' Exchange). The price range varies according to the class of the retail stores that serve some particular district.

Senator NUGENT. What is the general range?

Mr. BLACK. We have known special sales to be put on during special seasons at 15 cents per dozen, and that range will go up to 40, and, in some of the higher class stores, even higher than that.

Senator NUGENT. Is there the same differential so far as the grower is concerned; does he receive different prices?

Mr. BLACK. Positively, he does not. We have no control over retail prices whatever.

Senator NUGENT. Have you purchased any California lemons in Washington since you came in?

Mr. BLACK. No, sir.

Senator NUGENT. Have you priced them at any of these fruit stalls around this city?

Mr. BLACK. No, sir.

Senator NUGENT. You do not know what California lemons are selling for here per dozen?

Mr. BLACK. We can secure that information for you.

Senator THOMAS. Mr. Loos, if we grant your request, of course, the duty charged up to the product comes out of the consumer. That is the case with every item in this bill. The consumer has been exploited and is being exploited for all the necessities of life, of which the lemon is one. Do you not think that in the arrangement of this duty in this emergency bill, some consideration should be given to the capacity of the consumer to purchase, and to the fact that the purpose designed by this bill, if it is accomplished at all, means that the pecuniary relief will come out of the pockets of the consumers of the United States?

Mr. Loos. If this bill were passed and the duty on lemons put at 2 cents a pound, the wholesaler would certainly pay no more for lemons than he paid in 1918. The consumer, if he is getting the same as the wholesaler—and as to that I do not know—would be paying much less to-day for lemons than he was paying two years ago, very much less; and the price two years ago was a little higher than the prices that prevailed before.

Senator THOMAS. But if present conditions are emergent and this duty of 2 cents is placed upon lemons to overcome the emergency, and the price goes back to where it was in 1918 with the wholesaler,

of course, you know that the wholesaler will make that out of the consumer.

**Mr. Loos.** It is pretty difficult to understand or say how the wholesale prices affect the retail prices. The wholesale prices to-day in New York are at a very low point. Whether the retailer has reduced his prices to meet this reduction in the wholesale prices I do not know. If he has not, it seems to me it would be proper to assume that if the wholesale prices should increase somewhat that the retail prices would not increase, if they did not decrease before.

**Senator THOMAS.** Of course, the price falls because the demand decreases. Now, if it is true—and I think it is very largely—that the demand decreases, not only for lemons but for everything else, because the consumer has reached a point where he can not consume any longer, how will a tariff, no matter what the amount of it is, restore that demand.

**Mr. Loos.** I do not think that it is a question of slackening of the demand in this case, but rather an overabundance of supply. Italian lemons have been imported in increasing quantities and are coming in at an enormous volume.

**Senator THOMAS.** But the difficulty, Mr. Loos, is that the situation is not confined to your industry. That might be true, if this was the only industry in that condition. But it is characteristic of every industry except corkscrews. Of course, there is no demand now for corkscrews. [Laughter.]

**Senator McCUMBER.** There is quite a heavy demand for those kind that lift the cap off of the top of the bottle.

**Senator THOMAS.** I suppose you are speaking now as an expert?

**Senator McCUMBER.** As having knowledge, at least.

**Senator JONES.** How much does a box of lemons weigh?

**Mr. Loos.** A box of California lemons weighs, gross, 84 pounds, of which 76 pounds is net weight of lemons.

**Senator JONES.** Then this duty of one and a quarter cents per pound would amount to how much a box?

**Mr. Loos.** It would amount to approximately 90 cents a box on the foreign lemons. That is figured on the weight of about 75 pounds of lemons in a box.

**Senator JONES.** I judge from your remark that you are asking that this be increased to 2 cents?

**Mr. Loos.** Yes, sir; which would amount to \$1.50 on the basis of 75 pounds.

**Senator JONES.** The one and a quarter cents here would amount to about how much on a box?

**Mr. Loos.** Ninety cents.

**Senator JONES.** What are the Italian lemons selling for in New York now?

**Mr. Loos.** The foreign lemons have averaged for the past nine months \$2.11 a box.

**Senator JONES.** Well, then, this duty here would increase the price about 40 per cent?

**Mr. Loos.** If the whole amount of the duty—

**Senator JONES** (interposing). And you were wanting to make it 2 cents, which would increase the price about 80 per cent, would it not?

**Mr. LOOS.** There is now a duty of a half cent a pound on the foreign lemons. So that 2 cents would be an increase not of \$1.50 a box but an increase of \$1.12 a box.

**Senator JONES.** And what percentage is that? What I was getting at is the percentage of increase.

**Mr. LOOS.** If that were added to the lemon price as it is to-day, the percentage of increase would be a little more than 50 per cent.

**Senator THOMAS.** Mr. Loos, no doubt the Payne-Aldrich bill added a cent a pound to lemons, and immediately after the bill went into effect the Santa Fe and Southern Pacific Railroads just advanced their rates so as to absorb that percentage. Have you any reason to suppose that those financial geniuses will not repeat that process if we give you this duty?

**Mr. LOOS.** I do not believe the freight rates can be advanced again. I think they are at such a high point---

**Senator THOMAS (interposing).** Well, all things are possible with God.

**Mr. LOOS (continuing).** That they will not be advanced again.

**Senator THOMAS.** I hope you are a good prophet, but I do not know.

**Mr. LOOS.** The increase in the lemon rate that was made in 1909 was suspended.

**Senator THOMAS.** I know it was.

**Mr. LOOS.** And was finally defeated.

**Senator THOMAS.** I know it was; and it ought to have been under the circumstances.

**Mr. LOOS.** We think we can defeat them again if they attempt it.

**Senator SIMMONS.** Did I understand you to say you think that if this duty was on it would not materially interfere with the importations of Italian lemons?

**Mr. LOOS.** I think it will reduce the importations somewhat, but I do not think it will exclude the foreign lemons.

**Senator SIMMONS.** You think it is not quite prohibitory?

**Mr. LOOS.** I am sure it is not prohibitory.

**Senator SIMMONS.** Do you think they would still be brought in in large quantities from Italy?

**Mr. LOOS.** I believe they will.

**Senator SIMMONS.** It would not materially interfere with our trade relations with Italy?

**Mr. LOOS.** I do not believe that it will have a very marked effect.

**Senator SIMMONS.** Let us, then, suppose that the Italians will continue to import after this duty is put on. You would, in that event, increase your price?

**Mr. LOOS.** We hope it would be increased.

**Senator SIMMONS.** You would increase it; that is your calculation, that you would increase your price?

**Mr. LOOS.** We do not like to say it that way quite. We hope the buyer would have to pay more; it is a buyer's price.

**Senator SIMMONS.** The point I am making is that if Italy continues to import and pay that duty that would enable you to increase your price to the extent of that duty?

**Mr. LOOS.** We hope that it would result in a higher price that would come more nearly to paying the cost.



Senator SIMMONS. Is not your purpose to increase your price, if Italian lemons continue to come in and compete, to the extent of that duty?

Mr. LOOS. We hope that that will be the result.

Senator SIMMONS. And that would be at least one case in which the domestic consumer would pay a tariff, would it not?

Mr. LOOS. If the duty were imposed, our hope is, of course, naturally that the price would be increased, because the price now is not sufficient to pay the cost of transportation and harvesting the crop. If this condition continues much longer, the necessary result will be that the California fruit grower will cease to do business.

Senator THOMAS. Mr. Loos, we were told the same thing in 1913, when we were considering the Underwood-Simmons bill, that if the duty upon lemons were decreased a half cent it would put the California people out of business. You are still doing business, are you not?

Mr. LOOS. We were saved by the war.

Senator McCUMBER. And also the trees still bear, notwithstanding the free trade.

Senator THOMAS. There may be another war; there is always something to "save the industry." You were doing a pretty good business, if I recall, between the time of the enactment of that measure and your salvation by the war?

Senator McCUMBER. Mr. Loos, you have your trees there, of course?

Mr. LOOS. Yes.

Senator McCUMBER. The trees are going to bear whether there is any tariff or not any tariff?

Mr. LOOS. They are.

Senator McCUMBER. The owner has got to get what he can out of those trees, even though he does not get his interest on his land?

Mr. LOOS. The owner will keep on in the hope of improvement until those trees cease bearing.

Senator THOMAS. You may recall that when prohibition went into effect everybody said it meant the death of the grape industry in California and the hop industry in Washington State. I understand that the hops are more actively hopping than ever [laughter], and that the grape industry was more prosperous even than the imagination of the vine growers could have hoped for.

Senator SIMMONS. Have other agricultural products on the Pacific coast fallen like lemons?

Mr. LOOS. Have they fallen?

Senator SIMMONS. Fallen in price like lemons?

Mr. LOOS. I do not believe they have.

Senator SIMMONS. Have they fallen at all?

Mr. LOOS. I can not say; I have not made any comparisons of prices of other products. But let me say that the lemon has at no time increased during the war in price in the same amount or anywhere near the same amount as other products or as the products which the farmer has to buy.

Senator THOMAS. You mean has not increased to the producer?

Mr. LOOS. The wholesale prices have not increased. Those are the prices I am talking about.

Senator THOMAS. The retail prices have, I think, kept step with the retail prices of other commodities.

Mr. LOOS. Yes; if the retail prices have increased without increases in the wholesale prices, is it not natural to assume that if the wholesale prices come back to normal or come back to a point where they will somewhere near pay the cost of the producer, that the retail prices will remain as they are, and that the retailer will be compelled to do business on the old margin instead of increasing his price in order to do business on the margin which is made by the present price—based on the higher wholesale price?

Senator THOMAS. My judgment is that if the retail prices remain as they are on lemons and on other commodities, no tariff of any kind will help you, because the people simply will not buy, in my judgment, and largely because they can not buy very much longer at the prevailing retail prices. Of course, that is your ultimate market.

Mr. LOOS. Our hope is that the retail prices, if they have been kept up, will certainly not go higher when the wholesale price gets back to a normal on which the present retail prices may be fixed and may be based.

Senator THOMAS. But even in coming back to normal they have to rise.

Mr. LOOS. The wholesale prices?

Senator THOMAS. Yes, sir.

Mr. LOOS. The wholesale prices have to rise, but it does not necessarily follow that the retail prices will rise.

Senator THOMAS. It does not necessarily follow, but it seems to me to have followed with remarkable celerity during the past few years.

Senator NUGENT. If you lived in Washington, Mr. Loos, you would be well aware of the fact that the very material decrease of wholesale prices has not in the least been reflected so far as retail prices are concerned.

Mr. LOOS. I have heard that said about Washington. I live in Chicago.

Senator NUGENT. It has been said that the price of wheat has been very materially reduced wholly unbeknownst to bread.

Senator THOMAS. Somebody has said the price of wheat has fallen almost unbeknownst to the bread.

Senator NUGENT. The same thing is said of meat in this city.

Mr. LOOS. I have heard that said of Washington.

Senator McCUMBER. Your idea is that the price might rise to the extent of this duty, which would occasion a little addition to the wholesale price, yet that it will still give sufficient leeway for a small profit to the retailer?

Mr. LOOS. It will still give the retailer a large margin if the California lemon wholesale price is advanced in an amount sufficient to pay the cost to the California producer.

Senator NUGENT. Do you not believe that the retailer would immediately increase the price of lemons so as to absorb this tariff?

Mr. LOOS. I do not believe he would, if he has kept his prices up on the basis of the wholesale prices a year or two ago.

Senator McCUMBER. Is not the principal reason why he will not because he can not, for the reason that the public will not buy them?

Mr. Loos, I do not believe he could. If a retailer starts out and buys lemons, say, at a normal wholesale price—we will call the “normal wholesale price” \$5 a box, which would pay the actual cost of production and transportation to the grower—if that wholesale price goes down and the retail demand keeps up, the retailer does not reduce his price in harmony with the reduction in the wholesale price. If that wholesale price comes back to normal, there would seem to be no reason for the retailer to increase his price, which is based originally on \$5 wholesale price. So that he will now get a profit which will be measured by the difference between the abnormally low wholesale price of \$3 a box and to put that profit on to the normal price of \$5 a box.

So I think in this case, if the retail prices have been maintained, that there would not be the tendency and the likelihood of a corresponding increase in the retail prices corresponding with the increase that might come in the wholesale price.

Senator NUGENT. Do you not know, as a matter of fact, that as a general proposition, when there is a tax of any kind imposed by the Federal Government, that the retailer of the commodity on which that tax is imposed immediately increases his price and gives to the consumer the excuse that it is necessary for him to do so in order to cover this Federal tax?

Mr. Loos. Some may do so when the demand is such that they can do it.

Senator NUGENT. Just as one illustration, take the manufacturers of loganberry juice. Prior to the time of the war one of these small bottles sold for 20 cents. After the enactment of the tariff bill, which imposed a tax of 1 cent a gallon on loganberry juice, the retailers, with 16 of these small bottles in a gallon, increased their price from 20 to 25 cents for one of the small bottles, and in some instances 30 cents for one of the small bottles, and gave the consumer to understand that he did that because it was necessary for him to do it by reason of the enactment of this law placing a cent tax on the gallon of loganberry juice.

Mr. Loos. I believe in that case he is able to do it only because of the condition of the market and not because of the additional expense.

Senator NUGENT. And yet the manufacturers of loganberry juice appeared before this committee and insisted very vehemently that the law be amended so as to repeal the section relating to that tax, because it was ruining their manufacturing business.

Senator THOMAS. They said they would have to go out of business if we did not do that, and they have not done it yet.

Senator NUGENT. And loganberry juice is still in the market.

Senator THOMAS. Yes.

Senator NUGENT. Your position is that they are charging all the traffic will bear and that the putting on of this tax will not make any difference in the price to the consumer. That is what you think about it?

Mr. Loos. That is what I believe in this case.

Senator NUGENT. I think you are right.

Mr. Loos. Because when you come right down to it the increase that we need in the price to pay our costs does not amount to very

much in terms of the quantity in which the goods are sold at retail—5 or 6 cents a dozen.

Senator NUGENT. Does your association sell directly to the wholesaler or do you market through middlemen?

Mr. LOOS. The association I am representing does not sell at all. This is an association of the growers, a voluntary association, organized simply for the purpose of getting information, and so on, and taking care of things of general interest to the industry. They do not have anything to do with the selling.

Senator NUGENT. I was under the impression, and have been for two or three years, that all of the citrus growers of California had entered into a cooperative association for the purpose of marketing their products.

Mr. LOOS. There are several associations.

Senator NUGENT. Are you a member of those associations?

Mr. LOOS. The people I represent are members of one or more of those associations.

Senator NUGENT. Do those associations to which you now refer deal with the wholesaler or do they deal with middlemen and commission men?

Mr. LOOS. This is the way that business is handled: The goods are shipped by the growers through the agency of the exchange, so called—there are several different organizations and exchanges—to representatives in the markets, and by those representatives are put on sale either at a public auction or at private sale. In New York they are put on sale at public auction. Any one can come in to that public auction and bid for those goods—any wholesaler, broker, commission man, or any retailer, or any individual private consumer—anyone who wanted to buy quantities of 20 boxes or more.

Senator NUGENT. Do I understand that this is the system pursued by the so-called cooperative marketing associations of the citrus fruit growers?

Mr. LOOS. That is the system in connection with auction markets, which are in New York, Boston, and Philadelphia, and various other large cities.

Senator THOMAS. Do you sell any oranges in Florida and that section of the country?

Mr. LOOS. I do not think there are any shipments of oranges made to Florida. There are shipments made to the Southeast.

Senator THOMAS. I recall the arrival in Florida some years ago of a large steamer loaded with California oranges for the general market, which was rather a surprise to me, and that is what prompted the question.

Mr. LOOS. I did not know that that had ever happened. We have great difficulty in selling oranges in competition with the Florida oranges.

Senator THOMAS. This was in 1911 I speak of, in the month of December.

Mr. LOOS. If I may refer again to the price of Italian lemons being sold in New York at \$2.11, which is the average for the last nine months—the last cargo sold in New York was at a little less than that—\$2.01 per box. That amount of \$2.11 is \$1.39 less than it cost the California producers to place the California lemons on the car in California.

Senator THOMAS. That is a very reasonable sale, is it not; that is not a typical sale?

Mr. LOOS. Two dollars and eleven cents is the average for the last nine months of the sale of Italian lemons in New York, and the great bulk of Italian lemons that come in to the United States are sold in New York. About one million and a quarter boxes are sold in New York out of a total importation of one and one-half million boxes for the past year.

Senator THOMAS. Your product was a little less than 4,000,000 boxes?

Mr. LOOS. Yes, sir.

Senator THOMAS. Is there any surplus stock on hand?

Mr. LOOS. To-day?

Senator THOMAS. Yes.

Mr. LOOS. To-day there are a larger number of lemons in the packing houses in California than ever before known at this time of the year.

Senator THOMAS. Approximately how many boxes?

Mr. LOOS. I can not give you any figures on that, but I can say this, Senator, that the shipments of lemons from California have decreased from 200 cars a week to less than 70 cars a week. The packing houses in California are not equipped to store; there is a very small storage space.

Senator THOMAS. When did this condition begin?

Mr. LOOS. It has taken place in the past three or four months.

Senator THOMAS. Principally in the last three or four weeks, has it not?

Mr. LOOS. No; principally in the last three months.

Senator THOMAS. Do you not think the appalling calamity of the great Republican victory has had something to do with this depression in business affairs?

Mr. LOOS. I am afraid I am not qualified to answer that question.

Senator THOMAS. I think if it had gone the other way that that would have been the cause attributed.

Senator JONES. That is true in regard to the cattle market. Everybody thought the price of cattle would go up as soon as the election was over, and the result was they held their cattle until after the election.

Senator THOMAS. They expected the Democrats to win.

Senator JONES. And then shoved them into the market and the market went all to pieces, with the result that the election did not start cattle up.

Senator McCUMBER. It started down the hill so rapidly it was impossible to stop it.

Senator JONES. The bottom fell out after the election was over.

Mr. LOOS. The price of Italian lemons in New York, to come back to this subject, of \$2.11, is nearly \$3 under the price that the California grower would have to realize in order to get his actual cost out of the product.

Senator McCUMBER. I wish you would explain how you estimate the cost of the production.

Mr. LOOS. The cost of production is estimated on the cost of culture, the development costs of the orchard, and the water costs—

a great deal of this being under irrigation. That and spraying costs. Of course, there is a great deal of labor involved in the growing. And then, in addition to that, is the cost of harvesting and transferring to the packing houses, the places in which they are sorted and graded and put in the boxes, and all the cost of doing that work. And this total cost—

Senator McCUMBER (interposing). Just a moment before you come to the total. Do you include any interest in the investment upon the land?

Mr. Loos. I do not have the detail figures with me. I must say I can not say whether the interest in the investment is included. You see, we have had such short notice of this that I got all this information by wire, and the detail figures are on their way from California.

Senator McCUMBER. Most of the work on these smaller ranches, at least, is performed by members of the family, for which they have no fixed wages themselves, arriving at their costs. Do you include what they would have to pay if the same labor had been hired?

Mr. Loos. I think wage allowances are made for this. Wage allowances are made for the labor that necessarily had to be done.

Senator McCUMBER. If we followed that rule upon the farm there would not be one farm out of thousands in the United States that would pay expenses in normal times.

Senator SIMMONS. I agree with you absolutely.

Senator THOMAS. Mr. Loos, what proportion of the California lemon crop comes into direct competition with the Italian supply? You have a large portion of the country that is free from direct competition with Italy?

Senator NUGENT. Practically everything west of Pittsburgh, he has stated.

Senator THOMAS. Now, proportionately, what is the volume of your production that directly feels this competition?

Mr. Loos. Of course, by direct competition I assume you mean those markets in which the lemon from California is sold side by side with the lemon from Italy?

Senator THOMAS. Yes; that part of the country which buys in this market.

Mr. Loos. Which goes as far west as Chicago?

Senator THOMAS. Yes.

Mr. Loos. I can not give you the exact figures on that.

Senator THOMAS. Oh, I do not expect it.

Mr. Loos. But the proportion of the fruit sold east of the Mississippi River is well over two-thirds, I think, of the California crop.

Senator THOMAS. And a great part of the territory east of the Mississippi is also free from that direct competition, is it not?

Mr. Loos. It is pretty hard to say where the direct competition ends and the indirect competition begins. Of course, indirect competition is extended all over the country.

Senator THOMAS. I asked about direct competition

Mr. Loos. I say, it is hard to say where one ends and the other begins, because sometimes Italian lemons will be shipped into any one of those points.

Senator THOMAS. Chicago is the westernmost point that you mentioned in which they appear.

Mr. LOOS. It is the westernmost point in which they have been offered, but they can go farther west when the competitive situation is such that it will permit them to.

Senator THOMAS. Do you know what the freight rate is from New York to Pittsburgh on lemons?

Mr. LOOS. No; I do not know.

Senator THOMAS. Or from New York to Chicago?

Mr. LOOS. No; I do not know that.

Senator THOMAS. Or from Chicago to St. Louis?

Mr. LOOS. I do not know any of the freight rates westbound at present.

Senator THOMAS. You are familiar only with the eastbound?

Mr. LOOS. That is all I have in mind at the present time.

The westbound transportation costs for Italian lemons are as follows:

	Per box.
To Chicago.....	\$0.72
To Cincinnati.....	.72
To Pittsburgh.....	.54
To Kansas City.....	1.30

The freight rates are quoted in cents per hundred pounds and the above figures are reduced to the box on the basis of a weight of 85 pounds, which is the estimated weight for Italian lemon boxes fixed by the railroad tariff.

Senator THOMAS. Might not the westbound freight rates have something to do with this competition?

Mr. LOOS. I do not believe the westbound freight rate is any higher proportionately than the eastbound freight rate.

Senator THOMAS. No; I am inclined to think it is less; I do not know. Do you ship any of your commodities by water to eastern ports?

Mr. LOOS. Not now.

Senator THOMAS. When did you last do so?

Mr. LOOS. I don't know of any shipment that has been made by water from California to eastern ports. There may have been, but I don't know of them.

Senator THOMAS. Well, is that due to the perishable nature of the commodity?

Mr. LOOS. Yes; all of the shipments are made in refrigerator cars.

Senator THOMAS. Of course, the transportation from Italy to this country is by water?

Mr. LOOS. In refrigerated ships from there here.

Senator THOMAS. And the same process could be used for water shipments from California?

Mr. LOOS. Why, it might be possible. Of course, the transportation conditions are a little bit different. We have to go through the canal through very hot country. It would be subject to intense heat while passing through the canal and this the Italian shipments escape.

Senator THOMAS. In a refrigerated boat they would probably escape?

Mr. LOOS. Oh, yes.

Senator THOMAS. What I am getting at is this: Do you know of any action by the transcontinental railway lines by which shipments

of citrus fruits through the canal are discriminated against, or sought to be discouraged?

Mr. Loos. I do not know of any particular action. I would imagine, of course, the transcontinental lines would attempt to discourage shipments, but whether they have ever taken any definite action I do not recall at this time. I do not believe I have ever heard of any definite action.

Senator THOMAS. Do you know what the difference would be in the expense of transportation by the canal and transportation by rail; has your association looked into that at all?

Mr. Loos. They are investigating that subject, and have been, but I can not give you any comparative costs. I do not believe we have ever had any definite figures quoted by way of the canal. The water rate from Italy is very low indeed. It is much lower than the water rate from Italy to Great Britain, because there is more open cargo space coming to the United States from Italy than goes to Great Britain; in fact, it often goes begging. The transportation cost to the Italian grower is from 60 to 70 cents a box. The last cargo that came into New York paid a little less than 70 cents a box. Comparing that with our transportation cost of \$1.50 a box, there is a difference of 80 to 90 cents.

Senator THOMAS. And comparing Italy, and I do not see why the associations such as that which you represent do not look into that matter and take it by water transportation, if it be true, as was alleged during the period of canal construction and since, that water transportation is so much cheaper than land transportation; and, of course, you can control your own transportation by water, if it is available.

Mr. Loos. We are, of course, looking into that, but we have not yet come to the conclusion that it will be any cheaper than we can now transport by rail. You see, the Italian shipper—I think I made the statement that the Italian grower shipped in steamers having refrigerating machinery. That is not correct. He can ship without refrigeration. The California grower would have to have refrigeration in going through the canal. That is where he would have his greatest difficulty, because passing through that canal the cargo would be subject to intense heat.

Senator THOMAS. Even then, if the superiority in cost of water transportation over rail is what we have been informed it is, you could bear the added cost of refrigeration and at the same time largely reduce your freight rate. I don't think there is any question about that.

Mr. Loos. If we can reduce our freight rate it is, of course, probable that the shipments will be made by water. But so far we have been unable to see how that can be done. There is at the present time no equipment available for carrying these products. It would mean that we would have to get that equipment in some way or get somebody to put it in service.

Senator SIMMONS. Of course, but would it not very largely pay you? The United Fruit Co. has done that.

Mr. Loos. It is a large subject, and one we are considering very carefully, but it can not possibly give us any relief for a considerable time.



Senator SIMMONS. Do you know anything about whether cargoes from the Pacific Coast to New York run light on the outward trip?

Mr. LOOS. From the Pacific coast to New York?

Senator SIMMONS. Yes; and north Atlantic coast.

Mr. LOOS. No; I don't know anything about that.

Senator SIMMONS. You said a little while ago that one of the reasons why water shipments from Italy are so low was because incoming cargoes were light. I was asking you if that same situation did not exist with reference to water transportation from the Pacific coast.

Mr. LOOS. I can not say whether the transportation space eastbound is less in demand than the westbound or not. But, of course, even if it were, we would not get the same benefit of it, because we would have to have the special refrigerated ships to go through the canal.

Senator SIMMONS. Well, I assume that you would find that the water rates would justify your shipping by water instead of by rail, including the refrigeration, if the boats would put in the necessary machinery to accommodate that condition.

Mr. LOOS. It would.

Senator SIMMONS. Senator Thomas suggests that the packers do it from the Argentine on meat. Of course, they are not going to put in that expensive machinery unless they have some assurance they are going to get your business. You have first got to ascertain whether the rate would justify you in using the water instead of the rail, and after you have done that, I imagine if they have any reasonable grounds to expect your business, they would put in the machinery.

Mr. LOOS. You do not mean, of course, all ships would?

Senator SIMMONS. Oh, no; of course not.

Mr. LOOS. We would not get the benefit of the reduced cargo rate available at the last minute before sailing as you do on other commodities, but this is receiving consideration on the part of the lemon growers and it is possible they will develop some kind of water transportation. But, of course, that will take a long time to develop. It will require the building and equipping of new steamers, and will require financial arrangements that will take a long time to consummate.

The present situation is one of great emergency on account of the low prices which the California lemons are selling at, a price during the last three months that is less to the growers than it costs them to harvest and pack them and place them on the cars, and has resulted—

Senator SIMMONS (interposing). I can tell you that the same situation exists with reference to many of the staple agricultural products of the country to-day.

Senator THOMAS. You can not name any exception, can you?

Senator SIMMONS. It would be difficult.

Mr. LOOS. Well, the agricultural products are the ones—some of them, are they not—that are to have relief from this emergency tariff legislation?

Senator SIMMONS. There are a great many that can not be relieved if you make it 300 or 400 per cent.

Mr. LOOS. But here is a product which we believe can be relieved, and if it can, it certainly should have the protection of the emergency tariff.

Senator SIMMONS. Oh, I suppose, if you would make the duty high enough to exclude lemons altogether from Italy, that you could charge the consumer here whatever prices you might find necessary to make a profit.

Mr. LOOS. That is not the point, Senator. The duty that we are asking for of 2 cents a pound will not amount to an increase that will even pay us our cost. It will be simply sufficient to enable us to weather the storm until more adequate and permanent relief is given.

Senator SIMMONS. Of course, you make out a different case—I see that clearly—you make out a different case from the case of the corn grower, and a different case than he can make out. He has suffered as much as you have; his product has fallen on the market 60 per cent in the year, but the tariff will not help him. The prices of the tobacco growers have fallen. I think, nearer to 70 per cent than 60 per cent. The tariff will not help him. But you do make out a case where I think the tariff will help you. Of course, the consumer would have to pay it, but the consumer would not pay more than a reasonable price, if he does pay it.

That, to my mind, is the situation. I think you have made out a different case from many other agricultural products. The tariff will help you a little; but, of course, it will not recoup your losses.

Mr. LOOS. No; we do not expect that at all, to recoup our losses. We expect some return that will pay the transportation and the harvesting cost. At present, every time the grower picks a box of lemons and puts them on a freight car, he adds 21 cents to his loss. The other losses will go on and you can not stop them.

Senator SIMMONS. If you had a prohibitive market and had this market to yourselves, unless you could combine under the present conditions, you probably could not get a price that would equal the cost of production.

Senator THOMAS. That is because the people would stop buying.

Senator SIMMONS. Because the people would stop buying. That is the case with many products. They have got practically no American market and they are not able to sell their product on the market at anything like the cost of production.

Mr. LOOS. That is, perhaps, in some cases, due to the surpluses that have been built up. But here we have a perishable commodity which must be sold as rapidly as it reaches the market, of which there can be no surplus built up. And there is a market for it. It is a food product in constant demand, but with the fast incoming tide of lemons at prices which the Italian lemons have been selling at—

Senator THOMAS (interposing). Right there let me ask you a question: Are the importations of Italian lemons increasing?

Mr. LOOS. They have increased 76 per cent during the last year.

Senator THOMAS. What is the proportion of increase in the last two months, if you know?

Mr. LOOS. I have here the monthly receipts at New York, and that is the port at which the great majority of the Italian lemons are received, showing that in September there were 45,461 boxes received; in October, 39,810; in November, 15,993; and in December, 30,045. That is in 1920.

Senator THOMAS. That is a rise again?

Mr. LOOS. Yes, sir.

Senator THOMAS. How does this compare with similar shipments in corresponding months in 1919?

Mr. LOOS. In 1919, in September, it was 46,000, 1,000 higher; in October it was 26,000, 3,000 less than 1920; in November it was unusual, 87,000 boxes, as against 15,000 boxes this last year.

Senator THOMAS. And December?

Mr. LOOS. In December it was 42,000 as against 30,000 boxes this last year.

There is, of course, a seasonal fluctuation. The largest shipments come in in the summer months; that is when the largest consumption of lemons occurs, but for the year ending October 31, 1920, as against 1919, the total has increased 76 per cent.

I just want to call attention, also, to this fact, which is very significant: I have spoken of the difference in the cost of transportation for the Italian lemon growers as against the California lemon grower, showing a difference of 80 to 90 cents a box in favor of the Italian grower. The duty contained in the present bill of 1½ cents a pound barely equalizes that difference in transportation costs alone as between the Italian and the California grower. It does not give us anything to go on to offset the lower production costs of the Italian as compared with the California grower. Nor does it give us anything to go on to meet the present disadvantage due to the exchange situation.

Senator THOMAS. Now, is not that the crux of the whole situation?

Mr. LOOS. That, of course, accentuates all of the difficulties; all the difficulties are accentuated by the exchange situation.

Senator THOMAS. Suppose we should give you this tariff of 2 cents, and next year the exchange between the Italian lira and the American dollar should have a sudden fall, would we not then have to increase your duty to meet that added duty due to the lower fluctuation.

Mr. LOOS. Well, if it was to exactly equalize—

Senator THOMAS (interposing). No; but would it do you any good, if because of the continued falling of the exchange this product should continue to come in?

Mr. LOOS. Every little is going to help a lot.

Senator THOMAS. I do not see how that helps the consumer.

Mr. LOOS. Understand, this duty is not going to enable us to sell at a profit. This duty is simply going to give us a chance to get by the hard times ahead for the next year.

Senator THOMAS. That is, this duty is intended to lift you over the present emergency?

Mr. LOOS. That is our idea.

Senator THOMAS. By requiring the American consumer to bear the burden which otherwise would fall on you?

Senator McCUMBER. The American wholesaler, you might say.

Senator THOMAS. The consumer is the man who ultimately pays. I am not saying that is the process that would effectuate it, but that is the process that would effectuate it, if at all. I do not see, to be

frank about it, how it would effectuate it, because it does not reach the crux, which is the collapse of the markets.

Mr. Loos. But for the reasons explained before. I do not believe that the retailer, or the retail prices, are going to be much affected by this duty, if it is imposed. I think this presents a little different situation from that ordinarily presented, because here we have a product that has not shared in the general increase of prices during the war period to the same extent that prices and commodities in general have, and the retailers' margins to-day—if in fact the retail prices have been kept up—are based upon a normal selling price of California lemons. Those markets have not greatly increased by the abnormally low price at which lemons are now selling, and if those selling prices get back to normal with the retail market in the condition in which it is to-day, there seems every reason to believe that the retailer could not advance his price, and the consumer would pay no more than he does to-day.

Senator JONES. It has been stated here that if we amend this bill, that as a practical proposition we will not be able to pass it through this session of Congress. In that view of the case, do you want to insist on an amendment to this bill, increasing the duty to 2 cents a pound on lemons?

Mr. Loos. That, of course, is a very difficult question.

Senator SIMMONS. What is that question, Senator; I did not catch it?

Senator JONES. It has been stated here, as a practical proposition, that if this bill was amended it would not get through this session of Congress. I have asked him if, in view of that situation, he was insisting on an amendment to this bill.

Mr. Loos. If an amendment to the bill would defeat it—

Senator JONES (interposing). You are representing your interests and are here speaking for those interests. I would like to get your view of it.

Mr. Loos. I will try to give it to you. If an amendment of the bill would defeat it, of course we would rather have the 1½ cents a pound than the present tariff. But if the bill could be amended without defeating—

Senator JONES (interposing). What is your view about it; do you think the amendment would defeat it?

Mr. Loos. I am not familiar enough with the legislative processes to say.

Senator JONES. I would like for you to get information around the Capitol and around Washington and find out whether an amendment to this bill would cause its defeat or not.

Senator THOMAS. The chairman of the committee announced the other day that he thought it ought to pass with modifications. That means amendments.

Senator McCUMBER. You probably have the right to assume that every amendment suggested would receive the serious consideration of both branches of Congress.

Mr. Loos. I assume so.

Senator McCUMBER. And that any good amendment ought not to kill it.

Senator JONES. I will ask the chairman pro tem, will it do it?

Senator McCUMBER. My opinion is that we ought to get the bill right and let it take its chances.

Mr. Loos. Of course, I do not want to do anything that will jeopardize the bill. We are here seeking a duty on lemons; something which will carry us through a very serious situation in which we find ourselves. We believe a cent and a quarter is not sufficient to give us adequate relief, even for a temporary emergency, but we would rather have that and not have the two cents for which we are asking if an amendment to two cents would in any way jeopardize the prompt passage of the bill.

Senator CALDER. You said a little while ago that the importation of lemons had increased 76 per cent in the last year.

Mr. Loos. Yes, sir.

Senator CALDER. Will you tell us whether the importations fell off considerably during the war?

Mr. Loos. They did.

Senator CALDER. There were no importations to speak of, were there?

Mr. Loos. Yes; there were substantial importations.

Senator CALDER. But the importations during the war years were much less than in the prewar years?

Mr. Loos. Yes; much less.

Senator CALDER. Were the importations in 1920 greater or less than in the prewar years? For instance, were the importations in 1920 greater or less than they were in 1913 or 1914 or 1915?

Mr. Loos. My figures here for New York go only back to 1916.

Senator CALDER. How about 1916; that is the year beginning 1916?

Mr. Loos. Italy was in the war then.

Senator CALDER. Italy was in the war then?

Mr. Loos. Yes. I can get those figures for you.

Senator CALDER. I wish you would get them and put them in the record.

Mr. Loos. I can get them by wire from New York. I will file them with the committee on Monday.

Senator McCUMBER. Very well, that will be in time.

*Imports of Italian lemons sold in New York City.*

PREWAR PERIOD.		WAR PERIOD.	
Year ending Oct. 31—	Boxes.	Year ending Oct. 31—	Boxes.
1911.....	1,527,330	1915.....	1,222,982
1912.....	1,382,683	1916.....	1,261,279
1913.....	1,987,812	1917.....	1,025,731
1914.....	2,193,171	1918.....	881,420
		1919.....	784,433
Average of prewar period.....	1,772,749	Average of war period.....	1,035,171
1920.....			1,266,978

The above figures are the actual sales at auction in New York of imported Italian lemons. Our records do not show the total importations for the entire United States for all of the years given. During the year ending October 31,

1920, the total United States imports amounted to 1,553,374 boxes, as compared with the total of New York of 1,200,978 boxes. In view of the fact that the great proportion of imported lemons are received at New York and there sold, it is believed that the foregoing figures are representative.

**Senator McCUMBER.** Now, is there anybody else who wishes to be heard on this subject this afternoon? Is there any witness who wants to be heard this afternoon? If not, we will not have a meeting until Monday.

The committee will stand adjourned until 10.30 o'clock a. m. on Monday, to meet in this room.

**Mr. Loos.** I thank the committee very much for the courtesy extended me.

**Senator McCUMBER.** We are much obliged to you.

(Thereupon, at 12 o'clock m., the committee adjourned, to meet on Monday, January 10, at 10.30 o'clock a. m.)



**MONDAY, JANUARY 10, 1921.**

**UNITED STATES SENATE,  
COMMITTEE ON FINANCE,  
Washington, D. C.**

The committee met pursuant to call in room 310, Senate Office Building, at 10.30 o'clock a. m., Senator Porter J. McCumber presiding.

Present: Senators Penrose, Smoot, McCumber, La Follette, McLean, Calder, Sutherland, Simmons, Thomas, Gore, Nugent, and Jones.

Senator McCUMBER. Senator Ransdell, did you wish to be heard this morning?

Senator RANSDELL. Mr. Chairman, yes; the Louisiana sugar growers would like to be heard. Senator Gay and myself are here with them, and if the committee is ready now I would like to present Mr. Robert E. Milling, who is himself a sugar grower and thoroughly familiar with the Louisiana sugar situation, and who will state the case briefly.

Senator McCUMBER. We will be glad to hear from you, Mr. Milling.

**STATEMENT OF MR. ROBERT E. MILLING, NEW ORLEANS, LA.**

Mr. MILLING. Mr. Chairman and gentlemen of the committee: If there is no objection on the part of the committee, I wish to make a brief statement, and if any member of the committee desires thereafter to ask me any questions I would be pleased to answer them.

Senator McCUMBER. Very well.

Mr. MILLING. As I understand, the only question so far as the sugar interest is concerned, is as to whether or not the amendment proposed by Senator Gay of Louisiana to include sugar in the emergency tariff be adopted. We will not go into discussion of the necessity of the bill, because it seems to be universally conceded that the agricultural interests of the United States are in such depressed condition on account of the decline in prices that it is imperative that some remedial legislation be enacted. This bill has been presented to you from the House. It failed to include sugar. Upon its presentation to the Senate an amendment has been offered to include within its provision a duty upon sugar, and the question presented to you is, shall this amendment be reported as part of the bill? To determine this question the committee will necessarily determine—

First, Are the market conditions of sugar such as to justify the imposition of the tariff? Second, Would the tariff be fair to the consuming public? Third, Would such tariff yield substantial revenues to the Nation?

Senator McCUMBER (interposing). I would say that as to reporting this bill, I do not think any of the committee have any consideration whatever for the question of revenue. That will be taken care of in a new revenue bill. The whole purpose of introducing this bill, in the first instance, in the introduction of it in the House and as presented by certain members of the committee, was to take care of certain agricultural products that they felt could not properly await the revision of the revenue laws.

Mr. MILLING. Certainly. I only conceived the idea of discussing that phase of the case and showing the material benefits in the way of increased revenue to the Nation because of the difference in opinion between members of the two great parties on the question of tariff. We understand that it is the theory of the Republican Party to impose a tariff on commodities that will protect and foster the industries of the United States, whereas the other party adheres to the theory that no tariff should be imposed except to yield revenue, and that a tariff should be imposed upon those commodities which produced the greatest amount of revenue without regard to the protection of the industry. If this latter class could be appealed to and shown that this emergency tariff would likely, in the next 10 months, yield from \$75,000,000 to \$100,000,000 in revenue, it might have the effect of causing some Senators to support the measure who otherwise would not do so.

But, accepting the suggestion of the honorable chairman, I will not discuss that phase of the question further, but will confine myself to answering the first two questions propounded.

First. Are the market conditions of sugar such as to justify the imposition of the tariff?

To answer this question it will be necessary to take into consideration the market price of that commodity at the time of planting and cultivating the present crop, and the costs incurred in producing same. When the 1920 crop was planted, and during the whole time it was growing, all costs of production had reached the maximum, which was the highest, perhaps, known in the history of the United States. In order to successfully grow a sugar crop it is necessary that there be rapid and thorough cultivation, liberal application of fertilizers, and the purchase of all things necessary to promptly and efficiently operate a large plantation. Those costs in 1920 were three times their cost prior to the breaking of the World War.

For example, the cane producers of Louisiana paid \$65 to \$85 per ton for fertilizers, which prior to the war cost from \$18 to \$25. They paid \$6.25 to \$6.50 per bushel for clay peas, which are used at the rate of 1½ bushels per acre in sowing one-third of the plantation, to be plowed under the following fall as a fertilizer. These peas prior to the war cost \$1 to \$2 per bushel. They paid for the necessary mules upon the plantation from \$350 to \$450 per mule, whereas prior to the war such mules cost from \$150 to \$225 each. They paid from double to treble the price for plows, gear, implements, and all kinds of wagons and machinery of every description. They paid a heavy



increase in freight rates in transporting all of these commodities to the plantation.

These costs being enormous, nothing short of a full crop and a price based upon production costs—in fact, a price of from 15 to 18 cents per pound—would have brought the sugar producers out without a loss. But instead of having a full crop they harvested hardly a half crop, and instead of the price being from 15 to 18 cents it is less than half that amount.

So with these statements, which can and will be substantiated by figures given by Mr. Chaffe, who will follow me, it certainly is proved beyond controversy that the sugar producers of Louisiana are a class of agriculturists that are suffering as much as, if not more than, any other agriculturist in the United States from the rapid decline in price. In fact, gentlemen of the committee, you can hardly conceive of the conditions. They are appalling. We have faced floods from the Mississippi River; early freezes; seen the crops of whole plantations destroyed by these disasters; but never in the history of the industry has it been in the condition that it is to-day.

This is easy of illustration. For example, take a place that in 1913 cost \$100,000 to grow the crop up to harvest time. Suppose that crop had been destroyed entirely so that not one cent had been derived therefrom. The loss would have been \$100,000. That same crop this year has cost about \$300,000, and, harvesting only a half crop, the gross returns from the same will not amount to over, say, \$100,000 to \$150,000, so the owner of that plantation, instead of being in debt to the extent of \$100,000, the amount he would have owed in 1913 if his crop had been entirely destroyed, does, at the end of this, the 1920 season, owe a much greater sum.

And what further confronts him? Will he be able to discharge this debt in the future by receiving high prices? No. Virtually we are back to prewar prices, and he is confronted with a heavy debt that has been contracted on the basis of expecting to receive a high price for his product and paying a correspondingly high price for the production.

We have understood that the argument has been made by some that the imposition of the proposed tax would have the effect of simply benefiting the manufacturer of sugar and not the grower of cane. That is not true with reference to Louisiana, for by agreement in the early part of the season when they were confronted with no market and an absolute sacrifice of their cane based upon the price of sugar if forced upon the market, agreed with the manufacturers that they would deliver the cane to the factory, receive an advance thereon, and would accept settlement in full based upon the actual amount received for the sugar when sold. The contract entered into is usually to give the cane producer the value of 100 pounds of sugar for a ton of cane.

Senator SMOOR. You are very fortunate as compared with the beet-sugar manufacturers?

Mr. MILLING. Yes. I understand that they bought at a fixed price.

Senator SMOOR. They had a contract?

Mr. MILLING. They had a contract at a fixed price.

Senator SMOOR. And that contract of all the growers was to pay a minimum of \$12 a ton?

**Mr. MILLING.** The manufacturer, however, is much better off than the grower, for he is purely a manufacturer, and in our section—

**Senator SMOOT.** Yes; I say he is.

**Mr. MILLING (continuing).** Pays for the cane on the basis of the market price of sugar. The trouble, however, is that almost every manufacturer is also a grower of cane. For example, take a plantation that has raised, say, a half crop in 1920. The cost is anywhere from \$10 to \$14 a ton, whereas the value of that cane is only \$5.50 to \$6 a ton based on the price of sugar.

The situation, gentlemen, is simply that the sugar industry of Louisiana is in dire distress. Men who have been in the business for a lifetime and who have encountered every conceivable disaster that has ever befallen a sugar crop and who have successfully combated all such obstacles are unable to finance themselves for the coming crop. I know of farmers who have passed through all these disasters without being forced to the necessity of executing a mortgage upon their plantation. Such plantations are still unencumbered, though the indebtedness of the owner is very heavy. Taking into consideration the debts that are owed, I doubt if such plantations could even finance themselves by executing a mortgage if they covered their present indebtedness. In other words, the country is so demoralized and financial interests are so timid with reference to making advances that there is a poor prospect, so far as the great majority of the sugar producers in Louisiana is concerned, of receiving financial aid for the growing of the coming crop.

**Senator GORE.** What else is that land suited to?

**Mr. MILLING.** It will raise rice, but rice is as bad off as sugar this year, perhaps worse. Those lands are very fertile and will grow almost any crop, but the most successful crop that can be grown on them is sugar cane. While the lands are as fertile, they are not as good corn lands as those of the North and West. Cotton grows to enormous size, but does not fruit. In fact, the experience of 100 years has shown that they are better adapted to cane as a money crop than any other.

**Senator NUGENT.** Is it not true that the conditions you complain of confront practically every industry in the country?

**Mr. MILLING.** I think so; especially the agricultural industries; and for that very reason I think that sugar should be included in the bill and a substantial tariff imposed thereon.

**Senator SMOOT.** Beet sugar is worse off than anything in the United States. But, of course, I am not going to put beet sugar in here. I want this bill to pass as it is. If you load it up with amendment it is gone.

**Senator RANSELL.** Let me ask if the beet-sugar situation does not apply to the beet manufacturers rather than the growers, and if the growers are not getting from the manufacturers a pretty fair price for their products?

**Senator SMOOT.** Certainly.

**Senator RANSELL.** And that there are only a limited number of manufacturers?

**Senator NUGENT.** You would not think so, Senator Ransdell, if you should hear the beet growers talk.

Senator SMOOT. For instance, if you take a manufacturer and destroy him, how are you going to raise beets?

Senator RANSDELL. I do not want to destroy either the manufacturer or the grower. But there are a great many more growers than manufacturers, as Mr. Milling has stated. In our case, nearly all of the manufacturers are also growers; they catch it both ways.

Senator SMOOT. In the sugar-beet industry they are in a horrible condition. I am expecting now to call on the Federal Trade Commission to begin action against them for losing money, to see if they can send them to the penitentiary for that.

Senator NUGENT. I do not think there is any danger of that.

Senator RANSDELL. Not with the new chairman.

Senator NUGENT. I am not chairman.

Mr. MILLING. If Senator Smoot will pardon me, I suggest that it would seem to the sugar producers that it would not be fair to offer the argument that if sugar is included in the bill the same will not pass. If it is just and fair to the sugar producer to include sugar in the bill, and that is the judgment of the committee, then the amendment should be adopted by the committee, the bill reported, including the amendment, and the question submitted to the Senate, and if in the wisdom of the Senate they found that sugar should not be included, they would have a perfect right to strike it from the bill.

Senator SMOOT. I know it is not fair; but I know the situation; that is all.

Mr. MILLING. I think you are mistaken as to the situation, Senator. I do hope that sugar can be included and that the bill can pass with the amendment.

Senator GORE. Do you think the sugar people are in any worse shape than the cotton people?

Mr. MILLING. Senator, that is difficult to say. They are not in worse shape than the cotton people who have operated their cotton plantations as most of the sugar planters have theirs. The very small cotton farmer might get along better than the sugar farmer where he has been able to raise everything he needs at home. But the large sugar plantation, like the large cotton plantation, operated on the gang system, takes money every pay day to pay off the hands; whereas I know of some cotton farms that are run by furnishing the tenants something to eat and wear, which the owner furnishes out of the plantation store, and sometimes buys the goods on credit.

Senator SMOOT. I do not want you to get a misunderstanding from what I said. I do not think there is an article in the United States that needs to receive assistance for an emergency as does the sugar industry of the country. But I take the position that if we are going to get this bill through and get it into law, we can not begin to load it up with amendments. I have at least a thousand letters and telegrams asking that other items be put in.

I make that statement just so that my position will be understood.

The CHAIRMAN. Senator, somewhat for my own information, I would like to ask, Is there anything more important than the sugar industry?

Senator SMOOT. They say there is not, and that there is not an industry in the United States affected like the beet-sugar industry.

Senator GAY. And cane also.

**Senator SMOOT.** Cane is a little better, because cane did not have to pay the big price. The beet-sugar industry had a contract for a minimum price of \$12 a ton for beets; and, in fact, only day before yesterday the heads of the sugar companies were here and have been to New York for a week trying to get millions of dollars to make up the loss.

**Senator GAY.** If you will pardon me, the cane manufacturer in Louisiana, the man who manufactures sugar, is generally the grower of his cane.

**Senator SMOOT.** He buys cane, does he not?

**Senator GAY.** Only a small proportion of that that is grown.

**Senator SMOOT.** So far as that is concerned, it is the same.

**Senator GAY.** About the same, I should judge.

**Mr. MILLING.** The sugar man in Louisiana—while the beet manufacturer paid \$12 a ton for his beets—most of the plantations in Louisiana paid \$12 to \$15 a ton for the cane grown in the fields.

**Senator SMOOT.** \$12 a ton for beets, with \$1 spread, which Mr. Hoover said was proper, would get \$11 now for sugar that they are just selling. It cost us this year \$9.54 to make that sugar; they are selling it to-day for \$7.49.

**Mr. MILLING.** There is no doubt about their suffering a great loss, Senator.

**Senator SMOOT.** And 1,250,000 bags for one company is going to run into a large sum of money.

**Senator NUGENT.** That same sugar was sold last fall, if my recollection serves me, at \$24 to \$27 a hundred.

**Senator SMOOT.** Idaho sugar was not.

**Mr. MILLING.** I think the Senator is mistaken. Sugar did sell at \$24, \$26, and even \$30 per 100 pounds, but it was sugar brought into this country by speculators. I know that Louisiana sugar sold at 18 cents, the price agreed upon with the Government.

**Senator SMOOT.** The average price last year of beet sugar in Idaho—some less and some a little over—was \$12 a hundred. That was the average price, and, of course, they want to send them to the penitentiary for losing the money.

**Mr. MILLING.** I understand one of the arguments urged against this bill is that the sugar people sold at such a high price last year they made so much money that they can cover their losses. But the fact is that when sugar was selling at 30 cents a pound some of our unsold Louisiana sugar was sold at the agreed price of 17 cents, although without Government restriction it would have brought much more. We did not sell in excess of that price, and when the Government fixed that price there were any number of contracts already signed at 21 to 23 cents a pound for that same sugar. Those contracts were canceled and the sugar delivered at 18 cents, the price the Government thought was fair, taking into consideration the cost of production of the crop of the year 1919. It is true that sugar was sold at enormously high prices, prices entirely unjustified, but that was brought about by speculators who bought and sold foreign sugars, and the producers received little or no benefit therefrom. The extremely high prices existed after the disposition of the Louisiana crop. Their crop was sold for 17 cents for clarifieds and 18 cents for plantation granulated, and we were only permitted to receive this price for the reason that the cost of production and the

shortness of the crop was such as to convince the Attorney General, who was acting as Food Administrator, that in order for the industry as a whole to equal the cost of production that it was necessary to receive this price.

Senator RANDELL. Is it not also true that the crop of 1919 cost so much and was such a poor crop that even at the price of 17 and 18 cents there was really no profit to the producer?

Mr. MILLING. There was no profit, taking the industry as a whole. In fact, the sugar producers have not been permitted to make profits since the entry of the United States into the war. During the war, in fact, almost from the moment that we entered the war, sugar was singled out as the one commodity to be controlled. The price of raw sugars rose in New York to almost 8 cents per pound, but the Food Administrator took charge of the situation and only permitted the Louisianians for the crop of 1917 to sell their raws at 6.35 cents and their plantation clarifieds at 7.25 cents, less 2 per cent. In 1918 they were called upon to produce their cost sheets, and a price of 7.35 cents per pound was fixed as a fair price for the raw sugars, 9 cents for granulated less 2 per cent, and other plantation direct consumption sugars at lower prices. In 1919, as just stated, again considering the cost sheets and the shortness of the crop, the price was fixed at 17 and 18 cents.

In 1920 the price declines to where it is lower than the price fixed by the Government during the first year of the war, and yet the cost of production is almost three times the cost of that year, and we are told that the Congress of the United States is so prejudiced against sugar, or are so incensed at the high price that they were forced to pay for sugar during the early part of 1920, that this condition would not appeal to them in the slightest, but that they would persist in defeating any measure which carried any provision for the slightest relief of the sugar producer.

We can not believe but that those who hold this opinion are mistaken. We believe that the Congress of the United States as a whole is fair and just: that they are neither one-sided nor prejudiced; and when they are thoroughly cognizant of the true facts with reference to the desperate condition in which the sugar industry is placed, that they will not only feel it a duty but will consider it a pleasure to support this measure, giving relief to the sugar producer.

Senator SMOOT. I know one Hawaiian concern that has lost over \$11,000,000 since I was there in August. I know when I was over there a month or two before that they were paying Japanese clerks as high as \$1,800 a month. They figured on the basis of the price of sugar.

Senator NUGENT. How much, Senator?

Senator SMOOT. \$1,800 a month to clerks.

The CHAIRMAN. \$1,800?

Senator SMOOT. They had a contract for the price of labor. Why, ordinary Japanese women there were drawing \$11, \$12, and \$13 a day. It was all based on the value of sugar, at what it was to be sold for at the time.

Senator NUGENT. They received certain fixed wages, plus a bonus.

Senator SMOOT. Yes. It was a bonus upon the increased price of sugar, by steps, you know.

Senator NUGENT. As I understand it from the testimony given before the Committee on Territories in respect to this Hawaiian rehabilitation bill, those sugar growers evidently heaped coals on their own heads who brought those Japanese in there, because they worked for a less price than the Hawaiians.

Senator SMOOT. I want to say this, that in all due respect that the Hawaiians would be an absolute failure without the Japanese. America would not. But they could not run the Hawaiian Islands without the Japanese.

Senator NUGENT. Evidently, the Japanese take control, practically speaking, of every country they go into. That is the reason for the fight against them on the Pacific coast, in California particularly; and the same thing is extending into Oregon and Washington States. Recent newspaper publications indicate that they have ordered the Japanese out of Texas.

Senator SMOOT. They are too everlastingly industrial.

Senator NUGENT. They live on a little or nothing and work for a little or nothing.

Senator SMOOT. We have never found any people on earth that will do that work in cane sugar in the Hawaiian Islands compared with the Japanese.

Senator THOMAS. It is human nature with the Jap. He does what all other nations do when opportunity offers.

Mr. MILLING. I suppose we will all agree that the sugar industry is such that it ought to be taken care of if it is possible to do so. Therefore, it being an agricultural product and this bill being particularly for the purpose of taking care of agricultural products, it does seem to us there would be no good reason why sugar should not be included, so far as the producer is concerned.

We will now consider the question, Is the proposed tariff fair to the consuming public?

In order to answer this question we must first consider whether or not the consuming public have themselves profited by the growing of the 1920 sugar crop. Figures could be produced to prove that from 90 to 95 per cent of the value of every pound of sugar produced in Louisiana is distributed for the cost of production. Such distribution is very broad. An important item is labor. We purchased mules and other farm animals from Missouri, Kentucky, Tennessee, and other Western States. We purchased peas to be sown for fertilizers from Kentucky, Tennessee, and North and South Carolina, Georgia, and Mississippi. We purchased fertilizers from Missouri, Illinois, and the various cottonseed mills throughout the South. We purchased machinery, tools, and other implements manufactured from the steel and iron produced in Pennsylvania and Alabama. We contribute largely to the support of the railroads passing through the sugar section in the way of freights upon cane and cane products. The price of all these commodities were very excessive this last year. We paid for mules from \$350 to \$450 as against a prewar price of from \$150 to \$225. We paid for corn with which to feed those mules \$1.68 to \$2 per bushel, whereas the prewar price of that commodity was about 50 or 60 cents per bushel. We paid for clay peas to be sown as fertilizer from \$6 to \$6.50 a bushel, whereas the prewar price was around \$1 to \$2 per bushel.

The various individuals and industries that furnished us these commodities are to-day consuming our sugar. Would it not be fair for them to pay a price for the sugar that would be somewhat commensurate with the price we paid them for the various articles making up the cost of the production of sugar?

Suppose that we ignore entirely the medium of exchange. Suppose that the gentleman who sold us mules at \$400 apiece had agreed with us to take so many pounds of sugar at the then market price to make up that \$400 payable the next fall, or the small farmer who sold us peas at \$6.50 a bushel had agreed to take payment in sugar at the then market price to be delivered when the then growing crop was produced. He would not have felt that he was overreached or imposed upon by the fact that the sugar was worth less when he received it than at the time he contracted to receive it and gave his commodity in exchange.

If this phase of the case was presented to the Members of Congress who represent that constituency known as the "small farmer" and the laborer, I believe their sense of fairness would be appealed to and they would at least at once see that there was no injustice in imposing the tariff so as to bring the price of raw sugar up to 8 cents, which would have the effect of giving the refined sugar to the public at 11 cents retail. We therefore conclude that the imposition of this tariff would be no injustice whatever to the consuming public, but, on the contrary, the consuming public would be getting sugar at a less price than the cost of production justifies.

Remember that we have not been asked that you put a tariff on the sugar large enough to entirely take care of the sugar industry or entirely recoup the losses of the producers, but have asked you for just enough to keep the producer in the business and at the same time low enough to be entirely fair to the consuming public. To impose this tariff would increase the value of sugar about \$50 per ton. This in hundreds of instances would mean the difference between the cessation of operations and the entire loss of property and the going on with operations and the ultimate saving of the property to the owner. Present creditors seem to be disposed to carry over the amount of their debts, but they are in a number of instances refusing to make further advances. Two and a half cents a pound additional upon the sugar now in the hands of the producers would furnish means with which a crop could be pitched and partly cultivated and would put the farmer in a position where later on he likely would receive advances.

We feel that the tariff should be imposed; that the amendment should be adopted. With the imposition of this extra tariff the price of raw sugar would reach 8 cents. When the market price yields 8 cents, then the emergency tariff would come off entirely.

It is true that 8 cents a pound for raw sugar would not pay the cost of production, but the producers, recognizing the fact that readjustment must take place, are willing to be reimbursed only a portion of their losses, and only to such extent as will enable them to remain in the business.

Senator SMOOR. You want to increase the tariff?

Mr. MILLING. We want to increase the tariff 3 cents on 96° centrifugal sugar. The emergency tariff would come off if the price reaches 8 cents.

Senator RANSDALL. You mean when the selling price of sugar reaches 8 cents such tariff as is placed on by this bill would then cease?

Senator SMOOT. The emergency tariff, as I say.

Senator RANSDALL. Yes; would cease at that time.

Mr. MILLING. For instance, when this bill was offered in the Senate it took 3 cents to bring the price up to 8 cents. Sugar has advanced, and it would require only 2½ cents tariff to bring the price to 8 cents per pound under the bill to-day, if it was to pass.

Senator SUTHERLAND. Is that the retail price or the wholesale price?

Senator GAY. That is the price of raw sugar.

Mr. MILLING. That would make refined sugar to the consumer at about 11 cents, and that is not a high price as compared with the price of other commodities.

We deem it useless to go into a discussion to show you the relative value of these various commodities. You are all familiar with that. But I should do so, if necessary. I thank you, gentlemen, for having listened to my statement.

Senator RANSDALL. Mr. Chairman, I will now introduce Mr. Joseph B. Chaffe, of New Orleans, who is chairman of the sugar exchange there and thoroughly familiar with the whole question of the cost of producing sugar and handling it, and everything in connection with it.

The CHAIRMAN. The committee will be glad to hear the witness.

**STATEMENT OF MR. JOSEPH B. CHAFFE, REPRESENTING THE AMERICAN CANE GROWERS' ASSOCIATION OF THE UNITED STATES, NEW ORLEANS, LA.**

Mr. CHAFFE. The best way I can do that, sir, is by referring to the figures of cost in 1915 and the figures of cost to-day.

The CHAIRMAN. Are they not conceded to be vastly greater?

Mr. CHAFFE. I hope so, Senator.

The CHAIRMAN. Then, what is the good of going into that to any great length?

Mr. CHAFFE. That is for you gentlemen to decide.

Senator SMOOT. Have you got them in table form?

Mr. CHAFFE. Yes, sir.

Senator SMOOT. Then put them in the record, and we will have them there.

Mr. CHAFFE. All right, sir.

I will say, however, that the costs of the 1920 crop show that 33½ per cent addition above the average cost of the preceding three years is about as close as any of these affidavits that we have here claim. There are some that are so high that they are bound to be special instances of ill luck—the army worm, too much rain, or something of that sort. But the average cost per ton to produce cane this year was in the neighborhood of \$13—\$13.04 to give the average of a compilation of 54 figures given me. In good years we only get an average of 145 pounds of sugar from a ton of cane in Louisiana. Less in 1920. So in comparing us with beets you must bear in mind that we get 100 pounds less of product per ton of cane than is received per ton of beets.



Senator SMOOT. Nearly so.

Senator RANSELL. What are you getting for 145 pounds of cane now which costs you \$13.04?

Mr. CHAFFE. About \$8.60—\$7.90 a hundred less 2 per cent is the price of bone-black refined sugars, and our price is about a cent a pound below that, sir.

Senator RANSELL. How much average loss per pound does that show on every pound of sugar you manufacture at the present time at the present selling price?

Mr. CHAFFE. I have so many figures per ton of cane and pound of sugar that I will have to look them up. I do not know that I have it in per pound.

Senator RANSELL. Any way you have it, so we can get it.

Senator SMOOT. If a ton cost \$13.04 and a ton makes 145 pounds of sugar—

Mr. CHAFFE (interposing). Yes, sir.

Senator SMOOT. And for that you get \$8?

Mr. CHAFFE. You have the manufacturing costs at \$4 a ton.

Senator SMOOT. We are getting at that. That is what you get?

Mr. CHAFFE. Yes, sir.

Senator SMOOT. So there is \$5 on a ton of sugar on 145 pounds, plus the manufacturing costs?

Mr. CHAFFE. Which is \$4, sir.

Senator THOMAS. Does your amendment, Senator, contemplate making the same exceptions for Cuban sugar as the general law?

Senator GAY. May I state, as the author or introducer of that amendment that this does not change the existing tariff; that it simply is an increase in the tariff or duty for the emergency.

Senator THOMAS. With the the same 20 per cent reduction?

Senator GAY. With the same 20 per cent reduction.

The CHAIRMAN. Have you anything further to state to the committee?

Senator RANSELL. In round numbers, then, can you give this committee an idea of how desperate the situation is to the sugar grower? Is he losing little or is he losing very heavily?

Mr. CHAFFE. He is losing very heavily.

Senator GAY. I merely wanted to ask the witness, Mr. Chaffe, if it is not a fact that the loss in Louisiana among the producers is universal, and that with very few exceptions. I, for one, know of no instance where the producer can hope to make any profit out of this year's crop.

Mr. CHAFFE. I have not heard a single producer claim he could come out even.

Senator SUTHERLAND. Are you referring to 1920 or 1921?

Senator GAY. Nineteen hundred and twenty I am speaking of.

Senator SMOOT. They are running at a loss?

Mr. CHAFFE. Yes, sir.

Senator SMOOT. When did manufacturing cease in your state?

Mr. CHAFFE. All of the manufacturers had finished, excepting two, when we left home on Friday.

Senator SMOOT. Do you know the amount of 1920 crop that has been sold?

Mr. CHAFFE. Approximately 20 to 25 per cent, not exceeding that. We have not been able to sell it.

Senator SMOOT. Do you know what the average price was at which you sold?

Mr. CHAFFE. No, sir; I can not say.

Senator SMOOT. You did not have very much that sold at 10 cents?

Mr. CHAFFE. No, sir; we did not get any sold at 10 cents. I can answer that.

Senator GAY. I would like to bring out this fact, that the man who has grown cane has not yet been settled with, and that in almost all instances the question arises of how they will be financed for the coming year. This is the most desperate situation that has ever confronted the sugar producer in Louisiana—by far the most desperate situation.

Senator SMOOT. They are unable to tell how much they are going to pay for the cane until the sugar is sold.

Senator GAY. That is right, and it is a question of how the banks will be able to finance the producers for the coming year. Many acres will lie idle, and there never has been a time in the history of the sugar business in Louisiana that the situation has been so terrible. Therefore we of Louisiana feel that the greatest emergency that possibly could exist, exists in sugar, and that they ought to have a place in the emergency tariff bill.

Senator SMOOT. There was one little factory in our State that contracted its full output at 14 cents a pound, and a wholesale commission house paid \$500,000 as an advance payment. They have given that \$500,000 to the plant. That is the only thing that will save them.

Senator THOMAS. Have you the figures for exports of sugar for the last year?

Mr. CHAFFE. No, sir. I am not a business man in that sense. I belong to that class which in ridicule is referred to as "hayseeds." I am a farmer.

Senator RANSDELL. I understood that the witness would be allowed to introduce these tables.

The CHAIRMAN. You prepare the tables and they will be inserted.

Senator GAY. He might file a statement in connection with them.

The CHAIRMAN. Yes.

(The tables and additional statements subsequently submitted by Mr. Chaffe are here printed in full, as follows:)

In answering the questions of the members of the committee as to prices realized per ton of cane or pound of sugar my answers are given based upon the present quotations of sugar and not upon actual sales of sugar, because we have not been able to sell more than a fraction of our production—possibly 25 per cent. The price of cane, however, is based upon the price of sugar—100 cents for each cent and fraction of the price of prime yellow clarified sugar is paid for cane—viz. sugar at 6 cents a pound would be cane \$6 per ton—sugar, 5½ cents a pound, cane \$5.50 per ton. Therefore any decline in the price of sugar will increase the losses of the farmers and any advance will decrease their losses.

The figures herein given are operating costs and exclusive of the overhead charges for taxes, insurance, interest, etc.

Because of the rapid decline of sugar prices and the financial situation, there was held a mass meeting of the cane growers and sugar manufacturers on October 29 at New Orleans and in view of the fact that to manufacture the cane into sugar and force that sugar upon the market at any price that it would bring in the then demoralized condition of the market and the indisposition of buyers to enter the market would cause a very great slaughter of prices and certainly reduce the price of cane and thereby bring about ruin to the cane grower. An agreement was entered into that the cane grower instead of de-

manding a settlement for his cane each week as had heretofore been the custom, would accept an advance upon each ton of cane delivered to the manufacturer of \$3 per ton to cover the cost of harvesting, etc., and he would wait for final settlement until the manufacturer had finally disposed of all the first sugars produced in his factory, at which time the manufacturer would make settlement with the grower based upon the actual average relative price per pound received throughout the season for sugars made by the manufacturer.

Because of this agreement entered into on October 29, the grower shares with the manufacturer the risk of rise or fall of the market and what the grower will receive can not be determined until the demand for sugar will absorb the production, when settlement will be made in accordance with the agreement above recited. The Louisiana manufacturer is at the same time a cane grower and ordinarily produces from 40 per cent to 50 per cent of all cane manufactured in Louisiana. For the crop of 1919, the last accurate figures available, the total cane crushed was 2,073,160 tons. Of this amount, 45 per cent was grown by the owners of factories, 54½ per cent was grown by small farmers and tenants and one-half of 1 per cent was ground on toll. This substantiates the claim of the Louisiana sugar producers that they are primarily agriculturists as the chief element of cost, time and risk is in the agricultural side of the production of Louisiana sugar. It is clearly stated by the United States Tariff Commission on page 11 of Tariff Information Series—No. 9 entitled "Costs of Production in the Sugar Industry."

## SUGAR AN AGRICULTURAL PRODUCT.

That sugar is essentially an agricultural product may be shown by an analysis of the principal items into which the total cost is divided—cane or beet cost, factory cost, marketing cost, and depreciation. Such an analysis (Table III) shows that the cost of the raw material, cane or beets, is by far the most important item.

*Comparative statement of agricultural operations for the year 1920, showing operating cost of producing and harvesting a ton of cane, exclusive of overhead expenses.*

	Planta- tion No. 1.	Planta- tion No. 2.	Planta- tion No. 3.	Planta- tion No. 4.
Cane sent to factory..... tons..	1,837	3,982	6,407	2,653
<b>EARNINGS.</b>				
Cane sent to factory.....	\$6.00	\$6.00	\$6.00	\$6.00
Corn and hay crops.....	.45	.42	.67	.68
<b>Total earnings.....</b>	<b>6.45</b>	<b>6.42</b>	<b>6.67</b>	<b>6.68</b>
<b>EXPENSES.</b>				
<b>Maintenance and repairs:</b>				
Roads and bridges.....	.07	.08	.08	.14
Ditches and ditch banks.....	.81	.66	.66	1.41
Repairs of buildings.....	.32	.84	.34	.26
Implements and gear.....	.36	.76	.46	.58
<b>Total.....</b>	<b>1.56</b>	<b>2.34</b>	<b>1.54</b>	<b>2.39</b>
<b>Planting and cultivating cane crops:</b>				
Fall planting.....	.71	.73	.74	1.26
Spring planting.....				.04
Plows and cultivators, plant cane.....	.22	.37	.25	.29
Hoes and shovels, plant cane.....	.57	.82	.41	.86
Plows and cultivators, stubble.....	.16	.16	.14	.27
Hoes and shovels, stubble.....	.28	.19	.11	.31
Fertilizer.....	1.52	1.34	1.73	2.95
Tractor (operation, repairs, and one-third cost).....	.20	.75	.19	.77
Drainage machine.....			.72	.14
<b>Total.....</b>	<b>3.72</b>	<b>4.30</b>	<b>4.27</b>	<b>6.89</b>
<b>Harvesting cane crop:</b>				
Cane cutting.....	1.69	1.52	1.69	2.07
Cane loading.....	.01	.17	.04	.07
Cane hauling.....	.26	.01	.37	.25
Cane transfer.....	.09	.22	.10	.30
<b>Total.....</b>	<b>2.05</b>	<b>1.92</b>	<b>2.20</b>	<b>2.69</b>

*Comparative statement of agricultural operations for the year 1920, showing operating cost of producing and harvesting a ton of cane, exclusive of overhead expenses—Continued.*

	Planta- tion No. 1.	Planta- tion No. 2.	Planta- tion No. 3.	Planta- tion No. 4.
EXPENSES—continued.				
Corn and hay crops:				
Planting and cultivating.....	\$0.53	\$0.51	\$0.51	\$1.11
Fertilizer.....	.90	1.08	1.15	2.05
Harvesting.....	.22	.26	.22	.36
Total.....	1.65	1.85	1.88	3.54
General expenses:				
Feed.....	1.63	1.07	1.90	3.29
Stable expenses.....	.33	.38	.26	.43
Overseer's salary.....	.45	.33	.33	.40
Odds and yards.....	.29	.20	.27	.32
Total.....	2.70	1.98	2.76	4.50
Total expenses.....	11.68	12.45	12.65	20.01
Loss per ton.....	5.23	6.03	5.98	13.33
Acres under cultivation.....	265	703	1,035	833
Average earnings per acre.....	\$44.69	\$36.40	\$41.29	\$21.28
Average expense per acre.....	81.00	73.42	78.32	63.73
Average loss per acre.....	36.31	37.02	37.03	42.45

Factory operations, years 1920 and 1915, exclusive of overhead expenses.

	Factory No. 1.					Factory No. 2.					Factory No. 3.				
	1920	Cost per ton 1920.	1915	Cost per ton 1915.	Increase.	1920	Cost per ton 1920.	1915	Cost per ton 1915.	Increase.	1920	Cost per ton 1920.	1915	Cost per ton 1915.	Increase.
<b>Maintenance and repairs:</b>															
Repairs of buildings.....	\$1,457.42	\$0.05	\$1,190.20	\$0.03	\$0.02	\$1,322.11	\$0.07	\$1,545.60	\$0.15	\$0.08	\$486.46	\$0.03	(?)		
Repairs of engines and boilers.....	2,256.59	.09	1,428.45	.04	.05	4,566.85	.24	1,420.88	.14	.10	5,023.78	.26	(?)		
General machinery repairs.....	15,708.06	.61	3,423.71	.10	.51	12,495.70	.66	3,580.60	.34	.32	10,500.95	.54	(?)		
Repairs and renewals of equipment and tools.....	852.63	.03	1,930.40	.06	1.03	313.14	.02			.02	2,603.66	.12	(?)		
Repairs and renewals of railroad and equipment.....	9,985.54	.39	3,856.10	.12	.27	8,030.77	.43	3,905.08	.38	.05	2,028.95	.10	(?)		
Repairs of derricks and scales.....						3,020.92	.18			.18					
Repairs of steamboats and barges.....						6,002.26	.32			.32					
<b>Total expense of maintenance and repair.....</b>	<b>30,260.24</b>	<b>1.17</b>	<b>11,828.86</b>	<b>.35</b>	<b>.82</b>	<b>36,051.75</b>	<b>1.92</b>	<b>10,452.16</b>	<b>1.01</b>	<b>.91</b>	<b>20,643.80</b>	<b>1.05</b>	<b>\$4,587.54</b>	<b>\$0.44</b>	<b>\$0.61</b>
<b>Manufacture:</b>															
Factory labor.....	14,936.19	.58	12,913.50	.38	.20	23,966.95	1.27	4,786.26	.46	.81	22,733.62	1.17	3,880.04	.38	.79
Fuel oil and coal.....	14,870.48	.57	7,324.75	.22	.35	18,043.68	.96	4,630.55	.45	.51	20,538.32	1.05	3,252.77	.31	.74
Lime, sulphur, and acids.....	4,700.71	.18	2,652.31	.08	.10	845.39	.04	452.62	.04		3,422.65	.18	256.57	.03	.15
Sugar bags and barrels.....	7,738.53	.30	3,497.93	.10	.20	1,620.15	.09	754.40	.07	.02	7,856.91	.40	186.16	.02	.38
Oil, packing, and waste.....	1,727.13	.07	372.31	.01	.06	1,284.91	.07	283.61	.03	.04	1,034.48	.05	133.87	.01	.04
Other factory supplies.....	10,390.01	.40	2,029.65	.06	.31	5,913.50	.32	377.29	.04	.28	3,898.69	.20			.20
<b>Total expense of manufacturing.....</b>	<b>54,363.05</b>	<b>2.10</b>	<b>28,790.45</b>	<b>.85</b>	<b>1.25</b>	<b>51,674.58</b>	<b>2.75</b>	<b>11,284.43</b>	<b>1.09</b>	<b>1.66</b>	<b>59,524.67</b>	<b>3.05</b>	<b>7,709.41</b>	<b>.75</b>	<b>2.30</b>
<b>Total combined expenses of maintenance, repairs, and manufacture.....</b>	<b>83,815.17</b>	<b>3.27</b>	<b>40,619.31</b>	<b>1.20</b>	<b>2.07</b>	<b>87,726.33</b>	<b>4.67</b>	<b>21,736.59</b>	<b>2.10</b>	<b>2.57</b>	<b>80,168.47</b>	<b>4.10</b>	<b>12,296.95</b>	<b>1.19</b>	<b>2.91</b>
Cane ground..... tons.....	25,926		33,960			18,791		10,313			19,541		10,327		

† Decrease.

\* No detail for 1915.

Mr. CHAFFE. Answering Senator Gay's question as to whether the bulk of figures show a gain or loss, the loss amounts to more than the total value of the product raised. The cane, we figure, will bring approximately \$6 a ton. Corn and hay crops made amount to 42 to 48 cents per ton of cane crop harvested—that is, \$6.48 against an average cost of production of \$13 per ton—which is just below half.

Cost of production of cane harvested.....	\$13.00
All crops of cane, corn, and hay will probably sell for per ton of cane harvested .....	6.48

Probable loss ..... 6.52 •

The CHAIRMAN. Any data that Louisiana Senators indorse will be inserted in the record.

Senator RANSELL. Thank you. And you would ask permission—both Senator Gay and myself—to include in the record several telegrams which we have received. However, we do not want to incumber the record with all of them, but we will just collate and take out several from each batch.

The CHAIRMAN. They will be printed.

(The telegrams referred to were subsequently submitted by Senators Ransdell and Gay and here printed in full, as follows:)

LAKELAND, LA., December 19, 1920.

Hon. EDWARD J. GAY,  
*United States Senate, Washington, D. C.*

We learn through the press emergency tariff bill excludes sugar. The financial condition of the Louisiana sugar belt is distressing, and it is imperative that cane producers and sugar manufacturers receive some relief. We respectfully urge you to exert your utmost efforts to get sugar included in the bill at a substantial rate and suggest duty at 3 cents per pound. Your efforts will be appreciated by your constituents.

R. MUMFORD PHILLIPS.  
N. B. PHILLIPS.  
A. J. LYNN.  
J. B. CHURCHILL.  
WILLIAM GLYNN.  
E. S. CHURCHILL.

C. RITCHIE.  
CHAS. GLYNN.  
M. T. HEWES.  
GEO. C. PITCHER.  
MARTIN GLYNN.  
CHAS. C. PITCHER.

JEANERETTE, LA., January 8, 1921.

Hon. EDWARD J. GAY,  
*United States Senate, Washington, D. C.*

Please appear before the Senate committee giving sugar a hearing and urge with all your power the absolute necessity of giving sugar growers' some assistance in the emergency tariff bill. Conditions here are deplorable, present price of sugar fully 4 cents under cost of production, and unless aid is given fully 50 per cent of the land will remain idle this year.

CITIZENS BANK OF JEANERETTE, LA.

JEANERETTE, LA., January 8, 1921.

Hon. EDWARD J. GAY,  
*United States Senate, Washington, D. C.*

Entire sugar and rice belt facing disaster. Passage of emergency tariff bill absolutely necessary.

SIMS & GILES.

JEANERETTE, LA., *January 9, 1921.*

HON. EDWARD J. GAY,  
*United States Senate, Washington, D. C.*

As you are no doubt aware of existing conditions that we consider deplorable, our sugar industry being threatened with great loss and probable destruction, we would appreciate you using your best efforts toward securing a tariff on sugar.

FIRST NATIONAL BANK.

LOCKPORT, LA., *January 8, 1921.*

Senator GAY, *Washington, D. C.*

We highly recommend the proposed amendment relative to the emergency tariff bill submitted by Senator Gay.

BANK OF LOCKPORT,  
Per A. V. SMITH, *President.*  
A. E. A. DULANE, *Cashier.*

ABBEVILLE, LA., *December 18, 1920.*

Senator EDWARD J. GAY,  
*United States Senate, Washington, D. C.*

Understand Senate Finance and House Ways and Means Committees drafting protective tariff or embargo act protecting several products but rice ignored. Please get busy to-day and have rice included. Industry threatened with importation from outside at lower ruinous prices. Answer.

L. O. BROUSSARD.

NEW ORLEANS, LA., *December 18, 1920.*

EDWARD J. GAY,  
*United States Senate, Washington, D. C.:*

Notice morning's paper proposition to put heavy tariff on a number of agricultural products. If sugar could be included in the list and a tariff of 4 or 5 cents placed thereon, it would keep out of the bankruptcy courts a number of producers who would otherwise be sure to fail. With proper legislation sugar could be held at not exceeding 10 to 12 cents for refined and around 8 cents for raws. Wire quick if anything can be done, and if I can be of any service I will leave for Washington to-night with data showing the desperate condition of the sugar planter.

R. E. MILLING.

LAFAYETTE, LA., *December 20, 1920.*

HON. EDWARD J. GAY,  
*Washington, D. C.:*

The Billeaud Sugar Factory (Ltd.) claims to be in an undoubted position to make the statement that neither they nor their customers can successfully continue in the raising of cane and manufacture of sugar as conditions now presage, therefore be it resolved that you make most earnest efforts to effect the passage of a bill to protect such a necessary industry when it is in such woeful stages of extinction; and therefore be it resolved that the rice and cotton crops also being in unhealthy financial condition are entitled to the mothering wing of the United States Government, we beg to remind you to leave no stone unturned that would bring sufficient tariff to fruition.

BILLEAUD SUGAR FACTORY (LTD.),  
Per M. BILLEAUD, Jr., *President.*

NEW ORLEANS, LA., *December 19, 1920.*

Senator E. J. GAY,  
*Washington, D. C.:*

Indorsing sentiments expressed regarding sugar industry vital to the State and the necessity of including its protecting under legislative acts projected to cover agricultural products, members of this association would urge you to use your prerogative to foster these interests to the fullest extent possible.

JNO. E. BOUDEN, Jr.,  
*President New Orleans Clearing House Association.*

## EMERGENCY TARIFF.

BROUSSARD, LA., *December 20, 1920.*

Hon. EDWARD J. GAY,  
*Washington, D. C.:*

Relative to salvation homes and agricultural pursuits as follows: Sugar, rice, and cotton, we beg you to press in no uncertain manner the levying of a protective tariff necessitating in the case of sugar absolutely not less than 3 cents.

LAFAYETTE CANE GROWERS' ASSOCIATION,  
 Per C. E. ST. JULIEN, *President.*

NEW ROADS, LA., *December 22, 1920.*

Hon. EDWARD J. GAY,  
*Washington, D. C.:*

Understanding that emergency tariff bill excludes sugar, we urge that you endeavor to have sugar included in the bill with a duty of 3 cents a pound, to give necessary protection to the sugar producers.

ARTHUR B. LACOUR.  
 J. A. LANGLOIS.  
 M. T. HEWES.  
 A. P. ROBILLARD.

I. G. MORGAN.  
 EDWARD LANGLOIS.  
 A. P. MAGGIO.  
 M. D. ABBOTT.

NEW ORLEANS, LA., *December 19, 1920.*

Senator JOSEPH E. RANSELL,  
*Washington, D. C.:*

Indorsing sentiments expressed regarding sugar industry vital to the State and the necessity of including its protection under legislative plans projected to cover agricultural products, members of this association would urge you to use your prerogative to foster these interests to the fullest extent possible.

JOHN E. BOUDEN, JR.,  
*President New Orleans Clearing House Association.*

Duplicate to Senator E. J. Gay, Washington, D. C.

LOCKPORT, LA., *January 8, 1921.*

Senator JOSEPH E. RANSELL,  
*United States Senate, Washington, D. C.:*

Sugar planters ruined unless Senator Gay amendment is adopted.

LOCKPORT CENTRAL SUGAR REFINING CO.,  
 Per J. C. BADEUX, *President.*

JEANERETTE, LA., *January 8, 1921.*

Hon. JOSEPH E. RANSELL,  
*United States Senate, Washington, D. C.:*

Please appear before the Senate committee giving sugar a hearing and urge with all your power the absolute necessity of giving sugar growers some assistance in the emergency tariff bill. Conditions here are deplorable; present price of sugar fully 4 cents under cost of production; and unless aid is given, fully 50 per cent of the land will remain idle this year.

CITIZENS BANK OF JEANERETTE, LA.

JEANERETTE, LA., *January 8, 1921.*

Hon. JOSEPH E. RANSELL,  
*Senate Office Building, Washington, D. C.:*

I deem the inclusion of sugar in the emergency tariff bill absolutely essential as a means of partially relieving the deplorable conditions in south Louisiana and other sugar sections of the country. Cane growers have lost from \$5 to \$7 per ton on last year's crop, and they must have encouragement to continue.

H. B. HEWES.



JEANERETTE, LA., *January 8, 1921.*

HON. JOSEPH E. RANSELL, :  
*United States Senate, Washington, D. C.:*

We can not urge too forcibly your cooperation and best efforts toward securing a tariff on sugar. Our sugar planters are facing a great loss and the industry is threatened with destruction unless your honorable body come to their rescue by proper legislation.

FIRST NATIONAL BANK.

LOCKPORT, LA., *January 8, 1921.*

Senator RANSELL,  
*Washington, D. C.:*

We highly recommend the proposed amendment relative to the emergency tariff bill submitted by Senator Gay.

BANK OF LOCKPORT.  
 Per A. V. SMITH, *President.*  
 E. A. DULANE, *Cashier.*

LOCKPORT, LA., *January 8, 1921.*

Senator JOSEPH E. RANSELL,  
*Washington, D. C.:*

It means ruin to the sugar planters of Louisiana if amendment of Senator Gay is left out of the emergency tariff.

PEOPLES BANK OF LOCKPORT.  
 RACELAND, LA., *January 8, 1921.*

HON. JOSEPH E. RANSELL,  
*Washington, D. C.:*

Urge your influence in having sugar placed in emergency tariff bill. Necessary for something to be done to restore confidence, as conditions deplorable amongst our small farmers.

RACELAND BANKING ASSOCIATION.

MATHEWS, LA., *January 8, 1921.*

Senator JOSEPH E. RANSELL,  
*United States Senate, Washington, D. C.:*

Please use all your influence to have sugar placed on present emergency tariff bill.

G. S. MATHEWS.

Senator GAY. The affidavits showing costs of production we would like to insert in the record.

The CHAIRMAN. That will be done.

(The affidavits referred to were subsequently furnished by Senator Gay and are here printed in full, as follows:)

STATE OF LOUISIANA,  
*Parish of St. Mary, ss.:*

Before me, the undersigned authority, personally came and appeared Lawrence Bourg, of lawful age, a resident of the parish and State aforesaid, who, being by me first duly sworn according to law, deposes and says:

That said affiant is a member of the partnership of Leonard Robichaux, Andrew Robichaux, Luke Robichaux, and Lawrence Bourg, who, during the year 1920 cultivated 200 acres of land in the parish of St. Mary in sugar cane, with the exception of what corn was raised thereon for feed for the work stock;

That this farming partnership obtained as a result of its 1920 operations 736 tons of cane, outside of the corn which was raised and used to feed the work stock on their farm, at a cost of \$9.50 per ton, amounting to the sum of..... \$6,092.00  
 At the price fixed for prime Y. C. sugar, 6 cents, this cane will be paid for at \$1 per ton for each cent, or \$6 per ton, which will make the total price brought by this crop \$4,416, less one-fourth of this amount for rent of land, making net total brought by this crop at... 3,312.00

The result will be a net loss of..... 3,680.00

Affiant states that the above facts show that the present price paid for cane per ton, based on the present selling price of sugar, will cause him and associates to sell his crop for less than one-half of the cost of its production.

Affiant further deposes and says that this is not an isolated case but is typical of the results of this year's operation by the small cane growers in his section.

LAWRENCE J. BOURG.

Sworn to and subscribed before me this 24th day of December, A. D. 1920.

[SEAL.]

L. C. PECOT,  
Notary Public.

*Agricultural operations of St. Elote plantation, belonging to the Establishment of B. Marmande (Ltd.), parish of Terrebonne, State of Louisiana, for the year 1920, no salaries included.*

Maintenance and repairs:	
Roads and bridges.....	\$183. 05
Ditching and ditch banks.....	1, 349. 40
Repairs of buildings.....	5, 703. 37
Repairs of implements and gears.....	2, 247. 08
	\$0, 432. 90
Planting and cultivating:	
Fertilizer.....	5, 701. 93
Spring planting.....	1, 392. 71
Pumping station.....	589. 56
Cultivating.....	5, 287. 07
	12, 971. 27
Cane cutting, loading, and hauling.....	3, 938. 90
Corn and hay, planting and cultivating.....	4, 157. 08
General expense:	
Feed.....	\$3, 087. 54
Stable expense.....	1, 304. 40
Tractor expense.....	57. 40
	4, 449. 34
Grand total cost.....	34, 949. 47

Total cane harvested, 3,358 tons, \$10.41 per ton. Corn and hay made probably sufficient to replace in quantity that used in making the crop.

Before me, Robt. B. Butler, a notary public, duly commissioned and qualified in and for the parish of Terrebonne, State of Louisiana, personally came and appeared Dr. M. V. Marmande, to me well known, who, being first sworn, deposed and said that he is secretary and treasurer of the Establishment of B. Marmande (Ltd.), a corporation engaged in the operation of the St. Eloir plantation, in the parish of Terrebonne, State aforesaid, and that the above is a true statement of the cost of said operation during the year 1920, and of the agricultural products harvested therefrom during the current year 1920, so help him God.

ESTABLISHMENT B. MARMANDE (LTD.),  
M. V. MARMANDE, *Secretary and Treasurer.*

Sworn to and subscribed before me this 20th day of December, A. D. 1920.

Witness my hand and official seal hereto affixed.

[SEAL.]

ROBT. B. BUTLER, *Notary Public.*

STATE OF LOUISIANA.

*Parish of St. Mary, ss:*

Before me, the undersigned authority, personally came and appeared William F. Senette, of lawful age, a resident of said Parish of St. Mary, La., who, being first duly sworn, deposes and says:

That affiant is a member of the planting partnership of Senette & Hebert, who had under cultivation 220 acres of land in said parish during the year 1920

in sugar cane and on a part of which corn was planted and raised as feed for the work stock used in the operation of the farm.

That the result of the year's operation, outside of the corn produced and used to feed the stock, was approximately 1,055 tons of sugar cane, which were produced at a cost of \$11.70 a ton, amounting to-----	\$12, 243. 50
At the price fixed for Prime Y. C. sugar, 6 cents, this cane will be paid for at \$1 per ton for each cent or \$6 per ton, which will make the total price brought by this crop-----	6, 333. 00

The net result will be a net loss on the year's operation of----- 5, 913. 50

Affiant states that the above facts show that the present price paid for cane per ton, based on the present selling price of sugar, will cause him to sell his crop for about one-half of the cost of its production.

Affiant further deposes and says that this is not an isolated case but is typical of the results of this year's operation by the small cane growers in his section.

W. F. SENETTE.

Sworn to and subscribed before me, on this 22d day of December, 1920.

[SEAL.]

P. KRAMER, *Notary Public.*

RESOLUTIONS ADOPTED BY THE ST. MARY PARISH CANE GROWERS' ASSOCIATION, DECEMBER 21, 1920, CONSISTING OF 103 ACTUAL CANE GROWERS.

Whereas during the World War the United States Food Administration called upon all farmers to produce food with which to win the war; and

Whereas the sugar-cane growers of Louisiana responded to the call and grew sugar cane which they sold at prices fixed by the Food Administration; and

Whereas the profiteers and speculators inflated sugar prices during the last spring, when the Food Administration had relaxed its control, to 27 cents per pound, at which time Louisiana had no sugar for sale and, therefore, derived no benefit from the high prices prevailing; and

Whereas this price prevailing at a time when we were incurring the expense of cultivating our crops caused us to increase our wage scale and compelled us to incur excessive expenses; and

Whereas careful investigation shows that the cost of producing a ton of sugar-cane by the members of this association is \$12 and the price of this cane on to-day's market being approximately \$6 per ton, at which price the cane growers lose \$6 on every ton of cane produced, or 50 per cent of the money they have expended in raising their crop, which means bankruptcy to the members of this association; and

Whereas a bankrupt, caused by speculation, which increases the price of a food product, is deserving of no sympathy or aid, we do feel that the man who has toiled for 12 months of the year at an average of 10 hours a day, and who has produced, by the sweat of his brow, an article of foodstuff which is so vitally necessary to the health and safety of the Nation, as was proved during the war, and who, as a result of his labor, is now facing absolute ruin and poverty, is entitled to such aid as his Government can give him; and

Whereas the excessive price attracted sugar to this market from all over the world and caused the depression in price, referred to above; and

Whereas the Food Administration at Washington made no effective effort to protect us against these outside sugars that were sold at fabulous prices, upon which fabulous profits were made, not by producers but by the speculators and profiteers; and

Whereas there is now pending before Congress a bill, known as the Fordney bill, providing for an emergency tariff on numerous farm products; and

Whereas for some unaccountable reason sugar is not included therein: Therefore be it

*Resolved by the St. Mary Parish Cane Growers' Association, That they do hereby protest to the Congress of the United States of America against such an unfair and unjust discrimination against the cane growers and sugar producers of the State of Louisiana as will result from the exclusion of sugar from the emergency tariff bill, known as the Fordney bill, and do hereby most earnestly and respectfully urge upon Congress as being, in the opinion of this*

body, the only method by which the cane-growers will be saved from the disastrous loss which they are now faced with, and which, to a majority thereof, means ruin; that they should include and provide in said emergency tariff bill an automatic, sliding tariff on sugar, based on the wholesale imported price of raw sugar, so as to make the same sell in American ports at 10 cents per pound.

*Be it further resolved,* That a copy of these resolutions be sent to the Senators and Members of Congress of the State of Louisiana, with the request that they respectfully present the same to the proper committee in Congress and urge upon said committee and Congress the inclusion of such a tariff on sugar in the Fordney bill.

STATE OF LOUISIANA,

*Parish of St. Mary, ss:*

Before me, the undersigned authority, personally came and appeared Emile Robicheaux, of lawful age, a resident of the Parish of St. Mary, State of Louisiana, who, being first duly sworn, deposes and says:

That affiant is a member of the planting partnership composed of Ernest and Emile Robicheaux, who during the year 1920, cultivated 150 acres of land in the Parish of St. Mary in sugar cane, with the exception of what corn was raised thereon for feed for the work stock.

That this farming partnership obtained as a result of its 1920 operations 592 tons of cane, outside of the corn which was raised and used to feed the work stock on this farm, at a cost of \$13.01 per ton, amounting to the sum of----- \$7,701.92

At the price fixed for prime Y. C. sugar, 6 cents, this cane will be paid for at \$1 per ton for each cent, or \$6 per ton, which will make the total price brought by this crop----- 3,558.00

The result will be a net loss on the year's operation of----- 4,143.92

Affiant states that the above facts show that the present price paid for cane per ton, based on the present selling price of sugar, will cause him to sell his crop for less than one-half of the cost of its production.

Affiant further deposes and says that this is not an isolated case but is typical of the results of this year's operation by the small cane growers in his section.

EMILE ROBICHEAUX.

Sworn to and subscribed before me, on this 22d day of December, 1920.

[SEAL.]

P. KRAMER, *Notary Public.*

STATE OF LOUISIANA,

*Parish of St. Mary, ss:*

This is to certify that I am the general manager of the Sterling Sugar & Railway Co. (Ltd.) and the Shadyside Co. (Ltd.), two separate companies organized under the laws of the State of Louisiana. That I have been engaged in growing and manufacturing sugar cane in Louisiana for the past 20 years. That the Sterling Sugar & Railway Co. (Ltd.) owns and cultivates about 3,500 acres of land, and the Shadyside Co. (Ltd.) owns about 4,500 acres of land, and that each of these companies grind all sugar cane grown upon their lands at their own factories, and manufacture sugar and molasses therefrom. That in addition to cane grown upon their lands, each of these companies buy a large amount of cane from small cane farmers living within a radius of 100 miles of the sugar factories. That the total number of farmers who sell cane to these two sugar factories exceed 1,000. That advances in money and supplies are made by the factories to the cane farmers to aid them in financing their crops. That in purchasing cane from the cane growers, the value of 100 pounds of sugar is paid to the cane grower for each ton of cane delivered to the loading station.

We have just about completed the harvesting of all of the crops of cane in this section of the country, and I can state positively that no cane farmer, small or large, has been able to produce cane for less than \$10 a ton, and that the average cost of producing cane during this season, 1920, has exceeded \$12.

We have just harvested from the Shadyside properties 17,000 tons of cane that has cost us \$13.20 a ton to produce and harvest, and \$5 a ton additional to manufacture into sugar, making a total of \$18.20 per ton.

Standard granulated sugar is quoted to-day at 8 cents, and it is my honest belief that standard granulated sugar should sell for 12 cents a pound in order that the majority of the sugar planters in the State of Louisiana will be able to pay expenses for the year 1920.

C. D. KEMPER.

Sworn to before me this 18th day of December, 1920, in the presence of J. D. Perilloux and Jas. J. Schwartz, two competent witnesses who have signed these presence with me, notary, after due reading of the whole.

[SEAL.]

ROBT. E. BRUMBY,  
Notary Public.

Witnesses:

J. D. PERILLOUX.  
JAS. J. SCHWARTZ.

FRANKLIN, LA., December 18, 1920.

I, John M. Caffery, a resident of the parish of St. Mary, La., do hereby certify that I am the manager of the Columbia Sugar Co., a Louisiana corporation engaged in the business of raising sugar cane and manufacturing the same into sugar.

That this company cultivates 3,000 acres of land in sugar cane; that the present harvest season is nearly closed and the costs of production are known.

That according to the records of the Columbia Sugar Co. the cost of producing plantation granulated sugar is 12 cents per pound.

That on the market of to-day plantation granulated sugar is quoted at 7.46 cents per pound, which means a net loss to the Columbia Sugar Co. of 4.54 cents per pound on all of the sugar which it has produced from the crop of 1920.

That the Columbia Sugar Co. makes advances to a number of tenants who are engaged in raising cane, and the accounts of these men, who are experienced cane farmers, show that the cost of producing a ton of cane of the present season is \$14; that according to the prices of to-day's market this cane which these farmers have raised will bring them \$6 per ton. Therefore these cane growers will lose 57 per cent of the money which they expended to raise their cane crop.

JOHN M. CAFFERY.

Manager the Columbia Sugar Co.

Sworn to and subscribed before the undersigned notary in the presence of A. W. Gullet and E. J. Badeaux, competent witnesses, this 18th day of December, A. D. 1920.

[SEAL.]

ROBT. E. BRUMBY,  
Notary Public, St. Mary Parish, La.

Witnesses:

A. W. GULLET.  
E. J. BADEAUX.

BERWICK, LA.

I, J. A. Pharr, president of J. N. Pharr & Sons (Ltd.) certify that the Glenwild Plantation, located in St. Marys Parish, La., raised during the crop season of 1920, 4,166 tons of cane.

That the cost of this cane at the end of the cultivating season was \$13 per ton, and the harvesting cost approximately \$2 per ton, or a total of \$15.

Since only 3,309 tons were sold to Glenwild factory, the remainder having been put down for seed and charged to the 1921 crop, and credited to the 1920 crop at \$7 per ton, this cane would have to sell for \$20 per ton if plantation is to have no loss, whereas from the present market it would appear that the price would be \$6.

The above is based upon charging each crop with the seed cane used and crediting same to the crop year in which the seed was grown, also crediting the plantation with all feed raised and charging this back each month as it is used at the same price as originally credited to crop.

J. A. PHARR.

Signed and sworn to before me, notary, this 18th day of December, 1920.

[SEAL.]

PAUL CHOTIN,  
Notary Public.

MORGAN CITY, LA.,  
December 18, 1920.

I, E. A. Pharr, secretary-treasurer of J. N. Pharr & Sons (Ltd.), do hereby certify that the plantation of 1,500 acres, under my direct supervision, cultivated in cane and corn during season of 1920, made an outlay per ton of cane of \$11 up to the harvest season.

I furthermore state that the harvest cost approximates \$4 per ton, the exact figures not being known, as we are only two-thirds through harvesting the crop.

In order, therefore, to avoid a loss on said crop the company will have to receive a price of \$15 per ton; whereas the present price, as indicated by the market, is \$6 per ton.

E. A. PHARR,  
Secretary-Treasurer.

Attest:  
[SEAL.]

K. S. FOSTER, Notary Public.

STATE OF LOUISIANA,  
Parish of St. Mary, ss:

Before me, the undersigned authority, personally came and appeared William Schwan, to me well known, who, being duly sworn according to law, deposed and said:

That he is the manager of Germania Plantation located in St. Mary Parish, La., comprising 550 acres of land, providing homes for about 50 people and employing labor drawing pay rolls amounting to about \$12,000 per annum.

That during the year of 1920 now closing, the crop of sugar cane raised on this plantation was below the average, and the cost of production of the cane was \$16.27 per ton.

That the market value of this cane on to-day's market is about \$6 per ton, and \$10.27 per ton below cost of production and showing a total loss on operations of \$6,891.17 for the year. This exclusive of interest, taxes, insurance, and depreciation.

WM. SCHWAN.

Sworn to and subscribed before me, this 22d day of December, at Centreville, La.

[SEAL.]

ISAAC S. WOOSTER,  
Notary Public.

STATE OF LOUISIANA,  
Parish of Iberia, ss.:

Before me, Ventress J. Smith, notary public in and for Iberia Parish, La., personally appeared Henry N. Pharr, vice president of J. N. Pharr & Sons (Ltd.), who certifies that the following statement regarding the operations of the Orange Grove factory of J. N. Pharr & Sons (Ltd.), at Olivier, La., is true, according to the best of his knowledge and belief:

The Orange Grove factory ground 15,000 tons in 44 days in 1920 (completing its operations to-day), compared with 25,758 tons in 58 days in 1919. The cost of manufacture per ton in 1919 was as follows:

	Factory operations (direct).	Factory repairs (indirect).		Factory operations (direct).	Factory repairs (indirect).
Labor.....	\$0.08	\$0.33	Board.....	\$0.11	\$0.04
Chemicals.....	.05		Miscellaneous.....	.09	.01
Filter cloths.....	.04		Insurance.....		.18
Lubricants.....	.04		Building repairs.....		.04
Fuel.....	.33	.02	Machinery repairs.....		.14
Laboratory.....	.04		Miscellaneous material.....		.32
Sugar boilers.....	.04				
Cooperage.....	.30			2.08	1.08

Making a combined manufacturing cost of \$3.16 per ton.

It is impossible, since grinding operations were only completed to-day, to give absolutely accurate figures for this season. Almost exactly the same

amount was expended in repairs this year as in 1919, but the reduced tonnage increases the indirect cost of manufacture per ton from \$1.08 to \$1.87. The reduced tonnage, on the assumption of 1919 costs, increases the direct cost of manufacture from \$2.08 to \$2.56 per ton. Due, however, to increased cost of cotton goods and fuel oil, there was a positive increase of 21 cents per ton on filter cloths and containers and 56 cents per ton on fuel in direct manufacturing cost. On this basis the total costs per ton for 1920 are:

Factory operations (direct, 1919 basis)-----	\$2.56
Increase on filter cloths-----	.21
Increase on fuel oil-----	.56
	<hr/>
	3.33
Factory operations (indirect, actual)-----	1.87

Making a total of \$5.20 per ton total cost of manufacture in 1920.

In compiling the above figures interest, taxes, and depreciation have not been taken into consideration.

J. N. PHARR & SONS (LTD.).  
Per H. N. PHARR, *Vice President.*

[SEAL.]  
OLIVIER, LA., *December 18, 1920.*

VENTRESS J. SMITH, *Notary Public.*

### STATEMENT OF MR. JOSEPH E. REID; NEW YORK CITY, N. Y.

The CHAIRMAN. The committee is informed that certain witnesses who are representing the china-clay industry, of kaolin, will not desire to be heard to-day; they are going to appear before the House to-morrow.

Joseph E. Reid, of New York, is here representing the fruit producing. Mr. Reid, are you ready to proceed?

Mr. REID. I am, Senator.

Mr. Chairman and gentlemen, I am here representing the receivers and distributors of Bermudan products in New York, also some of the growers of seed potatoes shipped to Bermuda, and, in turn, sent back to the United States after the crop has been grown. It is my understanding that a brief has been submitted by the Bermudan interests to the British Embassy and to the State Department, and a copy of that has been placed with your committee. So I will not refer to that in any other way.

I have also been advised that a copy of the letter has been sent to the various members of this committee and the chairman, and with the chairman's permission I would like to read the communication.

Senator SMOOT. Who is it from?

Mr. REID. It is from Mr. Nix.

Senator SMOOT. I guess we all have a copy of it.

Mr. REID. I leave that with the chairman, whether read or not.

Senator SMOOT. Put it in the record.

Mr. REID. Very well. I think it covers the matter as viewed from the standpoint of the receivers. And attached to this letter is a list of the names of the various receivers and growers referred to.

(The letter referred to and submitted by Mr. Reid is printed in full, as follows:)

JANUARY 8, 1921.

HON. BOIES PENROSE,

*Chairman Finance Committee of the Senate, Washington, D. C.*

DEAR SIR: We, the undersigned dealers and growers of farm products in the United States, do hereby petition the honorable members of the Finance Committee and request that new potatoes and onions from Bermuda be eliminated

from the emergency tariff bill now before the Senate and that the duty on all Bermuda vegetables remain unchanged, for the reason that a very large percentage of said crops is shipped to the New York market at a time when there are practically no new potatoes and onions, grown in the United States, ready for shipment; and, therefore, said shipments from Bermuda do not in any way interfere with crops of new potatoes and onions grown in the United States.

We also beg to call your attention to the fact that these new potatoes and onions, as well as early vegetables, have been grown especially for the New York and other large markets in the United States for the past 20 years or more, and coming forward at a time when such goods can not be grown in the open fields of this country, it is therefore necessary for the dealers here in the United States to look to Bermuda for their early supplies of new potatoes and onions.

We, therefore, sincerely hope and earnestly petition the honorable members of the Finance Committee to take these matters into consideration and to make no change in the duty on vegetables from Bermuda, thereby doing a great good to the people of the United States, who are dependent upon the shipments from Bermuda for their early supplies of new potatoes, onions, and vegetables.

We also beg to call your attention to the fact that the total shipments of new potatoes, onions, and vegetables from Bermuda to the United States each season are very meager and limited as compared to the production of such goods grown in our country, and the bulk of the Bermuda shipments arrive on the New York market between December 1 and April 1.

We further beg to call your attention to the fact that the bulk of the seed, fertilizer, containers, and other materials required in the growing and shipping of these crops from Bermuda originate in the United States and are shipped to Bermuda for the sole purpose of growing and shipping these crops for the United States markets.

In this connection it is interesting to know that, according to the Department of Commerce statistics, during the 10 months ending October, 1920, the exports from the United States into Bermuda amounted to \$3,320,338, and imports from Bermuda into the United States amounted to only \$1,532,428, making a trade balance in favor of the United States of \$1,787,910.

Respectfully submitted.

Peter McClees; S. H. and E. H. Frost; W. C. Deyo & Bro.; Halt & McNicholas; Joseph B. Kirk; Fredk. Opolinsky, J. M. Earle, attorney; Americann Fruit Growers (Inc.), C. C. Wheelwright, manager A. P. Young Division; J. E. Stevenson & Co.; J. M. McCauley; Frank Couch & Co.; J. P. Sauer & Co.; Henry Brinker & Co.; A. Rosenblum; Hubert Zimmer; H. Warner Sons; Sam'l E. Hunter; John F. Crosby; William G. Ihrig; The J. Hamburger Co.; Thos. P. Wallace (Inc.); Furman & Page; John Nix & Co.; Phillips & Sons; David Eichenbaum; J. Pratt Carroll; M. Mergentine (Inc.); A. G. Martin; McCormick, Hubbs & Co.; W. J. & S. H. Davenport; A. E. Meyer & Co.; Titus Bros.; Fredk Opolinsky; Alex. D. Heard.

In the interest of the New York receivers, I would like to say that it is our desire, if your committee can see your way clear to allow it, that that be given consideration; that you eliminate a tariff upon new-grown Bermudan potatoes.

There is no tariff on potatoes at the present time, either coming into the United States or going to Bermuda. Bermuda has arranged her tariff act of 1921 allowing potatoes to come in free from the United States.

I would like to say that these potatoes from Bermuda come into the United States commencing the 1st of December, and that there are very few that come forward before January 1, and are usually out of the way during the month of March. A few have probably dragged along later on. There is no competition between the shipments of these new potatoes from Bermuda with the growers of the United States or any other country to our knowledge.

The seed for these potatoes are grown especially, largely in the United States, to be shipped to Bermuda. They are mostly what we call the Red Bliss Triumph, the Red Bliss variety. They are



shipped down to Bermuda during the months of October and November, and come onto the market, as I say, during the winter months, at a time when there are no other new potatoes coming in the market.

Secondly, there is no competition with even our home-grown potatoes, because they are of an entirely different variety and inferior grade, and the demand for new potatoes is limited to those who can, of course, afford to pay the price.

A crop of potatoes during the last six years, according to statistics, averaged 154,821 bushels, which approximately covers 60,000 barrels. These are shipped during probably an outside period of 20 weeks, or an average of 3,000 barrels each week, to the New York market. But these potatoes are not all distributed on the New York market; they are sent to near-by towns—to Philadelphia, to Baltimore, Washington, and as far west as Pittsburg and Chicago. The New York market requires, so it is stated, 40,000 barrels of potatoes a day for home consumption.

Senator NUGENT. Of those new potatoes?

Mr. REID. Of the old potatoes.

Senator NUGENT. I understand that you desire to have the tariff levied on new potatoes only?

Mr. REID. Pardon me, Senator; I desire to have the tariff eliminated from the new potatoes from Bermuda only. I am speaking now of Bermuda potatoes.

Figuring on the basis of 40,000 barrels a day, or approximately 100,000 bushels, you can see that the quantity of potatoes from Bermuda consumed in New York on the same basis would not cover one day's demand.

The quantity coming in from Bermuda is so very meager in comparison with the quantity of potatoes, as I understand it, grown in the United States, that we are told that it figures on the basis of 0.004 of 1 per cent of our United States crop.

The cost of these potatoes grown in Bermuda is probably beyond ordinary comprehension. In the first place, we are told that this crop that is now coming in on the market costs \$13 a barrel for the seed potatoes in Bermuda. The barrels, the weighing material, the fertilizer are mostly received from the United States. The crop is a very hard one to grow, very expensive, but the result of that crop, figuring in comparison with our United States growers of crops, ranges in Bermuda from four barrels of potatoes to one of seed. We are told that the crop in the United States runs from 10 to 20, or an average of 15.

Senator McCUMBER. Why is it necessary to raise the seed here in the United States to be planted in Bermuda?

Mr. REID. They can not grow their own seed. Generally they have to get it from northern sections, the same as Virginia and other southern points generally go to Maine or some northern section for their seed to obtain the best results.

Senator SMOOR. Do you mean to tell us that there can only be four barrels of potatoes grown from one barrel of seed potatoes?

Mr. REID. That is the average figure furnished us.

Senator SMOOR. And the seed potatoes cost \$13?

Mr. REID. I am speaking of last year.

Senator SMOOR. So that that is \$3.25 a barrel for seed potatoes?

Mr. REID. Yes.

Senator SMOOT. What are you selling them for?

Mr. REID. I will go into that, Senator, in this way: The seed at \$13 a barrel—the barrel delivered in Bermuda at a cost of \$2—that is, I mean \$1.50 for the barrel and 50 cents a barrel for the freight, making \$2. The freight back to New York of \$1.40, approximately, a barrel, brings, with the cartage in New York and the commission from the sale of the goods, a total of \$31.40.

Senator NUGENT. What is the commission?

Mr. REID. Seventy cents.

Senator SMOOT. For four barrels?

Mr. REID. For four barrels. The selling price in New York today on prime No. 1 is \$9.50, the outside figure. But it must be remembered that not all of these four barrels can consistently be called primes. They sometimes mix them in pretty well, and they are called "primes," but those who sort them out probably would find at least a half barrel or a half to one barrel should be called No. 2's.

Senator SMOOT. How many bushels in the barrel?

Mr. REID. Approximately  $2\frac{1}{2}$  bushels in the barrel.

Senator SMOOT. The same old barrel?

Mr. REID. The same old barrel.

Senator NUGENT. I presume they are all sold as primes?

Mr. REID. They are marked primes. Of course, they are sold according to the sample of the barrels that are opened. The demand for new potatoes is rather limited and buyers buying from one to five barrels who ask for a barrel of prime potatoes—and if it turns out to be mixed they will return it, and it has to be resold at probably a lower price. But No. 2 potatoes sell on the same approximate basis, about \$8 per barrel.

Taking \$31.40 out of a total gross sale of \$38, you only have approximately \$6.60 with which to pay for the labor, the fertilizer, and the proportion of costs at the other end. So you can see the amount of profit obtained in that is very, very small.

Senator THOMAS. Have you any markets other than the United States?

Mr. REID. There are no other markets for Bermudian outside of the United States at the present time. The United States is the market for all Bermudian products.

The statement is made that during the period of 10 months to October 1, 1920, the exports from the United States amounted to \$3,320,338, the imports \$1,532,428, leaving a balance in favor of the United States for the 10 months of approximately \$1,789,910.

Senator McCUMBER. Is that generally or in potatoes alone?

Mr. REID. That is generally.

Senator SMOOT. Do you know how many of them came from Canada?

Mr. REID. To Bermuda?

Senator SMOOT. No, no.

Mr. REID. There are no new potatoes coming from Canada at this time of the year that I speak of, Senator.

Senator McLEAN. Are there any from Florida?

Mr. REID. They raise them in Florida, but the Florida crop generally follows immediately after the Bermudian crop; in fact, the Bermudian shipments have to stop when the Floridas come in.

Senator SMOOT. Are these importations of new potatoes?

Mr. REID. All new potatoes.

Senator SMOOT. You have not got the old potatoes—the amount of importations?

Mr. REID. No; I have not. Of course, the figures vary on this. This year there are some coming in from Denmark. I know of no others in competition. Cuba consumes her own crop. And, as I say, the present market of old potatoes, as we view it from the wholesale standpoint, ranges from \$2.50 to \$3 a barrel.

The Danish potatoes are, we understand, selling at around \$2 to \$2.25.

If a tariff is placed on new potatoes from Bermuda, due to the fact that these seed are grown especially for that trade, it would seem the margin would be so very small that it would probably mean a curtailment of the crop or its discontinuance. So that we are asking, as receivers from New York, the handling of these products, that if it can be done that you will eliminate the tariff on new-grown Bermudian potatoes, and leave the tariff on onions and other products, as it is at the present time.

Particularly speaking of potatoes, a tariff placed on the small quantity coming in is so very small that it would seem to be of no particular advantage as far as our American growers are concerned, as they do not seem to need that protection.

Senator SIMMONS. I understand you to say that they buy their seed for those potatoes from the United States?

Mr. REID. They do.

Senator SIMMONS. In bulk?

Mr. REID. In bulk.

Senator SIMMONS. Do you use any part of the imported potato in Bermuda for seed purposes in this country?

Mr. REID. In this country?

Senator SIMMONS. Yes.

Mr. REID. No; not to my knowledge.

Senator THOMAS. Then, we could do away with the competition by putting an embargo on potato seed, could we not?

Mr. REID. If you did that, of course, you would simply be killing the industry from Bermuda to no particular advantage as far as our American growers are concerned.

Senator THOMAS. On the theory that you are a competitor, and a dangerous one, or otherwise, would not a temporary bill along that line be more effective than a tariff?

Mr. REID. You mean, Senator, affect us as far as placing an embargo is concerned?

Senator THOMAS. Yes, sir.

Mr. REID. The effect of an embargo, as I say, would be, if we can not ship any of our new grown potatoes—that is our seed potatoes—into Bermuda to be grown and returned here during the period when there are no new potatoes coming into the market, we are killing the industry as far as the growing of those potatoes in the United States is concerned, and also killing the industry so far as Bermuda is concerned.

Senator SMOOT. Do the Bermuda potatoes come in competition with the Maine potatoes in any way?

Mr. REID. They do not, Senator.

The CHAIRMAN. Do not the Danish potatoes come in very strongly in competition?

Mr. REID. Not with the Bermuda potatoes.

The CHAIRMAN. I mean with the American potato?

Mr. REID. They are coming in competition with the American potatoes.

The CHAIRMAN. I have a very remarkable statement which I want to insert in the record, showing that the potatoes can be brought to Philadelphia from Denmark for a less price than they can be carried from Allentown, Pa., to Philadelphia.

I think I will ask the clerk of the committee to read this:  
(The clerk of the committee thereupon read as follows:)

LEHIGH POTATO GROWERS SEE RESCUE BY TARIFF—PASSAGE OF EMERGENCY BILL CALLED ONLY WAY TO AVERT INDUSTRY'S RUIN.

ALLENTOWN, PA., *January 7.*

Declaring that unless the emergency tariff bill is passed by Congress, the potato industry in Lehigh and other eastern Pennsylvania counties where growing of tubers is now a big business, will be entirely ruined, A. L. Hacker, farm agent representing the State department of agriculture, said to-day that where it costs 17 cents to transport a bushel of potatoes from Allentown to Philadelphia, tubers from Denmark are now being brought to the same destination for 10 cents a bushel. The price of Lehigh potatoes in the Philadelphia market now is \$1.05 a bushel, he said, but Danish tubers bring only 81 cents, which means that the latter will have the preference unless the home product is protected by a tariff duty.

Pennsylvania's potato yield last year was 36,455,000 bushels, Hacker said, as against 30,800,000 bushels in 1919 and 22,000,000 bushels in 1918. The average yield per acre in 1918 was 80 bushels, 100 in 1919, and 115 in 1920.

Senator NUGENT. I understood you to say, sir, that the new potatoes grown in Bermuda are placed on the American market during the winter months.

Senator McLEAN. They are a luxury.

Senator NUGENT. I also understood you to say that the number of consumers for those new potatoes is strictly limited to those who can afford, as you say, to pay the price.

Mr. REID. Yes.

Senator NUGENT. Do you think people who can afford to pay the price for new potatoes during the winter months would be affected, so far as other purchases are concerned, by the rate of duty imposed on new potatoes in this bill?

Senator SMOOT. Of 25 cents a bushel.

Senator NUGENT. In other words, if they could pay the price, and would pay the price, do you think they would be affected in any way by this?

Mr. REID. I do not think they would materially. The tariff, however, I am afraid would fall on the man at the other end. These goods are sold according to the market value.

Senator SMOOT. I should think it would fall at both ends, and then they would arbitrarily add 25 cents more for the potato instead of 25 cents more for each potato.

Mr. REID. I was going to say, Senator, that these potatoes are sold on the basis of the market value at the time these potatoes come on the market. At the present time, with old potatoes selling, as I say, at \$2.25 to \$3 for the general run, of course, the Long Island

potatoes and Jersey potatoes are considered much better quality and bring a better price, and with the new potatoes selling around \$9.50. But this tariff has got to be, of course, added to the cost of placing those potatoes on the market, and if they happened to strike a low market it is going to put those people out of business. They have to figure on the net results.

We can not say to a man, "We have 100 barrels of potatoes here, but we have to ask you 25 cents a barrel more or 50 cents a barrel more on account of the tariff on these."

Senator SMOOT. Do you think that the consumers who can afford to indulge in the luxury of new potatoes in the winter months would hesitate about paying 25 cents a barrel more for the potatoes?

Mr. REID. Those who indulge in those luxuries do not buy by the barrel; they buy by quantity in retail.

Senator SMOOT. So long as they are all disposed of it does not make any difference whether they are purchased in wholesale or retail quantities. Do not the hotels use the most of them?

Mr. REID. A good many.

Senator SMOOT. Well, the most of them?

Mr. REID. I presume they do.

Senator SMOOT. That is what I had reference to when I said 25 cents for each potato.

Senator SIMMONS. You say when your potatoes come in there are no other new potatoes on the market?

Mr. REID. There are no other new potatoes on the market then.

Senator SIMMONS. So that your people have an absolute monopoly in the markets of America for three or four months?

Mr. REID. They do.

Senator SIMMONS. And the quantity you say is so small that they do not supply the city of New York for how long?

Mr. REID. According to the ordinary consumption of potatoes it would not supply New York two days.

Senator SIMMONS. It seems to me those potatoes would bring about whatever the producers over there in Bermuda see fit to demand for them. That is one of the clearest cases of monopoly of a market I have ever heard presented.

Mr. REID. They are not purchases altogether from the Bermudan end; otherwise they could control that. There are some of them, of course, that are sold to buyers there; others that send them entirely to the New York markets on the consignment basis.

Senator SIMMONS. The Bermudian potato at the season of the year when it comes here is very much in demand; it is a very superior, eatable potato, is it not?

Mr. REID. Yes, sir.

Senator SIMMONS. And very much in demand?

Mr. REID. Yes, sir.

Senator SIMMONS. And bring pretty much any price the holder sees fit to demand on account of the scarcity of those potatoes in the market.

The CHAIRMAN. They are like the spring strawberry in the market, a luxury.

Senator McCUMBER. Do you think if they are compelled to pay 25 cents a bushel more they will increase the price to 50 cents for one of those baked potatoes?

Mr. REID. Senator, they are not used, however, for baking; they are not a good baking potato.

The CHAIRMAN. What is your proposition?

Mr. REID. Senator, our request is that you eliminate the tariff on new Bermudian potatoes placed on the New York and other markets during the month of December to, say, April 1, and to make no change in the tariff on onions and other vegetables, letting the present tariff remain as it is.

Senator SIMMONS. Are you speaking about the tariff on Bermuda products now altogether?

Mr. REID. Altogether.

The CHAIRMAN. The late Senator Dolliver remarked that "these tears would come from the eyes of these potatoes if sufficient duty was not imposed." [Laughter.]

Senator THOMAS. That the "potato left the committee room with tears streaming from all its eyes." I think it will do that, perhaps, this time.

Mr. REID. We are speaking entirely from the standpoint of the receivers.

Senator SIMMONS. What do you mean by "receivers"?

Mr. REID. These goods are shipped from Bermuda to various receivers.

Senator THOMAS. I thought the business was in the hands of receivers.

Mr. REID. "Receivers" of Bermudian products.

The CHAIRMAN. Have you anything further to state to the committee? Free trade is not popular just now.

Mr. REID. I would say, if you care to take into consideration that the balance is in favor of the United States in our business dealings with Bermuda, and if you can do so, to allow these potatoes to come in.

Senator THOMAS. Do you mean our exports to Bermuda exceed the imports from Bermuda?

Mr. REID. Yes, sir: about \$700,000 for the 10 months ending October 1.

I will admit that the rates are said to be very low on Danish potatoes; in fact, I have heard it stated that potatoes can be sent from Denmark to New York cheaper than they can from Maine to New York. But I would like to ask you to take into consideration the fact that these potatoes in no way come in competition with shipments from Denmark or our own home-grown potatoes.

Senator SIMMONS. Is it true that these Danish potatoes sell for only 81 cents a bushel in New York?

Mr. REID. That would be in accord with my statement that I understand they are selling around \$2 to \$2.25 per bag, which would be \$2.50 a bushel, which would be approximately the same.

Senator SIMMONS. What is the Maine grown American potato selling for in New York?

Mr. REID. They are selling at \$2.50 to \$3.

Senator SMOOT. Wholesale per barrel?

Mr. REID. Wholesale per barrel.

Senator SIMMONS. Others are selling at \$2.50.

Mr. REID. Others are selling around \$2.25. So they are selling, you might figure, probably on a basis of 50 cents less per barrel than home-grown potatoes. Of course, if a tariff was placed on Danish potatoes, that would be of advantage to our American growers.

Senator SIMMONS. When do Danish potatoes come in when they do come in?

Mr. REID. Last week we received 21,000 bags or barrels.

Senator SMOOT. That was the crop of 1920?

Mr. REID. That was the 1920 crop.

Senator SIMMONS. Do you know what is the annual importation of those potatoes?

Mr. REID. I do not think, Senator, we can get at any positive figures on that, because it varies entirely on the prices here. If our prices are very low or much lower than they are now, they can not afford to ship. Some places, even when our prices are high, they have not a crop.

Senator McLEAN. In the past, have not large importations of potatoes been made from Germany?

Mr. REID. Not during the last few years.

Senator McLEAN. No; I mean prior to this?

Mr. REID. Some years ago they shipped quite a good many of very small potatoes into this country.

Senator SIMMONS. What is the quality of those potatoes as compared with ours?

Mr. REID. Well, they are grown usually on darker soil. The potatoes are darker and are of an inferior variety when compared with our home-grown Jersey or other near-by crops of potatoes. But they supply a demand under low transportation charges which enables them to place them here.

Senator SIMMONS. How will they grade as compared with ours, first or second?

Mr. REID. They would grade as a good second to our good No. 1's.

Senator SIMMONS. Were you giving a little while ago the price of American firsts and Danish firsts?

Mr. REID. I was; yes, sir.

Senator SIMMONS. Then you were comparing a second-grade potato with a first grade?

Mr. REID. One was a first grade.

Senator SIMMONS. That is not a correct comparison, is it?

Mr. REID. That is the best they have and they ship them in here. Of course, it is not a true comparison.

Senator SIMMONS. In considering the question of competition you would not compare second-grade foreign products with the price of a first-grade American product, would you?

Mr. REID. We should not.

Senator SIMMONS. I should take that to be a second grade and compare with a second-grade American potato. Then what is the difference?

Mr. REID. Even their first grade coming in is a darker potato, it would not fill that same demand, even though the size might be exactly the same and there might be classes of No. 1 potato, as far as

size is concerned. They would not compare as far as quality is concerned.

Senator SIMMONS. That is the basis, is it not, for grading potatoes?

Mr. REID. That is the basis.

Senator SIMMONS. You said they sold for about \$2.25?

Mr. REID. They sell for about \$2.25.

Senator SIMMONS. What does the American second sell for?

Mr. REID. \$2.25 to \$2.50; I am speaking now of the ordinary potato.

Senator SIMMONS. So there is not much difference between the price of the Danish potato and the price of the American second?

Mr. REID. No.

Senator McLEAN. The size is very apt to sell potatoes?

Mr. REID. The size has considerable to do with it; it is prime or it is a second, as the case may be.

The CHAIRMAN. If you are through, the committee will proceed to hear Mr. C. W. Dunn, of New York, representing the soap section of the American Specialty Manufacturers' Association, and more particularly, I understand, he will address himself on vegetable oils.

Mr. Dunn, are you ready?

Senator SIMMONS. Before the gentleman begins, I wish to say that a Congressman came to see me on Saturday and said that some of his constituents desired to be heard this morning upon the subject of clay.

The CHAIRMAN. I just informed the committee, Senator, that the clay people told me they did not want a hearing. They are going to have a hearing before the Ways and Means Committee of the House to-morrow.

Senator SIMMONS. I was not here and did not hear your announcement.

The CHAIRMAN. You may proceed, Mr. Dunn.

**STATEMENT OF MR. CHARLES W. DUNN, ATTORNEY AT LAW, 32 LIBERTY STREET, NEW YORK, N. Y.**

Mr. DUNN. Mr. Chairman and gentlemen of the committee, my name is C. W. Dunn, of New York City. I am here with a delegation representing the soap manufacturers of the United States, and also the exporters and importers of vegetable oils of this country. The soap industry is represented through the so-called soap section of the American Specialty Manufacturers Association, which represents 90 per cent of the total soap output of the country.

We appear to oppose paragraph 10 of the bill H. R. 15,275, which provides a rate of duty on peanut oils of 26 cents per gallon, and a rate of duty of 20 cents per gallon on coconut, cottonseed, and soya-bean oils. In the present tariff law there is no tariff at all on coconut, cottonseed, or soya-bean oil, and there is a duty of 20 cents per gallon on peanut oils.

Senator THOMAS. What would 20 cents per gallon amount to, expressed in ad valorem terms?

Mr. DUNN. If you please. I am going to ask the members of the industry to speak upon the practical effect of this bill. In order to



save your time and have the matter clearly presented to you, I am going to have four speakers very briefly present this situation. The first speaker is Mr. H. W. Smith, who is president of the Vegetable Oils Association of New York, an association of large manufacturers, dealers, importers, exporters, and consumers of vegetable oils. He is also manager of the oils and fats department of W. R. Grace & Co. These speakers will explain the effect of the rates of duty proposed in this bill upon the industry, which effect is not apparent except upon analysis and examination.

I present Mr. Smith.

**STATEMENT OF MR. H. M. SMITH, PRESIDENT VEGETABLE OILS ASSOCIATION OF NEW YORK AND MANAGER OF OILS AND FATS DEPARTMENT OF W. R. GRACE & CO., NEW YORK, N. Y.**

Mr. SMITH. Mr. Chairman, as our association contemplates this measure it will be a prohibitive tariff and will not produce any revenue, for the reason that the duties proposed are practically 50 per cent ad valorem. I think there has been some misconception as to the application of the oils that are imported and that the prohibition of those oils coming into the country might redound to the benefit of the Southern planter. The actual effect as we see it is this, that should we bar these oils from importation into the United States the only available market that the Orient will find is Europe, and as a result Europe, which has already been educated to refine some of these oils and use them in an edible way, will cease buying American cotton oil.

There is approximately 1,000,000 barrels of cotton oil exported annually to European countries. We feel that if this oil that is now coming into the United States, and which we are using in various industries other than for edible purposes, is shunted off into Europe we will destroy our market there for American cottonseed oil.

Senator SIMMONS. Please tell me, what industry do you represent?

Mr. SMITH. I am representing the New York Oil Association, which is composed of importers and exporters and manufacturers and dealers in these oils.

The CHAIRMAN. Are you in the oil business yourself?

Mr. SMITH. I am manager for W. R. Grace & Co.'s oil department. We are dealers and importers and exporters.

Senator SIMMONS. You import and export oil, but you manufacture none?

Mr. SMITH. We manufacture none, but some of the members of our association—and I speak more directly for the association—are manufacturers and refiners; as, for instance, the American Linseed Co.

Senator McLEAN. You say we export a million barrels. How much do we import?

Mr. SMITH. Of cottonseed oil?

Senator McLEAN. No; of oils which would be used for a similar purpose.

Mr. SMITH. Well, the oils that we import are not used for identically the same purpose. Cotton oil, as will be explained by one or two of the gentlemen following me, is purely an edible oil. It has

been lifted out of the soap kettle, and it has gone into edible consumption in this country entirely.

Senator THOMAS. That is largely becoming a substitute for olive oil, is it not?

Mr. SMITH. Yes, sir; to some extent.

Senator SIMMONS. And largely a lard substitute?

Mr. SMITH. Largely a lard substitute, in so far as it is made into compound lard.

Senator McLEAN. How much coconut oil and how much olive oil do we import?

Mr. SMITH. I have those figures; I could not tell you offhand. [Referring to memorandum.] There are probably 300,000,000 pounds of coconut oil imported into this country annually, in the last few years, which would be roughly 1,000,000 barrels.

Senator SIMMONS. Do I understand it to be your fear that if this high duty is placed on foreign oils the oils of the Orient would be turned from this market to that of Europe?

Mr. SMITH. Yes, sir.

Senator SIMMONS. And we would not get any imports from the Orient?

Mr. SMITH. We would not get any imports from the Orient, and we would destroy our market in Europe for the quantity of oils that we have exported there in the shape of refined cotton oils, as well as refined oriental oils. We have exported quite a large quantity of those.

Senator SIMMONS. Then, we would lose the import market of the Orient and at the same time lose the export markets of Europe? That is your argument?

Mr. SMITH. Yes, sir; that is the argument.

Senator SUTHERLAND. If these oils are not used for the same purposes here that cotton oils are use for, why would they then displace them over there in Europe?

Mr. SMITH. The taste of the American has been educated to certain products that the European has not been educated to. For instance, we produce a great quantity of compound lard in this country, and we export to Europe probably 50 per cent of our total production of lard. If we force the oriental oils into Europe and they are willing to manipulate those oils in the manufacture of substitutes we will help to destroy our markets for refined cottonseed oil, and also interfere largely with our exportation of lard. That in itself will react upon the American farmer through the effect it might have on hogs and on corn used as fodder.

Senator SIMMONS. What did you estimate the ad valorem duty to be?

Mr. SMITH. Well, on soya-bean oil it would be over 50 per cent, based on present values; on peanut oil, 45 per cent.

Senator SIMMONS. And you think that would be prohibitive?

Mr. SMITH. Absolutely.

Senator SIMMONS. There would be no oriental imports here?

Mr. SMITH. We doubt that there would be any quantity at all.

The CHAIRMAN. What part of our interchange of commodities with the Orient would that interfere with?

Mr. SMITH. I would say, roughly, that the importation of the four oils mentioned in the schedule total probably \$100,000,000 annually.

Senator SIMMONS. You mean we import that much?

Mr. SMITH. We have imported approximately that quantity.

Senator SIMMONS. And do now?

Mr. SMITH. Yes, sir.

The CHAIRMAN. That quantity of oils?

Mr. SMITH. Of foreign oils.

Senator SIMMONS. Oils of the character of those mentioned in the bill?

Mr. SMITH. Of that character. I think I have here the figures; I may have overstated them, and I would rather read from the official figures of the Bureau of Foreign and Domestic Commerce: For the fiscal year ending June 30, 1920, the importation of peanut oil was valued at \$27,750,000; soya-bean oil, \$25,280,000; coconut oil, \$38,559,000; cottonseed oil, which is a very inferior article and does not compare with our domestic cottonseed oil at all, \$3,255,000.

The CHAIRMAN. It has been represented to me personally that these eastern nations might adopt retaliatory methods if we impose this duty. What do they mean by that?

Mr. SMITH. Well, we have been competing for the world markets in all sorts of products. We have been selling steel products to China and Japan, from which countries most of these oils come, and we have been selling them cotton goods and piece goods. I am not familiar with all the details of those businesses, but in a general way we have developed a very large export business there, and it is only natural that Great Britain, France, Germany, and Italy will be competing for that trade, and if we put up any barriers against their products coming into this country it is only natural that there will be retaliatory measures adopted by them.

The CHAIRMAN. Then we would not be permitted to sell our cotton goods and other articles like that in those countries?

Mr. SMITH. It would make it more difficult to do so.

Senator SIMMONS. Is not that same argument true of everything else in the bill?

Mr. SMITH. I could not answer for any of the other articles.

Senator SIMMONS. Is not the principle of the argument the same?

Mr. SMITH. The principle seems to be true to some extent.

The CHAIRMAN. The principle is there, but I have not heard it so definitely stated as I have in the case of this particular duty.

Mr. SMITH. I do not know how the other duties compare with the value of the merchandise; I have not studied the bill in that particular; but, as I have stated before, based on present values, this duty is approximately 50 per cent ad valorem.

The CHAIRMAN. You are an importer of these things. What is the difference between the price that you have to pay in China and Japan for these oils and the prices you have to pay here?

Mr. SMITH. I do not gather just the full meaning of your question. You mean the same oils?

The CHAIRMAN. Yes.

Mr. SMITH. As, for instance, soya-bean oil?

The CHAIRMAN. Yes.

Mr. SMITH. That depends largely on market conditions. The volume of business is so large, and the competition is rather keen, and it

is handled on a rather close margin. I will say that, roughly, we are very well satisfied with a gross profit of 5 per cent, but, unfortunately, during this last year we have not done that well.

The CHAIRMAN. Have you any further statement to make?

Mr. SMITH. Nothing further that I think of.

The CHAIRMAN. The hour of 12 o'clock having arrived and the Senate being about to meet, the committee will stand adjourned until 3 o'clock this afternoon, to meet in this room.

If there is no objection, the chair would like to have the reporter insert in the record at this point a telegram from Mr. Spencer Penrose, of Colorado Springs, on the beet-sugar industry.

(The telegram presented by the chairman is here printed in full, as follows:)

COLORADO SPRINGS, COLO., December 21, 1920.

HON. BOIES PENROSE,

*Commercial Trust Building, Philadelphia, Pa.:*

The beet-sugar industry of the West is to-day facing a crisis. This year's output has been produced under war conditions, both as to costs of the farmers and the manufacturers. The demoralized condition of foreign exchange is forcing not only all of the Cuban sugars onto this market but those of other sugar-producing countries as well, and the domestic sugar producers are selling their high-cost sugars in competition with foreign raws dumped on our market. You will recall that when the Food Administration was fixing prices it allowed the Louisiana planters 17 cents per pound, as against 11½ cents per pound fixed for domestic beet sugar. It is estimated that the western beet-sugar companies have been forced to borrow some \$75,000,000 on the present unfavorable money market for the purpose of paying the farmers for beets and financing their manufacturing operations. If this condition is not relieved, few, if any, of the beet-sugar companies will be in a financial position to contract for beets next year, and an emergency tariff of 4 cents, effective to July 1, is imperative. Without immediate action the industry will be ruined, as preparations for next year's crop should soon be under way. In the meantime general tariff legislation will doubtless be up, when the matter of a permanent tariff can be given its due consideration. It is not going too far to say that the domestic beet-sugar production saved the food situation during the war.

SPENCER PENROSE.

(Thereupon, at 12 o'clock noon, the committee took a recess until 3 o'clock p. m.)

AFTER RECESS.

At 3 o'clock p. m. the committee reassembled, pursuant to the taking of recess.

The CHAIRMAN. The meeting will be in order. We will now hear Mr. Dunn.

**STATEMENT OF MR. CHARLES WESLEY DUNN, ATTORNEY AND COUNSELLOR AT LAW, NEW YORK, N. Y.—Resumed.**

Mr. DUNN. Mr. Chairman and members of the committee. I would like, first, to enter into the record the members of the Vegetable Oil Association of New York, represented by Mr. Smith, who spoke this morning.

(The list of members referred to is here printed in full, as follows:)

*Members (partial list).—W. R. Grace & Co., Balfour, Williamson & Co., J. C. Francisconi & Co., Marden Orth & Hastings Corporation, American Linseed Co., Young Commission Co., Pacific Trading Corporation.*

**Mr. DUNN.** Our first speaker this afternoon will be Mr. C. Rogers Brown, who is president of the firm of Brown, Farrell & Edwards, exporters and importers of vegetable oils, of Seattle, San Francisco, New York, and Chicago. Mr. Brown is the representative of the Foreign Commerce Association of the Pacific coast, an association of practically all of the trade on the Pacific coast, including the importers, exporters, manufacturers, dealers, and consumers of vegetable oils. He was also a member of Mr. Hoover's staff during the war, being a member of the advisory committee of seven on imported oils and fats.

**The CHAIRMAN.** How many witnesses have you on this oil proposition?

**Mr. DUNN.** We have three more besides Mr. Brown, and they will be very brief.

**Senator THOMAS.** Did the gentleman who had the floor at our recess conclude?

**Mr. DUNN.** Yes, sir.

**The CHAIRMAN.** I hope we can boil this down now, so that we can get through within our appointed time.

**Mr. DUNN.** Yes; Mr. Chairman.

**The CHAIRMAN.** Who is the next witness?

**Mr. DUNN.** Mr. Brown.

**The CHAIRMAN.** Mr. Brown, we will be pleased to hear from you.

#### STATEMENT OF MR. C. ROGERS BROWN, NEW YORK, N. Y.

**Mr. BROWN.** Mr. Chairman and members of the committee, the proposed tariff, I am absolutely sure, carries a rate of revenue which will be absolutely prohibitive if applied to the peanut oil, soy bean oil and other oils from the Orient.

**Senator THOMAS.** You mean the rate of duty?

**Mr. BROWN.** Yes, sir. The measure will not be of any benefit to the American farmer, and it will be to the great detriment of many other industries.

The reason for this is that our principal oil commodity in this country, which is cottonseed oil, depends to-day, to quite a considerable measure for an outlet in Europe, where it is sold in the refined state.

Furthermore, a very important commodity that is involved in this proposition is the American lard. As you probably know, lard is a product of the American hog, which in turn is really a product of American corn. Fifty per cent of our production of lard has usually been consumed in this country and 50 per cent in Europe. The value of this lard in Europe depends a great deal on the price which Europe has to pay for fats from other competing countries and other vegetable oils from which they can make substitutes.

If we prohibit the entrance of these oils from the Orient, it means that the largest supply of vegetable oils is thrown open to the American buyers, with no competition at all, and in turn very much cheaper substitutes for lard will be produced, and the price of American lard will be very adversely affected.

I think it is a well-known fact to all economists that the surplus of any article is usually the tail that wags the dog. The surplus lard which we send to Europe is really the part of our production which

determines the price we get for the part that we use here in this country ourselves, and in turn it has a great bearing on the value of corn. The amount of corn that is fed to the hogs in this country represents a very considerable portion of our crop.

The CHAIRMAN. If you make the American hog market here profitable, that would also have an effect upon the corn that is consumed here, would it not?

Mr. BROWN. Yes, sir.

The CHAIRMAN. We are as much interested in having hogs produced here to eat the corn as we are in having hogs produced which we can export over to Great Britain and other countries.

Mr. BROWN. Yes, sir. The oriental oils which are up for consideration are oils that have been developed in their use in this country rather recently, and the facts are that about 65 per cent of our imports have been manipulated by American manufacturers, which has been possible through their efficiency and the development work which they have undertaken, and that oil has been reexported to Europe. The general effect on our foreign trade would be very serious, for the reason that these oils constitute one of the principal bases for our exchange with the Orient, and I do not believe there is any more fertile field than the United States is looking forward to than to expand its business in the Orient, where so many people live who at the present time are living in a primitive state of life and where the possibilities for development are the greatest.

We are exporting a great deal of lumber and steel. In my business in years past I exported steel and other commodities, such as chemicals, to the Orient. Take our Pacific coast, for instance. Our friends in the Orient would consider it a direct thrust against them if we declined to go on with the business which we so successfully started, and we might have the spectacle of China and Japan and other countries placing all of their orders for lumber in British Columbia.

Senator THOMAS. Are you receiving or importing these oils, manufacturing them or changing their character, and then exporting the product?

Mr. BROWN. I am not engaged in the manufacturing business myself, but I happen to be acquainted with the business.

Senator THOMAS. I assumed that you were speaking for certain interests, and when I say you I mean those interests.

Mr. BROWN. Yes, sir. It is a business which has been built up here as a result of the war. During the war the Food Administration took a great deal of interest in considering these propositions with the point of view of developing as much business on a permanent basis as was possible, taking advantage of the experience gained through the war and pointing out to the various people at interest the advisability of looking at it in that light, with the idea of mastering this business.

The CHAIRMAN. Is there much butterine or cocoa butter made from coconut oil exported?

Mr. BROWN. Our exports of butterine are very considerable. Europe was always the—

The CHAIRMAN. I mean, made from these particular oils. I am not referring now to that made from the oils which we produce, but I mean made from the oils which we import.

Mr. BROWN. Yes, sir.

The CHAIRMAN. Where do we export that butter and butterine?

Mr. BROWN. Recently a great deal of it has gone to England.

The CHAIRMAN. The majority, however, of these oils, if I understand you correctly, are used in the manufacture of soaps, are they not, and things of that character?

Mr. BROWN. Some of them are used in soap. I might, with your permission, take each oil up by itself. It will take just a moment.

The CHAIRMAN. We will be glad to have you do that.

Mr. BROWN. In the case of peanut oil, in 1911 the value of our imports was \$674,000. These figures are all based on the fiscal year ending June 30.

June 30, 1920, the total imports were \$27,750,000.

The use for oil in this country has been established in the manufacture of compound lard and in the manufacture of margarine and in the manufacture of oils that are used as substitutes for salad oil, such as olive oil.

In 1919 our entire domestic crop of peanuts went to the candy manufacturers. The result was that American manufacturers who had established the use of peanut oil in certain brands of margarine and compounds where peanut oil was essential, would not have had any peanut oil if we had not been able to get this oil from the Orient. Their business would have been practically destroyed, because the candy trade took our entire output.

Senator LA FOLLETTE. To what extent does this oil that you speak of and that you import go into the manufacture of margarine?

Mr. BROWN. Peanut oil goes——

Senator LA FOLLETTE. What proportion of it?

Mr. BROWN. Peanut oil goes into an average of about 10 per cent of it.

The CHAIRMAN. What is the other 90 per cent used for?

Mr. BROWN. Of the oil?

The CHAIRMAN. Of the peanut oil. I understand 10 per cent of the peanut oil goes into the manufacture of margarine.

Mr. BROWN. Some of the peanut oil is used in compound lard, too, the same material that cottonseed oil is used in.

The CHAIRMAN. And about 10 per cent of the peanut oil is used for butterine?

Mr. BROWN. Well, a butterine formula calls for about 10 per cent of peanut oil.

The CHAIRMAN. I understood the question of the Senator from Wisconsin (La Follette) was, What percentage of this oil that you import goes into the manufacture of margarine?

Mr. BROWN. I could not answer that right offhand. I would have to refer to figures to give that.

Senator LA FOLLETTE. Are you able to refer to any figures so as to include it as a part of your statement here?

Mr. BROWN. I can at the end, if you will allow me to put the figures in. I will get them very quickly and submit them.

Previous to the war Germany controlled the peanut-oil business of the world. We were large buyers of peanut oil from Germany. They took the peanuts to Hamburg, and we bought a great deal of peanut oil from Germany. The war made it possible for us to practically lead in that business on a world-wide basis. We brought

the oil into this country and manipulated it and exported the products.

In the case of soy-bean oil, previous to the war England controlled that trade. They pressed beans at Hull, and we bought some bean oil from England, but not a great deal.

Senator LA FOLLETTE. What use is made of that soy-bean oil?

Mr. BROWN. It is rather an inferior oil on account of its color, and it has good qualities of taste, and it is an oil principally suited for the manufacture of soap. During the war, when there was such a scarcity of these products, and the tastes of people were a second consideration, some of that oil was also used in the manufacture of edible products.

Senator LA FOLLETTE. How much soy-bean oil is produced from soy beans raised in this country?

Mr. BROWN. Practically none.

Senator LA FOLLETTE. How extensively are soy beans raised in this country?

Mr. BROWN. They are not raised to any appreciable extent at all.

Senator LA FOLLETTE. Why not?

Mr. BROWN. Well, the product which they give is inferior to the product which other vegetable seeds will yield.

Senator LA FOLLETTE. You mean for the purpose of oil?

Mr. BROWN. Yes, sir; and the residue is only suitable for cattle feed and for fertilizer.

Senator LA FOLLETTE. It is very useful as a food for cattle, is it not?

Mr. BROWN. Yes, sir.

Senator LA FOLLETTE. Being quite extensively used for that purpose?

Mr. BROWN. Yes, sir. If it were not for the bean cake that we get on the Pacific coast the price of feeds along the Pacific coast, with our present railroad rates, would be practically prohibitive. The Pacific coast farmer is in large measure dependent on the various kinds of cakes which he can get from the Orient, such as linseed cake, soy-bean cake, and copra cake.

Senator LA FOLLETTE. Soy beans are being quite extensively grown in Wisconsin for silage, mixed with corn and put into silos. It is cut right up and used as silage.

Mr. BROWN. Yes, sir.

Senator LA FOLLETTE. And it adds a very necessary ingredient to a well-balanced ration.

Mr. BROWN. It is a good ration.

Soy-bean oil: Our imports in 1911 were valued at \$2,500,000.

In 1920, for the year ending June 30, \$25,000,000.

I might say that since the process of deflation has started in with such vigor there have been no imports. The business represented by these figures is all business that was placed at high prices, considerably before deflation.

Senator THOMAS. Has the exchange anything to do with that?

Mr. BROWN. No, sir; our exchange with the Orient is maintained on a fairly normal basis, simply on account of these products. If it were not for these products we would be in a very unfavorable position.



Senator THOMAS. Have you a statement of imports and exports from and to China and Japan?

Mr. BROWN. Of all commodities?

Senator THOMAS. Yes.

Mr. BROWN. No, sir; I have not.

Cottonseed oil from the Orient was valued at \$808,000 in 1910, and in 1920 it was \$3,000,000.

Cottonseed oil, which is produced over in the Orient, has a seed the quality of which is such that it produces a very inferior grade of oil. It does not come in competition with our domestic cottonseed oil at all, and as you can see from these figures, the quantities are practically negligible. The oil is practically only useful for the soap kettle. The entire oil business which this country has built up with the Orient is a tremendous factor in any future business that we are considering developing and maintaining in the Far East, and if we are going to sell machinery and steel and chemicals, lumber, and other products, it is going to be absolutely necessary for us to maintain the excellent position in which we have placed ourselves in this oil business. We not only have disposed of our own crops, but we have managed to handle the crops of the Far East, and have managed to make money out of it.

Senator THOMAS. Why have those importations recently ceased?

Mr. BROWN. Because the prices in this country have been below their cost of production and they have not been willing to——

Senator THOMAS. You can get the domestic product now for less than you can get the foreign product; is that it?

Mr. BROWN. Yes, sir.

The CHAIRMAN. The balance of trade is against us in our trade with the Orient by a considerable amount, is it not? In other words, we buy very much more from the Orient than we sell?

Mr. BROWN. It has dropped off lately.

The CHAIRMAN. Has it not been for years in that condition?

Mr. BROWN. We have had quite a balance against us, but it has not been such a great one as to throw our exchange out of line, such as our exchange is with England on account of their unfavorable trade balance. The silver yen is about par here.

It would absolutely deal a very killing blow to a very important industry, this oil industry, which has entailed the investment of about \$4,000,000 at Seattle for special docks and tankers for handling, about \$2,500,000 at Portland, Oreg., and around \$2,000,000 at San Francisco. The American soap maker has been very enterprising. He has started to erect plants on the Pacific coast with the intention of going into China with his soaps.

Out of our domestic cottonseed oil and the refining process in making the oil good for table purposes, a residue of about 9 per cent is obtained which is only suitable for making soap.

The CHAIRMAN. If, up to the time the deflation of which you speak obtained, you could purchase and you received considerable importations of these oils from the Orient, and since the deflation the price of the American product has dropped down very low, so low that you say that there is none imported, could you still continue if the American price was raised up to an amount equal to the former price?

**Mr. BROWN.** The price will have to come to a world-wide position, because it is a world-wide proposition. The tariff will not affect it. We have a surplus of cottonseed oil and a surplus of lard, and we have to sell it in the largest market in the world, which is Europe.

The **CHAIRMAN.** You say the tariff will not affect it. What objection is there to it if the tariff does not affect it?

**Mr. BROWN.** It will not have the effect of making the American product worth any more, for the reason that our surplus will determine the price of our domestic business. We will not sell lard to the Europeans any cheaper than we intend to sell it to the American consumers.

**Senator THOMAS.** If we produce a surplus in this country, I should think you could get the domestic product cheaper than you could get the foreign product, because, as you say, it is the surplus that fixes the price.

**Mr. BROWN.** Yes, sir. Anything that affects the marketing of the surplus is a very important thing. If we do not compete with Europe in taking these oriental oils, we have some skill and some strategy to use in manipulating them. Our manufacturers are capable of doing that. We can take these oils and manipulate them and resell them and control the market and keep the business passing through our hands, just as we did before to a very great extent. The surplus of our own crops has got to be sold in competition with these same oils from the Orient, because if they do not pass through the United States they go there, and in the end we have got to base our prices on what we can get in Europe.

A very careful investigation of all of the facts and the other lines of business involved, I believe, would satisfy any student of the situation that the proposed duties would not make for any revenue for the Government or enhance the value of our domestic products as far as vegetable oils are concerned.

The **CHAIRMAN.** You think, then, it would be an ill wind that would blow no good to anyone?

**Mr. BROWN.** What did you say, sir?

The **CHAIRMAN.** You mean, then, that the tariff would be an ill wind to you and would blow no good to anyone else?

**Mr. BROWN.** I do not think it would blow any good to the greatest number. The interests that are involved in a proposition of this kind are so ramified and remote that it certainly would be at least unfair to deal with the matter without the most thorough investigation.

The war gave this country a great opportunity, and the country took advantage of it to get started in some industries that are very important and which should be continued without harm to any of our own people, and it would really be to their benefit.

If we can ship soap to China, we can take so much more cottonseed oil. If we can buy oils over there, the purchasing power for our cotton is a great deal better. If we are an unpopular Nation throughout the Far East, we are going to be the last ones to get any business from anybody. We will only be able to get the business on the basis of holding some monopoly over some of these products.

**Senator THOMAS.** Can you tell me why these enormous quantities of beans and oils should be exported from China at present, when it is said that so many people there are starving for lack of nutrition?

**Mr. BROWN.** Transportation in China is so primitive that it is easier to get products from some of the Provinces to our ports than it is from one Province to another. Some are so isolated from others that it is very difficult—

**Senator THOMAS.** It seems a horrible thing to take foodstuffs from a starving country.

**Mr. BROWN.** It is. We have a source now in one of the Provinces of China, but the famine sufferers are so far away from that section that it is impossible to supply them.

**Senator LA FOLLETTE.** They are too poor to buy, are they not?

**Mr. BROWN.** They have means of buying from one another. The financial situation there is not the same as it is in Europe.

**Senator LA FOLLETTE.** Transportation is a constant thing. You do not have a famine always as you have it this year.

**Mr. BROWN.** That only emphasizes the development that has to be done over there, which this country can do, and it also emphasizes the need of keeping our trade up across the Pacific Ocean. It is the only spot in the world where the people have not been ravaged so much by war and where they are in a very receptive mood to do business with the United States.

**Senator THOMAS.** That is also true of South America. Is it not?

**Mr. BROWN.** To a great extent, yes, sir. I do not think the prospects in South America are as good as they are in the Far East.

**Senator THOMAS.** The exchange is in bad condition in South America as to some parts of it.

**Mr. BROWN.** But in the case of those people over there anything in the way of a prohibitive tariff would certainly be interpreted as a thrust against them. It would not be interpreted as a necessary thing to preserve ourselves.

The amount of railroad equipment that has been built here in the United States just to handle this business is very considerable. The number of tank cars and other facilities all the way along the line involves very large figures. Many American refiners who would undoubtedly be here to take an interest in this matter to-day are so closely associated with some of the cottonseed oil people that they are not taking the active steps in opposing this thing that they otherwise would, although they are against it.

**Senator THOMAS.** They are noncommittal?

**Mr. BROWN.** Yes, sir.

**Senator THOMAS.** Like some of our Senators.

**Mr. BROWN.** The oils that have been brought in here have been put out under various brands and are known all over the world. We ship refined peanut oil to Italy and Poland and every country in Europe that we can get into; and the American oil refiner who before the war practically was obscured as far as world-wide trade was concerned now occupies a very dominant position.

**Senator McLEAN.** You say that Germany controlled this business before the war?

**Mr. BROWN.** Peanut oil; yes, sir.

**Senator McLEAN.** Will she not resume her control?

**Mr. BROWN.** She is trying to now. Her agents are out in China.

**Senator McLEAN.** As far as the European markets are concerned?

**Mr. BROWN.** I do not think she can right away, but she will certainly make the effort. All of the European countries are making

an effort in the Orient. There is nothing better they would like than to see us shut out from any selling market over there by not buying anything.

Senator THOMAS. That has always been the case.

The CHAIRMAN. Is there anything further?

Mr. BROWN. I will get those figures that you referred to, Senator, and submit them a little later.

The CHAIRMAN. Very well; we will see that they are printed.

Who else have you to present?

Mr. DUNN. The next speaker is Dr. M. H. Ittner, who is chief chemist of Colgate & Co., and who represents the American soap industry.

The CHAIRMAN. Mr. Ittner, the committee will be pleased to hear you.

### STATEMENT OF MR. M. H. ITTNER, REPRESENTING COLGATE & CO. AND THE AMERICAN SOAP INDUSTRY, NEW YORK, N. Y.

Mr. ITTNER. Gentlemen of the committee, I have been asked to read a telegram that was sent last week to the committee:

#### SENATE FINANCE COMMITTEE:

Referring to the House of Representatives bill 15275, emergency bill imposing temporary duties on certain agricultural products imported into the United States, we, the soap section of the American Specialty Manufacturers' Association, in conference, desire to protest against the bill in general and more particularly section 10, page 2, oils: Peanut, cotton seed, coconut, and soya bean, the effect of which would prohibit the importation of such oils, thereby producing no tariff revenue, and in view of the fact that we export to foreign countries in the refined state a large percentage of the crude oils imported, would operate against the exportation of such oils through giving Europe an opportunity to buy these oils direct from the producing countries cheaper, therefore curtailing our imports and exports, and instead of helping the value of our own production of cottonseed oil would operate against its value, and in addition curtail our refining industries in the United States and force into the soap kettle high-grade oilbse oils which can now be exported to better advantage. The cheaper oriental oils can be used in the soap kettle, thereby keeping down the price of soap to the consumer. The passage of the proposed bill would not benefit the producers but would prove a detriment to oil-refining operations, thereby affecting the wage earner and increasing the cost of soap to the consumer.

That telegram is signed by F. M. Barnes, representing the Procter & Gamble Co.; J. R. Collingwood, representing Fels & Co.; and Russell Colgate, representing Colgate & Co.

Senator THOMAS. What is the ad valorem duty fixed by this bill?

Mr. ITTNER. Twenty-six cents per gallon on peanut oils and 20 cents per gallon on the other oils. Twenty cents per gallon means 2 $\frac{2}{3}$  cents per pound. Figuring the foreign price of some of these oils, that would be about 50 per cent ad valorem. For instance, on soya-bean oil it would be about 50 per cent ad valorem.

Senator THOMAS. What would the other oil at 26 cents be?

Mr. ITTNER. Peanut oil is increased the same amount.

I appear on behalf of a number of important soap manufacturers of the United States, and I wish to speak with regard to the proposed duties on peanut, cotton seed, coconut, and soya-bean oils.

The several manufacturers in this country employ thousands of workmen in the manufacture and distribution of soap and various products. By far the greater percentage of soap is consumed in the

homes of the people. It enters every home in the land. Soap has long been recognized as a necessity. The late war proved this beyond all doubt. Its use was a great advantage to countries adequately supplied with it, and the lack of it was a great handicap to those countries having an inadequate supply.

Glycerin, which is produced at the same time and by the same chemical process as soap, was a war necessity of first magnitude; and the American soap manufacturers, when called upon by our Government during the war, met promptly and adequately the requirements of our Government and of our allies for this article. The soap business, though of primary importance to the welfare of the country as well as of the people at large, suffered many disadvantages in the matter of obtaining its raw materials. Some of the oils and fats which might otherwise be available for soap making were used in the manufacture of food products. Some grades are suitable only for soap making, and a very large portion is of a grade that is divided between the manufacture of edible products and the soap kettles, according to the importance of the demand from one industry or the other. The result is that the soap maker seldom finds the market favorable to his entering it and purchasing his requirements freely without danger of unduly raising the price. The fact is the good of the soap industry and of the consumers of soap would require that every possible source of fats and oils should be available for soap making.

With respect to two of the oils mentioned in paragraph 10, peanut oil and cottonseed oil, these oils are produced in this country, and cottonseed oil, especially, is exported from this country in larger quantities than it is imported, and therefore it is not in need of protection.

With respect to the other oils mentioned in paragraph 10, coconut oil and soya-bean oil, practically the entire amount of these oils is produced from materials not grown within the United States. The proposed duty would therefore not result in any direct protection of any important American interest, and any benefit that might be derived therefrom could only be indirect.

It is, however, perfectly evident that the soap maker could not use them without paying the large increase in price that might then be brought about.

The duty proposed of 20 cents per gallon amounts to 2½ cents per pound and would be as much as 40 per cent on the domestic price, and a still higher percentage on the foreign value which is used for duty purposes; and this on articles that do not themselves need protection.

It should further be borne in mind that we have not only been depending on oriental countries for some of these oils, but these countries have been depending on us as an important market for the oils, and the trade that has grown up because of our buying these oils has caused them to take American manufactured products in greater variety and in greater quantities. The oriental countries, with their vast populations, furnish not only an important market at present, but unlimited possibilities for future development unless measures similar to this contained in paragraph 10 should upset the

favorable conditions that have gradually developed over a period of years.

Should we cut off the imports of these important oils these countries might at once retaliate by cutting off a large part of their purchases from us. In fact, they might be forced to do so. However, a country must curtail its imports if its exports are cut off or seriously curtailed, and this would give us a duty on oils not produced here and would not protect the American farmer.

The four oils mentioned in paragraph 10 are not mutually replaceable for all uses, one by the other. Especially is this true of coconut oil which, to a considerable degree, could not replace cottonseed oil, and also could not be replaced by cottonseed oil.

This is especially true in the soap business. Coconut oil possesses peculiar properties, and it is a necessary ingredient of many soaps. It is a necessary ingredient of practically all toilet soaps and practically all floating soaps and of many laundry soaps. The reason for this is that the soap produced from it is much more soluble than the soap produced from most other fats and oils, and by incorporating a certain percentage of coconut oil into the soap you get free lathering qualities even in cold water which you can not get if coconut oil is not used.

(At this point Senator Penrose entered the hearing room and took the chair.)

Mr. ITTNER. This being the case, a duty on coconut oil will not serve to protect any important American industry in need of protection even indirectly. These wour oils are fundamental raw materials in a low stage of manufacture and are practically without protective requirements; and this being the case, we respectfully request that they all be placed on the free list or retained there.

Senator THOMAS. Is there much competition in soap manufacture in the United States?

Mr. ITTNER. Yes, sir. The soap manufacturers are all independent one of the other. There is no organization. There is no trust or general understanding among them, and each organization is working for itself, and there is considerable competition.

The CHAIRMAN. Is there not a good deal of profiteering in the soap business?

Mr. ITTNER. No, sir; there is not. I might say that that is a good question and I am glad to be given a chance to answer it.

During the war the cost of fats went up considerably, about two or three times what they had been before the war. As I mentioned in this little statement which I read, glycerin is a by-product in soap manufacture. During the war there was great need of glycerin for war purposes, and, as I stated, the soap manufacturers met the requirements. It was an absolute necessity for war purposes. The price of glycerin went up. There was no way of controlling it except the matter of supply and demand, and every soap maker in the land, in figuring the price of soap, figured the value that he got for his glycerin, and soap was sold on a basis that was very much below the cost of production if it were not for the return from glycerin. That is, when you consider what the oils cost and what the soap sold for, it was sold very much below cost if it were not for the price they obtained for their glycerin.

**Senator LA FOLLETTE.** How much did the price of glycerin advance during the war?

**Mr. ITTNER.** About the highest price was around 65 cents.

**Senator THOMAS.** A pound?

**Mr. ITTNER.** A pound; yes, sir. There was great need for it, and the soap manufacturers met with the Government. They formed a temporary organization at the request of the Government, and nearly every manufacturer did his utmost to increase his capacity and to increase the amount of glycerin.

**Senator THOMAS.** What was the prewar price?

**Mr. ITTNER.** The prewar price fluctuated considerably. It had been around 16 and 18 cents and up to around 30 cents a pound, and the Government, in conjunction with soap manufacturers, agreed upon a price that was not fixed in the sense that manufacturers had no price-fixing board, but there was an agreement between the Government and the soap manufacturers during the latter stages of the war whereby a price of 62 cents a pound was maintained for two months and 60 cents a pound and then 58 cents a pound—a gradually descending scale. In fact, the soap manufacturers were very anxious to have the price of glycerin as low as possible, because they could foresee that when the war would be over they would be left with a large amount of material on their hands at a low price; deflation would sooner or later take place, and they would all have large losses to take, and they were as anxious as the Government was to have the price low. It was at their suggestion that they had a descending scale for glycerin.

**The CHAIRMAN.** Have you anything further to state to the committee?

**Mr. ITTNER.** That is all, except that, as I have stated, it seems from our standpoint that this bill can not in any way be of benefit; that is, this duty on coconut oil and soya-bean oil can not in any way affect the farmers, certainly not directly, because those products are not produced here; and we believe that even indirectly it will not help, but we think that these articles should be placed on the free list or retained there.

I thank you, gentlemen.

**Mr. DUNN.** I would like to place a resolution in the record adopted by the New York Produce Exchange, with your permission.

(The resolution referred to is as follows:)

NEW YORK PRODUCE EXCHANGE,  
New York, December 30, 1920.

TO THE BOARD OF MANAGERS OF THE NEW YORK PRODUCE EXCHANGE.

GENTLEMEN: At a meeting of the members of the oils, waxes, and fats trade of this exchange, held December 28, the following resolution was unanimously adopted:

*Resolved,* That the board of managers of the New York Produce Exchange be requested to send to the United States Senators from New York and to the Senate Finance Committee, a formal protest against the emergency tariff bill now pending in the Senate in so far as it relates to peanut oil, soya bean oil, coconut oil, and cottonseed oil, and that a committee of three be appointed to submit a proper draft of protest to the board of managers.

Therefore the undersigned appointed committee submits to the board of managers the following reasons for the protest which they respectfully request be incorporated in their communication to the United States Senators from New York and the United States Senate Finance Committee:

1. As a revenue-producing measure its effect will be nil and will simply act as a complete embargo against imports.

2. The oils in question have entered largely into the manufacture of food-stuffs, paints, soaps, etc., and if the proposed tariff is adopted it will materially increase the cost of these commodities to millions of domestic consumers.

3. The proposed tariff will effectively stop our export business in food products, soaps, and paints manufactured from these oils.

4. The proposed tariff will cause the diversion of the entire oriental vegetable oil shipments to European and other foreign markets, who will be enabled to purchase largely at their own price, thus supplying foreign demands which heretofore have been supplied largely by this country.

5. Furthermore, by automatically placing our own domestic cottonseed oil at a disadvantage in price as compared with oriental oils, these oriental oils will be shipped direct to Europe, supplying their demands, which heretofore have been filled by our own domestic cottonseed and peanut oils and their derivatives.

6. This would not improve the condition of our domestic cottonseed and peanut oil trades, because the surplus production of European manufacture from oriental oils at a much lower price would be shipped back to us in the shape of compound lard, margarine, or even soaps, paints, and other products, at a much lower price than our own domestic manufacturers could produce.

7. Such a prohibitive tariff will be one more step toward the destruction of our export business and eventually will result in the closing down of numerous factories throughout the country, followed by added unemployment.

8. This will likewise have a direct detrimental effect throughout the shipping, banking, importing, and exporting interests.

9. This legislation, if passed, appears to be only a false economic measure and can only result in a detrimental way to our trade at home and abroad.

Respectfully,

H. MART SMITH,  
OSCAR S. FLASH, *Chairman*,  
MARTIN F. AUSTIN,  
I. R. BOODY,

*Special Committee.*

Mr. DUNN. Our final speaker is Mr. S. W. Eckman, the president of B. T. Babbitt & Co., soap manufacturers.

The CHAIRMAN. Is he your last witness?

Mr. DUNN. Our last speaker; yes, sir.

#### STATEMENT OF MR. S. W. ECKMAN, PRESIDENT OF B. T. BABBITT & CO., SOAP MANUFACTURERS.

Mr. ECKMAN. Mr. Chairman and gentlemen, I had not intended to make any statement, but it was suggested that the case should be presented from the point of view of the selling end of the soap manufacturers, so I have jotted down a few little notes here and I will be very brief in presenting them.

In the first place, I desire to call your attention to the fact that recently we have built up, mostly since the war, a rather large export business on common laundry soaps in markets which we formerly did not have at all.

The CHAIRMAN. To what countries do they go?

Mr. ECKMAN. Largely to Scandinavia, some to Great Britain, the Baltic States, slightly to Turkey. Those are the countries with which I am personally familiar to which common laundry soap has gone in rather large quantities since the war.

Senator THOMAS. The general impression is that the Turk never washes.

The CHAIRMAN. That was my impression.

Mr. ECKMAN. You will be surprised to learn that even the bolsheviks have bought a million cases of soap.

Senator LA FOLLETTE. Is that soft soap?



Mr. ECKMAN. No; it is solid soap.

Senator THOMAS. Can you give the amounts, the figures?

Mr. ECKMAN. I can not give you the figures except to say that some manufacturers during the last two years have exported half of their entire output of laundry soap, manufacturers who before the war did not export any to Europe, and their European exports have amounted to half of their total manufacture since the end of the war.

Senator THOMAS. Is that continuing in the present period of depression?

Mr. ECKMAN. Not in the present period of depression. Those countries that import soaps are not importing them from the United States or anywhere else during the last two or three months.

The CHAIRMAN. What do our imports of soap amount to in dollars and cents?

Mr. ECKMAN. Normally our exports of laundry soaps were confined exclusively to the West Indies, and one particular brand to Great Britain, and at little to South America. The total exports were very insignificant.

The CHAIRMAN. Did you export any to the Eskimos?

Mr. ECKMAN. Practically none whatever.

Senator CALDER. The Senator asked you about our normal exports.

Mr. ECKMAN. Our normal exports before the war were only to the West Indies and some of our nearby markets. This exportation that has taken place since the war to European ports is something that we are hoping to maintain permanently.

Senator CALDER. Have you any idea of the value of the exports of laundry soap during the first six months of 1920?

Mr. ECKMAN. I have not the figures in dollars and cents. I am familiar with what we did in our own business.

The CHAIRMAN. You spoke of a greatly increased export. Have you any idea, in the roughest kind of a way, what it amounts to in dollars and cents?

Mr. ECKMAN. Perhaps some of the other gentlemen who have those statistics at hand for the industry as a whole could state. Mr. Collingwood?

Mr. COLLINGWOOD. No, sir; I have not them.

The CHAIRMAN. You made an important statement, and I would like to know what its magnitude is.

Senator THOMAS. You can get those figures——

Mr. ECKMAN. Yes; from your department here.

The CHAIRMAN. I wish you would get them.

Mr. ECKMAN. Yes, sir. I thought it would be of interest to inform you that some of the eastern manufacturers have increased their export business to such an extent that it now amounts to approximately 50 per cent of their total business. For instance, Senator——

Senator THOMAS. Laundry soap?

Mr. ECKMAN. Yes. For instance, Senator. [addressing Senator Calder], one of your neighbors over in Brooklyn is now the leading seller of soap in Norway, soap manufactured in your home town. Before the war they exported none to Norway. Their principal competitor manufactures soap in Liverpool. At the present time your neighbor is exporting rather large quantities. I say at the present

time, meaning last year. At present they are not exporting any, probably, on account of the exchange situation.

So that the laundry-soap business has largely increased for certain eastern manufacturers since the end of the war to European ports, and it has come about because of the change in the trend of business in these oils.

Before the war the American soap manufacturer did not use nearly as much of this oriental oil as he has been using since the war, and you will readily appreciate that with the great scarcity of ocean tonnage the Europeans needed what they could get on the short hauls to a greater extent than they ever did before, because the oriental oils took a long time to get around, and they were subject to the U-boat peril. Those oils can come here to the United States through the west coast and can go into the soap kettle. These oriental oils took the place here in soap manufacture of American oils, while, on the other hand, the American oils took the place of oriental oils in the edible oil field. They have become accustomed over there to a certain extent to using the better oil for edible purposes. We use a cheaper oil for edible purposes, putting the oriental oil into the soap kettle.

That has come about largely as a result of the shipping situation during the war. For the purpose of making margarine and all the edible purposes they were depending upon American oils instead of oriental oils, and we have got them accustomed to using them, and I believe that, as a matter of fact, it is better for the American grower of cotton, the producer of cottonseed oil, to keep the higher priced oils for edible purposes rather than to force those oils back into the soap kettle in America, and have the oriental oils pursue their normal course. They prefer the American oils over there and they are willing to pay a higher price.

Senator SIMMONS. Have you statistics which show the extent?

Mr. ECKMAN. They were read this morning with regard to the importation of oils at the present time.

Senator SIMMONS. What I wanted to know was to what extent the exportation of cottonseed oil had increased since you say this trend set in.

Mr. ECKMAN. That information we will submit to you very shortly from Government records.

Senator SIMMONS. I was not present when you went into that.

Mr. ECKMAN. Another phase of the situation is that with the Europeans getting these oriental oils cheap they might compete with us on laundry soap in this country. If we have to use the better oils for laundry soap, American cottonseed oil, and pay a higher price for it, they can use the cheap oriental oils for laundry soap, and they will undoubtedly be able not only to force us out of some of these markets where we have recently gained a foothold but they may even import them into this country, because there is only a 5 per cent duty on laundry soap in this country. That is quite conceivable and would be the result if the differential is not properly adjusted.

Senator Penrose spoke about profiteering, and this morning, I believe, the Senator from Utah [Senator Smoot] mentioned the fact that the Federal Trade Commission was after the beet-sugar people because they are losing money. I believe that was the statement he

made—that they were being prosecuted because they were losing money. Practically every laundry-soap manufacturer in the United States has lost money during the last two years. I know of no instance where they have made any money. One large old responsible firm in the fourth generation has failed within the last two months—

Senator THOMAS. What firm is that?

Mr. ECKMAN. Lautz Bros., of Buffalo. The present people engaged in that company are either the third or fourth generation. I believe the fourth generation is the sons of the present president of the company. I know that none of the laundry-soap manufacturers have made anything.

Senator THOMAS. Then your export business is not profitable?

Mr. ECKMAN. The export business has saved to some slight extent what would have been a greater calamity, perhaps, if it had not been for that export business. Instead of one, there might have been two or three or four companies that would have gone into the hands of a receiver.

The CHAIRMAN. What has been the average increase in the selling price of soap in the United States?

Mr. ECKMAN. The 5-cent cake of soap went up to 8 cents, and in some few cases 9 cents. In other words, the maximum figure was from 5 to 9 cents, that 9-cent price being rather a country price. In the cities, at the very peak, you could get the standard brands of soap for 8 cents a cake, and that in spite of the fact that practically every article entering into soap had increased from the very minimum double to four and five times as much as it was before the war, and that was offset, as has been told by the previous speaker, by the fact that they could make some money on glycerin. But the American consumer has never paid anything like in proportion to the increased cost of common laundry soap, and that is a chemical article which should have gone up and would have gone up to triple and even quadruple—

Senator THOMAS. Suppose this bill passes; do you think it would affect the price of soap?

Mr. ECKMAN. It would probably tend to if it produces the effect that the framers of it wish—if it makes us use higher-priced domestic oils instead of these cheap imported oils it could not help but increase the cost of soap.

It may be of interest to the committee to know that the laundry-soap industry, although we consider that we are deserving of almost as much consideration as the agriculturists, because cleanliness is supposed to be next to godliness—

Senator THOMAS. They may put a duty on godliness before we get through here.

Mr. ECKMAN. We have gone through these two years and we have not come to the Senate committee and asked for any relief, and we believe that in general, if any one industry deserves some consideration it should be one that has not only just commenced to suffer when everybody is suffering on account of the business depression, but one that has been for the last couple of years. We believe it is up to us to work out our own salvation; that as a result of the economic disturbance caused by reconstruction we all to have stand our share. We

have stood ours. Maybe we will have another year or two of it; but we are going to fight it through. Maybe we shall not succeed in fighting it through; one concern was not able to, and when we see the statements of 1920 reducing their inventories to the present market value there will be a great many red-ink figures in the statements of laundry-soap concerns of the country.

Thank you, gentlemen.

The CHAIRMAN. Is that all, Mr. Dunn?

Mr. DUNN. Yes, sir.

The CHAIRMAN. The chair is not informed that there are any other persons desiring to be heard this afternoon; in which case the committee will suspend proceedings until to-morrow morning at 10.30 o'clock.

(Whereupon, at 3.55 o'clock p. m., the committee adjourned until to-morrow, January 11, 1921, at 10.30 o'clock a. m.)



TUESDAY, JANUARY 11, 1921.

UNITED STATES SENATE,  
COMMITTEE ON FINANCE,  
Washington, D. C.

The committee met, pursuant to adjournment, at 10.30 o'clock a. m., in room 312, Senate Office Building, Senator Porter J. McCumber presiding.

Present: Senators Penrose (chairman), McCumber, Smoot, La Follette, McLean, Calder, Sutherland, Simmons, Jones, and Nugent.

Senator McCUMBER (acting chairman). Mr. Dunn, we will proceed with the hearing on the oil matter now.

**STATEMENT OF MR. ARTHUR DUNN, REPRESENTING FOREIGN COMMERCE ASSOCIATION OF THE PACIFIC COAST, SAN FRANCISCO, CALIF.**

Mr. DUNN. If the committee please, my name is Arthur Dunn. I appear here representing the Foreign Commerce Association of the Pacific Coast, an organization of importers and exporters engaged in foreign commerce with international ports. We are particularly interested in the embargo bill—for such we read it to be, rather than a tariff measure.

As to the various items in the bill: Referring to paragraph 8, rice, we are not in opposition to any duty that may be proposed on rice.

Senator SMOOT. Is the rate in that instance an embargo?

Mr. DUNN. That I could not answer, Senator, because rice does not enter very largely into imports at this time, since the coming of prohibition.

Senator SMOOT. Your remarks refer to oils rather than anything else?

Mr. DUNN. Oils, peanuts, and beans.

Senator SMOOT. Never mind about the rice.

Mr. DUNN. So far as rice is concerned, since brewers' rice is no longer called for we are not concerned in that.

With reference to the other commodities, we are approaching this embargo proposition from a broad standpoint rather than from any individual item in the bill, since we feel that if an embargo is imposed it will seriously curtail our trade with China and Japan particularly.

We would like to call your attention to the totals of imports and exports with China and Japan. From China we imported in 1917, \$105,905,531 of all commodities; in 1918, \$116,644,981; in 1919, \$105,762,859; in 1920, \$226,887,848.

In that same period we exported to China \$37,195,608 for 1917; 1918, \$43,476,623; 1919, \$82,992,495; 1920, \$119,143,828.

From Japan we imported in 1917 goods valued at \$208,127,478; 1918, \$284,945,439; 1919, \$303,993,041; 1920, \$527,220,867.

Senator SMOOR. Mr. Dunn, can you tell us the importation and exportation of the items in this bill? We all know the figures you are giving.

Senator McCUMBER. I think we brought that up yesterday, Senator, and the other witness was not able to answer that. I think it is proper he should put into the record what we really asked for yesterday—just the imports and exports with Japan and China.

Mr. DUNN. The chairman will remember that Senator Thomas asked Mr. Brown yesterday these questions, and Mr. Brown was not able to answer them, and hence we have dug them up during the night.

Senator SMOOR. Of course, we can go to the department and get that same document, and anybody can see it.

Mr. DUNN. There is just one more line. The exports in 1917 were \$130,427,061; 1918, \$267,641,212; 1919, \$326,462,269; 1920, \$453,147,063.

That gives an idea of the total trade with these countries.

I believe that yesterday we submitted the figures covering the various oils. I just want to remark in passing that our exports of raw cotton alone to Japan in 1918, 1919, and 1920 amounted to the following totals: 1918, \$86,904,940; 1919, \$131,160,386; 1920, \$175,977,261.

In addition to that there were approximately three-quarters of a million dollars of unbleached cotton cloths in 1918. In 1919 it jumped to \$1,148,791 with China, and in 1920 to \$6,591,833.

Of the bleached cloths China took, in 1920, \$21,097,611.

Our position is this, that by limiting the importation of these commodities, as provided in the bill, particularly vegetable oils, beans, and peanuts, we are thereby limiting our trade with those countries. In the case of peanut oil, I just want to direct your attention to the surveys made by the Tariff Commission. Here is the Survey of the American Peanut Oil Industry. I read from page 12:

Railroad freight rates from the centers of the greatest production of oil, Georgia and Alabama, to the consumption centers are considerably less than the rates on imported oil from Seattle and San Francisco to the same centers of consumption. As most of the oil imported since July 1, 1915, has come in at Pacific ports, the railroad rates, except in the case of the Pacific coast crusher of imported peanuts, as well as ocean freights serve as a protection to the American consumer.

That is from the Tariff Commission's report on peanut oil. Reading from the Survey of the American Soya Bean Oil Industry, at pages 7 and 9:

Soya-bean oil is competitive with domestic oils in the sense that a large degree of substitution is now possible between them. It is not competitive in the sense that it is tending to reduce the volume of cottonseed-oil production.

Also, on page 9:

The use of the oil as a partial substitute for linseed oil in paints, varnishes, and linoleum is increasing, and the consensus of opinion of both paint manufacturers and of chemists doing experimental work is favorable to its continued use. As a soft-soap material it has practically displaced linseed oil.

As to coconut oil the committee undoubtedly is aware that 75 per cent of that article originates in the Philippines.

Reading from the Tariff Commission's Survey of the American Coconut Products Industry, at page 26:

If this trade continues, a protective duty on refined deodorized coconut oil would seem unnecessary. Under the present law refined oil not deodorized could be imported free of duty.

However, in considering a duty on crude coconut oil several facts should be noted. In the first place, during the last few years a large proportion—in 1919, 75 per cent—of the imported coconut oil has come from the Philippine Islands, and under the present reciprocal arrangement with the islands their products are admitted free. So that unless this provision were changed any duty would not apply to a large part of the imports. Also it should be considered that the domestic copra-crushing industry, which would be most benefited by any restriction of imports, is in large measure dependent upon foreign sources for its raw material. And these sources are in many cases identical with the sources of foreign oil: in fact, the same people who are dealers and exporters of coconut oil are also exporters of copra. If a duty were laid on coconut oil, possibly these interests might raise the price of copra to the American mills, or through negotiation with the steamship lines the freight rates on coconut oil and copra might be manipulated so that any differential in favor of the latter treated by an American tariff on oil might be overcome. Also there would be the possibility of the imposition of an export duty by countries which are the source of this raw material.

As to cottonseed oil, reading from the Survey of the American Cottonseed Oil Industry, the Tariff Commission says on page 9:

European experience shows, moreover, that in the oleomargarine industry cottonseed oil can be largely dispensed with if sufficient quantities of peanut and coconut oil can be obtained. Since only 2 to 5 per cent of the total domestic production of cottonseed oil has been going into oleomargarine, however, the substitution of other oils, even if complete, will not be serious to the cottonseed-oil interests.

Gentlemen, we take the position that if you exclude these oils you remove one of the very large items of foreign trade with the Orient, in which the Pacific ports are particularly interested. In the matter of the beans, the proposal to place a tariff of 2 cents per pound on imported beans is the one which we think will act entirely as an embargo. The growers of beans in this country, particularly those in California, have enormous stocks of beans on hand. On December 1 they had 2,000,000 bags, of 100 pounds to the bag, in warehouses in California. The bean difficulty goes back to the time of the signing of the armistice, when the growers in California were left with 4,000,000 bags of beans on hand. Prior to the war imported beans did not come into this country.

Peanuts, or ground beans, 3 cents per pound. We feel that the peanut situation is very similar to the oil in this, that in the United States, for example, in 1919 not a pound of peanuts was crushed for oil purposes. There is a direct protection on the use of peanuts commercially by reason of the lower freights to the centers of consumption in this country as against the rate from the Pacific coast on the imported peanuts.

We very strongly urge that the committee do not recommend an embargo, particularly with reference to vegetable oils, since if such an embargo is imposed we feel that Europe will again enter upon a dominant position in the market. As has been said to you before, Germany had control of the business very largely up to the time of

the World War, and thereafter the United States stepped in, and now the competition is between Great Britain, France, and the United States for the control of that market.

I thank you, gentlemen.

Senator McCUMBER. Is Mr. Rheinstrom present?

**STATEMENT OF MR. JAMES A. RHEINSTROM, PRESIDENT RHEINSTROM BROS. CO., CINCINNATI, OHIO.**

Mr. RHEINSTROM. I am James A. Rheinstrom, president of the Rheinstrom Bros. Co., Cincinnati, Ohio, manufacturers of food products. I am representing the sentiments of the packers and importers of cherries in brine.

There has been an amendment, known as the McNary amendment, offered to the Fordney bill, which proposes a tax of 5 cents per pound on cherries in brine. Of the cherries which are raised on the coast, about 85 or 90 per cent, I should say, are used for canning and the balance for maraschino cherries. The supply is inadequate to take care of the demand for maraschino cherries in the United States.

About 60,000 to 70,000 barrels of cherries in brine are imported every year for making maraschino cherries. The imposing of this tax would not in any way protect the grower on the coast, it would simply ruin the industry in the East. We would be unable to compete with the foreign countries, which would immediately start manufacturing the finished product and shipping it over to this country. As it is, with the present tariff, it is almost impossible to compete, but with this additional tax it would simply mean the destruction of our business. This particular industry employes thousands of people. The bill would simply be defeating its own purpose by ruining a large industry here and would mean the introducing of foreign packed fruit.

In addition, considerable quantities of cherries are exported to foreign countries, and this business also would be lost.

Senator SMOUT. If that amendment were agreed to, you would have to have a compensatory rate for your manufactured goods to protect you?

Mr. RHEINSTROM. The tariff would have to be revised sufficiently to take care of this additional tax which is proposed on the cherries in brine.

There would have been a more elaborate brief prepared, but this amendment came up rather suddenly and there was not sufficient time to have a meeting and decide upon all the points in the case. We ask for your very earnest consideration of our request.

Senator JONES. Do you export any of your product?

Mr. RHEINSTROM. Yes, sir; it is exported to China, Japan, Australia, and various other countries.

Senator JONES. In any quantity?

Mr. RHEINSTROM. Well, usually in quantities of from 50 to 100 cases at a time to each customer.

Senator JONES. I mean in what quantity during a year?

Mr. RHEINSTROM. I imagine it would amount to possibly 1,000 cases.



Senator JONES. Are there any exporters of the same products?

Mr. RHEINSTROM. I imagine our competitors would export in the same proportion.

Senator SUTHERLAND. Where are the cherries grown?

Mr. RHEINSTROM. In Italy and France. They come in free of duty now because they are in brine, and this amendment proposes to tax them 5 cents per pound. That will in no way benefit the western grower, because as it is now he is only able to take care of the canned-goods demand and some of the maraschino. So the price of the foreign cherries in no way affects that of the domestic. In other words, they are able to sell their entire supply without interfering with the imported.

Senator JONES. How did you say they got into this country?

Mr. RHEINSTROM. They are imported in barrels in brine; about 60,000 barrels a year.

Senator SIMMONS. Where do they come from?

Mr. RHEINSTROM. From Italy and France.

Senator SUTHERLAND. Is it a peculiar variety of cherry or is it just a preparation of the cherry?

Mr. RHEINSTROM. It is not a peculiar cherry. It is similar to the Royal Anne, which is grown out West; also the Napoleon. They interfere in no way with the western cherries, because the western cherries are all consumed by canners and packers on the coast without coming east in brine. The imposing of this tax would mean the destruction of our industry, as these foreign countries would be able to pack the finished cherry and ship it over here at a price at which we could not compete.

Senator SIMMONS. Are you opposing duty?

Mr. RHEINSTROM. Yes, sir; we are opposed to the duty, because it would simply mean the ruination of our industry, and it would mean the establishing of a foreign product.

Senator SIMMONS. Where are you located?

Mr. RHEINSTROM. In Cincinnati. We have been in business since 1876.

Senator McCUMBER. Have you anything further to state?

Mr. RHEINSTROM. No, sir.

Senator McCUMBER. We are very much obliged to you. Next on the list is Mr. Benjamin C. Marsh, secretary of the Farmers' National Council.

**STATEMENT OF MR. BENJAMIN C. MARSH, SECRETARY AND DIRECTOR OF LEGISLATION OF THE FARMERS' NATIONAL COUNCIL, BLISS BUILDING, WASHINGTON, D. C.**

Mr. MARSH. Mr. Chairman and gentlemen of the committee, I am Benjamin C. Marsh, secretary and director of legislation of the Farmers' National Council, with headquarters in the Bliss Building here in Washington.

I do not wish, Mr. Chairman and gentlemen of the committee, to make any extended argument or statement on the pending emergency tariff bill, nor to debate specific rates which are sought to be imposed on certain farm products, but merely to raise this question, whether or not the enactment of this emergency tariff legislation relating to

agricultural products is going to be construed and is going to be used as an excuse for levying such extremely high tariffs upon manufactured products as have been levied in the past.

Senator SIMMONS. You are asking that as a question?

Mr. MARSH. I am asking that as a question. I do not know whether anyone here will want to answer it or not.

Senator SIMMONS. I will answer it. These gentlemen will answer no; I answer yes, undoubtedly.

Senator McLEAN. When you speak of the high tariffs of the past do you have reference to the bill which Senator Simmons drew?

Mr. MARSH. I was thinking particularly of the Payne-Aldrich bill; but, of course, if there were any high tariffs in the bill which Senator Simmons drew my statement would apply to that.

Senator SIMMONS. I would like to have that matter settled right now—whether these gentlemen over there consider this last tariff bill as high as the others.

Senator McLEAN. I understood he was complaining of the high tariffs of the past.

Senator SMOOT. Would it not be best, Mr. Marsh, to confine your remarks to this bill which we have before us? Nobody can tell what the policy will be hereafter.

Mr. MARSH. Senator Smoot, you are an extremely experienced and astute statesman, and you will remember that usually manufactured products have had the benefit of skyscraper duties, while the farmers' duties have been little one-story-shack duties, and it has been hard for them to compete.

I am not saying that this may not be a wise measure, because, frankly, the Farmers' National Council is perfectly willing to be shown whether Congress, for the first time in its history, will protect the farmers; or, rather, let me say, will attempt to protect the farmers—because we question whether they can—whether they will attempt to give the farmers the same proportion of protection under a tariff bill as they give to the big trusts.

Senator SMOOT. There is no question about it in my mind; they will be protected on the same basis and on the same plan.

Mr. MARSH. Do you think this bill does that?

Senator SMOOT. In what particular do you mean?

Mr. MARSH. Take practically any of these items. Here is 30 cents per bushel on wheat. That certainly does not represent anything like the drop in wheat between the cost of production and the present price of wheat.

Senator SMOOT. But flour, the manufactured product, is not going to be protected any more in comparison than the 30 cents per bushel on wheat.

Mr. MARSH. I am getting back to whether this bill is intended to meet the difference between the cost of production of agricultural products here and abroad, or what the purpose of the bill is.

Senator SMOOT. It is a temporary measure, to go out of existence as soon as there is a regular tariff bill enacted.

Mr. MARSH. Is it not a little bit late for a temporary measure? The farmers are all shot to the devil now. Their prices have been deflated. They have lost five billions.

Senator McLEAN. Would you for that reason abandon your purpose of obtaining protection for the farmers?

Senator SMOOT. Do you want this measure defeated?

Mr. MARSH. No; I do not want this defeated. I want the committee to consider what the result will be. Is this an emergency tariff, or is it an emergency dodge bill to justify skyscraper tariffs later on on manufactured products?

Senator SMOOT. I should think that you would say the latter; the committee would say the former.

Mr. MARSH. History will tell, will it not?

Senator SMOOT. No matter what bill is presented by the committee, Mr. Marsh, we do not expect you to approve of it.

Senator SIMMONS. Why?

Senator SMOOT. Well, I say so from past experience.

Senator McCUMBER. Well, Mr. Marsh, do you not think it would really be better to discuss this bill upon the assumption that the ordinary individual connected with it has at least a degree of honesty or purpose—

Mr. MARSH. Oh, I am sure of that.

Senator McCUMBER. Rather than that it is some dishonest dodge to accomplish some ulterior purpose? Those that are interested in it, though they may not agree with it in some things, like myself, nevertheless desire it to afford some relief and as much relief as we can give to the producer of agricultural products. Now, won't you confine your remarks rather to that feature of the case, as to whether we need it or whether we will get any benefit from it? Anything you may desire to say along that line will be welcome.

Senator SMOOT. I made the statement on the floor of the Senate that there were rates in this bill that I would not support in the regular tariff bill. This is an emergency matter, and I should like to have it treated as such.

Senator McCUMBER. I agree with him that the rate on wheat is not anywhere near high enough to give any adequate assistance now.

Senator SIMMONS. I understood the Senator from Utah to say he would not support it because the rates were all too high.

Senator SMOOT. I did not say any such thing; I did not have reference to wheat at all. Senator Harrison asked me as to items, and I told him I did not particularly care to enumerate them, but it was not wheat I had in my mind at all.

Senator SIMMONS. I was not speaking about wheat; I thought your remark applied to the whole bill, that you would not support this bill except as an emergency proposition.

Senator SMOOT. I would not; no—that is, certain items in the bill.

Senator SIMMONS. Because you thought they were too high?

Senator SMOOT. I did; I thought there were certain items that were too high, and I say so now.

Senator SIMMONS. I say so, too.

Senator SMOOT. Too high for a regular bill.

Mr. MARSH. May I say this? Perhaps instead of asking whether it is an emergency dodge I should ask whether it is an emergency accident for the purpose of protecting the farmers. But I think I am correct in saying that there is a wide difference of opinion among the farmers of America as to whether or not they will be able to get a parity of protection on their raw material for manufactures—that is, upon farm products—with what the big manufacturing interests get. The fact is, they never have. As I ascer-

tained in 1912, the farmers put \$10 into the protection pool for every dollar they get out of it.

Furthermore, I am sure I am correct in saying that most of the large farm organizations are not on record primarily and directly as indorsing a high protective tariff upon foreign products, but most of them have taken the position—I assume their representatives will be here to speak for them—but I think I am correct in saying that most of them have taken the position that if manufactured products are to be protected then the farmer ought to have a parity of protection upon his products. That, I think, is the position which most of the farmers take.

Senator SIMMONS. You mean a parity of protection where the duty will protect, but are there not many cases where no duty will protect because there are no importations into this country and not likely to be?

Mr. MARSH. Yes.

Senator SIMMONS. And giving you a high duty on those things that are free from competition from abroad, as corn is, will not help at all, will it?

Mr. MARSH. I can not see how it has helped very materially.

I am sure that my friend, Congressman George Young, who worked on this and with whom I have talked repeatedly about this measure, is, like everyone else that is backing it, sincere. But I am raising the question, What are we entering upon? The farmers' desperate financial situation has led Congress to take some action. I believe the majority of the farmers are mighty interested, as much interested as they are in the passage of this bill, important as it may be to some of them, in finding out whether the enactment of this bill by Congress is going to be really because you want to help the farmers or whether it is because certain interests, which I do not need to enumerate, which are the large interests of this country—and in a perfectly legitimate way, let me add, many of them—are anxious to have some excuse for a high protective tariff for manufactured products.

Senator SMOOT. I have received resolutions from nearly every real farmer organization in the United States approving of this bill.

Mr. MARSH. I say, there are a great many farmers who do approve it.

Senator SMOOT. Do you oppose it?

Mr. MARSH. No; I do not oppose it; but when the tariffs for the manufactured products are before you I am going to appear with my testimony, which I have submitted to-day, and I have got my record right here—

Senator McCUMBER. It seems to me that if that is your purpose you had better defer your testimony until we have the bill before us relating to that subject.

Senator LA FOLLETTE. But he is speaking to this bill.

Senator McCUMBER. He is not speaking to this bill; he says he has a statement that applies to the bill that is to come up.

Senator LA FOLLETTE. He made no such statement. He refers to a bill that is to come and says that he proposes to testify at that time.

Senator McCUMBER. The point is whether we shall discuss this bill, and if it is necessary we will test that question, or whether we will discuss a bill that is going to come up at the next session.

Senator LA FOLLETTE. He has just made a reference to another bill.

Senator McLEAN. The bill that is to come up is now being considered by the House committee?

Senator McCUMBER. Yes; it is.

Senator SUTHERLAND. I move that we restrict the remarks to the pending bill.

Senator McLEAN. Have you appeared before the House committee?

Mr. MARSH. No; but I have an application in to appear.

Senator McLEAN. Is not that the place for you to appear? You know all these tariff bills must originate in the House?

Mr. MARSH. Yes; though there was a report that the woolen tariff schedule was drafted by the American Woolen Co. But that is not germane at this point. I am going to appear there, but I want to be on record with this statement here, because it will come up later, and I will be asked, I think, and appropriately, if I remember that the bill to protect manufactured products was drawn up in connection with this tariff bill.

Senator SMOOT. You are in favor of it?

Mr. MARSH. Why, I am willing to see it tried out, provided—let me make it clear—provided it is not going to be used as an excuse later, and I hope my appearance this morning will preclude the possibility of anyone saying later that the farmers, having asked for a tariff bill, were in favor of three or four or ten or twenty times as high protection for manufactured products as for their own farm products.

Senator SIMMONS. You are a representative of a farmers' organization?

Mr. MARSH. Yes. Of course, no farm organization speaks for all the farmers of America.

Senator SIMMONS. But it is a farmers' organization?

Mr. MARSH. Yes.

Senator SIMMONS. Can you give us anything like an approximate idea of what proportion of the agricultural products of the last year have already been disposed of, have left the hands of the farmer and are in the hands of the railroad people, the middle people, the warehouse people, the speculators, and so on?

Mr. MARSH. I tell you frankly I can not give the proportion. We have no means of securing it. I do not know of anyone in the United States who has that exactly. The Department of Agriculture has it approximately, and I should be glad to obtain it. Of course, the committee could secure the full information directly from the Department of Agriculture, and all that I could do would be to ask them to submit the same information.

But I do know this, Senator Simmons, that I understand that from 40 to 50 per cent of the wheat has left the hands of the primary producers, and you know and this committee knows that the real struggle of the farmers to-day is to get credit to enable them to retain control of their crops so that they may market them in an orderly way instead of having to dump them on the market.

Senator SIMMONS. You say 40 per cent of the wheat?

Mr. MARSH. That is approximately the figure, I think—40 to 50 per cent.

Senator SIMMONS. I should suppose that 90 per cent of the tobacco has passed into the hands of the secondary handlers. I should suppose that a large per cent of the cotton has already passed. I am not familiar with the amount of wool and live stock; I do not know as to that. But a very large per cent of last year's crop has passed out of the hands of the farmers?

Mr. MARSH. That is true.

Senator SIMMONS. Now, you want to consider that fact in connection with the fact that this bill is to operate for only 10 months. It ceases its operation before a large part of this year's crop will be ready to be sold by the farmer.

Mr. MARSH. That is what I had in mind, Senator. I think I said before you came in that we raise the question of whether this emergency legislation is not a little bit belated to help the person who most needs help and who is to-day on the toboggan.

Senator SMOOT. It will help the farmer in this country by preventing Canadian wheat coming in here and taking American dollars away from here. For every bushel of wheat that comes in from Canada we have to ship that many American bushels of wheat to a foreign country, and we have got to finance that shipment. It will help them that much, will it not?

Mr. MARSH. It may.

Senator SMOOT. Well, won't it?

Mr. MARSH. I don't know.

Senator SMOOT. Of course.

Mr. MARSH. I am inclined to think it would help temporarily, Senator.

Senator SIMMONS. Has not American wheat got to meet the competition of Canadian wheat, either in this market or in foreign markets, and does it make much difference which market it meets it in?

Mr. MARSH. I do not know just how much difference it does make, but I am going to submit to the committee that the Farmers' National Council, realizing this situation, urged that the United States Grain Corporation or a similar corporation be revived, but to be not under the control of the gentleman whose affiliations with the elevators and milling plants rendered him immune to the difficulties of the farmers, but to be under the control of representatives of organized farmers, representatives of organized labor, and representatives of the women's organization, and that the Government should buy the entire wheat crop at the bulk line cost of production plus a reasonable profit, and control it straight through to the consumer; that is, the sale of flour to the bakeries or the ultimate consumer. That would definitely help the farmer and enable him to get the cost of production.

Now, in our judgment that was perfectly practicable, and the only way fully to meet the farmers' needs on wheat, for instance.

Senator LA FOLLETTE. As so much of the wheat has passed from the farmers' hands into the hands of other holders of grain, any tariff that is put upon wheat by this bill would be beneficial, not to the farmer but to the fellow who has got the wheat now?

Mr. MARSH. He would be the sole beneficiary of that, Senator La Follette.

Senator McCUMBER. Would he be the sole beneficiary if the farmer had 60 per cent of the 1920 crop?

Senator LA FOLLETTE. He would be the sole beneficiary with respect to so much as has left the farmers' hands.

Mr. MARSH. What he is in possession of he would be the beneficiary of.

Senator SMOOT. Senator Simmons referred to the fact that it would make no difference whether Canada was compelled to find a market abroad or here in America; that we have to have a market and they have to have a market, and therefore it would make no difference. I think it makes a great deal of difference. If it is sent to England it would be paid for there in English money, and the exchange would be 32 per cent difference, and when they come to America they would use American dollars—

Senator SIMMONS. What I said. Senator Smoot, was that we had to meet the competition of Canadian wheat, as we have to meet the competition of the wheat of all other countries, either in this market or in the foreign market, because we export a large part of our wheat. I said nothing about the difference in exchange.

Senator SMOOT. As an American I would very much prefer to meet the competition in a foreign land rather than to have them sell in our market.

Senator McCUMBER. Let me ask Senator Simmons right here if he knows what proportion of the wheat raised in the Northwest that comes into competition with the Canadian wheat is exported?

Senator SIMMONS. No; I do not know the exact figures.

Senator McCUMBER. Practically nothing is exported.

Senator SIMMONS. I do not know how much is imported and I do not know how much is exported. I do know that some two or three hundred million bushels of American wheat is annually exported, and I have always understood that the price of wheat in this country was fixed by its price abroad.

Senator McCUMBER. That is asserted, but I want to say most emphatically that it is not, as affecting our northwestern wheat. Our Minneapolis price, for months, I have known to measure right up with the Liverpool price. It depends upon the production in the Northwest and the consumption in the United States, nearly every bushel in 9 years out of 10 being consumed in the United States.

Senator SIMMONS. I will say to the Senator that I think it is perfectly true that immediately along the border of any two competing countries there may be an abnormal difference. It does not apply to the whole country.

Senator McCUMBER. It is not so much a question of its being along the border, it is a question of grain raised in a particular section of the State and converted into flour which has a market in the United States, and not a foreign market in London.

Senator NUGENT. To what extent, in your opinion, have the operations of the Chicago Board of Trade been responsible for the low price received by the grain producers of this country for their product?

Mr. MARSH. I shall have to answer that in a statement that will take two or three minutes, if I may. I think it has had some influence, but I think the real influence is this, that the American farmer has been exploited all his life. He has been the victim of the investment bankers, who have told him to produce to the limit and that they will do the rest, and they generally have.

Now, the farmer has made up his mind to go into agricultural commerce himself, and largely through commodity marketing—that is, by staples and by direct trading—which will eliminate the necessity of boards of trade and exchanges as now conducted; he proposes to handle his crop as far as possible straight through to the ultimate consumer, whether in this country or abroad. And the big fight now on is between the manufacturer in this country, who wants to control and to get the entire foreign market for export from this country, and the American farmer, who sees that he has a right to at least an equality of opportunity in foreign markets as well as here; and I think the Chicago Board of Trade is only a part of the big financial system which has exploited the farmer.

**Senator NUGENT.** Then, it is your opinion that one of the remedies for the conditions now existing is a comprehensive system of cooperative marketing on the part of the farmer?

**Mr. MARSH.** I think there is no other economic salvation for the American farmer, Senator. That is our opinion.

**Senator NUGENT.** I agree with you; I have been preaching that doctrine for years.

Another question: Do you not believe that the tremendous increase in railroad freight rates has very materially affected the situation, particularly in the western country?

**Mr. MARSH.** Senator, when Congress enacted the Cummins-Esch law returning the railroads to their owners you drove a dagger up to the hilt in the heart of agriculture, and that is the basic cause—that together with the credit situation—of the farmer's undoing to-day.

**Senator NUGENT.** What is the average increase in freight rates throughout the country, if you know?

**Mr. MARSH.** The average increase is roughly one-third. For the eastern district it is 40 per cent; for two of the other districts it is 25 per cent, and for one of them 30 per cent. Of course, it varies as to products.

**Senator NUGENT.** The reason I asked that question is this: The reason I asked you with respect to the effect of the increase in freight rates so far as the farmers are concerned lies in the fact that I am in receipt of resolutions adopted by a number of farmers' organizations, and so forth, in Idaho, to the effect that this increase in freight rates has been very largely instrumental in bankrupting many of our farmers, and I was simply curious to ascertain whether or not, in your opinion, that was correct.

**Mr. MARSH.** Senator, the Farmers National Council, with several State organizations, fought all over the United States to prevent the return of the railroads under the Cummins-Esch law, and we know that the majority of the farmers of America were opposed to the return of the railroads and wanted a two-year extension of Government operation of the railroads—not discussing Government ownership, but a two-year extension. And then those organizations like the National Grange—and their representative, Dr. Atkeson, sits here—and the American Farm Bureau Federation, which endorsed the Cummins-Esch law, though opposing, as I understand it, the whole purpose of the Cummins-Esch law, through the guaranteed dividend—even those organizations have gone on record as opposed to the principle of guaranteeing a return to a public utility plus costs of operation.



There will be no future for agriculture in this country, I think I can safely say, until you restore the railroads to unified Government operation, reduce the rates to those in force when the railroads were returned to their owners, and if there be a deficit, which is questionable, make it up out of taxation.

Also you have got to give the farmer equality of credit. I did not mean to bring in the railroad question, but it was directly raised.

I might add that I have been out through the West and Northwest recently, and the farmers from all over the country were telling just how they were situated, and this increase in freight rates was simply knocking them out. Freight rates went up and farm prices went down. I can not give the final figures, but I do know that freight rates are becoming to-day 10 per cent and in some cases 30 per cent of the price the farmer receives for his product, and he is getting less than the cost of production.

Senator SIMMONS. There was a statement reported to have been made by Mr. Fordney, the chairman of the Ways and Means Committee, upon the floor of the House, with reference to a carload of sheep that was sold in the market at 2.14, I think it was, and of that price the farmer got only 35 cents a head.

Senator SMOOT. That has not very much to do with freight rates.

Senator SIMMONS. I would like to know where the balance of that money went. Can you tell us?

Mr. MARSH. Well, I know it did not go to the farmer, and the farmer is now organizing a search to find out what becomes of the difference between the 35 or 40 cents on the average that he gets for his product and the \$1 the consumer pays for it, and the farmer of America is not going to rest until he finds out what predatory interests get that difference and what bona fide service is rendered. There is some, of course, in distribution. The farmers and consumers are getting together in the All-American Cooperative Commission to settle that question of direct trading.

Senator SIMMONS. Is not this one of the great troubles of the farmer, that he is now in the hands of distributors, or speculators, or combinations, and he is not getting anything like a fair price, but getting a price that is arbitrarily fixed, not by market conditions but by combination conditions?

Mr. MARSH. Precisely, and the farmer is the only producer who has to go to the consumer or the buyer of his goods without having any price tag upon his products. He does not say, "Here are sheep, so much, and cattle, so much"; he says, "What will you give me?" He is the only producer in the country that does that. Because of that fact, the farmer has to pay the freight rates; he can not add the freight to the price of the goods.

Now, may I take up a question that Senator Smoot raised? I am not an expert in economics. I went through college, and I spent one year at Chicago University Graduate School and three years at the University of Pennsylvania Graduate School, and you must agree I did not learn any free-trade doctrines at either place. But I was never able to find out just exactly how we could restore the parity of exchange between our country and other countries unless they were allowed to export something, Senator.

Senator SIMMONS. Is not that the trouble about the disparity now, that we are exporting so much more than we import, and will not that become more and more accentuated?

Senator SMOOR. I do not want to go into a discussion of that; I could tell you very easily.

Senator SIMMONS. I wanted to get some information.

Senator McLEAN. The difference between the value of paper and of gold has something to do with the rate of exchange.

Senator SIMMONS. I undertake to say this, as a general proposition, that in these conditions if you cut off the imports and continue your exports you will accentuate the difference in the exchange instead of reducing it.

Senator McCUMBER. Our exports to Great Britain for 50 years have been \$2 for every dollar's worth that we import from Great Britain, and yet they were on a parity just the same with our money.

Senator McLEAN. A gold mark is worth just as much as it ever was.

Senator SIMMONS. Undoubtedly; gold is worth just the same the world over.

Senator McNARY. Mr. Chairman, I had an appointment to address the committee at 11 o'clock this morning on an amendment, but I have come into conflict with this witness.

Mr. MARSH. I will suspend immediately, Senator McNary.

Senator McNARY. Well, you have to conclude some time, and you might as well do it now.

Senator McCUMBER. Let the witness conclude his statement, and then we will hear you.

Mr. MARSH. I would be glad to suspend immediately. Senator Simmons, I believe you addressed a question to me?

Senator SIMMONS. I said, if we stopped our importations from abroad and continued our exports, would not that accentuate this difference in exchange—increase it rather than reduce it?

Mr. MARSH. I can not see how there could be any other result. Every country has got to do some exporting; if it is doing a great deal of importing it has got to do some exporting.

Of course, things are not on a normal basis to-day. With the national debt of the world \$300,000,000,000, an increase of \$45,000,000,000 each of the two years since the armistice, or greater than the annual increase during the war, we know that we have absolutely an uneconomic situation.

Now, we have got to export something, but we suggest, gentlemen, do not arrange it so that you are going to close the foreign markets to the farmer's products. Let him have at least a fair show in the exportation of his surplus products with the great manufacturing interests of this country, who are so well organized that they are able to control, and have controlled in the past, the system under which they get the major part of the foreign exports.

Senator SIMMONS. Is there any class of our people more interested in our export trade than the farmers of certain of the main staple products of this country?

Mr. MARSH. Cotton and tobacco very largely, of course, and of wheat we are exporting, roughly, about one-third—from 28 to 31 per cent.

I think that completes the statement I have to make, and I thank you, gentlemen, very much.

**STATEMENT OF HON. CHARLES L. McNARY, A UNITED STATES SENATOR FROM THE STATE OF OREGON.**

Senator McNARY. Mr. Chairman and members of the committee, some days ago I presented to the consideration of this committee and the Senate an amendment to the emergency tariff bill, asking Congress to place a duty of 5 cents per pound on cherries in brine, or cherries used for maraschino purposes, and an equal amount in the way of a duty on walnuts and filberts.

These fruits are raised in the West at a great expense and are, I think, deserving of the protection which is accorded to some other commodities under this emergency tariff bill. What prompted me to act more quickly, perhaps, than I should otherwise, was a telegram which I received, which I will read. It is from Salem, Oreg., dated December 27, 1920, and addressed to me:

SALEM, OREG., December 27, 1920.

SENATOR CHARLES N. McNARY, Washington, D. C.:

Board of directors Oregon Growers' Cooperative Association in official meeting voted unanimously to ask you to work hard to have new tariff include Oregon cherries and walnuts. California has been able to introduce lemons and the South peanuts. Cherry business will be ruined without protection. I represent 1,600 growers.

C. I. LEWIS.

This organization, known as the Oregon Growers' Cooperative Association, includes all the cooperative organizations in the whole of Oregon and the southern part of Washington. They are nonprofit organizations, and comprise the farmers who assemble their fruits, which are sold in quantities under the direction of some guiding hand.

Senator SIMMONS. Is that the cherry that they used to put into cocktails?

Senator McNARY. Yes; this is the cocktail cherry. They are using it now to cap ice-cream sodas and things of that kind.

Senator SIMMONS. I think that cherry is entitled to protection. [Laughter.]

Senator McNARY. I will take up the cherry first, and be very brief with my statement. This cherry, the Royal Anne cherry, is a large cherry, white and pink, and is grown to perfection in the West, in the States of Washington, California, Oregon, and Idaho. Like all fruit, it is expensive to raise; it requires a certain character of soil in order for the trees to produce bountifully, and they must be pruned and sprayed, and the crop is subject to destruction by reason of rains.

This cherry comes into competition with the Italian cherry, and to-day is out of the eastern market, stretching from the Mississippi River to the Atlantic seaboard. The Italian cherry is brought in here in brine—that is, the cherry that is used for maraschino purposes. It is packed in large barrels. The brine in the barrels consists of water, salt, and sulphur. They come over in that form and then are sold to these factories that put up the finished product known as the maraschino cherry.

These cherries are being laid down at different places anywhere from Cincinnati to New York at practically 7 cents a pound to-day and a much lower figure prior to the war. This cherry comes into

direct competition with the western-grown superb cherry known as the Royal Anne. Naturally, those who are in the business of selling this finished product want to get their raw material as cheaply as possible, and I understand some one is here to-day from that end of the industry objecting to this proposed tariff.

But the cherry which is grown on the coast, of the character which I have briefly depicted, must be sent East in competition with this Italian cherry, and now it is impossible to do so. In the first place, the transportation is too high. In the second place, the labor and material and the care necessary in producing the cherry tree make the cost so much greater than it is being laid down for to-day in these eastern cities that the grower is run out of the market completely.

Senator SIMMONS. I understood from the witness that you refer to that the western territory into which these imported cherries do not go and which you now have a monopoly of would consume all you produced.

Senator McNARY. Oh, well, I can not agree with that statement at all. I know something of the cherry business as a grower all my life and one of the members of this organization and also president of a cooperative organization. Nearly all our cherries are sold in competition with these Italian cherries on the Atlantic seaboard and in the Middle Western States. A great many are sold in Cincinnati, which, I understand, is the home of the gentleman who appeared in opposition to the tariff.

The labor market is very much cheaper in Italy, as you know. These cherries are brought over in ballast, and the transportation item practically amounts to nothing. We have to pay this huge freight rate across the plains and the mountains of the West, and when we reach the market we can not sell these cherries in competition with the cherries raised by cheap labor plus the depreciation of their money and the height to which our dollar has reached. So the cherry grower in the West to-day is absolutely out of this market.

Senator LA FOLLETTE. What is the transportation charge from Oregon to the Atlantic seaboard, if you know?

Senator McNARY. I do not know, Senator La Follette, except that it is so high that very few men are able to meet it in getting their product from the Pacific coast to the Atlantic. You will recall that in the last two years freight rates have advanced about one-third, and it is practically two-thirds higher to-day than it was before the war.

Senator SIMMONS. Senator, can we not go on pyramiding these railroad charges, and can we not get them so high that it would be very burdensome to the people of the Atlantic seaboard to force them to buy products that have to be hauled clear across the continent?

Senator McNARY. Of course, as a westerner, I am not at all in sympathy with the rates.

Senator SIMMONS. And that would be equally true of the Pacific coast. You might make it very burdensome to require the people on the Pacific coast to buy a product which has to be carried clear across the continent at these high rates.

Senator McNARY. Oh, yes. The West is very sensitive and more keenly injured by the high rates, perhaps, than any other section of the country. Their farm machinery must be shipped across the

plains States and the mountain States to the West, and they must pay that charge. Their products must be sent over that same country to the East, where the consumer is found.

But in this particular industry that I feel concerned in it is not a crop that can be raised in one year. A cherry tree does not produce until it is 10 years old any considerable crop of a profitable nature, and to neglect the trees for a year or two almost destroys the orchard, and the farmer can not keep up his orchard unless he is given some protection against cherries raised in foreign countries by pauper labor and without the cost of transportation entering into its being brought into this country.

Senator SIMMONS. Can you give the committee the total domestic production of these cherries and the total imports?

Senator McNARY. I inquired of the Department of Agriculture a few days ago if they had figures as to the importation from Italy, and they said they had not.

Senator SMOOT. You are referring to the cherries in brine?

Senator McNARY. Yes.

Senator SMOOT. The other witness said 60,000 barrels.

Senator McNARY. I do not know whether that is correct or not, but I am willing to assume that it is until I have better authority.

Senator SIMMONS. The other witness said that, but he did not give us the amount of domestic production.

Senator McNARY. You must understand that the cherries which are not used for that purpose go largely into cans and are consumed in that manner. A few are dried and some are put into jellies and jams, but a great part, or the larger part, goes into brine to be used for maraschino purposes.

Naturally, the man who sells to the retail trade wants to get his cherries as cheap as possible, and he does not care where he gets them from. But I do not appear for that end of the industry: I am appearing for the men who produce them.

As to the other items, walnuts are raised in these several States. The filbert is a new industry.

Mr. RHEINSTROM. May I interrupt the Senator here?

Senator McNARY. I do not care to be interrupted now, thank you; I must go to the Senate in a few moments.

The filbert is a new industry now starting on the coast. There are no available statistics of the amount that goes into domestic business, because the oldest trees in our country are perhaps not more than 7 or 8 years old, excepting perhaps a few individual trees. The filbert is being brought in from Spain and Italy to-day, and the price is away down below the cost of production. The same is true of the walnut industry. It requires infinite care to produce this fruit, on account of the age the tree must attain before it begins to bear.

Senator SIMMONS. That is the English walnut that you are referring to?

Senator McNARY. The English walnut, yes. The principal importation of the English walnut to-day comes from China, and I am informed by correspondents that the nuts are being sold at from 8 to 9 cents a pound. The grower who raises walnuts can not put those walnuts on the market under 15 or 16 cents, and no profit can be made, practically, under 20 cents. You may say that 20 cents

to-day is the cost of production of this nut, and great quantities are coming in from oriental countries.

I submit to you gentlemen the situation as I believe it to be.

Senator McLEAN. Is there a difference in the quality of the nuts?

Senator McNARY. Only that the American nut is superior, in my opinion. The varieties which are grown on the coast are, perhaps, as fine as can be found anywhere. They have a white pellicle and are most delicious in flavor, whereas the Japanese nut is rather apt to be rancid and is inferior in size, but those who are looking for cheap nuts will take them.

I think that is as far as I desire to present the matter this morning.

(The following statement was subsequently filed by the National Association of Manufacturers of Fruit and Flavoring Syrups, and is printed here in full:)

JANUARY 14, 1921.

Hon. BOIES PENROSE,

*Chairman Committee on Finance, United States Senate.*

DEAR SIR: On behalf of the National Association of Manufacturers of Fruit and Flavoring Syrups we respectfully submit the following for the kind consideration of your committee with regard to the proposed tax on imported cherries in brine.

We desire to preface what we have to say by stating that the proposed amendment came to our notice so recently (since we arrived in Washington) that we did not have time in which to prepare to appear before your committee at the open hearings last Tuesday, and as a matter of fact we are not as fully prepared even now to submit a statement as we would like to be as in the time available we have not been able to secure all the facts regarding this subject or advise with the members of this association. Therefore, the statements that we shall make are general in their nature.

In the first place, it might be well for us to explain that the association on whose behalf we are submitting this statement is comprised of practically all of the manufacturers of soda fountain fruits and flavoring syrups. The business of the members of this association is to supply soda fountain dispensaries and ice cream manufacturers with crushed fruit syrups and flavorings used by those industries.

But a large proportion of the business of our industry consists of processing these cherries that are imported into this country in brine and put them into a condition whereby they are suitable for the various purposes for which they are intended to be used in this country. This processing consists of taking the cherries out of the brine and eliminating from the cherries every trace of the brine that it is possible to eliminate, and then properly preserve and pack them in a flavor that is like maraschino which are then known in the trade as maraschino cherries. We will not burden you with any more of the details of this processing. We have said the foregoing so that you will understand the class of cherry involved and no doubt you are familiar with the same.

Aside from supplying the soda fountain trade with the products referred to, a very large proportion of the business of our members is in packing these finished cherries in large containers, such as barrels, and selling them to the confectionery manufacturers to be used by them in such products as chocolate dipped cherries. Also in packing these finished cherries in glass bottles for sale through grocery stores direct to consumers who use them in making salads, decorating cakes, and embellishing lemonade, etc. We figure that very closely to 45 or 50 per cent of all these cherries that are imported into this country are used in the confectionery industry, but we have not been able to secure the exact figures and this is only our estimate.

As already explained, the cherries are used by the confectioners largely for dipping purposes; that is, for being covered with chocolate and sold as chocolate-covered cherries, and in this connection we call particular attention to the following facts:

The class of cherries that are imported come entirely from France and Italy, chiefly Italy, and are considerably smaller than those of the same variety (Royal Anne) as grown on the Pacific coast. The confectioner by necessity must use a small cherry for dipping purposes running from 900 to 1,500 cherries

to the gallon. These imported cherries suit his needs, but the cherries grown on the Pacific coast are much larger, running in size from 400 to 600 cherries to the gallon. One particular reason why the confectioner can not use to good advantage the Pacific coast cherry is because it makes the piece of candy altogether too large, requiring more of the candy cream which surrounds the cherry in the center and more of the chocolate coating which covers the cherry and the cream. Also the larger the cherry and the more amount of candy cream in the center the more tendency there is that the piece of candy burst and the more necessary it becomes to have a heavier chocolate coating. This makes such a large piece of candy that it is not desirable from a manufacturing standpoint, because it is too large and does not pack well with all other kinds of candy in the same box.

As we understand it, there are but few confectioners who make a specialty of packing these larger cherries, and generally this is done for fancy trade and the dipped cherries are packed individually without any other assortment.

These imported cherries are suitable only to be sold as maraschino cherries, and to be used for the purpose indicated and other purposes for which maraschino cherries are used, but they are not suitable to be used for preserves, pies, or other purposes for which our home grown (what we call tame cherries) are used by the household.

Another point that we wish to call your attention to is that the price of candy and soda water, like all other commodities, has been high. During the war the public understood this to a certain extent for various reasons which necessitated these high prices, but now there is a public clamor for reduced prices in candy, soda-fountain drinks, etc. The result of this is that the manufacturers of these products are perplexed at the present time as to how to reduce the prices and still remain in business. Naturally they do not wish to incur the censure of the public. They must comply with public clamor if it can be done. Already both the confectionery industry and the soda-fountain industry have been made the subject of special taxation because of the idea that they are luxuries and that there is a vast profit in these industries, etc.

The facts of the matter are that while the proposed tax on these cherries calls for 5 cents a pound on the whole cherry as imported, the cherry after being stemmed and pitted would show a shrinkage of 50 per cent, so that the tax would actually amount to 10 cents a pound on the cherries when ready to be processed for finished use. In addition to this, as is generally known, any tax on a commodity costs the ultimate consumer in paying this tax more than the actual amount of the tax originally.

Another feature is that the effect of this tax would be to increase the cost of the class of confectionery in which these goods are used to an amount perhaps as great as the amount of the excise tax already placed on candy, it being 5 per cent on sales. This, of course, would be in the nature of a double tax.

We understand that the purpose of this emergency tariff act is to protect American industries. The adoption of this amendment imposing a duty of 5 cents per pound on imported cherries in brine would afford us no protection and we can not see how such a tariff would benefit the growers of cherries in this country in view of the fact that all cherries produced in this country are now largely consumed for table use and canning purposes. The cherries grown in this country at the present time are not suitable for many purposes for which foreign cherries are used as explained, and in addition to this, there are not nearly enough of these native cherries grown to supply the demand of our industry. Of course, they could not begin to grow additional cherries in this country in the 10 months of the existence of this act, and, therefore, it would not act to foster the native industry but would enable the producers of those cherries in this country to get a higher price out of their product for which the American public would have to pay, and it would seem to us that the sole object of the bill is to bring about this benefit to the grower.

Respectfully submitted.

NATIONAL ASSOCIATION OF MANUFACTURERS  
OF FRUIT AND FLAVORING SYRUPS.

By H. J. DICKS, *Member of Board of Directors.*  
By THOMAS E. LANNEN, *Recording Secretary.*

Address: 1238 First National Bank Building, Chicago, Ill.

Senator McCUMBER. Dr. Atkeson, the committee will be pleased to hear from you.

**STATEMENT OF DR. T. C. ATKESON, WASHINGTON, D. C., REPRESENTING THE NATIONAL GRANGE.**

Dr. ATKESON. Mr. Chairman, I think I may say for our organization that we do not represent any special interests. We are 55 years old and we have organizations in 35 of the States, in all the States except the cotton-growing States south of Virginia, Tennessee, and Oklahoma, having organizations in all those States and across the continent from Maine to California. We represent in our membership practically every agricultural interest in the country, except that of the cotton growers. And I may say that I am very much interested in cotton, because I have a son in southern Alabama trying to make a living on cotton.

Our organization is sometimes called conservative. We are certainly not very radical, but we represent every agricultural interest in this country outside of the cotton growers in those few States, 10 or 12, that are especially interested in cotton growing.

I might end all I care to say this morning by saying that our organization indorses unqualifiedly the present emergency tariff bill as an emergency proposition. If we were writing the bill we would extend it somewhat; I think we would include dairy products, poultry products, and perhaps some special matters.

Senator SIMMONS. Would you include frozen meats?

Dr. ATKESON. I do not know, Senator, whether we would or not; that is, we would have to stop somewhere. The sheep growers would like to exclude frozen meats.

Senator McCUMBER. You would, then, let the packers bring in the frozen meats from Argentina and elsewhere without any duty?

Dr. ATKESON. I say, I do not know whether we would include frozen meats or not, because we would have to stop somewhere.

Senator NUGENT. Would you impose a duty on live cattle and sheep?

Dr. ATKESON. Certainly on sheep, and possibly on live cattle. But live cattle are not brought to this country to any considerable extent.

Senator NUGENT. That is very true. If you impose a duty on live cattle and live sheep, comparatively small numbers of which are imported into this country, why would you not impose a duty on frozen lamb and mutton and beef?

Dr. ATKESON. If I were discussing a general tariff proposition I would say include those things. I am trying to confine what I say to a consideration of this emergency proposition. As I understand this matter as it is now before Congress, it is largely a substitute for the strong presentation made by the sheep growers and woolgrowers of the country, in which they started out insisting upon an embargo on sheep and wool products, and our senatorial wisdom got to the point of deciding that the remedy was probably an emergency tariff bill.

I do not care to lug in the railroad question and all the collateral questions involved in farm products and things that all the farmers are more or less interested in. We have one proposition before us, and that is the question of an emergency remedy, if possible, for a serious condition that confronts the American farmer to-day—every American farmer. I think I need make no exception. Practically



every American farmer is confronted with a serious economic condition.

Senator SMOOT. And everybody else.

Dr. ATKESON. I am not a pessimist by a good deal; my natural inclination is to be an optimist. This country was here before I came and it will be here after I am gone, and our economic problems in the course of time must inevitably readjust themselves. So while I say I am not a pessimist but, rather, an optimist, I may introduce a rather unusual word that expresses my state of mind, and that is that I am an ameliorist.

Senator Harding put "normalcy" on the map and I want to put "ameliorist" on the map to-day. That is, to consider the situation as it is, our present economic difficulties that are now confronting the whole world, and that it is the duty of statesmen looking into the future and dealing with the present to ameliorate the conditions just as far as possible.

I do not believe that the present emergency tariff bill will completely meet all the economic conditions of the present. A permanent tariff bill will perhaps deal more broadly and more scientifically and effectively with the economic problems than we can hope to have them dealt with in a 10-month bill or any other emergency effort to solve the problem.

(At this point Senator Penrose entered and assumed the chair.)

Dr. ATKESON. I am free to admit that I do not know what becomes of the difference between what the farmers receive for their products and what the consumers pay; but I do know this, that about 18 months ago we sold a beautiful flock of high-grade Shropshire sheep at \$16 a head, and at that time I was paying in Washington, in a second-class restaurant, 35 cents for one little lamb chop, being about the sixteenth part of a pound, and I am still paying that price, when we can not get \$3 a head for those same sheep.

Senator LA FOLLETTE. Does not that situation disturb your optimism a little?

Dr. ATKESON. Not a bit; I still want to ameliorate it.

My own opinion is that the sheep industry in this country must perish off American soil unless something is done to protect the sheep growers and woolgrowers of America. They will always be able to grow sheep more cheaply in Australia and in Africa and Asia and in many other parts of the world than we can grow them in this country, and if we are to perpetuate the sheep industry in this country it must somehow and some way be protected, or at least ameliorated against this invasion of the American markets for both wool and mutton. The tariff on frozen-meat products would protect the mutton grower and lamb grower.

Senator SMOOT. You are unqualifiedly in favor of the bill?

Dr. ATKESON. We are unqualifiedly in favor of the bill as it stands. I would not amend it if in any measure it would jeopardize it as it is; and if we can get all we can get by subtracting some of the things that are in it we would still be in favor of the bill as ameliorated, because we believe that it will accomplish something toward bettering the condition of the farmers of this country, at least of the sheep growers, and, under present conditions, the wheat growers of the country.

The question was raised awhile ago as to what percentage of the wheat is still in the hands of the farmer. I do not think anyone knows definitely or exactly. But no difference where the wheat is in the country or whose hands it may be in, it seems to me that to prohibit the importation of Canadian wheat, if it would enhance the price of wheat in the hands of the speculators even, would be a demonstration of the fact that a tariff on wheat would tend to increase the price of wheat to the farmer who now has in the ground the crop of winter wheat that he expects to market next year.

If this emergency bill should demonstrate that it has increased the price of wheat only 80 cents a bushel it would encourage the farmers to believe that by protection they could secure more for their wheat that is now growing.

I do not care to take any more time. As I say, I have been perfectly satisfied with the bare statement that our organization unqualifiedly indorses the present pending emergency tariff bill as an emergency measure, an experiment, and to ameliorate just as far as possible the calamitous financial conditions that confront the American farmers.

Senator McCUMBER. There is a witness here that desired to take a few minutes to respond to something that Senator McNary stated, or something that he thought he left out in his testimony.

#### **ADDITIONAL STATEMENT BY MR. JAMES A. RHEINSTROM.**

Mr. RHEINSTROM. Senator McNary picked out certain prices which he stated to be the value of Italian cherries in comparison with the western. The prices which he gave are those at which some are selling at the present time, due to some lots coming from abroad, from people who are in need of money, and are therefore being slaughtered.

If his amendment is carried, it will place the duty on cherries in brine so high that they will not be imported, because the fruit will be packed abroad by people who will do the same work which we are doing now in this country, and they will send them over as finished cherries under a lower duty than the cherry in brine, which Senator McNary proposes to tax.

The purpose of the Fordney bill is to protect industries, and if the amendment is carried it will simply mean the ruination of the business of packing cherries in this country, which employs thousands and thousands of people, because the raw cherries in brine will not be brought in, but they will be supplanted by the finished foreign cherries brought in instead.

Senator JONES. What is the present tariff on the finished cherry?

Mr. RHEINSTROM. Twenty per cent. That was revised in 1913. Before the revision it was a cent a pound and 35 per cent ad valorem. If this 5 cents is put on, you see, the tax on the raw material will be five times as much as it is on the finished article, and the foreigners will produce the same product which we are now making and sell it over here. While the westerners will think they are getting protection they will not, because they will be competing against a finished foreign article.

Senator JONES. Would it be possible to put some tariff on the cherries in brine and yet give you some protection against the finished product?

Mr. RHEINSTROM. Well, if you put 5 cents a pound on raw cherries you would have to put 7 or 8 cents a pound on the finished cherries in addition to the ad valorem.

Senator JONES. You say there is a tariff now of 20 per cent on the finished product? Could you not put some tariff on the cherries in brine and still leave you as much protection as you need?

Mr. RHEINSTROM. We are just about able to compete now using cherries in brine free of duty, and if you add the proposed duty on the raw cherries we never could compete with the foreign product.

Senator JONES. What is the difference in cost of manufacturing your article in this country and manufacturing it in Italy?

Mr. RHEINSTROM. I should imagine the difference would be at least 60 per cent less in Italy.

Senator JONES. You imagine that? Have you any data on the subject?

Mr. RHEINSTROM. No; but I was in Italy several years ago during the packing season, and they were paying grils from 10 to 20 cents a day, and at the corresponding time we were paying them \$1 and \$1.25 a day.

Senator JONES. Do your girls do any more work than theirs?

Mr. RHEINSTROM. They do more work, but the difference in cost is represented in the percentage which I gave you. In other words, they can produce their article for about one-third of what it costs us. Our girls do more work for more money, but that difference is taken up by the increased cost.

Senator JONES. If they can do that well, how are you able to live now? If they can manufacture that much cheaper than you can, how are you able to exist to-day?

Mr. RHEINSTROM. Up until to-day there have been very few finished cherries coming over, on account of the war. Now they have just started, and we will have a hard time meeting that competition.

Senator JONES. But this condition existed prior to the war.

Mr. RHEINSTROM. Prior to the war we had a duty of a cent a pound and 35 per cent ad valorem. On the old basis we were able to compete. On the present 20 per cent basis we could not have competed had not the war stopped foreign manufacture.

Senator JONES. But even prior to the war, I understood you to say, they could manufacture this product for 60 per cent of what it costs you?

Mr. RHEINSTROM. We had a duty of a cent a pound and 35 per cent ad valorem. The finished cherries are packed in bottles and the taxable weight includes the sirup and cherries. The way Senator McNary has worded his bill it is on the weight of the raw cherries alone. When the goods come over in the finished form you would pay the duty on the fruit and the sirup. In other words, you would be paying about twice the duty that you would on the corresponding amount of raw fruit. The cherries weigh about half of the weight of the cherries and sirup.

Senator JONES. And the duty now is 20 per cent ad valorem?

Mr. RHEINSTROM. Yes. Before the war it was a cent a pound and 35 per cent ad valorem. And if it were not for the war we would have been put out of business then, but on account of the conditions that prevailed we have been able to compete and exist.

The purpose of this Fordney bill is to protect American industry. If the amendment is adopted the westerners will not profit by it, as I said before, because the cherries will not be brought in in brine; but the finished cherries will be brought in instead with a lower tariff, and it will destroy our entire industry.

There are thousands and thousands of people employed and millions of dollars invested in this industry, and it is one that has been growing constantly for years.

Senator NUGENT. Your idea is that if the McNary amendment is adopted it will be necessary, in order to protect the manufacturer, to impose a higher rate of duty than now?

Mr. RHEINSTROM. It will be necessary to impose a duty of at least 7 cents, in addition to the revised duty which is now needed. We will have to go back to at least the duty of a cent a pound and 35 per cent ad valorem, and in addition we will have to have enough to take care of this 5 cents a pound on the raw fruit. In shipping cherries to this country a large per cent is crushed in transit, and if we are to pay duty on those that are shriveled and dump some bad ones in the river it would ruin us.

Senator NUGENT. If the McNary amendment is adopted by the committee, what, in your judgment, should be the rates of duty imposed on the manufactured product?

Mr. RHEINSTROM. They would have to be at least from eight to nine cents a pound and 35 per cent ad valorem.

Senator NUGENT. At least that?

Mr. RHEINSTROM. At least that much. We would have to figure out what these shrinkages amount to and increase it sufficiently to take them up.

Senator SIMMONS. You would have to have a compensatory duty in addition to the specific duty?

Mr. RHEINSTROM. We would not only have to have an additional 5 cents, but we would have to have a considerable increase to cover the enormous shrinkage.

Senator SIMMONS. In other words, you want a compensatory duty in addition to the primary duty?

Mr. RHEINSTROM. Yes, sir; which, as I said, would have to be considerably large on account of the enormous shrinkage caused in transit. They ship thousands of barrels on one boat, and many of these barrels are crushed in transportation.

Senator SIMMONS. Suppose they were to give you this 7 cents—is that 7 cents a pound?

Mr. RHEINSTROM. It would require at least 7 cents per pound additional tariff just to take care of Senator McNary's proposed duty of 5 cents per pound without the other protection needed.

Senator SIMMONS. And then you want a compensatory duty of 7 cents?

Mr. RHEINSTROM. Seven cents added to the revised duty.

Senator SIMMONS. I understood that you would have to have your specific duty in addition to that, but you want a compensatory duty of 7 cents a pound and 35 cents specific?

Mr. RHEINSTROM. And then another cent in addition to that.

Senator SIMMONS. You want 36 cents?

Mr. RHEINSTROM. No; a cent in addition to the 7 cents. It would have to be at least eight or nine cents a pound, and then 35 per cent ad valorem.

Senator SIMMONS. Can you reduce your 7 cents a pound to an ad valorem duty? What would that be on the ad valorem basis?

Mr. RHEINSTROM. That would depend upon the market value of the raw material.

Senator SIMMONS. Well, what is it, about? I am not holding you down to exact figures.

Senator JONES. Take the present market value.

Mr. RHEINSTROM. It would probably have to be at least, I should say, 70 per cent.

Senator SIMMONS. And then in addition to that 70 per cent you want your ad valorem?

Mr. RHEINSTROM. No; that would cover everything.

Senator SIMMONS. So it would take a 70 per cent ad valorem duty upon these cherries to enable you to carry on your business?

Mr. RHEINSTROM. Yes, sir; if Senator McNary's amendment carries. And if you had such a duty as that you would make the price prohibitive in this country, and it simply would kill the industry. Formerly we bought all our cherries on the coast, and then as our demand increased they were not able to supply it, and we had to look to other countries for it, and that is why we stopped buying on the coast. As it is now, from time to time when we can get the right kind of fruit we still buy some on the coast.

Senator SIMMONS. It amounts to this: That if this duty which Senator McNary asks is granted you think that, in order to protect you as a producer of the finished product, you would have to have a duty that would be practically prohibitory?

Mr. RHEINSTROM. It would be prohibitory. It would be so costly that packers could not afford to import the fruit, and if they did it would be so high that at prices made to counterbalance this 5 cents increase in duty with shrinkage the cherries would not sell.

Senator SIMMONS. I was just trying to see what additional duties manufacturers were likely to ask if we put raw materials on the dutiable list to the extent that is demanded.

Mr. RHEINSTROM. If I may be allowed to offer a suggestion, if the duty is placed back to where it was before, 1 cent a pound and 35 cents ad valorem, and the amendment is eliminated, it would be all right.

Senator JONES. You want to eliminate Senator McNary's amendment and still increase the present duty?

Mr. RHEINSTROM. We have to put it back to where it was before the war, because if we do not we will be put out of business. We can not compete. If the war had not started when it did we would have had to stop the cherry business then, but conditions were such that foreign competition was not able to send any goods over here, and we were, therefore, able to pack cherries and sell them in this country.

Senator SIMMONS. I think you are answering Mr. Marsh's inquiry rather pointedly, to wit: That the manufacturers or producers of the finished product may come along after we have had these high duties on the raw material and demand a rate that will be practically prohibitory.

Mr. RHEINSTROM. There is no doubt that it would be prohibitive.

Senator NUGENT. I think, in view of the gentleman's statement, that what he is seeking here is an increase in the rate of duty on the manufactured article and no protection whatever for the producer.

Senator SIMMONS. That is what he would like, but if Senator McNary gets what he would like then this gentleman would ask for a prohibitive duty.

Mr. RHEINSTROM. If he gets that, we would have to have that much more on the other hand in order to compete.

Senator NUGENT. You say that in order to exist there should be no protection for the producer and a still higher rate of duty imposed on the manufactured product?

Mr. RHEINSTROM. If he gets his 5 cents a pound, we would have to have still greater protection.

Senator NUGENT. Suppose, for the sake of argument, that the McNary amendment is rejected by this committee. Do you still contend it would be necessary, in order to protect you, that there should be a higher rate of duty than now exists on the manufactured article?

Mr. RHEINSTROM. It would be necessary to have it at least back to where it was before the war.

The CHAIRMAN. The hour of 12 o'clock having arrived, the committee will stand adjourned until half past 2 in this room. The hearing will close this afternoon. The chair is informed that the only parties yet desiring to be heard are certain dairy interests.

On Friday the committee will meet under a resolution passed yesterday to consider the bill finally with all pending amendments and all amendments to be offered.

Senator SIMMONS. Mr. Chairman, may I make this suggestion? Senator Gerry suggested that he would ask that Mr. Page or some other member of the Tariff Commission be asked to come before the committee. He is not here to-day; I do not think he is in town. If he should be here Friday morning and ask to have a brief statement from the Tariff Commission, I suppose there would be no objection.

The CHAIRMAN. If there is no objection, Mr. Page will appear on Friday morning.

Mr. PAGE. We are at your call, if you please, Mr. Chairman. If we have to come down, I should like to bring one or two men with us who are qualified to speak as experts about these various subjects. They are busy, and I do not like to take them away from their work unless it is necessary, but if you will have us called by the clerk of the committee we will come down at any time.

The CHAIRMAN. The committee will be sure to hear you and your associates at 11 o'clock on Friday morning.

Mr. PAGE. I take that, then, as a notice from the committee?

The CHAIRMAN. Yes.

Mr. PAGE. We have no special statement to make, except to answer questions or give any assistance we can.

Senator SIMMONS. Let me suggest this. Senator Gerry does not insist upon their coming, and I will not. I have discovered that in your surveys you have given a great deal of information which would probably be duplicated if you came. I am simply making this statement as a matter of courtesy to Senator Gerry.

Mr. PAGE. If you will permit me, I will say that in these surveys we have recorded pretty much all the information that we think we

might give that would be pertinent to your deliberations. But there are one or two subjects that we are now prepared to turn over to you which we did not have ready for the Ways and Means Committee by which these surveys were printed—notably wool. We were late in completing our investigation of the wool situation, because it was almost impossible to get estimates of the cost of production and profits and prices during this past season. We now have a summary of our report prepared, which I think might be interesting to the members of this committee, and if you wish to have that I shall be very glad to put it up to the commission and send it down to you.

The CHAIRMAN. You may send anything of that kind. I think it would be rather better for Mr. Page and his associates to be here Friday anyhow.

Mr. PAGE. We will be here Friday at 11 o'clock.

The CHAIRMAN. The committee stands adjourned until 2.30 this afternoon.

(Thereupon, at 12 o'clock m., the committee took a recess until 2.30 o'clock p. m.)

#### AFTER RECESS.

The hearing was resumed, pursuant to the taking of recess, at 2.30 o'clock p. m.

Senator McCUMBER (acting chairman). There are some 12 witnesses whose names are before me who desire to be heard on the matter of butter, cheese, dairy products, etc. I was in hopes we might boil it down to five, but I know how difficult that is when there are so many here who desire to be heard. I would simply ask that in giving your testimony you avoid duplication as much as possible. We have set a time limit to close this afternoon, and while I am well aware that the testimony of witnesses is drawn to an unusual length more on account of questions that are asked by members of the committee than from their own intent, I would ask you to be as brief as possible.

I will call upon Mr. Lewis.

#### STATEMENT OF MR. E. B. LEWIS, PRESIDENT J. H. HORTON ICE CREAM CO., NEW YORK, CHAIRMAN NATIONAL DAIRY PRODUCTS COMMITTEE.

Mr. LEWIS. Mr. Chairman, we are here this afternoon as the National Dairy Products Committee, an organization representing all branches of the dairy industry from the Atlantic to the Pacific and from the Canadian border to the Rio Grande.

Briefly, we are here to ask you to give us protection for the American dairy industry. We are not equipped with an attorney to conduct our deliberations, but we feel that as plain business men we can convince you in very short order that it would be for the best welfare of this country for you to give us the protection that we are going to ask for.

Our secretary, Mr. J. J. Farrell, will introduce to you the representatives from the different branches of the industry, who will tell you about their particular branch of the industry and the protection that we are seeking.

**STATEMENT OF MR. J. J. FARRELL, SECRETARY NATIONAL DAIRY PRODUCTS COMMITTEE, WASHINGTON, D. C.**

Mr. FARRELL. Mr. Chairman, owing to the fact that this is an emergency affair we have with us 25 people from different parts of the country. I will therefore forego my remarks, as it would be in a measure duplication, but I do want to call the committee's attention to this fact, which some of the speakers may not touch upon:

Owing to the 33½ per cent freight increase and owing to the vast amount of foreign oils that are introduced into this country, imported practically free of charge, the dairy industry is receiving one of the most severe blows it has ever had, because of these cheap oils coming into the country and substituting the dairy products. That high freight rate on butter going to New York from North Dakota, South Dakota, and all the Western States makes it possible for Danish butter to be landed in New York at practically one-half the price that we can transport it for from North Dakota, South Dakota, and Minnesota.

With these obstacles in the way of the farmer and with the crash in the farmers' prices it leaves them at the present time, with the only cash revenue coming in regularly, weekly, monthly, and yearly, coming from the cow. That is the only thing that enables the farmer to-day to hold his product a little bit longer until he may dispose of his cattle, swine, and grain for a little higher price. In this emergency measure it was intended to cover agricultural products, but they have left out really the most important product on the farm, the product that brings them a steady cash revenue, which would enable them to survive the crash in prices.

With these few remarks, I am going to give way to the gentlemen who come from far and near to be heard. The first, Mr. Chairman, is a farmer from Minnesota, Mr. M. D. Munn, president of the Jersey Cattle Club of America, who will give the views of the producer.

Senator McCUMBER. We shall be glad to hear you, Mr. Munn.

**STATEMENT OF MR. M. D. MUNN, PRESIDENT NATIONAL DAIRY COUNCIL, CHICAGO, ILL.**

Mr. MUNN. Mr. Chairman and gentlemen, I rather congratulate myself on the fact that the presiding chairman of this meeting is a Senator from the section of the country that I am familiar with. Doubtless you realize fully the importance of this industry to the Northwestern country in particular and to the United States as well.

I sat in the room yesterday and listened to the discussion on these vegetable oils with considerable interest, and after hearing what was said I thought it might be wise to gather some facts in relation to that to present here this morning. So I am going to devote myself largely to that branch of this discussion, which, to my mind, is more important to this dairy industry to-day than anything else.

This industry, as you know, produced in 1919 products which sold in the open market for about \$3,000,000,000; and, as Mr. Farrell has just said, it is the only product which brings in a daily, weekly, and monthly revenue on the farm.

The statement was made yesterday by the oil men that the tariff of 20 cents a gallon on these vegetable oils was prohibitive, and in



response to the question what it meant on an ad valorem basis, it was stated that it would range from 40 to 50 per cent, as I remember the statement.

Coconut oil is the one vegetable oil that is being most used in the manufacture of the so-called substitutes for butter. It was said in the hearing yesterday that to prohibit the importation of that oil into this country would mean the taking away of an infant industry which had been established as a result of the war. Investigation will show you that the coconut-oil industry is controlled in England. That country has divided itself up into 40 sections, and the Government has taken supervision over the handling of this coconut oil, and what we are getting here is the amount that the English Government allows to come into this country. Instead of our controlling it, we have no control over it whatever and can never have.

The oil that was imported here during the first 11 months of 1920 amounted to 203,321,412 pounds. That was made very largely into the so-called food substitutes; that is, substitutes for articles which enter into our dietary, and very much of it into oil margarine. The Government has furnished me with figures showing the amount of oil margarines manufactured during the first 11 months of 1920. We find that there were manufactured 177,972,000 pounds of oil margarines. Those are the pure oil margarines. In addition to that there were manufactured 192,000,000 and odd pounds of mixed oil margarines. In those mixed oil margarines there is about 80 per cent of the vegetable oil and the balance of it is made up of a mixture, so that when you take that out we have a total of 307,000,000 pounds, in round numbers, of vegetable oil margarines manufactured in the first 11 months of 1920.

Now, that is a menace to this industry that can hardly be expressed in words. When I heard the statement made, as I did yesterday, that 20 cents a gallon was a prohibitive tariff I could not quite understand it. The Government has furnished me some figures that show this. Assuming that this oil weighs 8 pounds to the gallon, and it will be approximately that, we find that 20 cents a gallon would make a little less than 2½ cents per pound. The average selling price for coconut oil in the New York wholesale market during the first 11 months of 1920 was 19.3 cents a pound, a little less than 20 cents. So, you see, reduced to an ad valorem basis, instead of being 40 or 50 per cent, as stated here, it is less than 13 per cent—about 12½ per cent.

We are not here to advocate a tariff which shall be placed on these oils. Twenty cents a gallon is hardly enough to add respectability to the product in the market. It could be made double that and not be prohibitive and not afford protection to this industry.

We feel, as dairymen, that we are entitled to some protection along this line, because if we do not get it it can only result in two things, a decreased efficiency in our citizenship and a decreased revenue to the farmer from the dairy industry. Because there is not a particle of food or nutriment in these oils. There is energy-producing power, but when it comes to producing growth and intellectual and physical vitality they are practically nil. And just as far as they substitute butter and fatter fat in the human dietary they reduce to that extent the possibility of efficient manhood and womanhood, to say nothing

about the effect they have upon the prosperity of our industry and agriculture.

I am not going to touch upon the other subjects; they will be covered by other speakers, and we do not care to keep you here. But we do feel that when you come to consider the question of a tariff on these oils, instead of taking the amount that has been specified here in the House bill it should be, if anything, increased.

Senator NUGENT. To what extent?

Mr. MUNN. I am not prepared to say. I gave the ad valorem basis as nearly as we can figure it out. It can be double that and not be prohibitive.

Senator NUGENT. What rate would be necessary, in your judgment, in order to protect the dairy industry in the United States?

Mr. MUNN. Well, the differences in the markets are something like this. Coconut-oil margarine is selling for around 35 to 37 cents to-day, whereas butter is 54 cents. Of course, there is a difference in the food value that I have spoken of. I am not prepared to say what tariff would amount to a protection, it is difficult to figure it out, but it is quite certain that 20 cents a gallon will not do it.

Senator NUGENT. I apprehend that the committee is extremely desirous of knowing your opinion in the matter.

Mr. MUNN. I should say it should be at least double, in my own opinion. That will not be prohibitive, but certainly it will not be much more than protective.

Senator LA FOLLETTE. Will you kindly repeat that?

Mr. MUNN. I believe it should be double, and that will not be prohibitive. If it is double it would be equivalent to 5 cents a pound ad valorem.

Senator NUGENT. You are speaking now of the doubling of the rates as set out in this House bill?

Mr. MUNN. Yes, sir. In this estimate we have included the vast amount that comes in here in the form of coconut meat and copra and the oil pressed out in this country. That amounts to very many millions of dollars, in addition to the oils that come in as such. I notice this bill makes no reference to that at all; it just specifies the oil. There is about 40 per cent as much comes in in the form of coconut meat and copra as comes in in the oil. Of course, that is not all used in oils; it is used in other forms. How much is used in oil I am not prepared to say; there is no way of finding out.

But this bill makes no reference to copra or coconut meat at all, and I apprehend that if the tariff on the oil were sufficient to make it less remunerative than to bring the meat in they would bring the meat in and compress that to get the oil. But we do know that this is a terrific menace to the dairy industry, and there is no way of meeting it. They spend vast sums in publicity all the time. I noticed in the State of Ohio the other day the statement that a thousand billboards were advertising a product known as Nucoa, a so-called coconut-oil butter. In the Chicago papers alone, I was informed the other day—I have seen the page ads that they are carrying from day to day—they have spent \$75,000 in a very short time.

Senator LA FOLLETTE. Do you know the ingredients of the coconut-oil butter that is put upon the market and the proportions?

Mr. MUNN. It is pure oil, as I understand it, or very largely coconut oil. It has a milk flavor, because they churn it in milk, as they say, to give it a milk flavor. But the main substance is coconut oil.

Mr. FARRELL. There is 2 per cent casein, 3 per cent salt, about 12 per cent moisture, and 83 per cent fat.

Mr. MUNN. If there are no further questions, I thank the committee for its attention. I want to say that these figures are all taken from the Government; they are not guesswork on our part. They were supplied this morning by the Department of Agriculture and from the records of the Foreign Commerce Bureau.

Senator McCUMBER. We are very much obliged to you, Mr. Munn. I will call now on Mr. W. H. Bronson.

### STATEMENT OF MR. W. H. BRONSON, BOSTON, MASS., REPRESENTING NEW ENGLAND MILK PRODUCERS' ASSOCIATION.

Mr. BRONSON. Mr. Chairman, our association in Boston is very much interested in butter prices. The price we receive from milk depends a great deal upon butter quotations, and if we had a serious decline in the price of butter it would mean that the New England farmers would suffer a very heavy loss in the producing of milk for the city of Boston and for New England territory, in that the majority of the farmers bought their grain last fall, or contracted for it, when the price was high, and, even though grain prices dropped, they are still feeding that high-priced grain. Also, the silage and other feeds going into the production of milk were produced last summer with very high-priced labor, and again with the drop in the price of butter and the price of milk there must be a decided loss.

We have prepared some figures showing the relative cost of production of milk in the New England States compared with Quebec, of which I will file a copy with the committee.

(The data submitted by the witness are here printed in full, as follows:)

#### ESTIMATES OF THE COMPARATIVE COST OF MILK PRODUCTION IN NEW ENGLAND STATES AND PROVINCE OF QUEBEC, CANADA.

[Wesley H. Bronson, statistician, New England Milk Producers' Association, Boston, Mass.]

The estimated cost of producing 100 pounds of milk in the year 1919 in the New England States and Province of Quebec is as follows:

New England States.....	\$3.79
Province of Quebec.....	3.26
Difference in favor of Quebec.....	.53

Based on these costs of 100 pounds of milk, the cost of producing 1 pound of butter in these two areas is as follows:

New England States.....	\$0.02
Province of Quebec.....	.51
Difference in favor of Quebec.....	.11

Again based on these costs, the cost of 1 pound of cheese is as follows:

New England States.....	\$0.379
Province of Quebec.....	.326
Difference in favor of Quebec.....	.053

These costs are based on the "Warren formula"<sup>1</sup> for the quantities of feed and labor required to make 100 pounds of milk, to which are applied feed and labor costs in the two areas.

*Warren formula.*—Quantities of feed and labor required to make 100 pounds of milk:

*New England State cost.*

Grain, 33.70 pounds, at \$76 per ton.....	\$1. 28
Hay, 43.3 pounds, at \$21 per ton.....	. 45
Other dry forage, 10.8 pounds, at \$10 per ton.....	. 11
Silage, 100.5 pounds, at \$8 per ton.....	. 40
Labor, 3.02 hours, at \$0.253.....	. 76
Total representing 79 per cent of cost.....	3. 00
Final cost 100 pounds milk.....	3. 79

*Warren formula.*

[Province of Quebec costs, expressed in Canadian money.]

Grain, 33.70 pounds, at \$76 per ton.....	\$1. 28
Hay, 43.3 pounds, at \$21 per ton.....	. 45
Other dry forage, 10.8 pounds, at \$10 per ton.....	. 11
Silage, 100.5 pounds, at \$7 per ton.....	. 35
Labor, 3.02 hours, at \$0.193.....	. 58
Total, representing 85 per cent of costs.....	2. 77
Final cost, 100 pounds of milk.....	3. 26

SOURCE OF PRICES.

*Grain.*—Boston Chamber of Commerce quotations for the year 1919, to which are added cost of retailing. Some of the Canadian grain costs are less than New England costs, as shown by the relative prices of bran in Montreal and Boston, Montreal quoting a price of \$5 a ton lower than Boston (Montreal Trade Bulletin and Boston Chamber of Commerce quotations), but no difference has been made in grain costs.

*Hay.*—Prices for New England are from the Crop Reporter, published by the Bureau of Crop Estimates, United States Department of Agriculture, weighted by importance of dairying in the several States. Province of Quebec prices are from the Monthly Bulletin of Agricultural Statistics, for January, 1920, page 10, published by the Dominion Bureau of Statistics.

*Silage.*—From cost accounts in New England, and estimated \$1 a ton lower in Canada, for the reason that labor cost in Canada is less.

*Labor.*—New England costs from the Crop Reporter, for December, 1919, page 135, State figure weighted on basis of dairy importance and value of board added at \$30 per month. Quebec costs from the Dominion Monthly Bulletin of Agricultural Statistics, for February, 1920, page 32, males per year, including board. In each case it is estimated that the labor works 300 hours per month, this being based on studies made in New England this past summer regarding farm-labor costs.

The percentage of total cost represented in feed and labor costs is estimated at a larger amount in Quebec than in New England, for the reason that a study of relative housing, dairy equipment, and cow interest and depreciating charges show lower costs for these items in Canada than in New England. This study, made from records of the Boston (Mass.) Dairy Division, showed the following barn scores for two representative areas in Quebec and New England States, both of which have been shipping milk to Boston for the same period of time

<sup>1</sup> "Warren formula" was developed by Dr. G. F. Warren, of Cornell University, and used by the New York Federal Milk Commission during the war in determining production costs.

*Barn scores, Vermont and Quebec.*

Locality.	Number of farms scored.	Per cent of farms scoring under 50 per cent.	Range of score.	Average score of 70 farms.
Milton, Vt. <sup>1</sup> .....	70	21.43 (15 farms).....	39 -65	52.67
Hereford, Province of Quebec <sup>1</sup> .....	70	52.85 (37 farms).....	39.2-60.1	49.10
Sherburne, Vt. <sup>2</sup> .....	70	42.85 (30 farms).....	31.7-64.1	49.69
Sulton, Province of Quebec <sup>2</sup> .....	70	62.85 (44 farms).....	28.9-60.2	47.54

<sup>1</sup> Milton, Vt. and Hereford, Province of Quebec old territory, shipping to Boston for some time.

<sup>2</sup> Sherburne, Vt. and Sulton, Province of Quebec new territory, shipping to Boston only recently.

These comparative scores indicate that the Quebec farmer is producing milk in less expensive barns, with less dairy equipment, and, in general, in a less laborious method.

*Butter cost.*—In determining butter cost, the value of skim milk was estimated per 100 pounds as being equal to the value of one-half bushel of corn, or, for 1919, 95 cents per 100. This gives the value of skim milk (85 pounds) in 100 pounds of milk as 81 cents, which when subtracted from the cost of 100 pounds of milk gives the cost of 4.8 pounds of butter, allowing for a 4 per cent milk and a 20 per cent churn gain.

*Cheese price.*—One hundred pounds of milk makes 10 pounds of cheese. The respective costs of 100 pounds of milk divided by 10 gives the cost of 1 pound of cheese in each section.

*Other sources of Canadian costs.*—Bulletin No. 278, page 29, Ontario Agricultural College, gives the cost of production of 100 pounds of milk in eastern Ontario for 1918-19, average of 157 farms, as \$2.68. The averages for 139 farms in western Ontario gave a cost of \$2.64 per 100 pounds. This is reported in Bulletin 275 of the same institution. The Central Experimental Farms, at Ottawa, Canada, state their costs per 100 pounds of milk as \$2.58 in a report to the writer. All of these statements of costs are considerably below the cost determined by the "Warren formula" method, so it would seem that the costs as estimated for Quebec are, if anything, too high and that the real difference between New England and Quebec is more than the estimates given.

**Mr. Bronson.** This statement shows, for example, the difference between the cost of production in the New England States and in Quebec, which for the year 1919 was 53 cents a hundred. That reduced to a butter basis would be a difference of 11 cents a pound, and reduced to a cheese basis would be 5.3 cents a pound. We think that represents fairly closely the difference between the cost of producing milk and these other products in Quebec, which is the territory we are especially interested in, and in the New England States.

The figures upon which this is based are all taken from Government reports as to comparative labor cost, and hay and grain costs, etc. The principal item of difference between the New England States and Quebec is in the matter of labor. Farm labor in Quebec is considerably lower than the cost of farm labor in New England.

I have obtained from Canada some estimates as to what it would cost to produce milk, as expressed by the Ontario Agricultural College and the experiment station at Ottawa, and those reports show a figure considerably less than is figured for Quebec: in fact, about 30 to 50 cents a hundred less than I have figured the cost for Quebec. So I feel that the Quebec figures that I have obtained are, if anything, a little high rather than a little low.

We are not so much interested in the milk market at the present time, especially with reference to milk coming in from Canada, as

perhaps the possibilities. We are thinking what would happen, for example, to Boston and the State of Massachusetts in case Boston got the majority of its milk supply from Canada rather than from the New England States. Because with this lower cost in Canada it will ultimately mean probably that Boston will get a larger per cent of its milk from Canada.

Under present conditions milk and cream bought in Canada are paid for with Canadian money. The distributors in Boston pay all their Canadian producers with checks on Montreal, and the present rate of exchange acts as a considerable incentive to the Boston distributor buying his milk and buying his cream in that territory, for the reason that his money is worth about 15 per cent more in Canada than it is in the New England States.

At present the percentage of milk coming into Boston out of Canada is only about one-half of 1 per cent, but the territory has been gradually going farther back into the country from Boston, and we look for the possibility of finally getting over into Canada as a source of supply, with the result that instead of the money coming back to Boston, as it does now, the money from the contractors is sent out to the farmers, and the farmers take it to the retailers, the country stores, etc., and grain merchants, and the grain merchants send it back to Boston to the wholesale grain men, wholesale grocers, etc., and it goes that round. However, in case the milk and cream came from Canada, instead of that money coming back to Boston we would have that money going to Canadian farmers and going to Montreal and never seeing New England again probably.

Senator NUGENT. What price does the farmer receive for his milk per gallon?

Mr. BRONSON. The last price that we had was for November, 1920, and that was f. o. b. Boston 8.6 cents a quart. From that should be taken the transportation charges of about a cent and three-quarters for getting it. That means about 7 cents a quart.

Senator NUGENT. What does the consumer pay for a quart of milk in Boston?

Mr. BRONSON. The consumer is paying now, in January, 17½ cents a quart. In December he paid 18 cents a quart, and the cost of milk delivered to the dealer in December was 10½ cents f. o. b. Boston. The price for January is 9½ cents f. o. b. Boston. The drop of a cent has been primarily due to the drop in butter prices.

Senator NUGENT. Then the profit of the dealer in milk represents the spread between 7½ or 8 cents a quart and the 18 or 19 cents for which it is sold to the consumer?

Mr. BRONSON. At the present time it is about 7½ cents.

As far as cream is concerned in the Boston market, 10.7 per cent, or practically 11 per cent, of the cream coming into the city of Boston came out of Canada in 1919. That represents about \$800,000. Of course, that is not 7 cents profit; it is, as you suggested, the spread as between the dealer and the consumer.

Senator NUGENT. If the farmer receives 7½ cents a quart for his milk and it is sold to the consumer at 17 cents, it would appear to me that there is a profit of 10 cents for somebody between the two.

Mr. BRONSON. It is not a profit.

Senator NUGENT. There will be the cost of handling, of course, whatever that may be.

**Mr. BRONSON.** The distributors claim that their profit is about 3 mills a quart, I believe, out of that spread, that they have left for themselves.

**Senator McCUMBER.** How much is paid to the seller who drives the team to distribute the milk?

**Mr. BRONSON.** He is getting about \$45 to \$50 a week now. That is a big item of expense.

**Senator LA FOLLETTE.** Do the farmers sell directly to the distributor?

**Mr. BRONSON.** Yes; the New England Milk Producers' Association acts as the marketing agent and determines the price for the Boston market.

**Senator LA FOLLETTE.** That is, the price to be paid to the farmers?

**Mr. BRONSON.** The price to be paid to the farmers who are members of our association.

In regard to the change in exports, I have the exports from Canada into the United States. I have these figures from the Dominion Bureau of Statistics. These show that 828,000 gallons of milk came in in 1919, 500,000 gallons of cream, 17,500,000 pounds of condensed milk, 2,700,000 pounds of butter, and the cheese was even; that is, the same amount was exported as was imported.

Perhaps the comparative change would be of interest. In 1913, for example, the net exports of milk to the United States were 8,000 gallons—

**Senator McCUMBER.** That was imported into the United States?

**Mr. BRONSON.** Imported into the United States, yes—8,000 gallons. In 1919 it was 828,000 gallons. I do not know what percentage of increase that is, but there has evidently been a change from cream to milk. They used to ship in more cream, and now they are shipping in more milk.

Condensed milk increased from 35,000 pounds in 1913 to 17,500,000 pounds in 1919.

As to butter, in 1913 Canada had a net import of 800,000 pounds, and in 1919 a net export of 2,700,000 pounds. In 1913 Canada imported 1,500,000 pounds of cheese, and in 1919 the imports and exports were exactly even.

**Senator LA FOLLETTE.** Do you know what kind of cheese it is that comes in from Canada?

**Mr. BRONSON.** No, sir; I can not tell you that: it is just reported as cheese.

**Mr. FARRELL.** It is principally cheddar.

**Senator McCUMBER.** Do you know what the farmers pay in Massachusetts for their help in caring for and milking cows?

**Mr. BRONSON.** At present a weighted figure for New England territory, weighted on importance of milk coming to Boston for 1919, was \$85 per month, including board. We base our cost in Boston very largely on cost of production, and we have been making a number of studies as to cost of labor.

**Senator LA FOLLETTE.** The figure you gave there includes the board of the man, of course?

**Mr. BRONSON.** Yes, sir. Our labor shows a considerably higher figure in 1920 than it was in 1919.

**Senator McCUMBER.** What do you estimate it costs you to hire a man per month to do the milking, including his board?

Mr. BRONSON. In September, 1920, we made a study as to the cost of labor, and found, for example, that for the State of Massachusetts farm labor, boarded, was receiving \$52 a month in cash, and the estimate on board given by the farmer was \$36, making a total of \$88 per month.

Senator McCUMBER. That was general labor?

Mr. BRONSON. That was general labor; and they were working an average of about 318 hours a month, which gave a cost of 28 cents an hour.

Senator LA FOLLETTE. Are those figures which you are giving now the wage on dairy farms?

Mr. BRONSON. Absolutely on dairy farms, and on cows also.

Senator McCUMBER. Those are the wages they pay for milkers, etc.?

Mr. BRONSON. Yes, sir.

Senator McCUMBER. I was anxious to get at that, because I assumed that where they had to do milking the wages probably would be higher than for ordinary farm labor.

Mr. BRONSON. I believe so.

Senator McCUMBER. I do not know; but I recollect that it was my antipathy to milking that drove me off the farm.

Mr. BRONSON. The Vermont figure for the same time was \$89 a month. Some other classes of labor, however, are higher priced than the monthly labor. Where a man is given a house and vegetables and things of that kind, his labor is figured up at \$105 a month in Vermont. He is the man that is there the year around—more dependable.

Senator McCUMBER. And the city laborer that drives the milk wagon gets about \$185 a month?

Mr. BRONSON. Yes; between that and \$200.

Senator NUGENT. What rates of duty would you suggest as being sufficient to protect the American producer on milk, butter, and cheese?

Mr. BRONSON. Our association has not taken a definite stand as to what the rates should be, for the reason that we are having an annual meeting next month, and we prefer to put it up to a conference of all groups rather than have an executive committee determine the price. We do not wish to make a statement, except that we think it ought to be based on relative cost in competing areas.

Senator LA FOLLETTE. And your relative cost on butter, for instance, as between Massachusetts and Canada is how much per pound?

Mr. BRONSON. Eleven cents.

Senator LA FOLLETTE. And on milk, how much per quart—putting it in quarts instead of pounds?

Mr. BRONSON. About a cent a quart.

Senator NUGENT. Well, if you gentlemen who are interested in these different businesses have no very definite idea with respect to the rates which should be imposed, don't you think it would be rather difficult for this committee to arrive at such rates?

Mr. BRONSON. This matter came up overnight, and the manager of the organization did not care to make any definite statement as to what he believed was right. I think probably some of the other witnesses will give you some information on that point.



Senator LA FOLLETTE. Have you the figures there, or did you give them, of the other sources of butter supply, of other countries that are exporting butter to this country?

Mr. BRONSON. No; I just gave you the Canadian figures.

Senator LA FOLLETTE. Have you the others?

Mr. BRONSON. I have not. I think probably some of the witnesses have.

I have a few telegrams here from some of the organizations—the State grange, the Farm Bureau Federation, and other organizations of a similar nature—supporting the position that this organization has taken.

(The telegrams referred to are here printed in full, as follows:)  
MERIDEN, N. H., *January 9, 1921.*

RICHARD PATTEE,  
*51 Cornhill, Boston, Mass.*

Quote me in favor of adequate protective tariff, especially dairy products.

F. A. ROGERS.

*Master State Grange, New Hampshire.*

CONTOOCOOK, N. H., *January 8, 1921.*

RICHARD PATTEE:  
*51 Cornhill, Boston, Mass.*

New Hampshire farm bureau federation unable to send man to Washington. Executive committee approve your action and favor emergency tariff to safeguard dairy interests.

G. M. PUTNAM,  
*President.*

PROVIDENCE, R. I., *January 8, 1921.*

RICHARD PATTEE:

We urgently favor adequate protective tariff.

JOHN J. DUNN,  
*Secretary of Agriculture, Rhode Island.*

WORCESTER, MASS., *January 8, 1921.*

RICHARD PATTEE,  
*51 Cornhill, Boston, Mass.:*

We favor tariff on dairy products and net oils. Can not attend hearing.

GEO. S. E. STORY,  
*Worcester County Farm Bureau.*

AUGUSTA, ME., *January 8, 1921.*

R. PATTEE,  
*51 Cornhill, Boston, Mass.:*

Protective tariff for dairy products imperative. Prices below cost of production, causing reduction of dairy herds.

WHITE, *Chief of Division of Markets.*

AUGUSTA, ME., *January 8, 1921.*

RICHARD PATTEE,  
*51 Cornhill, Boston, Mass.:*

A protective tariff equal to difference in cost of production absolutely essential to save the dairy herds of Maine.

H. M. TUCKER,  
*Chief Division of Animal Industry.*

If you are going to send a strong man to represent your association, the Vermont Dairyman's Association is willing to back him up in the cause.

S. L. HARRIS, *President.*

You are authorized to quote me in favor of tariff. Do you want me to wire and committee members?

E. B. CORNWALL, *Middlebury,*  
*President Vermont Farm Bureau Federation.*

Mr. FARRELL. I believe the next speaker on the list is Mr. O. M. Camburn.

Senator McCUMBER. The committee will be very glad to hear from Mr. Camburn.

**STATEMENT OF MR. O. M. CAMBURN, REPRESENTING STATE AGRICULTURAL DEPARTMENT OF MASSACHUSETTS, BOSTON, MASS.**

Mr. CAMBURN. Mr. Chairman, in the past Massachusetts has endeavored to produce enough milk for the Boston market. That was some time ago, to be sure. As time has gone on Massachusetts producers have felt competition from men to the north of them; and that process of the milk wave, so called, has continued northward, until a time arrived when Massachusetts was producing for the Boston market somewhere in the neighborhood of 7 per cent of the milk used on the Boston market. The tendency seems to have been for cheese territory to become creamery territory, for creamery territory to be shipping cream, the cream territory then becoming milk territory. That continued until we began to see, as has been pointed out, the tendency for cream to come in from Canada. Is there not there a possibility of the cream territory tending to become milk-shipping territory, that being a hardship on Massachusetts producers, as well as on New England producers? And might not consideration be given to something along the line of butter fat in milk and cream as well as for manufactured products? I realize that there are other men whom you wish to hear, so I shall not take any more of your time.

Senator McLEAN. You say that only 7 per cent of the milk consumed in Boston is produced in Massachusetts?

Mr. CAMBURN. Yes, sir.

Senator McLEAN. Where does the other 93 per cent come from?

Mr. CAMBURN. It would run approximately 22 per cent from Maine, 14 from New Hampshire, 55 per cent from Vermont, 7 per cent from Massachusetts—

Senator McLEAN. What does Massachusetts do with her milk?

Mr. CAMBURN. Well, Massachusetts dairy cows, you know, have declined. Starting in 1860 with 145,000 cows, their cow population, so-called, wavered up and down, with a cow population in 1890 of about 200,000. Since then it has declined until last year, 1919, is was about 148,000. That has come back a little bit in 1920.

Senator McLEAN. Have you the changes in transportation costs?

Mr. CAMBURN. Yes. And the other men, with cheaper labor and without the competition of industry near-by, have more reasonably priced pasture land. It is also a matter, possibly, of better pastures.

They are producing milk and sending it in at a time when the price of milk looks more inviting than the price of butter. The cooperative creameries do consider the milk market as a market when the price of butter is not sufficiently inviting to put their product into butter. For instance, almost a carload of milk went from Providence, R. I., across to New Bedford. That came from a creamery which presumably, at least in the past, had been making butter. If the price of butter were inviting enough they would continue to make butter.

**Senator LA FOLLETTE.** What breed of cows do the Massachusetts farmers have on their dairy farms? The same as in Vermont?

**Mr. CAMBURN.** Why, yes. There might be a larger percentage of Jersey and Guernsey cattle to the north of us. Many men consider that that might be true. I would not say positively that it was, but some men look at it from that standpoint.

**Senator McCUMBER.** The committee is very much obliged to you, Mr. Camburn.

**Mr. FARRELL.** May I answer Senator La Follette's question as to importation? The importations of butter for the 11 months closing in November were 33,440,992 pounds an increase of 24,359,189 pounds, or 268 per cent.

**Senator LA FOLLETTE.** In what year?

**Mr. FARRELL.** This butter comes principally from Denmark, a little from Holland, some from Canada, Argentina, and New Zealand.

**Senator LA FOLLETTE.** That is an increase over what year?

**Mr. FARRELL.** During 1919, and that is what is raising havoc with the milk producers, because the great bulk of this price paid to the producer is based upon either milk or cheese.

**Senator LA FOLLETTE.** Have you, Mr. Farrell, the comparative figures of production costs in Denmark and in this country?

**Mr. FARRELL.** We do not have them here; we have at home on the files a cost that has been running, in butter fat, from 9 to 14 cents a pound, depending on the seasons, the kind of food handled, and the prices.

**Senator NUGENT.** How much duty do you ask on cheese?

**Mr. FARRELL.** We are going to have a cheese man here—a Member of the House. There is 20 per cent ad valorem on that now.

**Senator NUGENT.** Is that sufficient, in your judgment, to protect the cheese manufacturer?

**Mr. FARRELL.** I think it is more than the butter people are getting at the present time; it is a greater protection.

**Senator NUGENT.** Have you any particular knowledge of the probable influence of that on the cheese manufacturer, so far as a protective tariff is concerned?

**Mr. FARRELL.** The importation in 1920 was 14,213,691 pounds. That is an increase of 4,364,000 pounds over last year. Now, the point there, Senator, is this: There is no part of the industry that will come back as quickly as the dairy industry, and those people over there are broke. Consequently they are going to come back with dairy products, and they are going to try to get a foothold here when our prices are good, because they will produce cheaper than we can.

**Senator NUGENT.** I understand that; I am only interested in ascertaining your views with respect to the rate of duty that should be

imposed which would be sufficient to protect the people engaged in these different business enterprises.

Mr. FARRELL. I should say on cheese, 20 per cent ad valorem, the way it is in the present schedule in this emergency measure. However, Congressman Snell is supposed to handle that for the cheese people.

The next witness is Hon. J. M. Hackney, ex-Senator, and vice president of the Holstein-Friesian Cattle Association of America, of St. Paul.

**STATEMENT OF HON. J. M. HACKNEY, ST. PAUL, MINN., VICE PRESIDENT HOLSTEIN-FRIESIAN ASSOCIATION OF AMERICA.**

Mr. HACKNEY. Mr. Chairman and gentlemen of the committee, as vice president of this national association, I have been sent here to speak to you for a few moments on this question. I represent a membership of 25,000 dairymen located in every State of the Union. I come from Minnesota, the greatest butter-producing State—not the greatest dairy State, because Senator La Follette's State leads in all kinds of dairy products and we come next in Minnesota. We hope we will beat him in a short time, but we have not yet.

I wish to speak to-day especially with reference to the dairy cow; I am here for that purpose. The Holstein-Friesian Association of America is the largest breeding organization in the world. We spent last year \$125,000 in an extension list; we are trying to get the American farmer to see that he can do with one cow what heretofore he has been trying to do with five or ten.

On my farm at St. Paul I have raised wheat and I have raised dairy cows, so I have been able to prove it. I have raised other kinds of crops that farmers raise and have had the actual experience, and I know what the dairy cow means. These men back of me would not be here to-day talking about cheese and butter if it were not for us fellows that have a few cows somewhere out West or in some other parts of the country.

I have on my farm 30 cows that have produced for three years an average of over \$1,000 per cow per year for their milk, to say nothing of the calf, whatever that is worth. Pure-bred cattle are worth a good deal, depending upon the market.

In Minnesota, and in every State in this Union—I presume every State would show about the same average, but I have statistics here from our agricultural department in Minnesota to show that the average cow, of which we have 2,000,000 in Minnesota, including scrub cows and everything else—we are only started in this pure-bred business; only about 5 per cent of our cattle are pure bred; only about 2 per cent of the dairy cattle in America are pure bred—the average cow in Minnesota produces about 150 pounds of butter in a year and about 4,000 pounds of milk.

What I propose to show you gentlemen in the few words I want to present here is that so far as the present situation is concerned the man who is engaged in dairying, wherever he may be in the United States, is carrying on his dairy at a loss. That may sound strange, but Senator McCumber knows that the average wheat farmer in the Northwest has been carrying on his farm at a loss. They may

make it up in other ways. I know a man in St. Paul that has a building that brings him a certain income, but it does not pay him anything on his investment; it simply gives him some money from month to month that does not pay insurance and taxes and upkeep, but simply gives him something to get along with while he is working at something else. It is the same way with the dairymen.

There are not many dairymen making a profit, and that is why I am sent down here to say to you that we believe that if you are going to consider a protective tariff on farm products there is no reason under the sun why we should not be included. Dairy products in this country amount to something—over three billions of dollars a year. That is more than twice what our wheat crop amounts to.

As I said a moment ago, I figure that our dairy cows in Minnesota will give an average of 150 pounds of butter a year. If we can increase that 1 pound on the average, at the price of butter at this time, it would mean \$600,000 in the pockets of the farmers of Minnesota. If we can increase the average production of the cows of Minnesota 10 pounds, it would make \$600,000. If we could increase their production 100 pounds, it would mean \$6,000,000 in the pockets of the farmers of Minnesota, and then the average cow would only be giving 250 pounds of butter a year, as compared with many cows in Minnesota and other parts of the country that are giving from 600 to 1,000 pounds of butter in a year.

Senator LA FOLLETTE. May I ask what your herd produces in pounds? You have stated it in dollars per cow. Just take that herd of 30 that you spoke of.

Mr. HACKNEY. I just picked out 30 of my best cows. I have more than that; I have about 150 animals in all on my farm, but these 30 produced an average of 33,000 pounds of milk a year. That must be compared with 4,000 for the average cow in the United States. There are 8 pounds to the gallon, and that makes 3,000 gallons of milk in a year.

So, the point I want to make is that this great Holstein-Friesian Association and this American Jersey Cattle Club and the Guernsey fellows and the Ayrshire fellows, the four leading dairy breeds, are opening the way to get the American farmer to realize that the pure-bred cow is an economic factor in his prosperity as the means of putting him on his feet and keeping him on his feet. You go through the Northwest to-day. Senator McCumber knows—you do not know so much about it unless you have traveled in North Dakota, Senator La Follette.

Senator LA FOLLETTE. I have, some.

Mr. HACKNEY. But when you see what the black rust has done for the farmers of the Northwest and when you stop to realize what the dairy cow means in so many ways to the prosperity of the farmers of this country—take the State of New York. Look at what the dairy cow has done for the depleted farms of the East. We are fearful of that in the Western and Central States and are preparing for the future. We are trying to get the dairy cow where 10 cows will do as much as 20 are doing now.

Senator McLEAN. How much would a New England farmer have to pay for one of your 30 cows?

Mr. HACKNEY. Fortunately, the New England farmers, a good many of them, have as good cows as we have out there. Wherever

you find herds of pure-bred cattle there you will find them on a par with mine. My Holstein-Friesian cattle are no exception.

Senator McLEAN. Of course, those cows are worth money, and a great many farmers have not the capital to invest in them immediately, and it takes a good deal of time to develop a herd.

Mr. HACKNEY. It is a long process; it takes some money to buy a pure-bred animal—not a great deal. But we are gradually getting to do that. We are doing it in this way, by getting them at first to use pure-bred sires, and then they take the offspring.

Let me cite you to an illustration of the Iowa agricultural department. They took a pure-bred sire and bred him to scrub cows. The daughters of that sire doubled the production. Then they bred that sire to the daughters of another pure-bred sire and trebled the production of milk and butter. That shows just what that means.

Now, what we are afraid of out West in connection with this slump that has come in all kinds of farm production is this: The time has come out there, as many of you know, when it is hard for the farmer who is simply a grain farmer to get money to run his business, and there are many of them going broke. I met a banker friend on the street in St. Paul the other day, and he told me of Jackson County, Minn., where 200 grain farmers in one year's time have given up and are going into other lines of business.

What our association is trying to do is to stimulate some kind of industry that will hold the boys and girls on the farm and keep them there. There was a time, as the Senator remarked a little while ago, when they were glad to get off the farm to get rid of milking cows. That time, by reason of necessity and our conditions, is gradually reversing itself, and there are many young men and young women now thinking of leaving the cities and going back on the farm. And they will be more likely to do it with the pure-bred animal than they will with the scrub cows, because this business of farming is operating along more scientific lines.

Now, the banker of the Northwest to-day is beginning to encourage the pure-bred dairy cow; and the same thing is true in other parts of the country, for I have traveled around a little. He is also encouraging them in the pure-bred beef and the hogs and the horses and the sheep, but especially the dairy cow. I know bankers in my State who will pick out a farmer who has a good barn and who is a reasonably intelligent fellow, and say to him, "If you will start a good herd of cows, and milk your cows so that you will get monthly milk checks, I will lend you the money to carry on your business." But they are not doing anything in the case of the grain fellows.

A man comes in in the spring and says, "I want so much money to raise my wheat crop." They do not know whether he is going to get that money in the fall or not, and the banks are afraid of him.

But the dairy business is commanding the confidence of the banker, and it is beginning to be a factor; it is run upon more intelligent lines than it ever was before, and I can not say to you gentlemen to-day that there is anything I know of that will increase the interest in farming like the dairy cow. Hogs won't do it. Pure-bred horses won't do it. Beef cattle come nearer to it. But there is nothing that is such an economic factor in our agricultural life, which is the principal and basic industry of this country, like the American dairy

cow, whether she is a Jersey or a Holstein or an Ayrshire or a Guernsey.

Now, I want to say that I do not claim to know anything about this tariff business. We used to have a man out in our country by the name of McCleary. He was down here in Congress for a while, and when any of us wanted to know what to do about the tariff we sent for McCleary. We don't know anything about it out there, but what we want to do is to lay this proposition before you men in the Senate. It may be that the state of mind of the American farmer to-day as to what a protective tariff will do for him may be wrong; there may be such relations between this country and our allies who fought through this war with us that you may not find it feasible or practicable to put up a barrier at this time; I don't know. But I am down here to say that if any protective tariff bill goes through there is no reason on earth why this industry that we represent should not have a protective tariff.

I thank you.

Mr. FARRELL. The next on the list is Mr. J. D. Nichols, representing the Ohio Dairy Products Association and Milk Producers' Association.

**STATEMENT OF MR. J. D. NICHOLS, REPRESENTING OHIO DAIRY PRODUCE ASSOCIATION AND MILK PRODUCERS' ASSOCIATION, CLEVELAND, OHIO.**

Mr. NICHOLS. Mr. Chairman and gentlemen of the committee, it is not necessary for me to take your time. The gentleman preceding me has covered the ground thoroughly. Mr. Munn, in his talk to you on the necessity, as he sees it, of placing a higher tariff on the oils coming into this country that go to make substitutes for butter, meets my views exactly.

The milk producers of Ohio, and I believe the milk producers of the United States, are not anxious to place a tariff so high upon butter as will make it prohibitive to import it into this country. They realize the high cost of living, and they realize the struggle that the city consumers have to secure the necessities of life, but the dairy farmers of Ohio do feel that it is unfair to allow to be shipped into this country oils to be manufactured into substitutes for butter, which, if you please, have but little if any food value and which are camouflaged by extensive advertising, as Mr. Munn told you, until the consuming public do buy them, thereby defrauding the consuming public and also defeating our purpose in making the market for the dairy farmer what it should be.

Mr. Bronson, from the New England States, told you that the butter-fat price regulated the price of milk in the New England States. Gentlemen, that is true all over the United States. The butter-fat content of milk regulates its value. It really is its value.

Our friend from Minnesota told you about his cows giving that enormous amount of milk. He and Mr. Munn might have a little argument about the cost of their butter fats in the milk from their black and white pets of our friend from Minnesota as compared to the yellow pets of Mr. Munn; but in either case, whether it is Holsteins, or Guernseys, or Jerseys, or Ayrshires, the butter-fat content of the milk regulates the price.

I occupy a peculiar position, representing the dairy farmers of Ohio and also the allied dairy industries of Ohio. I am fearful that unless something is done the first thing you know the Standard Oil Co. will be making ice cream without a damn bit of butter fat in it. Now, that can be done. I know there are samples of ice cream made from imported vegetable oils. It tastes good and it looks good, and they can even make it smell pretty good if they renovate their oil enough, but there is nothing to do. It is an imposition upon the consuming public and upon the dairy farmers of Ohio and the United States.

Senator McLEAN. I think the gentleman who represented the producers of the coconut oil said that the food qualities of the coconut oil were superior to those of the butter. It seems to me he said that.

Mr. NICHOLS. You can not grow a baby, you can not grow any animal, on coconut oil, not even a rabbit. I am not the authority for that. A few days ago I took a car to ride down town, and there was a fellow sitting beside me who told me a story. He said a fellow had been reading Dr. McCallum's articles about the necessity of butter fat for growing children, and to satisfy himself whether it was right or wrong he prepared a box with a partition between the two sides, and got two rats from the same litter and put them in there on opposite sides of the box. One of those rats he fed on oleomargarine and the other on butter. In six months' time the one that was fed on butter was a fat, slick and beautiful rat, while the other was thin, scrawny, and scurvy. Then he dropped a cat in the box and the cat ate the fat rat but would not touch the lean one. "So," he said, "if you want to live, eat oleomargarine." [Laughter.] That is about the only argument for it, gentlemen.

Senator McLEAN. You know, of course, that one of the principal arguments advanced by the handlers of the substitutes is that they provide a cheaper product for people who can not afford the high-priced butter, and which, nevertheless, has the same degree of nutrition. You know that?

Mr. NICHOLS. I know that is their claim; yes, sir; but can they substantiate it?

Senator McLEAN. I do not know, and that is why I asked you the question. It seems to me that is important, because if it does supply a needed article of food and can be bought for much less, then the argument is that it should not be shut out.

Mr. NICHOLS. I think that, perhaps, as a spread or as a salve, if you please, to make your bread slip down it might do, but so far as your getting any food value out of it, it is not there.

Senator McLEAN. Does it operate about the same as tallow? I remember that Dr. Lane, a former Senator from Oregon, gave the Senate some analyses of oleomargarine produced from tallow, and I think he satisfied a good many of the Senators that the tallow was not digestible; that it operated as a sort of lubricant and the food slipped down, but it did not dissolve or digest.

Mr. NICHOLS. There is food value to that oil.

Senator McLEAN. Can you say, do you know of your own knowledge, that these vegetable oils are no better than tallows?

Mr. NICHOLS. I would not think they were as good.

As I said before, gentlemen, I do not feel that the dairy farmers, of Ohio especially, and I think throughout the United States, are so



much interested in a prohibitive tariff on butter, regardless of the fact that there were 33,000,000 pounds of butter imported into this country during the first 11 months of last year—that did not injure the American dairyman so much as the manufacturer of oleomargarine and different kinds of nut butter.

Senator McCUMBER. But it added just that much to the supply?

Mr. NICHOLS. Yes, sir.

Senator McCUMBER. It necessarily affected the market to that extent?

Mr. NICHOLS. Yes, sir.

Senator McCUMBER. Who is your next witness, Mr. Farrell?

Mr. FARRELL. Senator La Follette asked some questions in regard to that food value. Will you permit us to recall Mr. Munn for just a moment so that he may give the committee that information?

Senator LA FOLLETTE. Yes; recall him.

#### FURTHER STATEMENT OF MR. M. D. MUNN, PRESIDENT NATIONAL DAIRY COUNCIL, CHICAGO, ILL.

Mr. MUNN. I just want to state this: The leading dairy scientists in this country have been working for five or six years to determine the food value of these oil products and margarine products as compared with milk and its products, and it has been demonstrated to an axiomatic certainty that no form of animal life can be developed or sustained where it is given only the fat, or the so-called fat, contained in these oils. Coconut oil, peanut oil, soya-bean oil all produce heat in the body, and that is all. They do not supply any of the material necessary for cell building, which is growth, or cell repair, which is the restoration of mental or physical exhaustion. There is absolutely no food value in peanut oil, soya-bean oil, or coconut oil, but it has a large amount of energy or heat-producing power. It has no more food value than wagon grease. That is demonstrated by investigations which are accepted by all dietary scientists and physicians in this country, I believe.

Senator SIMMONS. What would you say about cottonseed oil? Is that any different?

Mr. MUNN. It is in somewhat the same class; it has not got the food value in it. It is a better oil than these other vegetable oils, but it has not got the food value of butter fat of milk. There is no substitute for the butter fat of milk in growth-promoting power or cell building or cell-restoring power, absolutely. I shall be very glad to leave with the committee copies of our leading authority on that, Dr. McCallum, over at Johns Hopkins University, who has demonstrated this fact through experiments with animals and with children. And I think this fact is accepted everywhere, notwithstanding the camouflaged statements of the men who are engaged in the manufacture of these so-called substitutes.

You will notice you do not see anybody who dares advertise any of these products other than under the guise of butter or condensed milk. A vast amount of this material is used for a so-called substitute for condensed milk, by removing the butter fat and putting coconut oil in its place. But they always advertise these substitutes and speak of them as butter or condensed milk.

Take this widely advertised material, Nucoa. That is a product made of coconut oil which is always advertised as a pure table butter. I noticed a sign in Ohio as I came through this time, on which I saw this big announcement: "Nucoa, a pure table butter." On one side was the picture of a girl with a churn, and it said underneath it, "I am churning, sir, she said." There was not a spot on it where it said it was not milk or butter fat, except in small letters away down in one corner, where it said, "This product is made from pure milk and the fat of coconut," conveying the idea all the time that it was a butter. They can not hope to induce the public to eat it except as they camouflage it under the guise of butter. Why? If it had the food value they would say so, and not put it out as butter. It has not got it; it has been demonstrated beyond question that that is a fact.

Senator LA FOLLETTE. Mr. Munn, will file with the committee, to be added to your testimony here, the authorities on diet that you speak of that made this investigation?

Mr. MUNN. Most gladly.

Senator McCUMBER. So far as you know, Mr. Munn, in the law of creation you have not found any instance in which the Lord Almighty has created animals that gave cottonseed oil for milk, and so on?

Mr. MUNN. I have not heard of them yet. I imagine that these people would be glad to find such an animal if they could.

Senator McCUMBER. They all give butter fat, however, in all kinds of milk?

Mr. MUNN. Yes, sir. Milk is nature's first and most necessary food. We all know that.

Senator SIMMONS. What was in my mind a little while ago was this: If those coconut and soya-bean oils are excluded from the market, would not a larger percentage of cottonseed oil be used for the purpose of taking the place of butter?

Mr. MUNN. I do not think so, for the reason that there is such a demand for cottonseed oil for other purposes. There are many other avenues through which that is now used and disposed of.

Senator SIMMONS. Yes; but they take the oil out of it before it is suitable for those other uses? It is the by-product you are talking of?

Mr. MUNN. Take the cottonseed oil itself, which is a product of cotton seed, and it has many uses, and they have never tried to use it in these substitutes. I do not know why, but it is coconut oil and peanut oil and soya-bean oil that they resort to. Why it is I do not know.

Senator SIMMONS. Cottonseed oil is used more generally as a lard substitute, is it not?

Mr. MUNN. Yes, sir. In connection with that I could not help noticing the statement that we are exporting to-day one-half of our lard. Of course, the place of that is taken by the substitute. The thought instantly occurred to me, Why, we are exporting our good product and foisting on the people the consumption of an inferior product. That is what has taken place.

Senator SIMMONS. The cottonseed oil does not really come in competition with your butter, then?

Mr. MUNN. As compared with the peanut oil and coconut oil, no. It does slightly, but it does not affect us very much.

Senator SIMMONS. I was under the impression that it was used rather extensively for the manufacture of oleomargarine.

Mr. MUNN. It is used somewhat in the fat oleos, but it is used much more in lard and soap and other manufactured products. The real competition comes from peanut and coconut oils. Soya-bean oil is not used so much.

Senator McCUMBER. Thank you very much for the information, Mr. Munn.

Mr. FARRELL. Mr. Chairman, the next witness is Mr. Walter Fitch, representing the New York Mercantile Exchange.

**STATEMENT OF MR. WALTER FITCH, OF FITCH, CORNELL & CO.,  
NEW YORK CITY, REPRESENTING NEW YORK MERCANTILE  
EXCHANGE.**

Mr. FITCH. Mr. Chairman and gentlemen of the committee, I represent the New York Mercantile Exchange, an organization of 416 members who, just previous to this meeting of the committee, passed certain resolutions, which I want to read to you, and which put in specific form the feeling these distributors have regarding the tariff bill. The resolutions are as follows:

Now, these resolutions were adopted by the butter committee of the mercantile exchange and passed upon by the entire membership. The butter committee went into this matter exhaustively, and, considering the matter of protection from all standpoints, it came to the conclusion that a protective tariff of 6 cents per pound should be the minimum. There were various opinions as to the fact that at the present price of butter the emergency tariff bill should provide a duty of from 7½ to 10 cents. After considering all the matters at stake, it was the consensus of opinion, and so adopted, that we ask for a duty of 6 cents per pound.

In order to bring the matter clearly before the committee in a few words, I would like to read concerning the receipts in the New York market. This does not include the receipts of the country, but simply the butter coming into the New York market, both domestic and export:

New York receipts of domestic butter, which included several thousand packages of Canadian reported in our daily receipts—

The reason those were not separated was because they came over the same general lines of transportation, over the New York Central or the Vermont Central or some of those other railroads, and they were all compiled together as one total receipt [reading]—

were 2,262,428 packages, which, in round figures, amounts to about 130,000,000 pounds of butter. This is 782,833 packages less than the previous year and the smallest arrival since 1910. Part of this loss was due to the long period of labor disturbance which seriously interfered with the movement of stock to the seaboard and partly to the fact that the foreign goods fill so large a place in our market and there was less inducement to bring goods in from the West.

Now, I will say for the information of the committee that the ordinary course of the butter market from the time of large production, which is in June and July, is upward, up to the time of the minimum

production, which is about November and December. In the year 1919 the price rose from 53 cents a pound in July—these are average prices for the month—to 72.48 in the month of December, 1919.

In the New York market alone in the year 1920 there were imported 28,000,000 pounds of foreign butter, with the result that the price, instead of advancing from July up until the end of the year, declined from 55.44 to 54.75. Taking the same months as previously quoted, the decline was from 56.67 to 54.75.

Now, if the producers of butter in this country are to continue in business they must be protected. The menace of this foreign butter coming over every month is getting to be a serious matter to the producers. On January 7, just this month, there was started from Copenhagen one ship which will bring in the largest cargo of Danish butter ever imported into the United States, approximately 20,000 casks, or over 2,200,000 pounds. On the arrival of that butter we have every reason to believe that the price of domestic butter will decline. A single instance of that kind would not be alarming, but every week or 10 days another ship comes over, and while, perhaps, the ships from other ports may not carry as great a quantity as the direct ship from Copenhagen, nevertheless they add very largely to the supply of butter now being held in the country and now being produced. Ordinarily the farmers would receive perhaps 20 to 25 per cent higher prices for their winter butter than for their summer butter, but this year it has been tending in the opposite direction, and every indication points to a still further decline in price unless the farmers have the protection that they require.

Senator SIMMONS. When did that decline you speak of begin, this year?

Mr. FITCH. The decline began in August. The market advanced in September and October up to 63 cents, and then when the heavy importations of Danish butter arrived there was a drop of about 9 cents a pound.

Senator SIMMONS. What I have in mind is this: Starting at the beginning of the year 1920, what has been the decline up to this time?

Mr. FITCH. The highest market in 1920 was in April, when the average price for the month was 71.35 cents, and the average price for December was 54.75, a decline of about 17 cents. Up until about April there was but very little Danish butter received.

Senator SIMMONS. Do you regard that decline as very much out of the general level of decline in prices of products in this country?

Mr. FITCH. I do indeed; yes, sir.

Senator SIMMONS. Is that as much as the decline in wheat and in corn and in cotton and tobacco and all the staple products of agriculture in this same period?

Mr. FITCH. All these staples are governed by the law of supply and demand. Had it not been for this importation of 33,000,000 pounds of butter into the United States, the price of butter would have advanced materially on account of the very short production in this country.

Senator SIMMONS. What I can not understand is why the price of butter should be advancing while the price of everything else has been going down, unless we are producing here less than a normal supply.

Mr. FITCH. That is it exactly. I stated that at the beginning. With total receipts of butter in the New York market for the year 1920 amounting to 62,200,000 packages, they were 782,000 packages short of a year ago.

Senator SIMMONS. You are producing, then, very much less than the American demand calls for. Is that true?

Mr. FITCH. Not necessarily.

Senator SIMMONS. If you are producing as much as the domestic requirements, then I can see no reason why butter should not decline just in the same proportion as other things decline. If you are producing less than the domestic requirements, unless there is something coming from abroad, I can see how you can hold up your price above the level at which other producers are able to hold their price.

Mr. FITCH. The foreign butter has had a tendency to hold the price of butter down on account of the smaller production during this season, but as things become more nearly normal the production of domestic butter under normal conditions would increase.

Senator McCUMBER. If the importation were normal, on account of there being less butter in the fall of the year the price ought to go up in the fall?

Mr. FITCH. It does every year.

Senator McCUMBER. But this year it has not gone up?

Mr. FITCH. This year it has gone down.

Senator SIMMONS. I think that is probably true of nearly everything.

Senator McCUMBER. Yes; but everything is not governed entirely by that. For instance, when the wheat farmer raises his crop the price does not begin to fall because there is a less number of bushels in the fall of the year. But with respect to eggs and butter, the hens lay less and the cows produce less milk, and the tendency should be for the price to increase.

Senator SIMMONS. I will concede that in certain seasons of the year certain things should sell at a little higher price than at other times, but if the general level of prices obtaining throughout the country is declining the price of butter ought to come down, too.

Senator McCUMBER. Take eggs, for instance. Eggs have not come down?

Mr. FITCH. Eggs have steadily gone up from 50 cents a dozen until they sold at practically a dollar a dozen, and there were no importations.

Senator McCUMBER. But if there had been enormous importations of eggs, as there has been of butter, they would have gone down.

Senator SIMMONS. Does this Danish importation continue during the whole year, or only during the winter season?

Mr. FITCH. The Danish importation in large quantities started about April; the great bulk of importation probably has come since the 1st of September. There were one or two large shipments in July. But the farmer to-day is producing butter at a loss. Everything that goes into the making of butter has been stored away at a high cost.

Senator SIMMONS. I thought that possibly the winter scarcity of butter here invited the importation of Danish butter. As I understand you, in the winter time you do not produce anywhere near as

much butter as the domestic market requires, and I should think that situation would naturally invite importation from abroad.

Mr. FITCH. You understand, during the heavy producing season a great deal of the butter is stored away to take care of the scarcity in the winter, but notwithstanding that there is enough butter produced to keep the price on a level with the heavy producing period. But now, on account of the tremendous difference in exchange, Denmark, Argentina, and New Zealand have been pouring butter into this country in order to get money, and it does not make any difference—this 6 cents per pound will not be a prohibitive tariff by any means. I do not believe that 10 cents a pounds would be a prohibitive tariff unless the rate of exchange should suddenly change.

Senator SIMMONS. How much butter did you say we exported?

Mr. FITCH. We are not exporting any—none to speak of. There may be a very small quantity shipped to Brazil or other places in South America, but it amounts to nothing.

I thank you, gentlemen.

Senator McCUMBER. We are very much obliged to you, Mr. Fitch.

Mr. FARRELL. Mr. Chairman, Mr. Bronson has figures showing the decline, if you wish to have them, that the Senator was asking for. I mean the figures referring to butter as compared with other farm products.

Senator SIMMONS. I think that would be valuable.

#### FURTHER STATEMENT OF MR. W. H. BRONSON, NEW ENGLAND MILK PRODUCERS' ASSOCIATION, BOSTON, MASS.

Mr. BRONSON. We have some figures in which we have compared the price in Boston with 1910 and 1914 taken as a base. Our quotations for Boston are based on a combination of grains.

In December, 1920, the price of grain was 50 per cent above the prewar average. Butter was 30 per cent above the prewar average. In other words, the grain and the butter were pretty nearly down to the same figure; the decline in butter prices was within 10 points of the decline in grain prices.

Cheese, by the same comparison, is 1.67 now, or 67 per cent above the prewar average. Butter is 60 per cent above. Grain, as I stated, is 50 per cent above.

That will show, perhaps, the comparative decline in those three products.

Senator NUGENT. Have you any figures with respect to other agricultural products, such as hay?

Mr. BRONSON. No; I have not. We are only interested in these things.

Senator SIMMONS. Do you include in that comparison all kinds of grain?

Mr. BRONSON. Included in this average are the usual grains that are fed to dairy cows in New England—bran, cottonseed meal, gluten, corn meal, and oats. It is a combination of grains.

Senator SIMMONS. You say the decline in grain from the prewar level is about the same as the decline in butter from the prewar level?

Mr. BRONSON. Yes, sir; as compared with the prewar level in both cases.

Senator SIMMONS. Now, do you attribute the decline in grain to the importations of grain into this country?

Mr. BRONSON. I have not thought that matter over, as to what that might be caused by. I suppose it was the tremendous production.

Senator SIMMONS. Well, if you do not attribute it to the importations, why do you attribute the decline in butter to the importations?

Mr. BRONSON. I have not considered it from that standpoint.

Senator SIMMONS. What I was trying to present to your mind was whether you are not probably misled in attributing this decline in your butter prices altogether, or chiefly, to importations of butter.

Mr. BRONSON. We have made some figures—for example, I have worked out a comparison of seasonal change in butter prices. For example, considering 100 per cent as the yearly average, June is, roughly, 80 per cent, and December is 120 per cent.

Senator SIMMONS. Decline?

Mr. BRONSON. The seasonal change in prices of butter by months. We consider the yearly average as being 100 per cent. On that basis the June price would be about 80 per cent and the December price would be about 120. Now, we have had this decline in butter, as has been brought out by the previous speakers, during a period when normally the price, instead of declining, would advance, which is a factor of considerable importance, it seems to me, in considering these price changes.

Senator McCUMBER. Suppose butter were selling in New York for 65 cents a pound and there were brought in on a single ship 3,000,000 pounds of butter and butter immediately went down 9 cents a pound. Would you see any connection between that decline and the importing of that 3,000,000 pounds?

Mr. BRONSON. I certainly think there would be a connection. I should think that if a tremendous amount of grain came into this country from Canada you would see some connection between that and the price of grain in Chicago.

Senator SIMMONS. Do you think, with the immense production of butter in this country, that the arrival of a single ship with 2,000,000 pounds of butter would produce a 9 per cent decline?

Mr. BRONSON. I do not know enough about those figures to give an opinion on that. I would rather let some one in the trade answer that question.

Mr. FARRELL. Perhaps I could answer the Senator's question. These figures I got from the produce exchange yesterday: In November, 1920, the price of butter on the New York market was 63.22; in December it was 54.75. In the preceding year, 1919, for the same two months, when the importation was much lighter, the price was 71.15 for November and 72.58 for December. Now, it is true that the importation alone does not make this difference, but that is the way those two months compare.

Senator SIMMONS. You mean to say that the importation was a factor? You do not mean to say it was responsible for the difference?

Mr. FARRELL. It is the greatest factor in these quotations at this season of the year, when prices should advance instead of decline.

Senator SIMMONS. Yes; I agree with that. If the conditions in December this year were exactly the conditions in December last year, that would be true, but I do not think they are the same with reference to butter or anything else that is sold to the American

public that I know of, unless it is in a combination and the prices are held up artificially.

Mr. FARRELL. No; I think not this year. For an illustration, last year cold-storage butter moved at the quotation prices. This year the cold-storage butter is at present from 38 to 42 cents. Now, they can not move this June manufacture of butter at a price that will net them a profit. They are taking a loss. They are losing 15 cents a pound on the cold-storage holding. But it would move at a higher level of prices if the importations were shut out.

The cold-storage people who paid the farmers last year 55 to 60 cents a pound for milk fat for butter and put it in cold storage and held it to be used in the season of short production have lost, and it will have an effect on the coming season. Next year if these men lose 15 cents a pound on June and July butter put away in the surplus season, when we make about 75 per cent of our butter, they will not be offering the farmers 55 cents for their milk fat; it will not be safe with the influx from the foreign countries.

The next witness is a man from the New York market, who, I think, will answer some of the Senator's questions—Mr. C. P. Gearon.

#### STATEMENT OF MR. C. P. GEARON, REPRESENTING NEW YORK MERCANTILE EXCHANGE, NEW YORK CITY.

Mr. GEARON. Mr. Chairman, as a dealer in butter and a receiver and distributor and jobber of butter I think I see this question from a little different angle than some of the gentlemen that have preceded me, and I will try to give you my viewpoint of it.

We have imported large quantities of Danish butter profitably, and I suppose that so long as there is a reasonable profit in it we will continue to do so. Our business has been built, however, upon the American industry. We receive most of our butter from Minnesota and Iowa, but this year, on account of abnormal conditions in exchange we found we could buy butter from Denmark cheaper than we could buy it here, and so we imported this butter from Denmark, as well as from Argentina and New Zealand, and, with the exception of the Argentine butter, these foreign butters are meeting with the approval of the consumer.

Now, there is an angle to this situation—when we look at it from a purely selfish standpoint we might say, "That is all right; we can bring that butter in here at a low price, which will force the market down and put us on a safer level of prices." But I am trying to see this thing from the standpoint of what is best for the dairy industry of the United States, because I believe that it will be affected very seriously, and the ultimate result will react upon those connected with the business, as well as the public at large.

The question is whether we should have an emergency tariff on butter. You might ask me what the tariff should be. I believe that tariff should be whatever is necessary to place the foreign butter on a parity with the American butter. At the present time I figure that should be 6 cents per pound, or about that. The Danish butter is offering now at 46½ to 47 cents a pound c. i. f. New York; duty paid, it figures 49½ cents. The American market on the same grade of butter is 53½ to 54 cents.



Now, if we had a 6-cent duty at the present time, that would place the foreign butter on about the same level of prices as the American butter, and I believe that at the present time with the 6-cent duty the foreign butters would be imported, and the tendency of the market, so far as that foreign butter comes in, would no doubt be downward, but it would be on a fair basis to the American producer.

Looking forward to the effect which I think this importation of foreign butter will have upon the industry, and the reasons for it, I believe that the basic trouble is the fact that conditions are abnormal, the money situation is abnormal. If it were not for the fact that the exchange is so much in favor of Denmark, for instance, we would not get their butter. When conditions are normal, when they have been normal in the past, we do not receive this Danish butter.

Senator McCUMBER. A number of the members of the committee are not acquainted with the matter of the exchange between the United States dollar and the Danish money. Can you give us any information on that?

Mr. GEARON. Really, I can not say as to that. All I know is this, that recently certain things have happened which makes me believe that Denmark has a surplus of butter which normally would go to Germany and to England and to the Scandanavian countries, for which she now has no outlet there, and on account of the exchange being in her favor here she markets it here.

Senator McCUMBER. That is what I was trying to get at. What is the difference in the exchange between Danish money and American money?

Mr. GEARON. I can best explain that by saying that they were offering butter a few days ago at 630 kroner per 100 kilos. Figured on the basis of the rate of exchange that day, which I believe was 15.40, it figured out 47 cents in American dollars. Since that time the exchange has advanced to 17.40, but still they offer this butter at 630 groner.

Now, I believe the reason why we are getting this foreign butter is simply because their normal outlets are closed, and if we continue to let it come in here—

Senator SIMMONS. We did not get it before the war?

Mr. GEARON. No, sir.

Senator SIMMONS. We had some tariff for several years before the war?

Mr. GEARON. There was 2½ cents a pound duty.

Senator SIMMONS. Yes. And while that 2½ cents a pound duty was operating we did not get this Danish butter before the war.

Mr. GEARON. Before the war we did not get it, and even during the war, for the same reason, that their normal outlets were taking it. Conditions now are abnormal, and it is creating an abnormal condition here. It will probably cause a very bad break in prices here and force our markets to a point where the dairy industry will be discouraged, and then when we get the butter, a little later on, these other countries that are shipping butter now will have found their normal business again and their normal outlet, and in the meantime our own production will be curtailed, and, in my opinion, the ultimate result will be to curtail production here and causing this foreign butter to go through its normal outlets.

Senator SIMMONS. Undoubtedly you gentlemen are making a much stronger emergency case than can be made for a great many other articles that are in this bill as it came from the House. Why didn't you get this in the bill over in the House?

Mr. FARRELL. They would not let us.

Senator SIMMONS. Did you ask for it?

Mr. FARRELL. Yes; we asked for it. We communicated with Mr. Haugen. He said there was no hearing held on it. The bill was not introduced until after the hearing and the consultations were over and rules would not permit amending.

Senator SIMMONS. And you want it put in here?

Mr. FARRELL. Yes; we would like to have it embodied in the bill here, because we think it is necessary.

Senator SIMMONS. I agree with you that, if the bill should pass, there is a great deal more reason why this item should be in it than a great many of the items that are in it, in my judgment.

Mr. GEARON. My information is that if the duty is not increased, the coming season we will have butter from New Zealand, Argentina, Denmark, and Holland in such tremendous quantities that it will flood our market here and create an abnormally low market and discourage the production of butter and milk products to such an extent as to react upon us later in the condition of the market.

I thank you, gentlemen.

Senator McCUMBER. Thank you, Mr. Gearon.

Mr. FARRELL. Mr. Chairman, the next speaker is Prof. G. L. McKay, formerly professor of animal husbandry at Ames, Iowa, and now secretary of the American Association of Creamery Butter Manufacturers.

**STATEMENT OF MR. G. L. MCKAY, SECRETARY AMERICAN ASSOCIATION OF CREAMERY BUTTER MANUFACTURERS, CHICAGO, ILL.**

Mr. MCKAY. Mr. Chairman and members of the committee, I am pleased to have this opportunity of talking to you for just a few minutes. I realize the difficulty that you legislators have in trying to legislate between the producer and the consumer. At the present time there are 15 cars of New Zealand butter somewhere rolling along the railroads across the continent from San Francisco to the East. There are 8,000 boxes that have been landed in Vancouver that will find their way into our markets, I presume, sooner or later. As has been stated here to-day, there will soon arrive in New York a ship containing 1,600,000 pounds of Danish butter. I have not any records of what butter is coming in from Argentina, the Netherlands, or Canada. We can see that at the present time there is a flood of butter coming into this country.

I represent the American Association of Creamery Butter Manufacturers. Our work is largely that of aiding the producer, putting out literature. We have a chemical and biological laboratory, and we keep experts in the field. Consequently we are very much interested in this question, and especially with reference to butter. The members of our association make one-third of the creamery butter that is produced in this country. They are scattered from the Atlantic to the Pacific. At the last meeting of our executive

committee they went on record as favoring the Payne-Aldrich tariff, the former tariff, at 6 cents a pound, and 5 cents a gallon on cream coming into this country.

Senator LA FOLLETTE. What was the date of that meeting?

Mr. MCKAY. The 14th of last month.

Senator LA FOLLETTE. Was that for a permanent tariff or for this emergency bill?

Mr. MCKAY. For this emergency bill or for a permanent tariff.

Senator SIMMONS. Do you agree with the witness who preceded you in his statement that in all probability these large importations are the result of a failure of their normal markets on account of the conditions in Europe?

Mr. MCKAY. Not altogether. I was in Europe in 1913, when our present tariff came into effect. I was studying the cost of production in dairying in general. At that time some man prominent in the dairy business in Denmark, and somewhat in England, expressed surprise that we were throwing our market on agricultural products practically open to the world. Some of the leading Danish authorities expressed to me the opinion that they hoped to be able to build up a good market in this country under the present tariff regulations.

I want to correct one statement made by the last speaker. Prior to the war, if I am correctly informed, a company in New York had a contract for 300 casks of Danish butter weekly. That was before there was any difference in the exchange. Our Pacific Coast States at that time were flooded with butter from New Zealand or Australia, which demoralized the markets there. So I believe that without any difference in the exchange we would still have a lot of butter coming into this country.

I have here a little clipping which was handed to me to-day. I shall not attempt to read it, but the trend of it is this, that the president of the Danish Cooperative Association—most of the creameries there are cooperative creameries—states that they expect to build a market in the United States for 500,000 pounds of butter weekly at the present time.

The difference in wages will enable the Danes to produce more cheaply than we can produce, and one of the largest farms in England in 1913—I do not know what their wages are now, but one of the largest dairy farms there was paying from 16 to 18 shillings a week to the men help. They were boarding themselves. They were furnished with a cottage and a garden spot.

The first time I visited Denmark I saw the largest creamery in Denmark, and the head buttermaker in that creamery was a lady. She was getting \$9 a week. The girl helpers were getting \$1.50 a week. A person occupying a similar position in a creamery as large as that in this country would get at least \$3,000 a year. Farm help and wages all along the line are so much cheaper that the tariff of 2½ cents a pound is not sufficient to protect our people.

Senator NUGENT. You are speaking of 1913?

Mr. MACKAY. Of 1913; yes. I do not know what the wages are at the present time, but judging from the number of people that are reported in the press to be out of employment in that country, I think that wages will have finally adjusted back to the normal conditions, or thereabouts.

Senator SIMMONS. What is the difference, if you can tell us, in the cost of maintaining a cow there and here?

Mr. MACKAY. Do you mean in feeding the cows?

Senator SIMMONS. Yes; the cost of maintaining a cow in that country?

Mr. MACKAY. The Danes have specialized in dairying; they keep dairy cows. The average butter production in Denmark in 1913 per cow was 220 pounds of butter fat. The average of the 40,000 cows that were in their largest association was 285 pounds per cow. About 85 per cent of the butter production in this country is produced on farms in the Central West by people who could not be classified as dairymen in the true sense of the term. They raise the calf, and they sell the cream to the creameries, and the result is that their production is much less per cow. There is no question that the dairy cow will produce much more economically—as the gentleman from Minnesota stated here to-day about his 23,000 pounds of milk—than the other kind of cows. But that is a problem that we are dealing with.

Senator SIMMONS. That is not just what I had in mind. It is as to the relative cost of maintaining a herd of milch cows there and maintaining a herd of milch cows here.

Mr. MACKAY. Probably they could afford to buy our feed over there and feed it to their cows and send the butter back here and still make a profit. The difference would be in the labor. A great many of our feeds are taken over there not only for the purpose of producing food more cheaply but for keeping up the fertility of their soil. You take most of the European countries, and the soil produces as abundantly now as it did 40 or 50 years ago. They have studied that as a problem. Every country in the world at present that is at all adapted to dairying keeps experts for promoting and encouraging dairying, because it tends more to conservation than any other line of agricultural production.

I want to speak just a little further on the development of the nut margarine in this country. I have some figures on that. I do not have the exact figures with me, but I can give them to you in millions of pounds. I got them from the secretary of the Nut Margarine Association.

In 1916 there were produced in this country 1,900,000 pounds; in 1917 there were produced twenty-one million and some odd hundred thousand pounds; in 1918 there were produced eighty-eight million and some odd hundred thousand pounds; and in 1919 there were produced one hundred and forty-two million and some odd hundred thousand pounds. The first six months of 1920 there were produced 105,000,000 pounds.

Now, every pound of that takes the place of a pound of butter. There is no question that that, together with the importation, is one of the things that is demoralizing our market at the present time. It is the uncertainty of it. A gentleman from New York spoke about the sudden drop in the month of August. During July we had eight millions three hundred and some odd thousand pounds of butter come into this country. It is not surprising, then, that we should have a drop in August. It is the uncertainty of these things. Nobody knows how much is coming into this country.

There are a lot of people here that want to be heard on the subject of condensed milk, so I will not take your time.

Senator McCUMBER. We are very much obliged to you.

Mr. FARRELL. Mr. Johnston, of New York, will represent the condensed milk people's views.

**STATEMENT OF MR. ALBERT T. JOHNSTON, OF THE BORDEN CO., NEW YORK, N. Y.**

Mr. JOHNSTON. Mr. Chairman and gentlemen, we have not undertaken, in view of our short time for preparation, to present a brief. I will give you a few facts, however, in connection with condensed-milk manufacture.

The industry uses about 3½ to 4 per cent of the milk produced in the United States. In many of the large dairy States we use a large proportion. In the State of New York 17 per cent of the milk goes into cans. Condensed milk was an American invention. It received protection under the tariff from the time it was first started, back in 1850, until the passage of the Underwood tariff bill, when canned milks were placed on the free list.

In 1920 there were approximately 23,000,000 pounds of condensed milk imported into the United States. That represented about 50,000,000 pounds of milk.

Senator NUGENT. From what countries?

Mr. JOHNSTON. That was largely from Canada, but importations have come in from Europe. I have here a table which we received this last week, unsolicited, from Rotterdam, offering our company 10,000 cases of skimmed condensed milk in cans and in cases and 250,000 kilo casks of condensed milk at a price of 5½ cents.

Senator NUGENT. Skimmed condensed milk is of a very inferior quality, is it not?

Mr. JOHNSTON. Yes, sir.

Senator NUGENT. And very difficult to dispose of in this country, is it not?

Mr. JOHNSTON. It is; yes, sir.

Senator NUGENT. During 1920 or 1919 were there any very considerable importations of condensed milk from the Scandinavian countries, do you know?

Mr. JOHNSTON. Not to a considerable extent; no, sir. I think the previous witness stated that the importation from Canada was about 17,000,000 pounds, and the total importations were 23,000,000 pounds. The other 6,000,000 pounds must have come from Europe.

Mr. FARRELL. I have the exact figures—22,795,538 pounds were imported in 1920.

Mr. JOHNSTON. That is the total importation.

Senator NUGENT. You do not handle the grade of condensed milk that is referred to in that telegram?

Mr. JOHNSTON. No, sir; we make the full cream condensed milk.

The Underwood tariff bill placed us on the free list. We have to pay duty on two of our principal raw materials; we pay a duty on sugar and we pay what is in effect a 15 per cent ad valorem duty on tin plate. These European manufacturers ship that milk in here duty free. All we ask for is protection as against the cost of the raw materials which we use, and nothing else. At the time of the tariff work in 1913 we made an investigation of the cost of producing milk in Europe, and at that time we found that in Holland the cost

was substantially two-thirds what it was in the United States, and in Denmark about 75 per cent.

We ask for a specific protection, which was the protection we had in the tariff of 1909, Schedule G:

Milk preserved, condensed, or sterilized by heat or other process, including weight of immediate coverings, 2 cents per pound.

We are essentially an American company. Some of this condensed milk is imported from Canada and is made by a subsidiary of our own company. We believe that all the consumption of this country should come from the production of American dairies.

Senator SIMMONS. You say there is about 23,000,000 pounds imported. Can you give the domestic production?

Mr. JOHNSTON. Yes, sir. I have not the figures for 1920, but I have those of 1919.

Senator SIMMONS. I wish you would give those for 1920; the imports were for 1920.

Mr. JOHNSTON. I will try to estimate it for you. There were substantially 30,000,000 cases. [Making a computation.] A billion and a half pounds.

Senator SIMMONS. And you think the price of that billion and a half pounds is affected by the importation of 23,000,000 pounds?

Mr. JOHNSTON. It has not been substantially affected in price; no, sir.

Senator SIMMONS. You think not?

Mr. JOHNSTON. But it has displaced goods—

Senator SIMMONS. Have you got the figures of any exportations?

Mr. JOHNSTON. Those abroad?

Senator SIMMONS. No; you have given us the imports and the domestic production. I am asking now if there is any exportation from this country to other countries of our domestic-made condensed milk.

Mr. JOHNSTON. There is some, but the exportations are very small.

Senator SIMMONS. Do you know how much?

Mr. JOHNSTON. I have not the figures; no, sir.

Senator SIMMONS. I should say the importations were small compared with the total domestic production, and I would like to know if you can get the figures of what the exportations were.

Mr. JOHNSTON. I know that they have dropped down to practically nothing; they are very slight.

Senator NUGENT. You say that the importation of 23,000,000 pounds last year has not affected the situation, so far as price is concerned?

Mr. JOHNSTON. Not materially.

Senator NUGENT. Did the importation of that 23,000,000 pounds affect the consumption to any considerable extent?

Mr. JOHNSTON. Why, it displaced 23,000,000 pounds of American milk.

Senator NUGENT. And there was no increased consumption by reason of the importation of that 23,000,000?

Mr. JOHNSTON. I should say so; no, sir.

Senator NUGENT. To what do you attribute the fact that so many condenseries throughout the West and Middle West have been obliged to suspend operations?

**Mr. JOHNSTON.** Principally on account of the decline in exports. The one fact we want to impress upon you is that we have these finished products coming in free, when we American manufacturers have to pay duty on two of the principal raw materials used. This milk that is offered to us comes in here carrying a large percentage of sugar. Probably 50 per cent of it comes in free. We are paying the equivalent of \$1.56 per hundredweight for sugar.

**Senator NUGENT.** Are these foreign countries being supplied through domestic manufacturers with a sufficient quantity of milk to supply their needs?

**Mr. JOHNSTON.** Yes, sir; they have a surplus, and always have had.

**Senator NUGENT.** Are they supplying that at a less cost than the American manufacturer could export it for, do you know?

**Mr. JOHNSTON.** Why, this is the latest I have, that this milk was offered at a price of about 5½ cents net.

**Senator NUGENT.** But that is a very inferior quality of milk.

**Mr. JOHNSTON.** Using the same materials, we could not produce it for that.

**Senator NUGENT.** Even with skimmed milk?

**Mr. JOHNSTON.** With skimmed milk; yes, sir.

**Senator NUGENT.** To whom do the condensaries in the western country dispose of their product, if you know?

**Mr. JOHNSTON.** Here in the United States?

**Senator NUGENT.** Yes.

**Mr. JOHNSTON.** Very largely to the domestic market.

**Senator NUGENT.** Well; if they ship East, is there any combination of exporters or condensed-milk dealers in this country that take that supply?

**Mr. JOHNSTON.** I think the production on the coast is almost entirely consumed on the coast—in the coast States and the intermountain country. I do not think much of it comes East.

**Senator NUGENT.** We have a milk condensery about 20 miles from the town I live in in Idaho, and that condensery some time ago suspended operations, and according to my information they shipped the major portion of their product, or a considerable portion of their product, to the East. I wondered whether or not the manufacturers of condensed milk or the dealers of condensed milk in the East had declined to accept that product for any other reason than that they could not export it.

**Mr. JOHNSTON.** Well, there is a large production in the East. New York State is one of the largest producers. Normally there could be no movement of canned milks from the Pacific coast to the East.

**Mr. FARRELL.** Mr. Johnston, is there not a large amount of condensed milk on hand in this country that you can not get rid of by exportation?

**Mr. JOHNSTON.** Yes, sir; it was estimated several months ago that there were 15,000,000 cases.

**Senator SUTHERLAND.** Do the freight rates cut out the western product?

**Mr. JOHNSTON.** Well, in a measure they would, but, on the other hand, it is not required, because there is sufficient manufacture in the East and in the Middle West—that is, in the Illinois and Wisconsin territory—to take care of the requirements.

Senator NGENT. The freight rates could not affect the situation materially, because of the fact that you are obliged to pay practically the same rates for transportation to the Middle West from the Pacific coast that you have to pay to New York.

Mr. FARRELL. Mr. Chairman, Congressman Snell, of New York, was going to represent the cheese people, but he is not here. The Wisconsin people, I understand, wired to Senator La Follette. They make more than three-fourths of the cheese of America, and it may be possible that they are satisfied with the present ad valorem rate. So we have not anyone to speak with reference to cheese.

Senator McCUMBER. Very well. That statement may be put in by the Congressman before we close.

Senator SIMMONS. May I ask a question of the witness who just suspended? Mr. Johnston, when you were speaking of the importations of condensed milk and when you gave the figure of 23,000,000 pounds, did you mean that that was in 1920?

Mr. JOHNSTON. Yes, sir.

Senator SIMMONS. And then you said that the exportations were nominal for 1920?

Mr. JOHNSTON. For the latter part of the year. In the early part of that year they were very heavy, probably up to the early fall. Since then they have dropped down steadily until to-day they are very light.

Senator SIMMONS. In the tables of foreign commerce they give 20,209,141 pounds in October, and for the first 10 months of the year it appears that there were exported 376,000,000 pounds.

Mr. JOHNSTON. It was very heavy in the early part of the year.

Senator SIMMONS. I thought you stated it was practically nothing.

Mr. JOHNSTON. To-day, now.

Senator SIMMONS. Well, this gives up to October.

Mr. JOHNSTON. There has been a very big decline since that time. Since the 1st of October most of the plants in the country have had to close on account of the market situation.

Senator SIMMONS. I thought it was rather a remarkable situation. Of course I do not know what has happened since October. Those are the last figures they give, but up to October there seems to have been a very heavy exportation of condensed milk; as compared with the exportations the importations are nearly negligible.

Mr. JOHNSTON. That is very true, but the markets were shut off almost overnight, resulting in the backing up of products in this country until to-day there is probably not 5 per cent of normal production. Ninety-five per cent is idle.

Senator McCUMBER. There is a witness here from Georgia—Mr. Lovejoy. We will hear him now.

#### STATEMENT OF MR. HATTON LOVEJOY, LAGRANGE, GA.

Mr. LOVEJOY. Mr. Chairman and gentlemen, I represent G. T. Perkins & Co. in connection with the wool and camel's-hair provisions of the bill. We manufacture camel's-hair press cloths. The general idea of the emergency tariff we agree with, but we wish to call to the attention of the committee the situation it places us in, largely because of the conditions in the Underwood law.



On the hair which we now use we will have to pay 30 cents per pound duty. It takes 2 pounds of the camel's hair to make 1 pound of the manufactured press cloth, so we would be paying 60 cents per pound to get 1 pound of the manufactured press cloth. The protection on the manufactured press cloth is 45 cents, so that we have to pay what amounts to 60 cents for the raw material as against 45 cents for the manufactured cloth.

That comes about in this way: The duties on those manufactures are in addition to the present duties, and in making up the Underwood bill the gentlemen picked out these press cloths—in the first place, camel's-hair press cloths were picked out from the wool schedule, where they had been before, and where they belong, and given a separate position. And not only that but they picked out camel's-hair press cloths, which were used for pressing oil from the camel's-hair press cloths used for other purposes, and that one of our camel's-hair press cloths that is used in the manufacture of oil they put on the free list. So that we have a very unenviable position, to say the least.

Now, the other woolen goods are protected under the Underwood bill, and these products which you gentlemen have in the emergency tariff bill are given the necessary protection. But we have nothing under that bill, so that we have only the 45 cents provided upon the manufactured goods, where we have to pay 60 cents, in effect, for a pound of the raw material that goes into a pound of the manufactured goods.

What we would ask is that we be given the 35 cents ad valorem which other wools have under the Underwood bill, and then we would be simply placed in the general wool schedule, where I think we properly belong and where we have always been.

There is one other thing which results from the emergency tariff bill. Our principal competitor in these camel's hair press cloths has developed into human hair press cloths. These are press cloths made from the stumps of hair imported from China principally, where the ladies and gentlemen have discarded their queues. That now comes in with a very nominal tariff on the raw human hair, only 10 per cent ad valorem, and the press cloths made out of human hair only have what amounts to about half a cent a pound. So that with the provision that we now must pay 60 cents a pound, in effect, for every pound of manufactured goods, and these gentlemen getting their raw material at 10 per cent ad valorem, or the manufactured product at half a cent a pound, it looks like we will practically be put out of business unless we have some relief.

So we ask that a sufficient duty be placed upon the human hair and the human hair press cloths to prevent our being run out of business by the duties imposed under the emergency bill. The protection which we think would equalize this would be 45 cents per pound duty on the raw human hair, and the same duty that I suggested in connection with our camel's hair press cloths for the human hair press cloths, which would be 45 cents a pound plus the 35 per cent ad valorem.

Now, you gentlemen might ask how we have survived since the Underwood bill. Well, the war was brought on through some cause—whether it was by the intervention of Providence or the devil my theology does not permit me to answer. But at any rate they could not ship any in here, and now we have come back to the time

when these people may gradually begin shipping in these things, and we simply ask that we be put back where we have always been.

Senator LA FOLLETTE. Mr. Chairman, I want to ask on behalf of the dairymen that they be permitted to file some matter here to be incorporated in the record. I also have some telegrams that I have received from dairymen in Wisconsin that I want to put on file.

Senator McCUMBER (presiding). Very well; I will ask that the record be not closed until these statements are received.

Senator LA FOLLETTE. I also wish to present a statement from the cheese producers of Wisconsin.

(The additional statements, etc., subsequently submitted are here printed in full, as follows:)

The CHAIRMAN. I have a copy of a proposed amendment to the emergency tariff bill, together with a statement thereon by Mr. J. J. Farrell, secretary of the National Dairy Products Committee, who has already given testimony before the committee. I ask that that statement and amendment follow his testimony.

(The statement and amendment are as follows:)

NATIONAL DAIRY PRODUCTS COMMITTEE.  
Washington, D. C., January 13, 1921.

HON. P. J. McCUMBER,  
United States Senate.

DEAR SENATOR: The National Dairy Products Committee held a meeting after we appeared before the Senate Finance Committee Tuesday, January 11, and decided on a reasonable tariff for dairy products, as well as a tariff to be placed on foreign oils which are now imported into this country and which are compounded into hogless lard and imitation butter. We believe these oils to be one of the greatest menaces to the dairy industry.

The American public is taught, through false advertising, as to the true value of these oils when compounded into butter substitutes. The compounders of these oils are teaching the American public to consume these oils in large quantities for lard and butter, thereby replacing the hog as well as replacing the cow's production. It will be impossible to continue the milking of cows and the manufacture of cheese and butter in competition with these cheap oils.

We therefore suggest that the tariff be increased as per the inclosed amendment, the original of which has been forwarded to the chairman of the committee. We have omitted cheese in this amendment because of the fact that cheese is now carrying a 20 per cent ad valorem duty and we think this is sufficient.

Very truly, yours,

J. J. FARRELL, *Secretary.*

PROPOSED AMENDMENT TO THE EMERGENCY TARIFF BILL.

In section 1, page 2, paragraph 10, line 20, after the word "peanut," strike out the figures "26" and insert in lieu thereof the figures "48."

On page 2, line 21, after the word "bean," strike out the figures "20" and insert in lieu thereof the figures "40."

On page 4, paragraph 17, after line 3, add the following paragraphs:

"18. Butter, 6 cents per pound.

"19. Milk, preserved or condensed, or sterilized by heatings or other processes, including weight of immediate coverings, 2 cents per pound; sugar of milk, 5 cents per pound; dry and powdered milk, 5 cents per pound."

The CHAIRMAN. We will have a meeting to-morrow morning at 10.30 in this room.

(Thereupon, at 5 o'clock p. m., the committee adjourned to meet again for the consideration of this subject at 10.30 o'clock a. m. Thursday, January 13, 1921.)

THURSDAY, JANUARY 13, 1921.

UNITED STATES SENATE,  
COMMITTEE ON FINANCE,  
*Washington, D. C.*

The committee met, pursuant to adjournment, at 10.30 o'clock a. m., in room 312, Senate Office Building, Senator Porter J. McCumber presiding.

Present: Senators McCumber (acting chairman), La Follette, McLean, Calder, Williams, Gerry, and Jones.

The CHAIRMAN. When we adjourned it was understood that both Senator La Follette and myself would put in some statements upon the emergency tariff matter so as to complete the hearings upon that subject.

Although wheat is first on the list of articles demanding emergency legislation, I have not asked to call witnesses in respect to this product. The reason I have not done so is because the situation is a simple one and easy to understand by any person who has any knowledge of the marketing of wheat and the elements that enter into the market price. All of the testimony in these hearings has had to do with articles which affect, and deeply affect, the prosperity of the producers. But the number affected by decline in price of other articles demanding this remedial legislation is a mere bagatelle compared with the number affected by the enormous decline in the market price of wheat.

One trouble that I encounter whenever I discuss this wheat question with Senators is the great number of them who fail to take into consideration the vast extent of territory in which wheat is raised in the United States, the freight charges which make the transportation of wheat raised in one section, where there may be a surplus, to another section where there may be a deficit, practically prohibitive, and the fact that each section raises a particular kind of wheat which makes a standard flour and which flour can be made only out of that character of wheat.

They base their argument that so long as we are exporting wheat or flour, no amount of protection will avail us, upon the assumption that wheat is wheat, and that it is so located that it has practically a universal price. They also fall into the equal error of assuming that the price of our American crop is fixed by the export price of any particular kind of this grain to Liverpool.

Let me explain this: The wheat raised in eastern Montana, all of North Dakota, all of South Dakota, and nearly all of Minnesota, constituting almost all of the spring wheat, is but slightly related to the other species of wheat raised in the United States. It makes a distinct, hard wheat flour, known and recognized throughout the world. The people of this entire section are dependent almost wholly upon the price the farmer receives for this grain. There is as much difference between this northern hard wheat and the wheat of Oklahoma, Texas, and Kansas as there is between a Casaba melon and a Rocky Ford. While one may be a substitute for the other, the market price of the one does not govern, though it may affect, the price of the other. There may be such a scarcity of Rocky Fords as will send their price above that of a Casaba, and vice versa.

If we had but one kind of wheat in the United States, and if it were all in one bin, with one home-consumption spout and one exporting spout, then, of course, the prices would be the same whether for export or home consumption. The moment the grain from one spout commanded a higher price than the other it would automatically close the other. But no matter how short the crop in these four States, no matter though we should not raise enough wheat to more than one-half supply the milling demand for that particular kind, we could not bring in the surplus wheat from other sections of the United States, first, because the freights would make it prohibitive, and, second, because the several kinds could not be blended. We can use in our North Dakota wheat, without seriously affecting the kind of flour, a small percentage of wheat raised in Iowa or Wisconsin, but only a small proportion, and practically none of the more southern wheat.

There is another erroneous idea on the part of Senators—that the price of the United States product is fixed throughout the United States by the export price. There is no reason in the world on which to base such a conclusion. What elements do enter into the price of wheat raised in the United States? The first element affecting this price is the world supply and demand. If the supply is beyond the demand, each class of grain will be low in price. And in this matter of demand, let us remember that while wheat is being grown north of the Equator, it is being harvested and sold south of the Equator, so that we know at all times about what the world's supply is or will be.

If demand—and I am speaking of the world demand—is greater than the supply, other things being equal, the price will rebound upward. So, under normal conditions, the price is not fixed by Liverpool, but by the world supply and demand.

The second important element in price fixing is the price the wheat consumed commands in the principal place of consumption. Liverpool is not the principal place of consumption of American wheat. The United States itself consumes about five-sixths of our wheat. Why, then, say that Liverpool fixes its value rather than the United States? If people are prosperous in the United States, there is somewhat more wheat consumed at home than in days of depression. It follows, therefore, that the best place to stimulate a demand for American wheat is the United States, and it will occur to anyone who gives the matter the slightest thought that the best way to stimulate

the demand in the United States is to shut off as much as possible the vast importations of wheat of the same kind into this country from Canada. A very little surplus of wheat is very depressing to price. A much smaller deficit would send prices quickly to a living basis. If we would to-day put a tariff of 50 cents a bushel on wheat, I would guarantee that within two months wheat would regain what it has lost by the vast importation of the Canadian product, which is from 75 cents to \$1.

I say with all frankness that the one great thing which has driven the price of American wheat down to scarcely more than one-half the cost of production has been the enormous Canadian importation. This has been possible because of, first, the vast difference in exchange, which amounts to about 27 cents a bushel, comparing the Canadian with the American dollar; second, the fact that the Canadian crop is a good, full, average, crop; and, third, the cost of production in Canada, due mostly to the very considerable difference in the value of lands, and an almost equal difference in farm labor, both of which enable the Canadian to supply the American market at a price far below the cost of production in the United States.

The population of the spring-wheat States producing the particular kind of grain which is produced in abundance in Canada, is about four and a quarter millions of people. And as this low price affects all of the wheat-raising sections, the number of producing people affected would swell to about thirty or forty millions of people. Legislation which would check the importations would soon bring the consumptive demand of the country up to the productive capacity, and relief through a proper protection would be almost instantaneous. The moment it would be known that we could no longer ship in Canadian wheat to compete with the American product the mills would begin to buy the American product, and at a continuing upward premium price, in order to assure the grain necessary to operate their mills until the next crop is produced.

We have just passed a law reviving the activities of the War Industries Board. One of the purposes of this legislation is to assist the American farmer to find a market in Europe for his surplus, amounting to about 200,000,000 bushels.

It is conceded by this legislation that our very low price is due in part to our failure to find purchasers for this surplus, and so we are about to expend millions of dollars in search of a foreign market, even to the extent of raising the money by taxation and loaning to foreign Governments such sums as will enable them to purchase this American product. At the same time we are increasing our burden by taking the Canadian surplus stock as rapidly as it can be shipped into the United States.

Can not Senators see that if the price of the American wheat is driven down by reason of our inability to market our surplus we intensify the cause of our distress by importing an equal surplus of wheat from Canada? Can they not further understand that by this system Canada can take advantage of the American prodigality in dollars to market her surplus, or, which is the same thing, to double the amount of surplus in this country which must be marketed abroad?

Let us look at the crop estimates and see if we can get a closer understanding of the present conditions:

	Bushels.
The estimated crop of wheat in the United States in 1920 is.....	780, 878, 000
We shall need for food, according to this estimate.....	530, 000, 000
We shall need for seed.....	82, 000, 000
Leaving a surplus of the 1920 crop to export of.....	177, 878, 000
Turning now to Canada, their estimated crop for 1920 is.....	293, 361, 000
Needed for food in Canada.....	45, 000, 000
For seed.....	28, 000, 000
Leaving a surplus of Canadian wheat to be exported of.....	220, 361, 000

From this it will be seen that while we have a surplus of 177,878,000 bushels to export, Canada has a surplus of 220,361,000 bushels, or about 25 per cent more than the United States has.

I am speaking now only of the surplus of the 1920 crop. Just what the carry over from the old crop is I do not think anyone can speak very definitely upon.

To give you an idea of the enormous increase in importations from Canada, and leaving the war period as an abnormal period out of consideration, we will find that in the month of October, 1913, we imported from Canada 231,463 bushels. In the month of October, 1920, we imported 9,784,307 bushels, or about forty times as many bushels. In November, 1913, we imported 104,000 bushels, while our importations in 1920 for the same month were about 10,000,000 bushels. In December, 1913, we imported 127,000 bushels, while in December, 1920, we imported about 12,000,000 bushels, or one hundred times as many bushels.

The excessive importation of wheat began about the 1st of October, 1920, and concurrent with these excessive importations began the rapid decline in the price of wheat. The Modern Miller in Russell's Weekly Wheat Report shows the importations from Canada for the year at 58,000,000 bushels, while the imports of flour converted into bushels was 3,390,475. This would give us total imports for 1920 of about 61,390,475 bushels. This, added to our 177,878,000 bushels, would force us to provide for the export of 239,268,475 bushels of the 1920 crop, and that means just simply that which has already come in. But Canada has nearly 150,000,000 bushels yet that is waiting to be shipped and that is coming in as rapidly as vessels can bring it over.

But the situation does not end here. On account of the difference in exchange, amounting to about 27 cents per bushel on December 14 last, Canada will find it to her advantage to sell every bushel of her 20,000,000 surplus in the United States unless something is done to prevent this, as is clearly evidenced by a statement which I put into the record on December 14 from the Canadian sources. This record reads:

From the Fort William and Port Arthur sources alone we may expect from 75,000,000 to 100,000,000 bushels imported into the United States. The other 100,000,000 is pouring over the line to-day from the Canadian Northwest, finding its market in Minneapolis and Chicago. It is evident that there is no hope whatever for the farming section of the Northwest until we have gotten rid of both our own and the Canadian surplus.

The situation in my State is appalling. It is bad, but not nearly so bad in those States where they have raised a full crop. There are large sections in my State where I think the last four years will not

show more than an average of a quarter of a crop each year. Nearly 30 banks have gone to the wall within the last month or six weeks. Others have been kept from failing only by the heaviest kind of assessment against stockholders.

Senator LA FOLLETTE. What is the average yield per acre in North Dakota?

The CHAIRMAN. I think it will run about between 13 and 14 bushels, as an average.

Senator LA FOLLETTE. What was it 10 years ago?

The CHAIRMAN. There is not much difference. We have not fallen off. Of course, when the land is new it is better, but I think I can go back 10 or 15 years and it will run very closely to 13 bushels.

Senator LA FOLLETT. What does new land produce there?

The CHAIRMAN. If the weather is right it will produce all the way from 20 to 40 bushels.

In many instances the assessments have been considerably more than 100 per cent. This is not confined to State banks. The last two which went under were national banks and members of the Federal reserve system.

Turning to this bill, some Senators believe that we ought not to attempt to amend it. I think that if it is unjust in any feature we ought to try to make it right and to depend upon the House doing likewise.

This bill as it came from the House gives us 30 cents per bushel protection on wheat. That is, it gives us a tariff of that, not that much protection. This matter was discussed between House and Senate Members interested in the protection of this agricultural industry, and we expected we would either have been given a straight protective tariff of 50 cents a bushel, or 25 cents per bushel, with an allowance in addition thereto equal to the difference in exchange. This 30 cents per bushel will not prevent heavy importations from Canada. It is not sufficient. It in effect gives us an actual protection of from 3 to 3½ cents per bushel. We ought to have from 25 to 30 cents above the exchange difference.

Let me illustrate this from actual values of grain.

On December 14, 1920, No. 1 hard wheat in Chicago was 1.84 per bushel. On the same date No. 1 hard Winnipeg, Canadian wheat, was \$1.85 per bushel.

The average rate of Canadian exchange in American money during several months past is approximately 15 per cent. On wheat at \$1.84 per bushel, Chicago, the rate of exchange would be 27 cents per bushel. The bill proposes a duty of 30 cents per bushel which would leave a protection to the American wheat grower of only 3 cents per bushel, taking the price in Chicago.

The price of No. 1 hard wheat in Winnipeg, in Canadian currency, \$1.85, less 15 per cent exchange, equals 27½ per cent, making the price in Winnipeg, United States currency, \$1.85 less 27½ per cent, or \$1.575.

The Chicago market, \$1.84, less \$1.575, means 26½ per bushel advantage to the Canadian wheat grower by selling in the Chicago market.

Senator McLEAN. That is the cost of transportation.

The CHAIRMAN. Yes; that would be the difference. However, the question of transportation would not make much difference, because

Chicago and Fort William are both on the lake, and the Winnipeg price means the Fort William price, because they always quote for Fort William delivery.

The House bill proposes a rate of duty of 30 cents. Deducting 26½ cents advantage to the Canadian farmer by reason of exchange, it leaves 3½ cents per bushel protection to the American wheat grower over the Canadian wheat grower at present rate of exchange between the two countries. And this is in the face of the fact that the cost of production in the United States is vastly greater than in Canada, and the present price in the United States is scarcely more than one-half the cost of production.

Nor is this all the injustice in this bill to the wheat grower. I never could understand why there seemed to be such a disposition on the part of the Congress to always differentiate between the wheat producer and the producer of other farm products, to the detriment of the wheat producer. Look for a moment at the percentage of protection that is given wheat as compared with the protection given these other articles.

The wholesale price of No. 1 northern wheat in Chicago on December 14, 1920, was \$1.84 per bushel, same date, onions, 60 cents per bushel; potatoes, \$1 per bushel; cleaned rice, 8 cents per pound; unwashed wool, average, 20 cents per pound; peanuts, 6 cents per pound.

The amount of duty given in the bill is: \$1.84 wheat, 30 cents per bushel; 60-cent onions, 40 cents per bushel; \$1 potatoes, 25 cents per bushel; 8-cent cleaned rice, 2 cents per pound; 20-cent unwashed wool, 15 cents per pound; 6-cent peanuts, 3 cents per pound.

The percentage of protection to price is, therefore, as follows: Wheat, 16 per cent; onions, 75 per cent; potatoes, 25 per cent; cleaned rice, 25 per cent; wool, 75 per cent; peanuts, 50 per cent.

Why should wheat be given only 16 per cent protection while the onion producer is given 75, the potato producer 25 per cent, and the peanut raiser 50 per cent, and the wool grower 75 per cent? Why differentiate so everlastingly against the wheat grower?

I have given these figures based upon the dollar for dollar value. They are not the real figures when exchange is taken into consideration. After deducting the difference in exchange the wheat producer gets 13 per cent, the onion producer 65 per cent—five times that amount—the potato raiser 22 per cent, the rice producer 25 per cent, and the peanut grower 50 per cent.

Another feature of this matter: It is stated that this would add to the cost of the consuming public. I do not think that if we raise the price 50 cents a bushel it would add 1 penny to the cost to the consumer. The retailers for years have held the market of all commodities up to the full ability of the public to pay, irrespective of the original cost. I am not saying that supply and demand do not cut a figure, but the ability to buy and meet the demand of the retailer in a certain section is a more important matter. While there is some relation between original cost and retail cost, it is not manifest, as we are wont to believe. The Agricultural Department estimates that three hundred and twenty-five 1-pound loaves can be made from a barrel of hard wheat flour. A barrel of flour is now quoted at \$10. The 1-pound loaf that we receive only weighs about 11 ounces on the average, so it would be considerably more than that if



we take what the pound loaves that we actually buy in the market amount to. But taking this estimate, a barrel of flour is now quoted at \$10. The pound loaf in the city of Washington sells for about 8 cents. It really weighs from 10 to 11 ounces. The barrel of flour, therefore, when converted into bread sells for \$26.10. That leaves the baker for his profit about \$16 on a barrel of flour. If we should even increase by this bill the price of wheat 50 cents a bushel, and it was added to the present price of a barrel of flour, bringing it up to \$12.25 per barrel, there would still be left the baker a profit of \$13.75 on every barrel. I do not claim that 50 cents a bushel would immediately raise the price of wheat 50 cents. I do claim, however, that it would do so the moment we have gotten rid of our surplus. We would begin to see that we were about to the limit, and it would bring it back to the old price or very nearly so.

Some senators seem to think that the slump in wheat prices was due to the general tumble in prices of other commodities throughout the country. But there is a wholly independent cause for the decline in wheat values. Other commodities went down because people quit buying, but people did not quit buying wheat nor eating bread. Unlike other commodities, the consumption of staple food products like bread does not decline to any considerable extent because of close times. You can wear your threadbare suit for six months or a year if you feel that you can't afford to purchase another. You can't and won't let your stomach remain empty one day.

The decline was, therefore, not due to the falling off of the demand, but almost wholly to the increase in the supply.

Neither was it due to the inability of the manufacturers and dealers to purchase. Because they did purchase. They purchased in Canada because they could get the grain cheaper and make money on it by selling it in the United States. They therefore did purchase, but sent the money out of the country. Then they sold that same product to the American consumer in competition with the American producer.

Wheat went down and remained down because we glutted the market with the Canadian product.

As you all know, the Canadian crop does not begin to move until about the middle of September. In fact, most of it is not thrashed until about the 1st of October. But the knowledge that the wheat will be imported operates in pressing down the prices before actual imports begin.

If the entire Australian wool surplus was being sent to the coast to be shipped for ports in the United States, the price of wool would not remain stationary until the arrival of the wool cargoes.

I want you to note the close relation between imports and market decline. I have a set of tables, but I will not lumber up the record with it but will only give you the result.

September 13, 1920, No. 1 northern wheat in Minneapolis was \$2.685 per bushel. Then began importation. Between that date and October 1, there was imported about 1,750,000 bushels, and wheat tumbled to \$2.07 on October 4, 1920, not alone because that much wheat had actually crossed the line, but because there were 200,000,000 bushels more of the same product in the Canadian granaries.

During the month of October the report shows that Canada exported into the United States 9,800,438 bushels. On October 4 this same wheat had taken a tumble, showing a loss of 61½ cents a bushel in 17 days.

In November we imported of wheat alone about 10,000,000 bushels. On November 29 the same grade of wheat had dropped to \$1.53 a bushel, making a loss of \$1.155 per bushel. I do not know whether it has reached the lowest possible level, but I do know that it will return to a living basis if we can stop these everlasting imports.

I am going to ask this committee to raise the barrier—I will call it a barrier, because it is an emergency proposition—up 40 to 50 cents a bushel. Twenty-seven cents per bushel will not leave us the same amount we had under the old tariff measure.

Senator JONES. Senator, I notice in the morning paper that cash wheat in Chicago was quoted yesterday at above \$2 a bushel.

The CHAIRMAN. What kind of wheat?

Senator JONES. No. 1 and No. 2.

The CHAIRMAN. Of what kind?

Senator JONES. Hard wheat.

The CHAIRMAN. There is very, very little of that in the country now. The price is a little above what it was in December. It fluctuates back and forth as wheat has stopped moving, and I think they are having some trouble in the matter of shipping now by water and also with regard to the shortage of cars in the Northwest.

Senator JONES. I should like to know what is the present Chicago cash price of North Dakota wheat.

The CHAIRMAN. The actual North Dakota wheat that we raised this year will be about from No. 2 to lower, and we do not quote any of it on the cash basis. No. 1 northern is the only thing that is quoted on the grain market there, unless we can take particular sales and see what is received. I understand we are receiving about \$1.15 per bushel along about the middle of the State on the farms. That is the last report that I got.

I understood that Senator La Follette wanted to present some matters on this before we close.

Senator LA FOLLETTE. I expected to receive from the dairy interests of Wisconsin some communications which they might wish to have inserted in the record. If they come before the record goes to the printer I will give them to the reporter.

The CHAIRMAN. I think we can print them separately.

Senator LA FOLLETTE. Yes.

The CHAIRMAN. The committee will now take a recess until 2.30 o'clock this afternoon.

(Whereupon, at 12.30 o'clock p. m., the committee took a recess until 2.30 o'clock p. m.)

(Mr. Julius D. Mahr, president of the New York Mercantile Exchange, submitted the following resolution:)

NEW YORK MERCANTILE EXCHANGE,  
New York, January 12, 1921.

*To whom it may concern:*

At a meeting of the members of the New York Mercantile Exchange held Tuesday, January 11, specially called for the purpose, the following resolutions were adopted:

Whereas the alarming increase in importations of foreign butter, not only from Europe, but other countries, has become a serious menace to the dairy interests of the United States and threatens to discourage the production of this staple article of food, and at the same time drive farmers and manufacturers out of business; and

Whereas the dairy interests in this country have already been crippled by scarcity of farming labor, and when available, at wages double and treble which were paid prior to the war; and

Whereas the present high cost and difficulty of securing labor, and the care required to keep cows on a productive basis, makes it utterly impossible to compete with conditions in foreign countries where labor is cheap; and

Whereas our own Government has, during the past decade, spent vast sums of money to encourage the production of butter and educate thousands of students in agricultural colleges in order to produce the highest quality of butter possible and in quantities large enough to make it unnecessary to draw upon foreign countries for supplies: Therefore be it

*Resolved*, That the members of the New York Mercantile Exchange, consisting of 416 merchants vitally interested in protecting and fostering the dairy interests of this country, earnestly petition members of the United States Senate and the House of Representatives to increase the rate of duty on butter from 2½ cents per pound to the old rate of 6 cents per pound, believing that the advance is justly due as a protective measure to the dairy interests of America; And, be it further

*Resolved*, That a copy of these resolutions be sent to members of the United States Senate and the House of Representatives, and to various exchanges throughout the country.

NEW YORK MERCANTILE EXCHANGE,  
JULIUS D. MAHR, *President*.

AFTER RECESS.

The committee reconvened at the expiration of the recess, Senator Porter J. McCumber presiding.

(The committee had under consideration an amendment offered by Senator Spencer to H. R. 6238 to provide revenue for the Government and to establish and maintain the production of zinc ores and manufactures thereof in the United States.)

The CHAIRMAN. Mr. Ogg, a good many of the Senators on this committee are engaged in other lines and it is impossible to have a quorum. Therefore we are just holding here to take testimony, and it will be presented to the full committee when we can have a regular committee meeting. We will be glad to hear you on this next proposition.

**STATEMENT OF W. A. OGG, PRESIDENT AMERICAN ZINC, LEAD & SMELTING CO., REPRESENTING ALSO THE AMERICAN ZINC INSTITUTE, BOSTON, MASS.**

Mr. Ogg. Mr. Chairman and gentlemen. I would like to talk to this amendment proposed by Mr. Spencer to bill H. R. 6238.

The CHAIRMAN. That is a bill now on the calendar?

Mr. Ogg. Yes, sir; it was introduced on calendar day, January 12, an amendment by Senator Spencer.

The zinc industry in this country is in a worse condition than it has ever been. Mining and smelting plants all over the country are closing down. The stocks of zinc on hand are known to be over 70,000 tons in this country, and there is believed on reliable information to be over 100,000 tons in Europe, principally in Germany, Belgium, and England.

The price of zinc in London dominates the price of zinc in the United States to-day. Zinc has sold in London as recently as two

or three weeks ago as low as 22 pounds 10 shillings per long ton, and with freight reckoned at 45 cents per hundred pounds this can be brought into the United States at New York and laid down, duty paid, for approximately 4½ cents per pound.

In the United States, taking the Missouri-Oklahoma district as the most important zinc ore producing district of the country, it is estimated that zinc can not be produced from ores produced in that field for less than \$6.90 laid down in New York. That is the cash cost. It does not include any depreciation, deflation, selling expenses, or anything whatever as profit to either the mining or the selling branches of the industry.

Senator JONES. On what basis do you put your labor cost in that estimate?

Mr. Ogg. On the present labor cost, which is lower than it was three months ago. It is the cost as used by Mr. Ruhl in his estimate of the cost of ore, submitted in his brief before the Ways and Means Committee.

Senator GORE. How much did you say it was?

Mr. Ogg. \$33 is the cash cost of 60 per cent Oklahoma ore, according to Mr. Ruhl. The freight to the St. Louis district is \$6, freight and hauling. The smelting cost is not less than \$25, and the freight to New York on the spelter is one-half cent a pound. From 1 ton of 60 per cent Oklahoma ore about 1,000 pounds of slab zinc are produced—one-half a ton per 1 ton of ore. So that if these elements that I have stated separately be added together and divided by 1,000 pounds, the cost will appear as \$6.90 in New York.

New York is where the zinc of this country comes into competition with European zinc. A large part of the zinc produced is the same along the Atlantic seaboard. In the State of Connecticut great brass industries are located, at Waterbury, Bridgeport, and other cities there; also there are industries at the other seaports, so that substantially we have got to figure that the spelter laid down in New York from abroad is laid down at a consuming point. The costs have gone up, principally due to the increased wages; also the effect of the 8-hour day has not been unimportant.

Senator JONES. What was your cost of production prior to the war?

Mr. Ogg. The cost of smelting—I am not testifying at all as to the mining costs but as to the smelting cost—prior to the war, for my own company, was \$12.50, not including depreciation or anything else, just the straight, bare operating costs.

The CHAIRMAN. \$12.50 per ton?

Mr. Ogg. Per ton of ore.

Senator LA FOLLETTE. What were you paying for jack?

Mr. Ogg. At that time I should say somewhere around \$40 to \$45 for 60 per cent ore.

Senator JONES. The present price is about \$30, or a little less?

Mr. Ogg. The smelting costs have more than doubled. I have used a figure of 25 cents, and I am perfectly frank to say that my own company's costs are a good deal higher than that.

Senator JONES. You represent the smelters, do you?

Mr. Ogg. The American Zinc, Lead & Smelting Co. We produce ore as well as smelt ore. We produce ore in Wisconsin through our subsidiary, the Wisconsin Zinc Co.; also in Tennessee and Missouri.

Senator GORE. You are not producing in Missouri now?

Mr. OGG. No, sir; we are shut down there, and also in Wisconsin.

Senator LA FOLLETTE. I was just going to ask you whether you were producing there now or not.

Mr. OGG. We were until recently, but we had to close down.

Senator LA FOLLETTE. I know that most of the mining has suspended now.

Mr. OGG. Yes, sir.

Senator LA FOLLETTE. In a number of counties I know that is the case.

Senator JONES. What is the annual consumption of zinc in the United States?

Mr. OGG. I should say it would be something between four hundred and four hundred and fifty thousand tons. Prewar it was about three hundred and sixty thousand to three hundred and seventy-five thousand tons.

Senator JONES. You have on hand now a supply of zinc, about 70,000 tons?

Mr. OGG. That is large for the zinc industry.

Senator JONES. You say the annual consumption is three or four hundred thousand tons, and you have only 70,000 tons on hand, and you say that is a large supply?

Mr. OGG. It is large for the zinc industry. At the present time the consumption, judged by the shipments, is very little over 20,000 tons. Large stocks in the zinc industry are a very dangerous thing. It has been in the experience of the past, because the amount of zinc capacity in operation can be very readily increased, so that with the least improvement in conditions there is always a tendency to over-produce.

Senator JONES. What are the importations of zinc?

Mr. OGG. The importations of zinc in the last three or four months have been slab zinc. In fact, the statistics so far are not obtainable through the Department of Commerce. We have tried to obtain them, but they are not available.

Senator JONES. I believe you stated there are a hundred thousand tons over in Europe?

Mr. OGG. Yes, sir.

Senator JONES. Take the hundred thousand tons there and the 70,000 tons here, and that is a supply all together for this country for only about six months.

Mr. OGG. That is a very serious affair, Senator; very.

Senator JONES. Six months' supply?

Mr. OGG. Yes, sir. That is a very serious affair in the zinc industry. It may be different in copper. They are used to carrying large stocks, but it has never been the case in the zinc industry.

Senator JONES. That is a revelation to me.

The CHAIRMAN. Can you give us a reason why it is so serious in the zinc industry?

Mr. OGG. Because it is so easy to increase the output on the least encouragement. There is always a tendency that when stocks are high they do not get reduced far enough, so there is a tendency to keep the price depressed.

Senator GORE. It is rather a large stock to have on hand, you mean?

Mr. Ogg. Yes, sir. I think larger than we have ever had before, as far as I have any recollection.

Senator JONES. Does your concern handle the finished product?

Mr. Ogg. Yes, sir.

Senator JONES. How many other concerns in this country handle the finished product?

Mr. Ogg. I should say over 20—20 or 30—produce the slab zinc and sell it.

Senator JONES. Have you any selling agency?

Mr. Ogg. No, sir; we sell it ourselves?

Senator JONES. How do you manage to keep down the supply?

Mr. Ogg. We are losing money. All of the industry is. Naturally we reduce our capacity in operation.

Senator JONES. Are you losing it by reason of the fact that foreign zinc is coming into this country?

Mr. Ogg. Yes, sir. We believe that is the reason why the price is so low at the present time.

Senator JONES. How much has come in? I do not believe you gave us any figures on that.

Mr. Ogg. No; I stated that the figures are not available. We have tried to obtain them through the Department of Commerce, but as it is only in the last three months that the price has gone so far, the statistics are not yet available.

Senator JONES. What was the price of zinc before the war?

Mr. Ogg. The average for 10 years, 1903 to 1914, I think, was in the neighborhood of 5.50.

The CHAIRMAN. For the slab zinc?

Mr. Ogg. For the slab zinc; yes, sir.

Senator JONES. What is the price now?

Mr. Ogg. The same price, with the higher costs. Five and one-half cents to-day is the highest price.

Senator GORE. What is that a hundred pounds?

Mr. Ogg. \$5.50 a hundred or 5½ cents per pound.

Senator LA FOLLETTE. How much higher is the cost of production now than it was before the war?

Mr. Ogg. In smelting it has more than doubled. In the mining industry, due to the discovery of the richer ore, it is not so high for some districts, but for the same districts that were producing in 1913 it is from 50 to 100 per cent higher. The older district in Joplin with its lower grade ores has been entirely wiped out.

Senator GORE. This cost that you spoke of is the cost of producing what?

Mr. Ogg. Sixty per cent concentrates, not including depletion or depreciation.

Senator LA FOLLETTE. Is any ore coming in from Mexico now?

Mr. Ogg. A little.

Senator LA FOLLETTE. Not much?

Mr. Ogg. Not a great deal; no.

Senator LA FOLLETTE. The depressed condition of the zinc market for the ore is due, then, chiefly to the higher costs of production in this country?

Mr. Ogg. The depressed condition of the zinc industry due to high cost of production?

Senator LA FOLLETTE. Yes.

Mr. OGG. I should say so, as the price of zinc to-day is not sufficient to cover the cost.

Senator GORE. What is the present price?

Mr. OGG. 5½ cents.

Senator GORE. No; what is it you called it where the cost is \$33?

Mr. OGG. 60 per cent zinc concentrates.

Senator GORE. What is that worth now?

Mr. OGG. About \$30 it is selling for.

Senator GORE. \$3 less than cost?

Mr. OGG. And even less than that it has been bought for recently.

Senator LA FOLLETTE. How much production is there now in Joplin?

Mr. OGG. I believe that the production now is about five to seven thousand tons weekly of these concentrates, 60 per cent concentrates.

Senator LA FOLLETTE. How much of a depression is that?

Mr. OGG. It has been up as high as 12,000 to 15,000, and for a long period of time it averaged 11,000. I think for the year the output is probably a half million tons or more.

Gentlemen, if you will allow me to talk a little on foreign costs I would like to say that, due to the exchange conditions, the costs abroad are lower than they have ever been, so far as we know. In Germany the wages paid to-day are something like 30 to 40 marks, which, at about \$1.45 or thereabout, would be something under 60 cents per day. Also, I believe that to some extent female labor is employed in Silesia.

Senator JONES. Have you figured out what that thirty or forty thousand marks will buy over there?

Mr. OGG. They are self-contained as regards zinc. They have their own zinc ore in Germany and Silesia and their own coal, so that they are entirely self-contained as regards zinc, and so that their cost of zinc to-day is estimated to be from 2 to 2½ cents per pound.

Senator JONES. Figuring the exchange as having its full effect on production?

Mr. OGG. Yes, sir. That is, converted into American money, their costs—

Senator LA FOLLETTE. Where is the chief foreign production?

Mr. OGG. The chief foreign production at the present time is probably in Germany. We have no statistics, except as regards Silesia, and there is a large production in Westphalia also. The next most important producer is Belgium. Belgium imports all its ores, and its costs are not quite so low as Germany, because it has to buy ores with these depreciated exchanges, so that its costs are not so low as those in Germany.

We also have to meet what you might say is permanent low-price competition. During the past four or five years the electrolytic method of zinc production has been perfected in this country as well as in other countries, and it has been applied in a moderate way to Australian ores at a plant located in Tasmania. That Tasmanian company has been operating for two years, and, based on this experience of two years, they recently put out a circular when issuing more capital and stated that as a general measure, in a report to

the board of directors, they had estimated that with 30 pounds of spelter in London, which means 30 pounds per long ton, they could make a profit on 413,000 pounds annually beginning in 1923.

Or, putting it into dollars and cents, it means at present rates of exchange the zinc would cost approximately 3 cents or a trifle less and with exchange at par the cost would be 4 cents.

In addition to that there are several other deposits that have been discovered in the last five or six years that were not known or considered as of any particular importance or highly competitive in the consideration of any previous bill bearing on the tariff, as far as I know.

The CHAIRMAN. Discovered where?

Mr. Ogg. Burma, for example. That is probably one of the richest bodies of combined zinc and lead ore in the world, amounting to several million tons.

Senator JONES. You spoke a while ago of a rich deposit having been discovered in this country.

Mr. Ogg. That is the Missouri-Oklahoma district. That is located some 50 or 60 miles from the old Joplin district.

Senator JONES. Is that operating now?

Mr. Ogg. It is operating on a basis of 5,000 to 7,000 tons production of 60 per cent concentrates weekly, or approximately that.

Senator JONES. It is operating at a loss?

Mr. Ogg. We understand so. The fact that there are only about 40 mills out of 200 that are running would indicate it. As my company has not personally engaged in production down there, I can not state that positively, but any of the ore men would testify to that.

Senator JONES. What supply of zinc is usually carried in this country?

Mr. Ogg. Of the metal?

Senator JONES. Yes.

Mr. Ogg. Usually from 30 to 45 days' production.

Senator JONES. Put it in tons, please.

Mr. Ogg. On a basis of 450,000 pounds. That would be about 40,000 to 60,000 tons; never as high as 60,000. Forty thousand tons, I should say, is regarded as the usual amount.

Senator JONES. When you get up there you stop production, do you?

Mr. Ogg. We curtail production.

Senator JONES. Who does that curtailing?

Mr. Ogg. All of the interests do, because the price is then at a point that makes it unprofitable to operate to our capacity.

The CHAIRMAN. In other words, when it goes above 40,000 tons of supply on hand the effect is to depress the market?

Mr. Ogg. I should say that has been the experience in the past.

Senator JONES. Before the war were foreign ores being imported and foreign zinc being imported?

Mr. Ogg. No; not foreign zinc; foreign ores. I think there was very little foreign zinc coming in.

Senator JONES. Where did the foreign ores come from?

Mr. Ogg. Principally from Mexico.

Senator JONES. That is shut out now for other reasons?



Mr. OGG. Yes. Now, gentlemen, let me say a little something about Mexico.

Mexico has been pretty well out of the running through high freights and troubles of its own down there. But Mexico, it is well known by most mining men, has very large deposits of zinc ore. Until very recently it had no cheap fuel, which is necessary for the smelting of zinc ore. Now it is reported that fuel oil has been discovered in one of the producing districts of Mexico.

The danger from many of the foreign deposits is much greater now than it ever was in the past. Metallurgy has so improved as to make available many of these large deposits that were not workable before.

In Mexico they have recently, its reported, discovered fuel oil. It always had cheap ore due to its cheap labor and plentiful deposits. If comparative quiet were assured and investments reasonably protected, of which there seems to be some chance now, with this cheap fuel oil it probably may, in the not far distant future, become a very strong potential competitor in the production of slab zinc. Already one smelter run on fuel oil has been established at Saltillo, and doubtless when things have been quieted down there it will be followed by other investments. So that from continuing a competitor in the way of furnishing ores we have to look more for competition in the furnishing of the slab zinc itself from Mexico.

Senator GORE. In what States is zinc produced principally?

Mr. OGG. In New Jersey—

Senator GORE. No; in Mexico, I mean.

Mr. OGG. Chihuahua and down in that district of which Saltillo is the—

Senator GORE. Coahuila, is it not?

Mr. OGG. I do not remember exactly what the name is. Saltillo is the center of it.

Apart from any temporary conditions that may affect all industries in general I look for an entirely new set of conditions confronting the zinc industry in this country much more menacing than they have ever been, and, I think, that the protection asked for in the amendment to this bill proposed by Senator Spencer will do no more than afford proper protection and insure adequate employment or a reasonable amount of employment engaged in the zinc industry.

The CHAIRMAN. Let me ask you whether or not that amendment represents a concession on the part of both the producers of the zinc and the manufacturers of products from the zinc?

Mr. OGG. I should not put it that way, Senator. The zinc-ore producers had already filed an amendment—at least Senator Spencer on their behalf had filed an amendment—providing for a higher rate of duty on the ores than on the finished products. With an insufficient duty on the finished product it is plainly seen that the finished product would be imported, and the consequence is the smelters would go down, and no matter what duty you had on the ores, the ores could not be bought, and consequently this new amendment here, which is the result of a conference with Senator Spencer, represents the unanimous opinion of the American zinc industry.

The CHAIRMAN. Both the producers of ore and the smelters of ore?

Mr. OGG. Yes, sir; without any dissension whatsoever.

Senator GORE. What is the duty, 2 cents?

Mr. OGG. Two cents on zinc content of the ore and 2.75 on the spelter. That, of course, is something that will also have to be borne in mind, the proportion of zinc in the ore and zinc in the finished product.

I think, gentlemen, that with your permission to file a brief, that is all I have to say.

The CHAIRMAN. The brief may be filed.

(The brief referred to is as follows:)

STATEMENT IN BEHALF OF AMERICAN ZINC, LEAD & SMELTING CO., FAVORING PROPER TARIFF ON SLAB ZINC.

GENTLEMEN: Consideration of this subject can best be crystalized by a few questions, the answers to which should, to a considerable measure, be the basis for deciding what tariff on slab zinc is required, viz:

1. Have conditions bearing on the tariff problem of this country as applied to slab zinc (spelter) changed since the Underwood bill was enacted in October, 1913?

2. Are these changes, if any, permanent or temporary?

3. If a modification of the tariff is advisable, on what premises should the new tariff be based?

4. What should the amount of that tariff be on slab zinc imported into this country, and should the present method of computing the duty by an ad valorem basis be retained or should it be changed to a specific basis, as in the Payne-Aldrich bill?

1. The answer to question 1 requires a careful consideration of the zinc production situation of the entire world, and for the purposes of this tariff matter we should confine our answers to those factors which now exist or which will become effective within the next five or six years.

DOMESTIC CHANGES.

(a) *Freight rates increased.*—The United States is a big country, and freight from points of production to points of consumption play an important part in the total cost of zinc to the consumer. Since 1913 freight rates have, generally speaking, more than doubled on both zinc ore and slab zinc. To give a typical illustration, the freight on slab zinc from the usual price-basing point, St. Louis, to New York, where it comes into competition with imported spelter, has increased from 0.15½ cent per pound to 0.49 cent per pound, plus 3 per cent war tax, a total of 0.50½ cent per pound, being an increase of 0.35 cent per pound, or over 225 per cent. Freight on zinc ore from the Joplin field (one of the principal shipping points in the United States) to St. Louis in 1913 was \$2.30 per short ton; to-day it is \$4.20, and with 3 per cent war tax \$4.38, an increase of \$2.08 per short ton, or 88 per cent.

Estimating 1,000 pounds of slab zinc recovered from 1 ton of ordinary Joplin-Oklahoma zinc ore, it is seen, as a fair example of what increased freights mean in added costs, that the increase in freights on ore and slab zinc to New York have added .55 cent per pound to the cost of the slab zinc delivered at that point. Western zinc-ore producers are even more seriously affected by the freight increases.

So far as one can see at present, these freight rates are permanent for the period under consideration.

(b) *Missouri-Oklahoma-Kansas field developed.*—Since the Underwood bill was passed, a large and entirely new ore-producing district, known as the Tri-State or Missouri-Oklahoma-Kansas district, has come into prominence. To-day it is the most important ore-producing district in the country, employs more labor (all American), than any other zinc section, and, with reasonable protection, gives promise of retaining this position for many years to come.

(c) *Slab zinc producing capacity increased.*—In addition to a large extension of the capacity of the natural gas field zinc smelters, there has been an extensive investment in permanent coal-fired zinc smelters of a very expensive type, the following new plants having been completed since 1913, viz:

Name of plant.	Owned by.	Retorts.
Langeloth.....	American Metal Co.....	7,296
Terre Haute.....	Grasselli Chemical Co.....	4,200
Moundsville.....	United Zinc Smelting Co.....	3,456
Douora.....	United States Steel Corporation.....	9,120
East St. Louis.....	American Zinc, Lead & Smelting Co.....	5,620
Total.....		29,692

The approximate annual productive capacity of the above plants at 4.25 tons per retort is 126,000 tons of slab zinc, and they represent new investment, including the associated acid plants, of perhaps \$15,000,000.

Also a very large electrolytic zinc plant, with an annual slab-zinc capacity of 50,000 to 60,000 tons, has been constructed by the Anaconda Copper Mining Co. at large expense and other smaller electrolytic plants have been constructed throughout the country. These large investments entitle the industry to a tariff sufficient to give them and their workmen proper protection.

(d) *Western supplies of zinc ore increased.*—Since 1913 large investments to open up and develop mining properties throughout the far West have been made, and these mining properties and their workers are entitled to proper consideration.

(e) *Costs of mining and smelting increased.*—Since 1913 costs of producing zinc ore have increased from 50 per cent to nearly 100 per cent, and those of smelting zinc ore at American smelters have more than doubled. Present costs are somewhat higher than they probably will be within the reasonably near future, but one can not expect a return to prewar costs either in mining or smelting. In zinc smelting, as a relatively large share of the cost consists of hand labor and coal, one can not expect the same degree of return toward prewar conditions as in the smelting of the other base metals.

#### FOREIGN CHANGES.

(a) *Effect of metallurgical improvements.*—Since 1913 there has been a great advance in the metallurgy of zinc, both as regards improved mill recovery of zinc from crude complex ores for subsequent treatment to produce slab zinc, and also in the development of the electrolytic process of producing slab zinc (which is usually applicable to the ores at or near the point of their production, thus materially reducing the freight factor), and this method has already been introduced on a large-scale basis in Tasmania and is to be used there on a very much larger scale in the near future.

The cost of producing slab zinc by this electrolytic method depends to a large extent upon the cost of the electric power consumed, and as the electricity used in electrolytic zinc production has thus far invariably been developed from water power the costs of producing zinc by this method have not gone up comparably with those of the fire smelters.

By these metallurgical improvements the situation relative to some very large deposits of zinc ore in different parts of the world has been changed so that whereas in 1913 they were not factors seriously to be reckoned with now it is possible for slab zinc to be produced from such sources at a cost considerably below what can be done in this country on any large known body of ore devoted to such production.

(b) *Additions to zinc-producing capacity in Europe.*—As in this country, the pressure of war forced an increase in the zinc-smelting capacity of Great Britain by extensions to various smelters already in existence and by the construction of one very large plant, which is almost completed. With the increased slab zinc-producing capacity of Great Britain and of the British Empire elsewhere, it would appear that the British, heretofore the principal importers of slab zinc, are likely in the future to be more nearly able to produce their own requirements and will not have to rely upon the production of the continental zinc smelters, thus making it necessary, if the latter operate, to find new outlets for their production.

(c) *Mexican possibilities.*—The ability of Mexico to produce zinc ores on a large scale has never really been put to the test, but well-informed mining men know that large supplies of zinc ore are available in Mexico, when matters are quiet there, for export either to this country or to Europe.

With the Broken Hill Australian output under contract to them, the principal European smelters never felt the necessity of using Mexican zinc ores to any large extent, but as these Australian ores are not now likely to be available again to Germany and Belgium on the same scale as hitherto, it is probable that these countries will find the ores they need to take the place of the Australian ores in these Mexican ores, so it should not be reckoned that taking away the Australian ores will shut down the continental fire smelters for any considerable time. In addition, there is likely, on account of the increased freight rates on zinc ores from Mexico to the United States, to be substantial development in Mexico of fire smelting based on oil as fuel. One zinc smelter using oil for fuel has already been established in Saltillo, and under stable conditions in Mexico it very likely will be extended. Before 1913 Mexico was not rich in cheap fuel, but since 1913 the fuel-oil resources of Mexico have been exploited on a large scale, and it is now reported that oil has been discovered in the immediate zinc-producing area of that country.

With protection of investments in Mexico assured, with its cheap labor, its cheap zinc ores, and its now enormous quantity of cheap fuel, Mexico becomes a potential producer of slab zinc comparable at least to and possibly greater than Australia and Burma.

(d) *Effect of the termination of the Kartel agreement.*—Prior to the war there existed an agreement amongst the European slab zinc producers to maintain production only on a basis which would insure at all times a reasonable return on the capital invested. This agreement, now terminated, had the effect of maintaining prices in London, the price-basing point, at probably a higher level than otherwise would have been the case. Unless some such new agreement is effected (and one can not see any signs of this at the present time, nor would one expect it under the changed conditions) the London market, on the average, is likely to rule at a lower level than it did under the Kartel arrangement.

(e) *Foreign exchange.*—In one of the preceding paragraphs brief mention was made of foreign exchange. Never before has it been necessary to take the question of exchange into consideration in framing a tariff, but conditions have been so completely upset by the war that one can not afford to overlook the state of affairs existing in regard to foreign exchanges. We find the pound sterling worth not much over 70 per cent of its normal par; the franc at not much over 30 per cent of par; and the mark at not much over 5 per cent of par. If the foreign exchanges of these countries are to remain permanently at a discount, recognition of this must be taken into account in framing a tariff.

2. Answering question 2, we do not see any reason for doubting that all of the changes above mentioned will be permanent, except that the costs of mining and smelting zinc ore may be reduced somewhat. In view of the large national budgets which are a necessity for many years to come, it is impossible to expect a permanent return to a general prewar cost basis during the period under consideration.

Possibly some arrangements may be made to rectify the foreign exchanges.

3. The policy of the Republican Party in regard to tariff has always been to provide such tariffs as will protect industries of the United States, both as to their wage earners and investors.

This country can produce all the slab zinc from its own ores that the country needs, but to do so requires adequate protection, as shown herein.

4. The amount of tariff required should, of course, be based on the difference in production cost as between the United States and foreign countries, and under normal circumstances a reasonably accurate statement of the costs of America's principal competitors could be prepared for the use of the committee, but authoritative statistics of the costs in some of the chief competing countries are not readily obtainable under present conditions.

In Europe before the war the two principal slab-zinc producing countries were Germany and Belgium, Germany being the larger. Before the war, and since, both the United States and Germany produced practically their entire output of slab zinc from their own raw materials and with their own labor. German wage rates before the war in a general way were approximately one-half the wage rates of American labor. The cost of slab zinc produced in Germany before the war was approximately 80 per cent of that in America. The relative wage rate in Germany, expressed in dollars and cents at current rates of exchange, is now about one-fifth of the American rate. This works a relative cost in Germany to-day of about one-third of that in America. Based on an American

cost of 6.9 cents, the difference between this and the German estimated costs of 2.2 cents would be 4.7 cents per pound. This extreme difference is not likely to be permanent.

Belgium, the next largest producer in prewar times, having no zinc ores, is under the necessity of purchasing them from countries with exchange rates probably against her, so that her situation from the standpoint of cost is not so favorable as that of Germany.

Within the past two weeks slab zinc originating somewhere in Europe was selling in London, and was probably bought for import into this country, at a price at least 2 cents per pound f. o. b. New York, plus 15 per cent, duty paid, below the estimated bare operating cost of producing slab zinc from Oklahoma ores, plus the freight to New York.

For many years the United States Geological Survey has obtained each three months from each producer of slab zinc the amount of production and stock on hand. These figures are computed by the United States Geological Survey and the total figures only published quarterly, which serves as a guide to the rate of production required.

On the cost of producing slab zinc in other parts of the world than Europe we have an authoritative estimate by the company operating the electrolytic zinc plant in Tasmania, of what it expects to do commencing January 1, 1923. In a circular recently put out by this company, which has powerful financial backing, a skilled and experienced organization, and has been operating its electrolytic zinc plant in Tasmania for two years, it is stated that with slab zinc selling in London for £30, the net profits of the company, after making all necessary provision for depreciation and amortization, will be at the rate of £413,000 per annum from the beginning of 1923. Based on an output of 100 tons per day, the capacity this plant is expected to reach in two years, this would mean a cost, including all depreciation and amortization, of 2.02 cents per pound (American basis) for slab zinc f. o. b. London when the exchange is \$3.50, or 4.06 cents when the exchange is \$4.86. As the ocean freight from Tasmania to New York will not differ materially from the ocean freight to London, the above costs would represent about what the slab zinc could be laid down for in New York, duty unpaid.

To get some idea of how this cost compares with United States costs, based on Oklahoma ores, and fire smelting, we have made the following tabulation which, it should be distinctly observed, does not include depletion, depreciation, or interest in the costs of either mining or smelting:

	Present.
1 short ton of 60 per cent Oklahoma zinc ore f. o. b. cash cost.....	\$33.00
Freight and hauling thereon to St. Louis territory, including moisture...	6.00
Smelting .....	25.00
	<hr/>
Total .....	64.00
	<hr/>
Cost per pound of spelter.....	6.30
Freight to New York.....	.50
	<hr/>
Cost f. o. b. New York.....	6.80

To cover depletion, depreciation, selling expenses, and allow a fair return on mining and smelting investments, would require an addition to the cost of slab zinc in this country of 2 to 2½ cents per pound, depending upon conditions.

As regards whether the tariff should be on an ad valorem or specific basis, we prefer the specific basis because we have already seen that the question of exchange, over which we can exercise very little control, may have the effect of reducing the duty when perhaps protection is most needed.

Comparing American costs on Oklahoma ore with the Tasmanian costs, which include depletion and amortization, is seen that a tariff of at least 3 cents per pound is necessary for the preservation of the American slab zinc industry on a reasonably prosperous basis.

Respectfully submitted,

AMERICAN ZINC, LEAD & SMELTING CO.,  
By WILLIAM A. Ogg, *President.*

**STATEMENT OF MR. J. W. SCOTT, GRAND FORKS, N. DAK.**

The CHAIRMAN. You have known, Mr. Scott, of course, of the depression in the price of wheat in the Northwest which has resulted in the past few months. As a producer of grain you have naturally looked into the subject of the causes of that. Can you give the committee any information that will be of use to it on that question?

Mr. SCOTT. On the cost of production?

The CHAIRMAN. No; on the causes of the slump in the price.

Mr. SCOTT. As I see it in North Dakota, the real cause for this big slump was this Canadian wheat coming down in such great quantities that it took the place of our wheat and depressed our market. I might say, I suppose, that the bears took advantage of these conditions, and they can help it along by selling immense quantities of wheat that does not exist. I believe they do some harm sometimes in that way. But, on the other hand, they have got to buy that wheat back. There is no way that they can avoid buying it back, and it seems to me that if they depress the price when they are selling it they must to some extent, anyway, put the price up when they buy it back—and they have got to buy it back.

The CHAIRMAN. That is, the man they sell to must buy it back?

Senator McLEAN. No; they have got to buy it back.

Mr. SCOTT. They have got to. There is no way that they can get around it. They have got to buy it back, and they have got to buy it back in the market where they sell it. If they sell in Minneapolis, they have got to buy it back there. If they sell in Chicago, New York, or Duluth, they have got to buy it back there. Our Democratic friends up there were the first ones to ask the President for an embargo, in our State, that I know of; but we all think, both the Democrats and the Republicans, that this Canadian wheat coming into the United States was the main cause for depressing the price away below the cost of production. Every farmer that sold after October came in, sold his wheat at a loss.

The CHAIRMAN. And this immense amount began to come in in September?

Mr. SCOTT. Yes, sir; in September I guess the greatest amount came in. It kept coming from September right along up to the close of navigation. Their wheat comes into the United States principally by water from Port Arthur and Fort William. It comes down the Lakes. That is the cheapest way.

The CHAIRMAN. Is there anything else you want to say?

Mr. SCOTT. No; nothing, unless you wish to ask any further questions.

The CHAIRMAN. I have no further questions. Have you, Senator McLean?

Senator McLEAN. No.

The CHAIRMAN. We are very much obliged to you, Mr. Scott.

Mr. SCOTT. Not at all, sir.

The CHAIRMAN. I want to put into the record, following the testimony of Mr. Scott, a letter from the Farmers Grain Co. upon the subject of abolishing future trading in grain, and I ask that the reporter enter it in the record.

(The letter referred to is as follows:)

THE FARMERS GRAIN CO.,  
*Devils Lake, N. Dak., January 10, 1921.*

Senator P. J. McCUMBER,  
*Washington, D. C.*

DEAR SIR: There are several propositions before Congress, as we understand it, to abolish future trading in grain. While we will readily admit that there has been abuses of future trading in the past, and especially this last fall, we are afraid that if Congress changes our present marketing machinery they should be very sure that something workable is put in its place. If not, losses will result to the interests that it is aimed to help. The farmers' elevators have materially changed the country end of grain marketing from what it was 20 years ago, and it has undisputably been to the advantage of the grain growers. If hedging is abolished, we think we would all be put out of business, as we do not think we could get credit and be financed without hedging our purchases. Grain would undoubtedly have to be bought on larger margins to cover the greater risks, and that would have to come out of the grain growers' pocket.

We have watched carefully the different plans proposed by different farmers' organizations and have not yet seen any practical, working plan that is ready to take the place of what we have now—grain exchanges, with their chance to hedge your purchases.

We represent directly 18 country elevators that this company owns, but indirectly all the farmers' elevators in the State. Take hedging away and we can not continue business.

Respectfully,

THE FARMERS GRAIN CO.  
By OLE SERUMGARD, *Manager.*

(Thereupon, at 4.30 o'clock p. m., the committee adjourned, to meet at the call of the chairman.)





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