

SV 869-7

OLEOMARGARINE TAX REPEAL

HEARINGS

BEFORE THE

COMMITTEE ON FINANCE

UNITED STATES SENATE

EIGHTIETH CONGRESS

SECOND SESSION

ON

H. R. 2245

AN ACT TO REPEAL THE TAX ON
OLEOMARGARINE

MAY 17 AND 18, 1948

Printed for the use of the Committee on Finance



UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1948

COMMITTEE ON FINANCE

EUGENE D. MILLIKIN, Colorado, *Chairman*

ROBERT A. TAFT, Ohio

HUGH BUTLER, Nebraska

OWEN BREWSTER, Maine

HARLAN J. BUSHFIELD, South Dakota

ALBERT W. HAWKES, New Jersey

EDWARD MARTIN, Pennsylvania

WALTER F. GEORGE, Georgia

ALBEN W. BARKLEY, Kentucky

TOM CONNALLY, Texas

HARRY FLOOD BYRD, Virginia

EDWIN C. JOHNSON, Colorado

SCOTT W. LUCAS, Illinois

SHERWOOD B. STANLEY, *Clerk*

CONTENTS

Statement of—	Page
Barker, Mrs. Stella E., Des Moines, Iowa.....	185
Benson, Lawrence E., president, Benson & Benson, Inc., Princeton, N. J.....	246
Brandt, John, president, Land O'Lakes Creameries, Inc., Litchfield, Minn.....	161
Brightman, M. H., executive secretary, Dairy Industry Committee.....	280
Carlson, Anton J., department of physiology, University of Chicago, Chicago, Ill.....	101
Chamberlain, Mrs. E. G., member of the board of directors of George- town House, representing the National Federation of Settlements, Inc., New York, N. Y.....	146
Cohen, Mrs. Rena, representing the National League of Women Shoppers.....	141
Corbett, Robert J., a Representative in Congress from the State of Pennsylvania.....	99
Duncan, Rich L., secretary-manager of Falls Cities Cooperative Milk Producers' Association, Louisville, Ky.....	202
Earnsey, Willard B. Jr., superintendent, Norfolk General Hospital, Norfolk, Va., and member of the Council on Government Regula- tions, American Hospital Association.....	131
Flohter, Joseph W., master, Ohio State Grange, Oxford, Ohio, repre- senting the National Grange.....	207
Fulbright, J. William, a United States Senator from the State of Arkansas.....	56
Hines, Lewis G., national legislative representative, American Fed- eration of Labor, Washington, D. C.....	109
Holman, Charles W., secretary, National Cooperative Milk Producers Federation.....	242, 252
Horst, Miles, Pennsylvania secretary of agriculture, road by Donald M. Crosswell, chief, crop reporting and information, Pennsylvania Department of Agriculture, Harrisburg, Pa.....	224
Householder, Glen M., director of extension service, the Holstein- Friesian Association of America on behalf of the Purebred Cattle Association, Brattleboro, Vt.....	204
Jackson, Robert C., Washington representative, National Cotton Council of America, Memphis, Tenn.....	163
Jones, J. Roy, commissioner of agriculture for the State of South Carolina and vice president of the Association of Southern Com- missioners of Agriculture, Columbia, S. C.....	149
Koenig, Louis, chairman, chemistry and chemical engineering depart- ment, Armour Research Foundation, Illinois Institute of Technology.....	234
Lamkin, Mrs. Robert, legislative chairman of the Arlington branch of the American Association of University Women, representing the American Association of University Women, Washington, D. C.....	143
Lepper, Henry, Food and Drug Administration, Washington, D. C.....	215
Lytle, R. G., general manager, North Carolina Milk Producers Fed- eration, Greensboro, N. C.....	289
Maybank, Burnet R., a United States Senator from the State of South Carolina.....	30
McLatchey, George W., vice president, American Dairies, Inc., Kansas City, Mo.....	226
McNaughton, Mrs. Ella, national chairman of legislation for the American Home Economics Association.....	144
Montgomery, Donald, Congress of Industrial Organizations, Wash- ington, D. C.....	111

Statement of--Continued	Page
Murray, Reid F., a Representative in Congress from the State of Wisconsin.....	238
Nelson, Anchor, State senator, State of Minnesota, St. Paul, Minn.....	316
Nelson, Albert J., Swanville, Minn., on behalf of National Creameries Association.....	276
Newcomb, Elliott H., national executive director of AMVETS, Washington, D. C.....	134
Ottenberg, Mrs. Louis, member of the national board of the National Council of Jewish Women, New York, N. Y.....	137
Peters, Leo, Evanston, Ill.....	298
Potter, Paul, partner, Paul Potter & Associates, industrial relations consultants to the dairy industry, Chicago, Ill.....	270
Rivers, S. Mendel, a Representative in Congress from the State of South Carolina.....	40
Smith, Harold O., Jr., executive vice president, United States Wholesale Grocers Association, Washington, D. C.....	118
Strauss, Miss Anna Lord, president, League of Women Voters of the United States, Washington, D. C.....	135
Strayer, George M., secretary, American Soybean Association, Hudson, Iowa.....	125
Swanton, Milo K., executive secretary, Wisconsin Council of Agricultural Cooperatives, Madison, Wis.....	311
Taylor, Tyro, National Association of Retail Grocers of the United States, Washington, D. C.....	115
Thye, Edward J., a United States Senator from the State of Minnesota.....	318
Walloy, Ersel, president, American Soybean Association, Fort Wayne, Ind.....	122
Weir, Miss Marion, member of the board of directors of the National Association of Consumers, New York, N. Y., and chairman, St. Louis Consumer Federation.....	148
Wiggins, A. Leo M., Under Secretary of the Treasury.....	33
Whitehill, Mrs. Jean L., representing Consumers Union of the United States, Inc., New York, N. Y.....	138
Letters, statements, charts, etc., submitted for the record by--	
H. R. 2245.....	1
Akron Milk Producers, Inc., Akron, Ohio, letter.....	320
American Association of University Women, New York City branch, statement.....	321
American Dairy Association of Arizona, letter endorsing resolution.....	322
American Dairy Association of Oklahoma, Oklahoma City, Okla., letter.....	322
Arizona Dairymen's League, Phoenix, Ariz., letter.....	323
Arizona Milk Producers, Phoenix, Ariz., statement.....	323
Barker, Mrs. Stella B., Des Moines, Iowa, study conducted in 8 cities covering 150 restaurants to determine the nature of substitutes being served as spread.....	187
Benson, Lawrence E., president, Benson & Benson, Inc., Princeton, N. J., paper, High Lights, opinion survey.....	252
Brandt, John, president, Land O'Lakes Creameries, Inc., Litchfield, Minn.: Survey, oleo prices.....	170
Statement.....	171
Burnham, John, executive secretary, North Dakota Dairy Industries Association, statement.....	232
Brightman, M. H., executive secretary, Dairy Institute Committee, chart, milk products.....	280
Capitol City Products Co., Columbus, Ohio, telegram.....	325
Challenge Cream and Butter Association, Los Angeles, Calif., letter.....	325
Churngold Corp., Cincinnati, Ohio, telegram.....	326
Colorado Dairy Products Association, Inc., Denver, Colo., letter.....	326
Communications Workers of America, statement.....	327
Consolidated Badger Cooperative, Shawano, Wis., statement.....	328
Consumer Conference of Greater Cincinnati, letter.....	329
Co-operative Pure Milk Association, Cincinnati, Ohio, statement.....	330
Cudahy Packing Co., Chicago, Ill., statement.....	332

CONTENTS



	Page
Letters, statements, charts, etc., submitted for the record by--Continued	
Dairywomen's Cooperative Sales Association, Pittsburgh, Pa., letter.....	334
Dairymen's League Cooperative Association, Inc., New York, N. Y., letter.....	334
Denver Milk Producers, Inc., Denver, Colo., letter.....	335
District of Columbia Federation of Women's Clubs, statement.....	336
Durkee Famous Foods, Cleveland, Ohio, telegram.....	337
End Cooperative Creamery Association, Enid, Okla., statement.....	337
Farmers Cooperative Creamery Association, Keosauqua, Iowa, letter.....	338
Fulbright, J. William, a United States Senator from the State of Arkansas:	
Table: Imports of margarine and principal ingredients, 1930-47..	50
Statement.....	56
Digest: Restrictions on the Sale of Margarine in Public Eating Places.....	80
Memorandum on constitutionality of amendment requiring notification of use of oleomargarine in restaurants, etc.....	93
List of organizations who have adopted resolutions favoring repeal of taxes on margarine.....	376
List of newspapers that have favorably commented editorially upon the repeal of taxes on margarine.....	379
Letters from various organizations favoring repeal of margarine taxes.....	393
Paper, Probable Economic Effects on the Dairy Industry of Repeal of Antimargarine Legislation.....	392
Gem Valley Dairymen's Cooperative Association, Inc., Thatcher, Idaho, letter.....	338
General Dairy Equipment, Inc., Minneapolis, Minn., letter.....	339
Gilmartin, Earl, Spokane, Wash., statement.....	232
Hatfield, John N., chairman, Council on Government Relations, American Hospital Association, statement.....	132
Hines, Lewis G., national legislative representative, American Federation of Labor, Washington, D. C., statement.....	110
Holman, Charles W., secretary, National Cooperative Milk Producers Federation:	
Proposed amendments to H. R. 2245.....	257
List of officers and member organizations, with addresses.....	243
Tables 1 to 13.....	258, 270
Memorandum on Federal regulation of oleomargarine.....	97
Memorandum on the use of the color yellow by the butter industry.....	287
Hull, Merlin, a Representative in Congress from the State of Wisconsin, statement.....	242
Illinois Dairy Products Association, Inc., Chicago, Ill., letter.....	340
International Association of Machinists, statement.....	340
Iowa Creameries Association, Inc., statement.....	342
Iowa Holstein Breeders' Association, Waterloo, Iowa, letter.....	343
Jackson, Robert C., Washington representative, National Cotton Council of America, statement.....	153
Jacobson, C. O., Oklahoma Butter Institute, telegram.....	231
Johnston, Olin D., a United States Senator from the State of South Carolina, statement.....	51
Jones, J. Roy, commissioner of agriculture for the State of South Carolina:	
Statement of the Southern commissioners of agriculture.....	150
Statement as commissioner of agriculture for the State of South Carolina.....	157
Kentucky Margarine Consumers Committee, letter enclosing resolution.....	345
Lagomarcino Grupa Co., Burlington, Iowa, letter.....	346
Linwood Creamery, Wichita, Kans., letter.....	346
Lucas, Scott W., a United States Senator from the State of Illinois, memorandum, Butter Has No Trade-Mark Right to the Color Yellow.....	157
Maryland and Virginia Milk Producers Association, Inc., statement.....	347
Maybank, Burnet R., a United States Senator from the State of South Carolina, statement in hearings on Revenue Act of 1943.....	347
McCann, R., Fort Collins, Colo., letter.....	348

Letters, statements, charts, etc., submitted for the record by—Continued	Page
McDonald Cooperative Dairy Co., Flint Mich., letter.....	340
Memorandums:	
Imports of margarine and principal ingredients, 1930-47.....	50
Restrictions on the sale of margarine in public eating places.....	80
Federal powers of regulation of restaurant sale of oleomargarine.....	93
Federal regulation of oleomargarine.....	97
Records, reports, and penalties for wholesale grocers handling oleomargarine.....	275 121
Average costs of manufacturing butter.....	275
Margarine production costs.....	275
Number of people employed in margarine and related industries.....	278
Butter has no trade-mark right to the color of yellow.....	283
Use of the color yellow by the butter industry.....	287
Probable economic effects on the dairy industry of repeal of anti- margarine legislation.....	302
Miami Margarine Co., Cincinnati, Ohio, telegram.....	340
Michigan State Grange, Niles, Mich., letter.....	340
Milk Drivers and Dairy Employees Union, Local No. 471, Minneapolis, Minn., letter enclosing resolution.....	340
Millikin, Eugene D., a United States Senator from the State of Colorado:	
Letter regarding hearings.....	1
Classification of arguments for and against taxation of oleo- margarine, House hearings.....	2
Digest of debate in the House of Representatives on H. R. 2245.....	13
Milwaukee Cooperative Milk Producers, Milwaukee, Wis., letter.....	350
Minnesota Dairy Industry Committee, St. Paul, Minn., letter en- closing excerpts from biennial report of dairy commissioner of State of Minnesota and circular, Nine Reasons Why the Federal Oleo Laws Should Be Retained.....	351
Murphy, William J., dairy commissioner, State of North Dakota, statement.....	355
National-American Wholesale Grocers' Association, letter.....	115, 356
National Education Association, statement.....	357
National Women's Trade Union League of America, Washington, D. C., letter.....	357
North Fork Creamery Association, Hotchkiss, Colo., letter.....	358
Ohio Farm Bureau Federation, Columbus, Ohio, letter.....	359
Ohio Milk Producers Federation, Inc., Cleveland, Ohio, letter.....	359
Oklahoma Butter Institute, Oklahoma City, Okla., letter.....	360
Ord Cooperative Creamery Co., Ord, Nebr., letter.....	361
Owen, R. E., representing dairy interests of the inland empire, Spo- kane, Wash., letter.....	361
People's Lobby, Inc., Washington, D. C., letter.....	362
Potter, Paul, partner, Paul Potter & Associates, memorandum, Average Costs of Manufacturing Butter.....	275
Progressive Farmers of Wisconsin, Seymour, Wis., letter.....	362
Pure Milk Products Cooperative, Madison, Wis., letter.....	363
Pure Milk Products Cooperative, Fond du Lac, Wis., statement.....	364
Rivers, S. Mendel, a Representative in Congress from the State of South Carolina, article, Margarine and the Growth of Children.....	42
Rotary Club of Ord, Ord, Nebr., letter.....	366
Rutherford County Milk Producers Association, Rutherfordton, N. C., letter.....	367
Schultze, Paul A. Co., St. Louis, Mo., letter.....	367
Smith, Harold O., Jr., executive vice president, United States Whole- sale Grocers Association, statement, records, reports, and penalties for wholesale grocers handling oleomargarine.....	121
Swanton, Milo K., executive secretary, Wisconsin Council of Agri- cultural Cooperative, Madison, Wis., supplemental statement.....	313
Taylor, Tyro, National Association of Retail Grocers of the United States, resolution.....	115

CONTENTS

VII

	Page
Letters, statements, charts, etc., submitted for the record by--Continued	
Tritt, Paul T., president, National Association of Margarine Manufacturers:	
Letter enclosing information regarding number of employees in margarine and related industries	278
Information in response to request for data on margarine costs	275
Memorandum, naturally versus artificially colored margarine	402
United Paperworkers of America, CIO, locals 262 and 264, Knox County, Ohio, resolution	368
Upper Snake River Valley Dairymen's Association, Inc., Idaho Falls, Idaho, statement	369
Vigo Co-Operative Milk Marketing Co., Inc., Terre Haute, Ind., statement	369
Western Jersey Interim Committee, Tacoma, Wash., letter	371
Wiggins, A. Lee M., Under Secretary of the Treasury:	
Table 1. Number of taxpayers of special taxes on manufacturers and dealers in oleomargarine	37
Table 2. Collections from oleomargarine taxes	38
Table 3. Production and withdrawals of colored and uncolored margarine	38
Table 4. State oleomargarine excises and license fees, May 15, 1948	39
Wisconsin Co-Op Creamery Association, Cumberland, Wis., letter	371
Wisconsin State Department of Agriculture, Madison, Wis., letter	372
Wisconsin State Grange, letter	374
Wright, W. D. Products Co., Hobart, Okla., letter	375

OLEOMARGARINE TAX REPEAL

MONDAY, MAY 17, 1948

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

The committee met, pursuant to call, at 10 a. m., Senator Eugene D. Millikin (chairman) presiding.

Present: Senators Millikin (chairman), Taft, Butler, Hawkes, Martin, George, Barkley, Johnson of Colorado, and Lucas.

Also present: Senator Johnston of South Carolina.

The CHAIRMAN. The meeting will come to order, please.

The hearing is on H. R. 2245, an act to repeal the tax on oleomargarine. The bill will be put in the record at this point.

(H. R. 2245 is as follows:)

[H. R. 2245, 80th Cong., 2d sess.]

AN ACT To repeal the tax on oleomargarine

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) section 2301 of the Internal Revenue Code (relating to the tax on oleomargarine) is repealed.

(b) The amendment made by subsection (a) shall take effect on the day following the date of the enactment of this act.

SEC. 2. Effective July 1, 1948, part I of subchapter A of chapter 27 of the Internal Revenue Code (relating to the occupational tax on manufacturers, wholesalers, and retailers of oleomargarine) is repealed. Beginning with the day after the date of the enactment of this Act and until July 1, 1948, wholesale dealers in oleomargarine who vend no other oleomargarine except that upon which a tax of one-fourth of 1 cent per pound would have been imposed by section 2301 (a) of the Internal Revenue Code if such section had not been repealed shall pay the lower tax prescribed in section 3200 (b) (1) of such code. Beginning with the day after the date of the enactment of this Act and until July 1, 1948, retail dealers in oleomargarine who vend no other oleomargarine except that upon which a tax of one-fourth of 1 cent per pound would have been imposed by section 2301 (a) of the Internal Revenue Code if such section had not been repealed shall pay the lower tax prescribed in section 3200 (c) of such code.

Passed the House of Representatives April 28, 1948.

Attest:

JOHN ANDREWS, Clerk.

The CHAIRMAN. The chairman has had occasion to send a letter to a number of Senators. I should like to read into the record the form of that letter. [Reading:]

Thank you very much for your letter attaching telegram from a constituent of yours regarding the time assigned for hearings by the Senate Finance Committee on the oleomargarine tax repeal bill, H. R. 2245.

The Senate Finance Committee in normal course conducts hearings which give generous opportunity for oral presentations. These often extend, as you know from your own committee experience, into sterile repetition. Within reasonable limits repetition is accepted, because it is recognized that oral hearings, while primarily for the instruction of the committee, also serve publicly, prestige, and other purposes of chief concern to the witnesses and which need not be discouraged when there is time to spare.

In the instant matter, however, we are operating against obvious and compelling time limits. Prior to the end of this session the Senate Finance Committee must allow time for the consideration and hearing of this bill and also of major matters such as Veterans' legislation, tax revision, reciprocal trade, and social security. Also, there is a heavy load of committee work which, while not necessarily major in character, is important and must receive attention. Also, due consideration must be given to the other duties of the members and their heavy burdens in connection with their assignments on other committees.

This situation requires that we eliminate repetitive testimony and without waste of time get to the gist of the business. It is believed that 2 days of well-organized and precise presentation, with the other measures to be taken as hereinafter mentioned, will provide adequate instruction for the committee and thus satisfy the main purpose of the hearings.

In this connection it should not be forgotten that neither the Congress nor any member of the committee is a complete stranger to the subject. Committee hearings are available, and the matter has been debated ably and at length.

We have received more than a hundred requests to make oral presentations. We do not wish to foreclose the slightest instruction which might have been received by us had time permitted our hearing all of those applicants.

Therefore, we have telegraphed each one of those applicants who will not appear an invitation to give the committee the benefit of his written statement.

To assure that the substance of such written statements will come to the attention of the committee, the following procedure is under way:

A team of qualified persons has been busily at work digesting, organizing, and collating all of the testimony and debates on the subject during this session.

The same team will give the same treatment to all written statements which may be submitted and the authors will receive due credit.

The Chairman of the committee will make it his business to see that all of this material so digested, organized, and collated is brought to the attention of the members of the committee. Thus in real effect and substance, so far as the instruction of the committee is concerned, and I take the liberty of repeating that this is the main purpose of the hearing, all that has gone on in the subject during this session and all of the written statements so invited and received, will have fair consideration along with the matters which may be presented orally.

Please feel free to write any of your constituents to submit such written statements to arrive here prior to May 19, and in doing so you may assure them that they will be handled in the manner mentioned.

Immediately following this, Mr. Reporter, we will insert in the record the digest and classifications of arguments for and against taxation of oleomargarine made from the hearings in the House, and from the debates in the House.

(The information is as follows:)

CLASSIFICATION OF ARGUMENTS FOR AND AGAINST TAXATION OF OLEOMARGARINE

[Page citations to hearings before the House Committee on Agriculture, March 8, 9, 10, 11, 12, 1948.]

NUTRITION

For the tax

Oleomargarine taxes protect the uninformed public against the sale of products having inferior nutritional qualities—

1. J. C. Mohler, Kansas State Board of Agriculture (p. 225),

Against the tax

Fortified oleomargarine is just as nutritious as butter—

1. American Medical Association as quoted by Representative Orville Zimmerman, Missouri (p. 34),

2. Dr. H. J. Deuel, Jr., School of Medicine, University of Southern California (p. 52),

3. New York Academy of Medicine, as quoted by Dr. Deuel (p. 52),

4. Representative Omar Burleson, Texas (p. 104).

*For the tax**Against the tax*

Oleomargarine is a good source of food, but it is not as good as butter—

1. Wilson F. Douglas, Cudahy Packing Co. (p. 304).

"Scientific research shows that butter contains essential nutritional properties superior to those of substitute products"—

1. R. C. Beezley, from resolution of the Kansas State Board of Agriculture (p. 483).

"The first thing a doctor does when ulcers are diagnosed is to insist that the patient cease using foods cooked in vegetable fats. This is for the simple reason that vegetable fats do not dissolve at body temperature. A normally healthy person can digest vegetable fats, but many of us cannot. Animal fats, such as butter, will dissolve at body temperature."

1. Representative Charles R. Robertson, North Dakota (p. 485).

"Mother Nature put something into milk in the way of fatty acids that are not found in vegetable oils and which the scientists have not been able to duplicate as yet and probably never will be. These animal fats, naturally present in butterfat, contain a certain unidentified growth-promoting factor not present in natural or fortified vegetable oil products. This growth-promoting factor in butterfat, which is not found in vegetable oils, is essential in the diets of infants and growing children."

5. Representative Emanuel Celler, New York (p. 104).

6. William Rhea Blake, National Cotton Council of America (p. 151).

7. Lewis G. Hines, American Federation of Labor (p. 173).

8. Mrs. Rena Cohen, National League of Women Shoppers (p. 185).

9. Mrs. Florence Gelger, National Council of Jewish Women (p. 188).

10. Margaret F. Stone, National Women's Trade Union League of America (p. 190).

11. Mrs. Dennis E. Jackson, Consumers Conference, Greater Cincinnati, Ohio (p. 194).

12. Mrs. Gertrude Parks, District of Columbia Federation of Women's Clubs (p. 199).

13. Senator Burnet R. Maybank, South Carolina (p. 201).

14. Ella H. McNaughton, American Home Economics Association (p. 205).

15. Sylvia B. Gottlieb, Communications Workers of America (p. 206).

16. Harvey W. Brown, International Association of Machinists (p. 215).

17. American Association of University Women, Washington, D. C. (p. 480).

18. American Association of University Women, Wisconsin division (p. 490).

Fortified oleomargarine has high nutritional value—

1. Representative E. A. Mitchell, Indiana (p. 119).

2. J. D. Henderson, American Association of Small Business (p. 123).

3. Miss Jean L. Whitehill, Consumers Union (p. 158).

4. Mrs. E. G. Chamberlain, National Federation of Settlements (p. 191).

5. John N. Hatfield, American Hospital Association (p. 203).

6. J. Roy Jones, Southern Association of Commissioners of Agriculture (p. 208).

7. Mrs. J. Fichtmueller, Jr., League of Women Voters of City of New York (p. 487).

"There are several so-called unsaturated or essential fatty acids which cannot be manufactured in the body and which must be taken along with the food * * *. Margarine is an equally good source of such unsaturated fatty acids as is butter."

1. Dr. H. J. Douel, Jr., School of Medicine, University of Southern California (p. 40).

"Cow's butterfat is not necessarily essential for children * * * because the composition of such butterfat is en-

For the tax

1. Mr. J. C. Mohler, Kansas State Board of Agriculture (p. 225), from statement submitted by Mr. Charles W. Holman.

"The Leichenger, Eisenberg, and Carlson study is based on records ranging from 6 months to 24 months. Loose reference has been made, and is made in the conclusions of that study, referring to it as a 2-year study, but there is nothing to indicate how many or how few records actually ran to 2 years. In any case the duration is only a small fraction of a generation time, or for that matter, only a small fraction of the human growth period. The article is * * * uninformative as to the complete diet."

1. Hugo H. Sommer, professor of dairy industry, University of Wisconsin (p. 402).

2. Statement by Ancel Keys, director of Laboratory of Physiological Hygiene, University of Minnesota, submitted by Hugo H. Sommer (p. 404).

Against the tax

tirely different from the fat obtained from human milk. 'Human milk fat in regard to its component acids has more resemblance to a typical margarine fat blend than to butterfat.'

1. Dr. Deuel, quoting Hilditch and Meara from the British Biochemical Journal (p. 51).

"The results conclusively establish that growing children experience normal growth in height and weight when their diets contain only fortified margarine as table fat, as shown by a comparison with children fed on similar diets with butter as the source of table fat and by comparison with standard height and weight tables* * *. There is no evidence that there is any growth factor present in butter which is not present in margarine."

1. Dr. Anton J. Carlson (Drs. Leichenger and Eisenberg), University of Chicago (pp. 470-471).

PROTECTION OF CONSUMER

Colored oleomargarine cannot easily be distinguished from butter, and is not a substitute but an imitation.

1. Representative Clifford R. Hoop, Kansas (p. 15).

2. Representative Reid Murray, Wisconsin (p. 34).

3. J. C. Mohler, secretary, Kansas State Board of Agriculture, statement submitted by Charles W. Holman, secretary, National Cooperative Milk Producers Federation (p. 225).

4. H. W. Curtiss, Illinois Agricultural Association (p. 421).

5. A. B. Tarwater, Plainview (Tex.) Cooperative, Inc. (p. 424).

6. "Oleo and Soybeans," Hoard's Dairyman, March 10, 1948, submitted by Charles W. Holman (p. 344).

7. Statement by Representative John Byrnes, Wisconsin, submitted by Representative Reid F. Murray, Wisconsin (p. 346).

Oleomargarine taxes limit or remove consumers' freedom of choice by penalizing the sale of artificially colored oleomargarine and not the sale of artificially colored butter.

1. Representative W. R. Pogue, Texas (p. 27).

2. Representative Orville Zimmerman, Missouri (p. 18).

3. Representative L. Mendel Rivers, South Carolina (p. 38).

4. Representative Robert J. Corbett, Pennsylvania (p. 100).

5. C. P. Key, master, South Carolina State Grange (p. 220).

6. Miss Anna Lord Strauss, League of Women Voters (p. 155).

7. Miss Jean L. Whitehill, Consumers Union (pp. 150-157).

8. Mr. Tyre Taylor, National Association of Retail Grocers (p. 102).

9. Mr. Lewis G. Hines, American Federation of Labor (p. 172).

10. Mr. Donald Montgomery, Congress of Industrial Organizations (p. 170).

11. Mrs. Rena Cohen, National League of Women Shoppers (p. 185).

12. Representative Robert Nodar, Jr., New York (p. 200).

13. Ella H. McNaughton, American Home Economics Association (p. 205).

The Food and Drug Administration finds itself powerless to enforce oleomargarine regulations where the prod-

Public health is safeguarded by pure-food laws and punitive oleomargarine taxes are not necessary for this purpose.

For the tax

uct is produced, distributed, and consumed within the borders of any one State.

1. Charles W. Holman, secretary, National Cooperative Milk Producers Federation (p. 209).

2. Representative Charles R. Robertson, North Dakota (p. 485).

A new package for oleomargarine now used by eight manufacturers facilitates coloring the product and eliminates greasy hands and utensils, eliminates wasted product, and colors without any streaks in 2 or 3 minutes.

1. Leo Peters developed the package referred to (pp. 412-413).

Against the tax

1. Representative W. R. Ponge, Texas (pp. 29, 31).

2. Representative Thomas G. Abernethy, Mississippi (pp. 19-20).

3. A. Lee M. Wiggins, Under Secretary of the Treasury (p. 20).

4. Shoreline Times, as quoted by Representative Ellsworth B. Foote, Connecticut (p. 106).

5. Representative Brooks Hays, Arkansas (p. 107).

6. Mr. Edgar C. Corry, Jr., American Veterans of World War II (p. 153).

7. C. P. Key, master, South Carolina State Grange (p. 220).

8. Miss Anna Lord Strauss, League of Women Voters (p. 155).

9. Miss Jean L. Whitehill, Consumers Union (pp. 156-157).

10. Mr. Tyre Taylor, National Association of Retail Grocers (p. 164).

11. Mr. Lewis G. Hines, American Federation of Labor (p. 170).

12. Mrs. Rena Cohen, National League of Women Shoppers (p. 186).

13. Mrs. Gertrude Parks, District of Columbia Federation of Women's Clubs (p. 100).

14. Mr. J. Roy Jones, Commissioner of Agriculture, South Carolina (p. 209).

15. Mr. Clifford Patton, National Association of Consumers (p. 212).

16. N. B. Betzold, Durkee Famous Foods (p. 435).

17. Representative John L. McMillan, South Carolina (p. 382).

Coloring of oleomargarine in the home results in waste of time, effort, and of the product itself.

1. Representative W. R. Ponge, Texas (p. 31).

2. Representative Robert J. Corbett, Pennsylvania (p. 112).

3. Representative Ellsworth B. Buck, New York (p. 117).

4. Representative Omar Burleson, Texas (p. 104).

5. Mr. Edgar C. Corry, Jr., American Veterans of World War II (p. 153).

6. Mr. Lewis G. Hines, American Federation of Labor (p. 171).

7. Mrs. Rena Cohen, National League of Women Shoppers (p. 185).

8. Mrs. B. G. Chamberlain, National Federation of Settlements (p. 102).

9. Mrs. Dennis B. Jackson, Consumers Conference of Greater Cincinnati, Ohio (p. 104).

10. Mrs. Gertrude Parks, District of Columbia Federation of Women's Clubs (p. 107).

11. Representative Robert Nodar, Jr., New York (p. 200).

12. Ella H. McNaughton, American Home Economics Association (p. 205).

*For the tax**Against the tax*

13. Sylvia Gottlieb, Communications Workers of America (p. 207).
14. Mr. Clifford Patton, National Association of Consumers (p. 211).
15. Mr. Joseph A. Cloroty, Jr., American Veterans Committee (p. 215).

EFFECT OF TAX ON PRICES

Oleomargarine taxes interfere with most efficient utilization of national resources.

1. A. Leo M. Wiggins, Under Secretary of the Treasury (p. 8).
2. Representative Emanuel Celler, New York (p. 104).
3. Publication by the Department of Commerce of Oleomargarine Studies Initiated by Paul T. Truitt, submitted by Charles W. Holman, secretary, National Cooperative Milk Producers Federation (p. 333).

Oleomargarine taxes raise the price of the product to the consumer, an important item when the cost of living is so high.

Weakening or repealing the Federal tax on the sale of colored oleomargarine would result in great damage to dairy farmers and in increasing the cost of oleomargarine to consumers.

1. Charles W. Holman, secretary, National Cooperative Milk Producers Federation (pp. 293, 301).

2. Statement by Representative John Byrnes, Wisconsin, submitted by Representative Reid F. Murray, Wisconsin (p. 348).

"The saving to the American housewife by the elimination of that small tax ($\frac{1}{4}$ cent per pound) would be immeasurably small. In fact, the taxes paid on all oleomargarines cut a small figure in the cost of living."

1. Merlin Hull (p. 431).

There will be a shortage of skim milk for the manufacture of oleomargarine if the tax is removed.

1. Representative John Byrnes, Wisconsin (p. 347).

2. Representative Charles R. Robertson, North Dakota (p. 485).

1. Representative Brooks Hays, Arkansas (p. 107).
2. Mr. William Rhea Blake, National Cotton Council of America (p. 150).
3. Mr. Edgar C. Corry, Jr., American Veterans of World War II (p. 153).
4. Miss Anna Lord Strauss, League of Women Voters (p. 155).
5. Miss Jean L. Whitehill, Consumers Union (pp. 156-157).
6. Mr. Tyro Taylor, National Association of Retail Grocers (p. 162).
7. Mr. Lewis G. Hines, American Federation of Labor (p. 170).
8. Mr. John H. Hayes, American Hospital Association (p. 183).
9. Mrs. Rena Cohen, National League of Women Shoppers (p. 185).
10. Mrs. E. G. Chamberlain, National Federation of Settlements (p. 191).
11. Mrs. Dennis E. Jackson, Consumers Conference of Greater Cincinnati, Ohio (p. 193).
12. Mrs. Gertrude Parks, District of Columbia Federation of Women's Clubs (p. 197).
13. Representative Robert Nodur, Jr., New York (p. 200).
14. Mr. John N. Hatfield, American Hospital Association (p. 203).
15. Ella H. McNaughton, American Home Economics Association (p. 204).
16. Mrs. Lillian W. Crum, New York City branch, American Association of University Women (p. 205).
17. H. Frances Boyer, National Education Association (p. 210).
18. Mr. Clifford Patton, National Association of Consumers (p. 211).

*For the tax**Against the tax*

19. Mr. Harvey W. Brown, International Association of Machinists (p. 217).

20. Representative Emanuel Celler, New York (p. 104).

21. Representative Olin E. Teague, Texas (p. 482).

22. Mrs. J. Flehtmueller, Jr., League of Women Voters, city of New York (p. 487).

23. Woman's Club of Chevy Chase, Maryland, Inc. (p. 488).

EFFECT OF TAX ON PRICES

"If the 10-cent tax on the coloring process were abolished so that oleo could be packaged, handled, and in every other way resemble butter, it is certain that this reduction in the cost of placing colored oleomargarine on the market would not be reflected in the price that the consumer pays for the product."

1. A. B. Tarwater, Plainview (Tex.) Cooperative, Inc. (p. 424).

2. Hugo H. Sommer, professor of dairy industry, University of Wisconsin (p. 400).

Repeal of the excise taxes on both colored and uncolored margarine made exclusively from fats and oils of domestic origin probably would result in a price for the colored product about the same as for the uncolored.

1. Charles F. Brauman, Acting Secretary, Department of Agriculture (p. 2).

If Federal laws were changed to remove the 10-cents-per-pound tax which now exists on colored margarine, we would sell colored margarine at the same price as uncolored.

1. Kraft Foods Co., Chicago, Ill. (p. 505).

2. Capital City Products Co., Columbus, Ohio (p. 500).

3. Friedman Manufacturing Co., Chicago, Ill. (p. 500).

4. Kent Products, Inc., Kansas City, Mo. (p. 507).

5. Shedd-Bartush Foods, Inc., Detroit, Mich. (p. 500).

6. Durkee Famous Foods, Cleveland, Ohio (p. 514).

Any reduction in taxes accruing from the abolition of margarine taxes will be passed on to the consumer.

1. Miami Margarine Co., Cincinnati, Ohio (p. 500).

2. Churugold Corp., Cincinnati, Ohio (p. 508).

3. Wilson & Co., Inc., Chicago, Ill. (p. 500).

4. Mrs. Tucker's Foods, Inc., Sherman, Tex. (p. 510).

5. Vegetable Oil Products Co., Inc., Wilmington, Calif. (p. 511).

6. Standard Brands, Inc., New York, N. Y. (p. 514).

"If the color tax is repealed, the white or uncolored product will practically disappear from the market. When this happens, it is only reasonable to assume that oleomargarine can and would be priced only enough under legitimate butter to give it a price appeal."

1. Hassel E. Schonek, Indiana Farm Bureau, Inc. (p. 504).

"You need have no concern regarding the possibility of margarine manufacturers trying to make exorbitant profits if the taxes were removed. This is a highly competitive business; profit margins have always been very low, and competition will definitely keep them low regardless of any change in the laws."

For the tax

The Federal tax on colored oleomargarine is the consumers' protection against fraudulent sales of oleo as butter.

1. Minnesota Creameries' Association, resolution No. 1 (p. 138).

2. Golden Guernsey Dairy Cooperative, statement submitted by Charles W. Holman, secretary, Cooperative Milk Producers Federation (p. 283).

3. "Colored Oleo Sold as Butter," National Cooperative Milk Producers Federation, submitted by Charles W. Holman (p. 285).

4. Charles W. Holman (pp. 204, 205, 328).

5. H. W. Curtiss, Illinois Agricultural Association (p. 421).

6. Statement by Representative John Byrnes, Wisconsin, submitted by Representative Reid F. Murray, Wisconsin (p. 347).

7. Statement by Mrs. Stella E. Barker, Des Moines, Iowa (pp. 355, 358).

8. Kenzie S. Bagshaw, chairman, executive committee, the National Grange (pp. 374-375).

9. Representative Charles R. Robertson, North Dakota (p. 485).

10. Harley J. Credlecott, president, Freeport Dairy Products Co. (p. 383).

11. Leonard E. Kopitzko Marlon, Wis., president of the Wisconsin Cheese Makers Association (p. 401).

12. Hugo H. Sommer, professor of dairy industry, University of Wisconsin (p. 407).

The only way oleomargarine can be made yellow is by coloring it. Natural oleo ends up in some shade other than yellow.

1. Statement by Representative John Byrnes, Wisconsin, submitted by Representative Reid F. Murray, Wisconsin (p. 347).

2. Statement by Wilson F. Douglass, director of laboratories, Oudahy Packing Co. (p. 303).

3. Harley J. Credlecott, president, Freeport Dairy Products Co. (p. 383).

"The butter industry adopted the natural color of their product which during the lush grass season is yellow. To make it uniform the year round, coloring is added, at certain other seasons, to maintain this same yellow."

Against the tax

1. H. G. Bergdoll, Kraft Foods Co. (p. 505).

2. David H. Blanton, Jr., The Blanton Co., St. Louis (p. 513).

Use of color

Consumers prefer a yellow spread because it is more appetizing than a white one. When butter is not yellow, color is added. Similarly, coloring of oleomargarine should be allowed without penalty.

1. Mr. A. Lee M. Wiggins, Under Secretary of the Treasury (p. 12).

Representative W. R. Poage, Texas (p. 27).

2. Mr. J. D. Henderson, American Association of Small Business (p. 123).

3. Mr. Eysel Walley, president, American Soybean Association (p. 127).

4. Mr. John W. Evans, American Soybean Association (p. 130).

5. Mr. Howard Rouch, American Soybean Association (p. 133).

6. Mr. George M. Strayer, American Soybean Association (p. 135).

7. Mr. William Rhea Blake, National Cotton Council of America (p. 151).

8. Mr. Edgar C. Corry, Jr., American Veterans of World War II (p. 153).

9. Miss Jean L. Whitehill, Consumers Union (pp. 156-157).

10. Mrs. Dennis E. Jackson, Consumers Conference of Greater Cincinnati, Ohio (p. 104).

11. Senator Burnet R. Maybank, South Carolina (p. 201).

12. Mr. John N. Hatfield, American Hospital Association (p. 203).

13. Sylvia B. Gottlieb, Communications Workers of America (p. 205).

14. Mr. J. Roy Jones, commissioner of agriculture, South Carolina (p. 200).

For the tax

1. Hassil E. Schenek, Indiana Farm Bureau, Inc. (p. 504).

2. Hugo H. Sommer, professor of dairy industry, University of Wisconsin (p. 400).

3. Harley J. Credcott, president, Freeport Dairy Products Co. (p. 383).

4. Charles W. Holman, secretary, National Cooperative Milk Producers Federation (p. 327).

Without internal revenue regulation the sale of colored oleomargarine as real butter would most likely increase almost overnight.

1. Colored Oleo Sold as Butter, National Cooperative Milk Producers Federation, submitted by Charles W. Holman, secretary, National Cooperative Milk Producers Federation (p. 202).

Against the tax

PROTECTION OF DEALERS IN OLEOMARGARINE

In 1933 there were 102 retail dealers handling colored oleomargarine and in 1947 there were 5,102. In 1933, there were 103,501 who handled uncolored oleomargarine and in 1947 there were 265,084. I would be forced to conclude from this remarkable growth of handlers in that period that not only is it profitable for these dealers to handle the product or otherwise they would not pay the taxes, but that approximately one retail handler of food out of every two in the United States makes oleomargarine available in some form or another to the customers, so there cannot be a scarcity of retail dealers when over one-half of them in the United States are handling the product.

1. Charles W. Holman, National Cooperative Milk Producers Federation (p. 326).

"At present oleomargarine is readily available, as witness results of a study recently announced that more than 80 percent of the Nation's families are using oleomargarine."

1. Mrs. Stella E. Barker, Des Moines, Iowa (p. 350).

Dealers in oleomargarine must pay burdensome license fees. There is also a mass of highly technical regulations and requirements which grocers must follow.

1. Tyre Taylor, National Association of Retail Grocers (pp. 162-163).

2. Edgar C. Corry, Jr., American Veterans of World War II (p. 154).

3. L. T. Newman, United States Wholesale Grocers' Association (p. 166).

License fees on handling of oleomargarine favor larger firms over smaller ones.

1. Edgar C. Corry, Jr., American Veterans of World War II (p. 154).

2. Donald Montgomery, Congress of Industrial Organizations (p. 182).

License fees on handling of oleomargarine are discriminatory because small grocers cannot afford them and so do not carry the product.

1. Mrs. Florence Geiger, National Council of Jewish Women (p. 180).

2. Margaret E. Stone, National Women's Trade-Union League of America (p. 190).

3. Mrs. E. G. Chamberlain, National Federation of Settlements (p. 191).

4. Ella H. McNaughton, American Home Economics Association (p. 205).

5. Clifford Patton, National Association of Consumers (p. 212).

6. Lewis G. Hines, American Federation of Labor (p. 171).

7. Representative John L. McMillan, South Carolina (p. 382).

8. Benjamin C. Marsh, People's Lobby (p. 487).

PROTECTION OF PRODUCERS

For the tax

Removal of oleomargarine taxes would weaken butter prices and jeopardize the dairy industry.

1. Representative Rold F. Murray, Wisconsin (pp. 13, 34).

2. Charles W. Holman, secretary, National Cooperative Milk Producers Federation (pp. 293-5, 301).

"We say, 'Let the public eat all the oleomargarine it wants.' That is fair competition. But we think the removal of the color laws would establish unfair competition for the dairy farmer."

1. Charles W. Holman (p. 343).

Against the tax

Oleomargarine taxes are discriminatory and tend to distort the competitive position of two domestic industries.

1. A. Lee M. Wiggins, Under Secretary of the Treasury (p. 8).

2. Representative W. R. Ponge, Texas (pp. 27, 28, 31, 35).

3. Representative Stephen Pace, Georgia (p. 14).

4. Representative L. Mendel Rivers, South Carolina (p. 38).

5. Mr. Clark W. Patton, American Association of Small Business (p. 124).

6. Representative Omar Burleson, Texas (p. 104).

7. Representative Emanuel Celler, New York (p. 104).

8. Representative Ellsworth B. Foote, Connecticut (p. 105).

9. Mr. William Rhen Blake, National Cotton Council of America (p. 150).

10. Representative Brooks Hays, Arkansas (p. 107).

11. Mr. Tyre Taylor, National Association of Retail Grocers (p. 104).

12. Mrs. Rena Cohen, National League of Women Shoppers (p. 187).

13. Mrs. Florence Gelger, National Council of Jewish Women (p. 188).

14. Margaret F. Stone, National Women's Trade-Union League of America (p. 100).

15. Mrs. Dennis E. Jackson, Consumers Conference of Greater Cincinnati, Ohio (p. 193).

16. Representative Robert Nodar, Jr., New York (p. 200).

17. Sylvia B. Gottlieb, Communications Workers of America (p. 200).

18. Mr. J. Roy Jones, Commissioner of Agriculture, South Carolina (p. 208).

19. Mr. Joseph A. Clouty, Jr., American Veterans Committee (p. 215).

20. American Association of University Women, Washington, D. C. (p. 486).

21. Mrs. J. Flehtmueller, Jr., League of Women Voters, city of New York (p. 487).

22. Woman's Club of Chevy Chase, Md. (p. 488).

23. American Association of University Women, Wisconsin division (p. 400).

The dairy farmer receives more for his product when its ultimate use is as fluid milk rather than as butter. Removal of oleomargarine taxes would result in a greater percentage of milk produced being used ultimately in fluid rather than in butter form.

1. Representative W. R. Ponge, Texas (p. 20).

Ninety percent of the milk leaves the farms in fluid form but what it goes into depends upon the markets.

1. Representative Rold Murray, Wisconsin (p. 32).

For the tax

If a bill is passed to repeal the Federal tax on colored oleomargarine, and supplemented by additional legislation repealing color prohibitions which exist in approximately 23 States it is quite certain that the number of dairy cows in the United States will be greatly reduced. There will most likely be a reduction in the price of butter and that will be reflected in a price reduction in cheese, evaporated milk, and fluid milk and cream for the table. The first reaction would be a decrease followed by relative scarcity.

1. Charles W. Holman, secretary, National Cooperative Milk Producers Association (p. 328).

The repeal of the Federal tax on colored oleomargarine would result in the reduction of the dairy farmers' income and curtail the total quantity of dairy products, thereby bringing additional ills upon the consumer both as to quantity and costs.

1. Charles W. Holman, secretary, National Cooperative Milk Producers Federation (p. 204).

2. Statement by Representative John Byrnes, Wisconsin, submitted by Representative Reid E. Murray, Wisconsin (p. 347).

Butter has long been the balance wheel of the dairy industry; it is not possible in a well-organized industry to produce fluid milk, evaporated milk, cheese, and other skim-milk products to provide an adequate diet without the stabilizing influence of butter.

1. Charles W. Holman, Secretary, National Cooperative Milk Producers Federation (p. 204).

There has been no important change in the production and sale of oleo nor in the relationship of oleomargarine and other competitive products, particularly butter, to warrant any change whatsoever in the Federal statutes.

1. Charles W. Holman, secretary, National Cooperative Milk Producers Federation (p. 209).

Replacing butter with vegetable oils is not to the American farmers' interest because the farmer gets a larger share of the consumer's dollar spent for butter than from the consumer's dollar spent for oleomargarine.

1. Charles W. Holman (pp. 208-200).

2. H. W. Curtis, Illinois Agricultural Association (p. 321).

3. "Oleo and Soybeans," from Hoard's Dairyman, March 10, 1918, submitted by Charles W. Holman (p. 344).

4. Mrs. Stella Barker, Des Moines, Iowa (p. 357).

5. Harley J. Credicott, president, Freeport Dairy Products Co. (p. 383).

Against the tax

The effects of the Federal tax on colored oleomargarine are similar to the effects of the State excise taxes. "Margarine manufacturers, vegetable-oil extractors and refiners, soybean and cotton farmers are injured, but dairy farmers and butter manufacturers are not materially benefited. And more important is the fact that low-income consumers are forced to pay an unwarranted premium in order to have margarine in its most attractive form (colored), although manufacture of the colored product is no more costly than manufacture of the uncolored product."

1. Publication by the Department of Commerce of Oleomargarine Studies Initiated by Paul T. Truitt, submitted by Charles W. Holman, secretary, National Cooperative Milk Producers Federation (p. 332).

FEDERAL REVENUE

For the tax

Federal taxes on oleomargarine are not levied for the primary purpose of raising revenue, but for the purpose of providing funds for the administration and enforcement of the oleomargarine laws and to prevent deception in the manufacture and sale of the product.

1. Kenzie S. Bagshaw, chairman, executive committee, the National Grange (p. 375).

Against the tax

Federal revenue from oleomargarine taxes is negligible.

1. A. Lee M. Wiggins, Under Secretary of the Treasury (p. 7).

2. Representative Ellsworth B. Buck, New York (p. 117).

3. Miss Anna Lord Strauss, League of Women Voters (p. 155).

4. Mr. Lewis G. Hines, American Federation of Labor (p. 170).

SOYBEAN AND COTTONSEED MEAL

"The price received by farmers for their butterfat affects the amount of money which dairy farmers have to spend for soybean meal. When butterfat prices are good, they are in a better position to compete for the available supply of soybean meal and thus the soybean market is strengthened."

1. H. W. Curtiss, Illinois Agricultural Association (pp. 420-421).

No one can foresee at this time what the ultimate effect upon the soybean producers may be if the market in soybean meal is substantially reduced as a result of the repeal of the oleomargarine laws. Certainly, with fewer cows to consume the meal, there would have to be some readjustments downward of soybean acreages. Without an outlet for the soybean meal, it may prove difficult for the soybean producers to compete against imported oils.

1. Charles W. Holman, National Co-operative Milk Producers Federation (pp. 203-204).

The dairy farmer was a better customer of the soybean grower in 1947 than was the butter-substitute manufacturer.

1. R. C. Beezley, Kansas State Board of Agriculture (p. 483).

Financial harm could very easily develop to the soybean grower in partial loss of soybean meal used in dairy feeding, by the curtailment of many dairy herds by loss of part of the butter market.

1. Hassell E. Schenck, Indiana Farm Bureau, Inc. (p. 504).

Cottonseed and soybean meal are in great demand as feed for cattle and poultry. Producers cannot afford to produce these meals unless there is a market for cottonseed and soybean oil too.

1. Representative W. R. Poage, Texas (p. 36).

"Continued production of large quantities of efficient low-cost vegetable protein meal is essential to the adequate supply of meat, milk, and eggs necessary to the proper feeding of our increased population."

1. Ersel Walley, American Soybean Association (p. 127).

"The soybean meal in the bean must necessarily be sold at a price high enough to make up the balance of the cost of the beans including the cost of processing. We need cheap protein supplements, not only for our dairy cows, but also for all classes of farm livestock. It is easy enough to see that in order to have cheap dairy feed, it is necessary to keep the soybean oil at a reasonably good price."

1. David G. Wing, American Soybean Association (pp. 123-120).

"In order to supply the protein needed for our livestock economy we must grow soybeans."

1. Howard Roach, American Soybean Association (p. 133).

"Take away the favorable high-value oil market and you also take away the protein feed."

1. George M. Strayer, American Soybean Association (p. 135).

PRICE OF VEGETABLE OILS

"We * * * have never been able to ascertain that any farm producer of cottonseed or of soybeans has gotten a penny more for this product because of the oleomargarine utilization than he would have had the oil gone into other uses. For example, only 5 percent of the farm returns from the production

"The price of cottonseed depends primarily upon the price of oil; and * * * the price of oil depends very heavily upon the market for margarine—so heavily that the margarine market can make it or break it."

1. William Rhea Blake, National Cotton Council of America (p. 149).

For the tax

of soybeans is paid for by the oleomargarine industry, whereas the dairy farmers alone buy soybean meal worth more than two and one-half times that amount. Likewise, only 10 percent of the cotton farmers' income from cottonseed is paid for by the oleomargarine industry, whereas cottonseed meal sold for feed represents 11 percent."

1. Charles W. Holman, National Co-operative Milk Producers Federation (p. 298).

"The amount of cottonseed meal that is consumed right now in Texas * * * amounts to at least as much as perhaps many times more to the cotton grower as this use of the cottonseed oil amounts to."

1. A. B. Turwater, Plainview (Tex.) Cooperative, Inc. (p. 425).

Against the tax

IMPORTED VEGETABLE OILS AND COCONUT OIL

Some of the oleomargarine-tax repeal bills provide for continuing the tax on all oleomargarine containing any imported oils. Such provision is contrary to our foreign-trade program.

1. Representative Clifford R. Hope, Kansas (p. 110).

2. Charles W. Holman, National Co-operative Milk Producers Federation (p. 293).

3. Charles E. Bohlen, for the Secretary of State (p. 481).

Cheaper foreign oils might replace domestic oils in oleomargarine, and the soybean and cottonseed growers would be without a market for their oil.

1. Hassil E. Schenck, Indiana Farm Bureau, Inc. (p. 504).

We are heartily in accord with the idea of protecting domestic oils.

1. Kraft Foods Co., Chicago, Ill. (p. 505).

2. Friedman Manufacturing Co., Chicago, Ill. (p. 506).

3. Kent Products, Inc., Kansas City, Mo. (p. 507).

4. The Churngold Corp., Cincinnati, Ohio (p. 508).

5. Shedd-Bartush Foods, Inc., Detroit, Mich. (p. 509).

6. Mrs. Tucker's Foods, Inc., Sherman, Tex. (p. 510).

7. John F. Jelke Co., Chicago, Ill. (p. 510).

8. Vegetable Oil Products Co., Inc., Wilmington, Calif. (p. 511).

9. Standard Brands, Inc., New York (p. 513).

10. Durkee Famous Foods, Cleveland, Ohio (p. 514).

The enactment of pending legislation will definitely cause more domestic oils to be used in the manufacture of margarine notwithstanding trade agreements.

1. The Capital City Products Co., Columbus, Ohio (p. 506).

2. The Miami Margarine Co., Cincinnati, Ohio (p. 506).

3. The Blanton Co., St. Louis, Mo. (p. 513).

[M. Lorotta Stankard, Carl A. Hagen, General Research Section, May 14, 1948.]

DIGEST OF THE DEBATE IN THE HOUSE OF REPRESENTATIVES ON H. R. 2245,
REPEALING FEDERAL TAXES ON OLEOMARGARINE

The debate in the House of Representatives on April 26, 27, and 28, 1948, regarding the repeal of Federal taxes on oleomargarine is digested on the following pages. Page references are to the daily Congressional Record.

*Among those Members speaking for the repeal of these taxes were; Abernethy, of Mississippi; Buck, of New York; Corbett, of Pennsylvania; Dorn, of South Carolina; Elsaesser, of New York; Fallon, of Maryland; Fletcher, of California; Foote, of Connecticut; Garmatz, of Maryland; Gathings, of Arkansas; Keating, of New York; McGarvey, of Pennsylvania; Mitchell, of Indiana; Morton, of Kentucky; Poage, of Texas; Potts, of New York; Rivers, of South Carolina; Sabath, of Illinois; Twyman, of Illinois; and Youngblood, of Michigan.

Among the statements which were made in support of the repeal of these taxes were: Fortified oleomargarine is a nutritious food product; pure food laws protect the consumer of margarine and should be used rather than taxes for this purpose; there is a great consumer demand for colored oleomargarine to save the housewife the time and inconvenience incurred when it must be colored in the home; with the present high cost of living, anything which will lower food costs is important and these taxes increase the price of a food which is used by 80 percent of American families; since consumers prefer their table spreads to be colored yellow, they should have them colored—butter manufacturers are permitted to color their product without stating this fact on the package, yet oleomargarine manufacturers must pay a punitive tax if they want to color their product; the fees, licenses, and regulations on manufacturers, wholesalers, and retailers of margarine are burdensome and prevent some dealers from handling the product; discrimination against one food product in favor of another is contrary to the spirit of free enterprise; and Federal revenue from the oleomargarine taxes is negligible.

Some members spoke in favor of repealing the taxes on oleomargarine with reservations. These included Case, of South Dakota; Combs, of Texas; Cotton, of New Hampshire; and Hill, of Colorado. These Members would support repeal of taxes and permit colored oleomargarine to be sold, provided that it be in such shape (triangular, round, etc.) that it would be easily recognizable as oleomargarine and would not be mistaken for butter.

Among those Members speaking against repeal of these taxes were: Anderson, of Minnesota; Andresen, of Minnesota; Arnold, of Missouri; Bennett, of Missouri; Byrnes, of Wisconsin; Cleveger, of Ohio; Curtis, of Nebraska; Davis, of Wisconsin; Elliott, of California; Gross, of Pennsylvania; Gwyne, of Iowa; Hoeven, of Iowa; Hoffman, of Michigan; Hull, of Wisconsin; Jackson, of Washington; Jensen, of Iowa; Keefe, of Wisconsin; Lemke, of North Dakota; MacKinnon, of Minnesota; Michener, of Michigan; Mundt, of South Dakota; Murray, of Wisconsin; O'Hara, of Minnesota; Phillips, of California; Robertson, of North Dakota; Mrs. St. George, of New York; Schwabe, of Oklahoma; Stephan, of Nebraska; Stevenson, of Wisconsin; Talle, of Iowa; and Vursell, of Illinois.

Among the statements which were made in support of retaining these taxes were: Consumers must be protected from the deception that colored imitation oleomargarine is butter; the fact that oleomargarine is sold uncolored is the housewife's best protection against fraud and the new packaging process simplifies the home coloring process; elimination of these taxes would greatly increase the sales of oleo at the cost of decreasing the sales of butter, and this would seriously endanger the dairy industry since butter is the stabilizer of the industry; repeal of these taxes would cause reduction in the size of dairy herds which would bring about lower milk production, higher cost of all dairy products, soaring price of meat, shortage and high prices of hides and leather, and loss of stability in dairy farming which is an important element of agricultural life and which practices soil conservation and gives year-round employment to many people; the dairy industry is a greater outlet for soybean and cotton products (meal) than is the oleomargarine industry; if these taxes are repealed, uncolored oleo will disappear from the market and colored oleo will increase in price since there will be no lower-priced product competing.

FOR REPEAL.

Representative Thomas G. Abernethy (Mississippi)

Mr. Abernethy maintains that the farmers of the South are not seeking an advantage by favoring repeal of the tax on oleomargarine but instead are pleading for fair market. He pointed out also that consumers, generally, throughout America favor removal of the taxes. (April 20, 1918, p. 4080.)

Representative Ellsworth B. Buck (New York)

1. The tax on oleomargarine does not benefit public revenue.
2. The tax on oleomargarine does not benefit the dairy farmer. "Despite the tax, margarine sales have increased more than eightfold in the 61 years of the

tax's existence. Meanwhile butter prices have recently reached the highest points in history and butter is still selling in my community in excess of \$1 per pound."

3. The tax does not benefit the cotton or soybean planter. The tax actually benefits no one, therefore it should be eliminated.

4. The tax does not harm the rich or the well-to-do who can afford servants but it does harm the large number of housewives who do their own work—"who must take time they can ill afford from their 14- to 16-hour day to add color which they and their families want but which has been denied them by the dairy lobby." (April 26, 1948, pp. 4977-4978.)

Representative Robert J. Corbett (Pennsylvania)

Mr. Corbett opposes the Hill amendment and all tax shackles on margarine. The proposal that the Congress legislate on the form of manufactured products is ill considered. Anyone inclined to commit fraud could melt the triangular margarine and form it into squares. If there is going to be anything done in the way of distinguishing one product from another, we should utilize the copyright laws just as we should utilize the pure-food laws to bring about the necessary controls. (April 28, 1948, p. 5107.)

Representative W. J. Bryan Dorn (South Carolina)

The tax on oleomargarine is unfair; it is undemocratic; it is un-American, and discriminatory on the farmers of the South and throughout the country. (April 26, 1948, p. 4981.)

Representative Edward J. Elsassner (New York)

The punitive taxes and regulations on the manufacture, distribution, and sale of colored oleomargarine are imposed to benefit a certain group at the expense of our lower-income families.

There should not be any special privileges for margarine, either. Strict penalties should be imposed for any fraud or deception.

Butter is colored 8 months a year and this fact does not have to be printed on the packages yet at the present time, margarine can be colored only if a tax of 10 cents a pound is paid. (April 28, 1948, p. 5102.)

Representative George H. Fallon (Maryland)

"Nowhere in American economic life is there a more unfair violation of the economic spirit of the Nation than is presented by the cynical set of taxes which besets oleomargarine, and I feel strongly that this represents a national principle not in keeping with our democratic way of life." Butter itself is artificially colored 8 months a year, yet to color margarine requires a \$600 Federal license plus a tax of 10 cents a pound. This is too costly for millions of low-income families. (April 26, 1948, p. 4977.)

Representative Charles K. Fletcher (California)

Present taxes and coloring restrictions on oleomargarine are unfair and un-American and amount to a tremendous inconvenience and added cost to the housewife.

This bill has nonpartisan support which is an indication of the power of the voice of the long-suffering consumer and homemaker.

Recent scientific tests given by the University of Illinois College of Medicine proved that oleomargarine is just as healthful and nutritious as butter.

The coloring restrictions which make the housewife spend many needless hours in the kitchen to satisfy the greed of special butter interests should not longer be tolerated. I am convinced that removal of these taxes and coloring restrictions will do no harm to the butter industry. (April 28, 1948, pp. 5117-5118.)

Representative Ellsworth B. Fouts (Connecticut)

At this time when the high cost of living is one of the vital issues of the hour it is especially unreasonable that margarine must be taxed by the Federal Government 10 cents per pound in the event that coloring is added to it and that the wholesaler and the retailer must get a permit in order to sell it. It is the only food product that I know of in the United States that is directly taxed in such a manner.

This tax is not levied for revenue purposes primarily, but for the prevention of an alleged fraud and deception. The packages are plainly marked so the consumer can tell whether he is getting butter or margarine.

According to the American Medical Association, margarine can be substituted for butter in the ordinary diet without any nutritional disadvantage.

This tax works a hardship on the busy housewife who must take the time to color margarine herself. It affects organizations who operate on a rather restricted budget.

No one group should have a monopoly on any color. If the butter industry colors its product yellow, why should the manufacturers of oleomargarine be criticized for doing the same.

The farmer gets a very small part of the retail selling price of butter. The elimination of this tax will in no way affect the price that the farmers of this country are receiving and will continue to receive for their products.

This unjust, unfair, and discriminatory tax should be abolished. (April 28, 1948, pp. 5102-5103.)

Representative Edward A. Garmatz (Maryland)

1. Oleomargarine is as easily digested as butter and scientific experiments indicate that the food value of fortified oleomargarine is equal to that of butter.

2. Oleomargarine taxes are discriminatory and tend to distort the competitive position of two competing industries. "In the case of oleomargarine, the taxing power is used as a punitive measure against one industry, to advance the interests of another." These taxes tend to burden consumers far in excess of the amount of the tax.

3. Oleomargarine should be given the same legal status as butter or any other wholesome food. The public is safeguarded against misrepresentation of the product by the pure food and drug laws.

4. The removal of the restrictions on oleomargarine would encourage greater use of the product for cooking and on the table which would result in improving the nutritional status of the average person. (April 20, 1948, p. 4976.)

Representative E. C. Clathings (Arkansas)

As pointed out by a member of the United States Wholesale Grocers Association before the House Agriculture Committee, many distributors do not handle margarine because of the taxes, license fees, and "the bother, worry, and expense of making out monthly reports." One member of the association reported that it cost him \$100 a month just to fill out the required Government forms. The regulations on wholesalers set forth 7 specifications of record-keeping, 11 specifications for handling monthly reports and more than 9 penalties of fines and imprisonment for various violations. The regulations occupy six printed pages of an Internal Revenue Bureau pamphlet. The burdens of the taxes, licenses, and regulations prevent thousands of retailers from selling margarine at all. This situation, therefore, denies millions of consumers who cannot afford to pay the high prices for butter an opportunity of purchasing the more reasonably priced margarine.

These taxes permit business discrimination within the framework of our highly cherished system of free enterprise. In addition, these taxes put injustices upon the consuming public, particularly that segment where every penny counts when it comes to setting a health-giving table.

Only 1 out of every 100 grocers stocks colored margarine, and only 1 out of every 50 stocks uncolored margarine.

The Treasury Department has stated that these taxes have little revenue significance. (April 20, 1948, pp. 4980-4988.)

Representative Kenneth B. Keating (New York)

The sole question it seems to me is: Is the continuance of this tax on margarine justified as a revenue-raising measure? We are told that the total revenue produced by this tax is inconsequential in the over-all revenue picture.

It has been conceded, however, that this tax today is for the protection of the dairy industry. There is no other industry which enjoys the advantage of having a tax imposed upon its competitor. This tax is an artificial restraint upon free competition. It causes a discriminatory price rise in a product not primarily used by those who can afford such discriminatory treatment, but rather by those of middle and lower incomes.

Margarine is a wholesome and nutritious product which can be used in place of butter and purchased at about half the price.

It is a violation of law to represent margarine as butter under the Federal Pure Food and Drug Act. If that act needs strengthening in order to achieve its purpose of preventing a fraud on the public, that is the method which we should pursue to prevent imposition.

This tax punishes not the margarine industry, but the public. It represents an immoral and uneconomic use of the taxing power.

The dairy industry is an essential part of our economy. We should not consciously take a step to do it an irreparable injury. On the other hand, neither should we grant it a favoritism of an unjustified indirect subsidy.

By the enactment of this measure we will end a 60-year-old anacronism. (April 28, 1948, pp. 5115-5117.)

Representative Robert N. McGarvey (Pennsylvania)

Mr. McGarvey favors repeal of the Federal taxes on oleomargarine on the grounds that he represents a thickly populated industrial area in which the people favor repeal of the tax. The main issue, he maintains, is to relieve the American housewife of the burden of the "unfair and unjust Federal taxes on a product which she wants and needs." (April 26, 1948, pp. 4903-4904.)

Representative E. A. Mitchell (Indiana)

1. There seems to be no justification for the argument that oleomargarine is less sanitary than butter. Soybean and cottonseed oils that are used in the manufacture of oleomargarine are put through a refining process to remove all of the available decomposition. Records of the Department of Agriculture, Pure Food and Drug Section, for the years 1930-47, reveal that there were 705 prosecutions pertaining to butter for filth or other unsanitary conditions. During this same period there were only two seizures in oleomargarine for filth or decomposition.

2. The claim that the dairy farmer will be driven out of business if the tax on oleomargarine is repealed appears to be without justification. In spite of the taxes oleomargarine consumption has increased from 70,000,000 pounds in 1902 and 1903 to 750,000,000 pounds last year or 10 times the amount which was consumed in 1902 and 1903. In spite of the increase in oleomargarine consumption, the income of the dairy farmer has not suffered. "The only person who has suffered because of these taxes is the American housewife."

3. "The tax has not hurt the margarine business; it has not helped the dairy farmer; it will not hurt the dairy farmer by its removal. It will not aid the margarine business anymore if it is removed. It will aid the American housewife." (April 26, 1948, pp. 4971, 4987.)

4. The percentage of restaurants and hotels that would deliberately defraud the public by substituting oleomargarine for butter is very small. The public is already protected against such fraud in 41 States which have laws "providing that if oleomargarine is used or served, such fact must be stated on the menu, on a placard on the wall, or on the dish itself. So the job is approximately 85 per cent completed already." (April 28, 1948, pp. 5100-5107.)

Representative Thruston Ballard Morton (Kentucky)

"* * * the basic problem involved has been obscured by acrimonious and emotional charges on the part of both proponents and opponents."

The consuming public advocates repeal of these taxes in order to get a cheaper and more convenient table spread. At the same time, the consuming public is very conscious of the important part that the dairy industry plays in the over-all economy and prosperity of this country.

If it is true that repeal of these taxes would mean a reduction of 20 cents per hundred in the price that the farmer receives for his milk, it indicates that butter plays too much of a part in the formula by which milk prices, f. o. b. the farm are computed. "I am confident that the repeal of these taxes will not mark the end of prosperity in the dairy industry. Many people will always eat butter. The potential demand for other dairy products is enormous." (April 28, 1948, pp. 5101-5102.)

Representative W. R. Poage (Texas)

"Those of us who ask the repeal of these discriminatory taxes and license fees believe in free enterprise, and we believe that every group has the same right to enjoy a free market for its products. We believe in the freedom of the consuming public to buy the product they want." When the Government assesses a penalty on the purchase of margarine and does not assess a penalty on butter, it indulges in an inexcusable piece of favoritism. This tax-created quasi-monopoly has failed to supply to the Nation adequate amounts of spread. Under these taxes, the American living standard, especially that of the low-income groups, has been lowered.

The farmer does not profit from the high prices charged for butter. When butter prices jumped, after the Agriculture Committee voted not to consider any repeal of the taxes on margarine, wholesale establishments which buy milk

from farmers did not claim to have increased their payments to farmers by a single cent.

The farmer makes more out of the sale of fluid milk than of butter. The Nation needs more fluid milk out of which it gets more nutritional value.

"We ask no advantage for margarine. We are willing to provide strict penalties for any fraud or deception * * * we say, 'Punish the dishonest dealer, not the innocent public.'"

There is no significant nutritional difference between butter and margarine. (April 26, 1948, pp. 4091-4093.)

Mr. Ponge opposed the Hill amendment and proposed another amendment striking out all of the taxes except a \$1 license fee on all public eating places which served colored margarine and also requiring them to print that fact on the menu or serve the product in a triangular form. (April 28, 1948, p. 5117.)

Representative David M. Potts (New York)

Mr. Potts favors repeal of the Federal tax on colored oleomargarine for the following reasons:

1. The sole purpose of the tax on colored oleomargarine is to discourage housewives from purchasing it.

2. Sales of margarine will no doubt increase, but most likely to a lesser degree than opponents of the repeal would lead us to believe.

3. The tax on margarine is a limitation on the free, competitive market in America.

4. Taxes on margarine are not for the purpose of raising revenue but to give to the dairy interests of America an unfair advantage having no place in a free-enterprise America.

5. It is claimed that the tax is imposed to raise revenue to prevent fraud in the marketing of margarine as butter. There is no more justification for burdening consumers with the operating costs of a Government agency charged with preventing fraud in the sale of colored oleomargarine than for the fraudulent sales of any other product.

6. The cost of preventing fraud in general should be borne by the people as a whole and not by the consumers of any one product.

7. We must not give a subsidy to dairy interests any longer at the expense of consumers. (April 26, 1948, pp. 4061-4062.)

Representative I. Mendel Rivers (South Carolina)

This oleo tax is certainly not sectional. The high cost of living knows no section or no city and this tax affects everybody in this country. This is not a southern bill; this is an all-American bill.

We have had abundant testimony that margarine is a healthful food. It is loaded with vitamins and it is good for children and growing people. One edible product grown on the farms of this Nation is being unfairly taxed on behalf of another.

The AMVETS testified before the Committee on Agriculture that the American housewives in 1947 spent twelve or thirteen thousand years mixing margarine. Because of the tax and license requirements, oleomargarine is not sold in many small grocery stores.

This tax is unfair and un-American and should be removed immediately. (April 26, 1948, pp. 4078-4079.)

Mr. Rivers opposed the Hill amendment saying it cut the heart out of the bill. This amendment leaves the tax in effect; it still leaves the cumbersome bookkeeping in effect; it straddles the manufacturer, the wholesaler, and the rest of them alike with this additional cost. (April 28, 1948, p. 5117.)

Mr. Rivers opposed the Anderson amendment removing all taxes on the manufacturer, the wholesaler, and the retailer and leaving a quarter of a cent excise tax to be charged the manufacturer of the oleomargarine that is sold in white form. This amendment prohibits the sale of yellow-colored margarine. (April 28, 1948, p. 5110.)

Mr. Rivers opposed the Combs amendment on the ground that under it this product could be served as butter if the tax was paid (p. 5124).

Mr. Rivers opposed the Gross amendment saying that no boll weevil gets into the cottonseed (from which oil is pressed for oleomargarine manufacture) because the seed is not formed at the time the boll weevil is active (p. 5125).

Representative Adolph Sabath (Illinois)

Mr. Sabath favors repeal of the tax on oleomargarine. He introduced a bill on April 23, 1940 to eliminate the tax on butterine, and to regulate and provide

supervision over the oleomargarine manufacturers. On January 20, 1912 he introduced a similar bill to repeal the tax. Mr. Sabath favors repeal so that a butter substitute will be available to consumers at prices they can afford to pay. (April 28, 1948, p. 5094.)

Representative Robert J. Trayman (Illinois)

The present punitive tax is outdated and should be removed. Margarine is a proper food and should be permitted the place it deserves. There will be no more violations of pure food laws without a tax than with it. There is still ample provision for penalizing any violators.

Removing the punitive tax from oleomargarine is not going to be detrimental to butter or the producers of butter. (April 26, 1948, p. 4970.)

Representative Harold P. Youngblood (Michigan)

"The bill to repeal taxes on oleo will not only help themselves but will benefit the Nation as a whole as well."

During the past decade the United States Government has paid out millions of dollars to farmers in the form of subsidies to continue an unbalanced program. If this practice is continued it may become necessary to subsidize the urban population by granting higher pay and thereby contribute to even greater devaluation of the American dollar. "In my opinion, all such subsidies are just another form of governmental control and bring more clearly before our eyes the spectre of the Hammer and Sledge (sic)." (April 26, 1948, p. 4975.)

FOR REPEAL (WITH RESERVATIONS)

Representative Francis Case (South Dakota)

Mr. Case introduced an amendment to H. R. 2245. The amendment provides "That section 2301 of the Internal Revenue Code is repealed insofar as it relates to oleomargarine sold in round or circular pats or prints."

This amendment would eliminate fraud and "avoids all of that argument about price and color. It puts everyone on notice * * * that roundness may mean oleomargarine, and every person will then know what he or she is buying or getting." (April 28, 1948, p. 5107.)

Representative J. M. Combs (Texas)

It would be unfair to the consuming public and to the dairy industry to permit oleomargarine to be palmed off as butter since it so accurately duplicates the taste of butter.

Mr. Combs offered an amendment which would leave the Rivers bill as it is insofar as it repeals all taxes and regulations on manufacturers, sellers, handlers, and dispensers of oleomargarine, whether it is colored or not, provided that the Secretary of the Treasury shall see to it that those who sell oleomargarine colored yellow shall so manufacture, distribute, and dispense it that those who purchase it, whether on the table in a public eating place or in a grocery store, will know what they are getting. (April 28, 1948, p. 5123.)

Representative Norris Cotton (New Hampshire)

Mr. Cotton stated that he believes that the tax on oleomargarine is wrong, and the wrong approach to the problem. He is in favor of the Hill amendment which provides for selling oleomargarine in a triangular package. He stated that he would vote for the bill if the amendment is adopted. (April 28, 1948, p. 5106.)

Representative William S. Hill (Colorado)

Those who favor removal of the tax feel that the housewife should have the right to buy yellow oleomargarine without the 10-cents-per-pound tax, while those who oppose removal contend that if oleomargarine is permitted to be colored yellow and sold without a payment of a 10-cents-per-pound tax that yellow oleomargarine would be passed off to the public and served as butter. Mr. Hill, striving to find a middle ground where agreement could be reached, offered a bill as a substitute for H. R. 2245. This bill would reduce the tax on yellow oleomargarine from 10 cents a pound to one-fourth of 1 cent per pound if the yellow oleomargarine is prepared so that it will be cylindrical or triangular in shape instead of in a square or rectangular form, exempts hospitals from the definition of a manufacturer, and reduces the license fees of wholesalers and retailers who handle yellow oleomargarine. In this way the consumer could have his oleomargarine the color he wants it, yellow, and still would be protected from fraud. (April 28, 1948, pp. 4962-4963; April 28, 1948, pp. 5104-5105.)

AGAINST REPEAL

Representative H. Carl Andersen (Minnesota)

Passage of this legislation will dislocate the dairy economy. It will tend to lower the price of butter and if that is done farmers may simply sell their herds. With labor and feed costs high, farmers cannot afford to produce butter at a price under what they are receiving today.

Dr. Charles Mayo, of the renowned Mayo Clinic, has for years stressed the vital need our Nation has for sufficient whole milk to insure the proper development of our children. Passage of this legislation would reduce the supply of whole milk and all dairy products. Unfair competition from oleo will eventually take away so many of our dairy herds that scabbles of milk and butter will inevitably ensue. (April 26, 1948, pp. 4983-4984.)

Representative August H. Andresen (Minnesota)

1. This is an economic issue. One branch of agriculture is seeking to expand the sale of its products at the expense of another group. It is not intended to bring lower food prices to the people.

2. "The oleomargarine industry and the National Cotton Council, which represents the southern cotton States, want to have oleomargarine colored yellow to make it look like butter so as to increase their sales and to increase the use and price of cottonseed oil. Fifty-three percent of the fat in oleomargarine is from cottonseed."

3. In the event that the tax is repealed colored oleomargarine will not necessarily sell for the same price as now charged for uncolored oleomargarine. For example, an advertisement in a recent Washington Evening Star listed the price of a colored oleomargarine at 55 cents per pound. In the natural color it can be purchased for 40 cents per pound. The tax is only 10 cents per pound. In this case there was a price differential of 15 cents per pound between the colored and uncolored product.

4. If the tax were repealed it would not help very much because in 22 States in which two-thirds of the people reside the people would not be able to purchase colored margarine because those States have laws prohibiting the sale of colored margarine.

5. Repeal of the tax on oleomargarine will force dairy farmers throughout the Middle West to reduce their herds which will result in increasing the price of dairy products and meat.

6. Dairying and soil conservation go together.

7. Mr. Andresen submitted an amendment which would repeal all license fees, manufacturers' taxes, wholesalers' occupational license fees, and the retailers' tax, and leave only a quarter-of-a-cent a pound tax on oleomargarine sold, to be collected from the manufacturer. It prohibits the sale of yellow-colored margarine. (April 28, 1948, pp. 5100, 5101, 5118.)

Representative Wat Arnold (Missouri)

Mr. Arnold opposes the repeal of the tax on oleomargarine for the following reasons:

1. If the oleomargarine tax is repealed the dairy industry will be sharply curtailed. Areas of higher cost of production might eventually be entirely without dairy herds. This would no doubt lead to concentration of the dairy industry in the Middle West and would tend to be a move away from the goal of having every section of the country as nearly self-sufficient as possible.

2. The dairy industry and the raising of feed for dairy cattle are important aids to the soil conservation program.

3. "The repeal of the tax would result in tearing down one vital industry and giving prosperity to cotton and peanut growers. Cotton is an important crop. But margarine from cottonseed oil is but a by-product and not the principal reason for growing cotton. The encouragement of planting more cotton in the South will again seriously dislocate our agriculture." (April 28, 1948, pp. 5098-5099.)

Representative Marlon T. Bennett (Missouri)

The manufacture and sale of oleomargarine have been subject to regulation of one type or another in various parts of the world. In Canada, its use is completely prohibited.

It is contended that oleo is made from farm products, soybeans and cottonseed, and therefore anything that helps oleo should help the farmers. On the other hand, it has been stated that only two-tenths of 1 percent of farm income is traceable to oleomargarine.

Some of the arguments advanced by the dairy interests for retaining these taxes are:

"(1) Trivial benefits that might be derived from repeal of oleo taxes would be far outweighed by the damage to our agricultural economy and consumers' interests * * *."

"(2) Repeal of the laws would open the doors to fraud on the consuming public."

"(3) Oleomargarine is not entitled to the color yellow, which is butter's historic trade-mark."

"(4) Repeal of the oleo laws would set the precedent for other imitation foods."

"* * * the well-being and prosperity of my district is dependent on the welfare of the dairy farmer, and I am on his side." (April 26, 1918, pp. 4981-4983.)

Representative John W. Byrnes (Wisconsin)

This legislation is a crippling blow to the dairy industry without which this Nation could not long remain strong and prosperous. The purpose of this legislation is to increase the sales of an imitative product by legitimizing its imitation.

Greatly increased sales of oleo will cause greatly reduced sales of the genuine product—butter. Higher milk prices and higher meat prices will follow. We cannot afford a decline in the total production of milk when the number of milk cows has already decreased so much while the population has increased.

This legislation would give full legitimacy to an imitative product; it would strike at farming closely associated with sound, solid conservation practices; it would add 25 margarine manufacturers and mean ruin to the 2,000,000 small butter producers; it should be soundly defeated. (April 28, 1918, pp. 5129-5127.)

Representative Cleveland (Ohio)

Mr. Cleveland, opposing removal of the tax, pointed out the unusual alignment of people and groups on this question of "oleomargarine colored yellow in imitation of butter." Some of the "strange bedfellows" are the Cotton South and the CIO, Harry Truman and Henry Wallace, and the Consumers' League and 25 big Wall Street corporations that make oleomargarine. Some groups expect the price of the product to go down, but the Cotton South hopes to get higher prices for its cottonseed oil. Both cannot happen; 5,000,000 farm families will be left out in the cold. (April 26, 1918, p. 4992.)

Representative Carl T. Curtis (Nebraska)

The consumers as well as the farmers are "due for a drubbing" if the present Federal tax on oleomargarine is removed. The consumers will suffer because the price of colored oleomargarine will tend to follow butter prices even more closely than at present. The tax collected at present on uncolored oleomargarine is well spent for the policing of the manufacturers and distributors of oleomargarine to protect the consumer from fraud. The regular cream check kept many farmers going during bad times. Oleo and butter cannot and never should be put into competition with each other. (April 26, 1918, p. 4994.)

Representative Glenn R. Davis (Wisconsin)

The passage of this legislation will lead to greivous abuses, attrition of our national supply of animal fats, deterioration of the American livestock industry, and depletion of our soil resources.

"How can the cost to any consumer be lessened by the removal of a tax when that tax is now being evaded simply by refraining from coloring oleomargarine yellow?"

Oleomargarine has imitated butter in body, texture, melting point, vitamin A content, and butter flavor. This Federal taxation preserves the right of the American people to be able to differentiate between butter and oleomargarine.

Unfair competition for the butter market would have a serious effect on the livestock industry, and there is no substitute for this industry when it comes to retaining and developing soil fertility. (April 28, 1918, p. 5115.)

Representative Alfred J. Elliott (California)

"I do not believe we are approaching this legislation in the right way. Here you have two great industries that should be partners. One reason why cottonseed is so scarce today is not because it is being used in the production of oleo but because cottonseed is being fed to dairy and beef cattle. * * *

"I am very fearful that the legislation we are about to adopt will, through the years, prove to be injurious to the dairy business. After all, by protecting the dairy industry we are preserving the welfare of the people on the whole, because there is no substitute for milk and its byproducts. The dairy industry provides steady employment the year around in contrast to the seasonal employment of about every other form of agricultural endeavor." (April 28, 1948, p. 5111.)

Representative Chester H. Gross (Pennsylvania)

This legislation is wrong from an economic standpoint. It represents an assault on the dairy industry, which has been the greatest mainstay to soil conservation and improved farming in America. We have now 2,000,000 less cows than we had 2 years ago. This is reflected in smaller milk supplies, dairy supplies, meat supplies, and in the smaller supply and higher cost of cowhides to the shoe manufacturers.

Cotton and certain other crops raised in the South are subsidized, and so those farmers do not make the same effort as dairy farmers.

Mr. Gross, in an effort to safeguard the public health, offered an amendment prohibiting the use in the manufacture of oleomargarine of any cottonseed grown in areas other than those certified to be free from pink boll weevil worms. This amendment would help make oleomargarine a clean, safe, and appetizing product. The amendment was declared not germane.

Mr. Gross supported the Hill amendment (permitting oleomargarine to be colored yellow if it were molded in a triangular shape or any shape different from a square or a rectangle), saying that the dairy industry is entitled to that recognition and the housewife to that protection. (April 26, 1948, p. 4971; April 28, 1948, pp. 5125, 5108.)

Representative John W. Gurnea (Iowa)

1. The repeal of the Federal tax on oleomargarine will accomplish very little good for anyone and is certain to do positive harm to certain groups throughout the country as a whole.

2. "In spite of the great propaganda to the contrary, the repeal of the law providing for a 10-cent tax on colored oleomargarine will accomplish very little for the consumer. In the first place, it is the general opinion that the repeal of the tax will be followed by an increase in the price of oleomargarine substantially equivalent to the tax.

"In the second place, some 23 States now have laws either prohibiting the sale or manufacture of colored oleomargarine or putting drastic restrictions on the sale of manufacture. Those State laws will * * * not be affected by any action taken in Congress."

3. "Any benefit that repeal of the tax would bring to the cotton States would be lost when competition begins in earnest with certain foreign oils. The cottonseed people cannot compete with these imported oils on any basis favorable to cottonseed."

4. Soil conservation is a necessary program in this country. The dairy industry makes a great contribution to the program of soil conservation. "If for no other reason, that is sufficient justification for the legislation now on the statute books designed to protect the dairy industry." (April 26, 1948, p. 4983.)

Representative Charles B. Hoover (Iowa)

Independent research laboratories have established the fact that oleomargarine cannot be made yellow without adding color. Statements formerly made that a natural yellow oleomargarine could be made from cottonseed and soybean oils if it were not necessary to bleach these oils to conform with the present Federal tax law on colored oleomargarine are without justification.

"The * * * truth in this respect is that the oleomargarine industry would have to bleach their oils even if there were no oleo tax laws on the books. The oleo manufacturers are forced to bleach these oils to remove undesirable odors, flavors, and colors, like dirty white and green." (April 26, 1948, p. 4970.)

Representative Clare E. Hoffman (Michigan)

For years through protective tariffs we have protected and subsidized industries. Now, when it is proposed to continue protection to the farmers, it is said that the dairy farmers shall be discriminated against in favor of the industries of the South. Those who say they are acting in favor of the consumers are actually in favor of the cottonseed-oil interests. This is shown by the opposition to the Hill and Case amendments. Those who oppose these amendments are not content

with permitting the oleomargarine people to take the butter market which has been built up by dairy interests. When a proposition (Hill and Case amendments) is offered which will prevent fraud, they object. (April 28, 1948, p. 5100.)

Representative Merlin Hull (Wisconsin)

In opposing repeal of the taxes, Mr. Hull pointed out that the present laws affecting oleomargarine, with but one slight amendment, have been in effect for nearly 60 years, and no other form of protection for the dairy farmer has been suggested.

People have been led to believe that they are being taxed unjustly. Actually, of the more than 600,000,000 pounds of all oleo made in this country last year, less than 18,000,000 pounds were taxed the 10 cents per pound on colored oleo.

It is alleged by Fortune magazine that over 40 percent of all the oleo made in this country is produced in plants owned by a British cartel which has monopolistic control over the palm oil, coconut oil, and other vegetable oils of the world. In a few months, foreign oils may begin to flow into our ports.

"The oleo manufacturers want to make their product yellow in order to imitate butter and take over the table-spread market in America. The consumers will not gain, but the farmers will lose." (April 26, 1948, pp. 4932-4933.)

Representative Henry M. Jackson (Washington)

"The removal of all taxes on oleomargarine and granting oleo manufacturers complete freedom to sell their product, colored or uncolored, as imitation butter would be just as harmful and unfair to city consumers as to farmer producers."

The dairy farmer has an investment to protect and in this sense is a small-business man, and, like all small-business men, he is entitled to protection from powerful interests competing unfairly with his goods and services.

"* * * Butter is the cornerstone of the dairy farmer's economic structure. To have enough milk to meet fluid demands in the slack season requires an excess of milk in the flush season. Much of this surplus must go into butter production. If butter could not be produced profitably, farmers would naturally have to reduce their herds, and the consequent shortage of milk in the slack season would be aggravated and tend to raise fluid-milk prices." On the other hand, tax removal would have inconsequential effects on the total sale of soybean and cottonseed oil, since oleo represents less than 3 percent of cash farm income. In addition, the dairy cow has made a valuable contribution to soil conservation.

If these taxes are removed, uncolored oleo will probably go off the market and the price of colored oleo will increase more than any tax saving. "The consumer will not save, and the United States Treasury will lose, but the oleo manufacturer will increase his already exorbitant profit."

It has been predicted that we will lose another 2,500,000 head of dairy cattle in the next 3 years if the Federal taxes on oleomargarine are repealed. Meat prices will soar. (April 28, 1948, pp. 5127-5128.)

Representative Ben F. Jensen (Iowa)

Mr. Jensen maintains that the manufacturers of oleomargarine will propagandize their product to the end that many American people will be led to believe that real butter is unhealthy and that eventually the price of oleomargarine will be higher than that of butter. (April 20, 1948, p. 4987.)

Representative Frank B. Keefe (Wisconsin)

Mr. Keefe opposes repeal of the Federal tax on oleomargarine for the following reasons:

1. The housewife has no assurance that the price of colored oleomargarine will be reduced in the event that the tax is removed. The following example may be cited in proof of this point. In a Washington, D. C., store recently uncolored oleomargarine was selling for 41 cents per pound; colored oleomargarine was selling for 55 cents per pound, a differential of 14 cents, while the Federal tax on colored oleomargarine is only 10 cents per pound. It is apparent that there will be no reduction in price. "The price of oleomargarine will follow the historic price of butter all along the line."

2. In the event that the Federal tax on colored oleomargarine is repealed, oleomargarine manufacturers will most likely use imported copra oil, which can be purchased for a fraction of what it costs to manufacture their product out of soybean or cottonseed oil.

3. The Federal tax on colored oleomargarine is the consumers' protection against the fraudulent sale of oleomargarine as butter.

4. The Federal tax on colored oleomargarine protects manufacturers of oleomargarine against misrepresentation of their product to the public. The law protects the producer as well as the consumer.

5. The enforcement of the tax collection is placed within the jurisdiction of the Bureau of Internal Revenue. The law providing for the tax on colored oleomargarine provides greater protection against fraud than the Pure Food and Drug Act because of the fact that this act covers only shipments in interstate commerce.

6. Taxes on uncolored oleomargarine are not burdensome. The cost of all these taxes, including license fees paid by retailers and wholesalers, to a family that consumes 3 pounds of oleomargarine per week (156 pounds per year), would amount to about 40 cents a year, or less than 1 cent a week.

7. The natural color of butter is always yellow. During some seasons the color is less yellow than in others. Color is added only for the sake of uniformity and not to imitate some other product.

8. "It is impossible to produce a natural yellow oleomargarine from domestic oils." In order to produce a yellow oleomargarine it must be colored.

9. Farmers are not benefited by the oleomargarine industry. During 1946 the American farmer could attribute only about two-tenths of 1 percent of his income to farm products used in the manufacture of oleomargarine.

10. Repeal of the tax on colored oleomargarine will not help the southern cotton farmers. Records reveal that dairying and other competing interests are more important as sources of cash income to the farmers of the South than oleomargarine.

11. Butter has long been the balance wheel of the dairy industry. Milk is a seasonal product with great surpluses accumulating during periods of high production. The bulk of butter is made during such periods. This butter can be stored away and used during periods of low milk production. Without the stabilizing influence of butter consumers would be deprived of an adequate supply of fluid milk during periods when milk production is low.

12. "The dairy industry is the only type of farming that goes with a sound soil-conservation program. From that standpoint alone it is to the interests of all America to see that this great industry is not destroyed." (April 26, 1948, pp. 4004-4007.)

Representative William Lemke (North Dakota)

Mr. Lemke opposes the repeal of the tax on oleomargarine for the following reasons:

1. "There is only one reason why some of the manufacturers of oleo want to steal the trade-mark of butter, and that is to perpetrate a fraud upon the public. They want to color their product yellow so that the consuming public will not know the difference between it and butter."

2. The natural color of oleomargarine is not yellow.

3. "I have no objection to oleo provided it is offered in its natural color, or any other color except the trade-mark of butter--yellow. If anyone wishes to deceive themselves, and do not like the color white, let them have brown, green, or pink oleo, or any other color, but let this Congress not become an accomplice to a fraud--to deception."

4. The dairy industry contributes a great deal toward the building of a balanced economy, but the farmer and his family get less for providing the public with a balanced economy than those who work in the cities. (April 26, 1948, p. 4000.)

Representative George MacKinnon (Minnesota)

1. There is nothing in this legislation that would aid 90 percent of the consumers of oleomargarine in America. For this reason "this legislation should be opposed if for no other reason than the fact that it is not honest legislation."

2. The reason that this legislation will not benefit the great majority of consumers is that 90 percent of the oleo that is consumed in this country is not subject to the 10-cent tax.

3. The removal of the 10-cent tax on colored oleo may not have the desired effect of reducing the price of oleo even in areas where it can be sold. Producers of oleo would probably sell the colored product exclusively and might take advantage of the opportunity to raise the price above that now charged for the uncolored product.

4. If the farmers' market for butterfat is removed or seriously interfered with the result may be that the farmers will be forced to increase the price of milk. The price of meat would also be increased because dairy operations would be decreased.

5. "The net result of this legislation in the long run will be to increase the price of oleomargarine to the majority of consumers, to increase the price of milk, to increase the price of meat, and if that result is a benefit to the consumers I fail to see it. The only people in America who would benefit from this legislation would be the oleomargarine manufacturers and they would do so at the expense of the consumers and to the detriment of the dairy farmer's honest market."

6. "To permit the artificial coloring of oleomargarine and to permit the sale of oleomargarine under such circumstances that it cannot be distinguished from creamery butter is a fraud on the purchaser and is unfair competition which the farmers of this Nation should not be required to face." (April 28, 1918, pp. 5112-5113.)

Representative Earl C. Michener (Michigan)

Margarine has been developed over the years into an imitation of butter. Its manufacture and sale is regulated in many States. The State laws did not happen overnight and are time-tested.

It is not fair competition to doctor and color margarine so the purchaser is deceived and does not know what he is getting.

The vegetable-oil industry and the dairy industry are to some extent interdependent. "For instance, in 1916 the cotton farmers received \$21,000,000 from oleomargarine manufacturers for cottonseed oil, but during the same year the same farmers received \$31,000,000 from dairy farmers who fed cottonseed meal to their cattle; also soybean growers received \$23,000,000 from oleo manufacturers, while they received \$55,000,000 for soybean products fed to dairy cattle." (April 28, 1918, pp. 5099-5100.)

Representative Karl E. Mundt (South Dakota)

"* * * It seems clear that the oleomargarine trust feels justified in spending vast sums of money in an effort to eliminate the tax upon colored margarine so that innocent consumers can be more readily deceived into accepting and using oleo instead of the more wholesome and nutritious product of butter." Since it seems apparent that the only reason the oleo trust wants to color its product yellow is to make it look like butter, there can be no valid objection to the maintenance of a tax upon such a coloration process.

There is nothing distasteful or repugnant about such foods as vanilla ice cream, angel food cake, and mashed potatoes which happen to be white in color.

"* * * I think this legislation should be defeated and the tax on colored oleo retained since it helps protect the consumer against deception and adulteration and since it aids butter makers in their long fight to raise and maintain the standards of their product against unfair competition and against fraudulent imitation." (April 20, 1918, pp. 4970-4971.)

Representative Reid F. Murray (Wisconsin)

Fourteen of the largest dairy corporations in the United States made \$4,000,000 less than they did the year before. The manufacturers of oleomargarine are making two to seven times the profits of 1916. "If they are making three times as much oleo and up to seven times the net profit they did in 1916, I do not see why they have been so eager to obtain legislation that gives them still more favorable legislative consideration when they now have more legislative protection than is provided the dairy people."

The antilivestock attitude of the present administration is illustrated by its foreign trade program. Funds received under section 32 of the AAA act are used for disposing of surpluses and for finding new uses for agricultural products. The greater part of these funds are received from livestock products, yet the funds are spent to subsidize cotton and other nonlivestock and soil-depleting crops. The duty on livestock products has been lowered so as to increase their importation.

The consumer is being squeezed and must pay more while the farmer receives less for his products. The handlers of dairy products are just about the only corporations in the United States that showed less net income in 1917 than in 1916.

"Every drop of oil in every pound of oleo is subsidized out of the Federal Treasury. The dairy cow stands on her own four feet, but her products are compelled to compete with a federally subsidized imitation and not a substitute."

If this bill becomes law and if the price of oleomargarine is 10 or 15 cents higher than at the present time, the American housewife may feel she has been

misled or used as an agent to mislead her Congressman in this question. The farmer, too, knows who his true friends are.

Millions of babies are raised on evaporated milk. Storage stocks of evaporated milk have decreased while there has been a 58-percent increase in baby numbers.

Iowa, Wisconsin, and Minnesota produce one-fourth of the milk of the Nation, yet farmers in some of the other States received from 70 to 90 percent more in 1947 than the farmers of these States.

"This oleo bill means higher fluid milk prices; it means that the consumer, if he can still find it in the market place, will pay more for beef and veal; it means that milk cattle numbers will be further reduced and cause higher prices for hides and shoes; and, finally, it means a body blow to soil conservation and soil-fertility conservation of our soils. All the housewife will have out of the passage of this bill will be an opportunity to pay more for oleomargarine."

The present Secretary of Agriculture has refused to even announce a support price for milk and dairy products, even though the case has passed a bill requiring him to do so. Yet he found plenty of time and plenty of money to spend on nonlivestock crops and even subsidized cotton both domestically and in foreign trade when cotton was above parity in price.

Domestically produced oils now have protection which amounts practically to an embargo. This is contrary to the objective of having more harmonious world relationships. (April 27, 1948, pp. 5017, 5036-50; April 28, 1948, pp. 5120-5123.)

Representative Joseph P. O'Hara (Minnesota)

Mr. O'Hara stated that the tax on oleomargarine is necessary to protect the health of our people. "Without the help that this tax affords the enforcement machinery of the Government is going to be very seriously impaired." (April 28, 1948, p. 5114.)

Representative John Phillips (California)

1. There is no doubt that the American consumer prefers butter wherever possible. The American Dairy Association recently conducted a test with 7,850 patrons of a cafeteria which revealed that at 2 cents a pat for butter and 1 cent a pat for oleo, 93 percent of the cafeteria patrons chose butter. At 1 cent a pat for butter as against free uncolored oleo, 98 percent chose butter.

2. Governmental regulations and restrictions on the dairy industry and livestock industries have tended to penalize their output. The trend still continues. The dairy cow population has shrunk 11 percent since 1945.

3. Milk production this year is lower than last year and the trend has not yet been checked. This trend began "when butter was discriminated against by Government order during the war, and the present scarcity and high prices of butter are natural results."

"If the butter industry is now to be further injured by loss of part of its milk to yellow oleomargarine this trend will be accentuated. We will find milk even less plentiful in milk sheds around our industrial centers. Higher prices for milk will follow as a matter of course, due to the relationship between fluid milk production and butter production."

4. Milk is a seasonal product. In order to have an adequate supply during seasons of low production the farmer must milk more cows than he needs during the flush seasons. It is during the flush seasons that the bulk of their butter is manufactured. This makes it possible for the dairy industry to maintain a balanced output. Without the butter outlet farmers would cut their herds to the minimum so as to produce only enough milk to meet demands during the flush season which would result in a scarcity during the low production seasons.

5. If milk production is reduced the consumer's milk bill would be increased by more than any possible saving in oleomargarine. Consumer costs would also be increased indirectly by the resulting increased costs of meat and leather products.

6. "The consumer is entitled to protection against imitation. The color requirements affecting oleo are among the means of affording that protection." (April 28, 1948, pp. 5128-5129.)

Representative Charles B. Roberts (North Dakota)

1. "This has been labeled a butter-oleo fight. Herein lies the basic error in thinking which has resulted in bringing this matter up for consideration today. It is not a contest between butter and oleo; it is not a contest between the soybean or cotton farmer and the dairy farmer. It is a fight vital to every citizen of the Nation, and it is a fight between the entire public and the margarine interests."

2. Even if oleomargarine is the equal of butter in every respect it should not be permitted to imitate butter.

3. "The argument is not whether butter and oleo are on or near a par in nutritive and food value; the question is, Should we protect our dairy industry?"

4. Proponents of tax repeal claim that the tax on oleomargarine is a special-privilege tax, "subsidy," and "restraint of trade." Even if these claims are justified, it is evading the basic question, "Should we protect our dairy industry?" We have tariffs to protect industry; tariffs may be considered a special-privilege tax.

5. "We subsidize many farm products, including cotton and soybeans, I am told. We regulate many industries for the good of the Nation; regulation constitutes restraint of trade. But if these things are justified, then the cry of 'wolf' and is merely designed to arouse emotion."

6. It is claimed by the oleomargarine interests that if the tax on oleomargarine is repealed it will reduce the cost of butter and the cost of margarine. There is no apparent basis in fact for this statement. "How can removal of a tax on margarine reduce the cost of butter? They are not competing today because of the wide variance of price between butter and oleo." The cost of butter is not high compared to other prices of products made from butterfat and milk. "The price the farmer receives for butterfat sold to the creameries to make butter is much lower than the price the same farmer would receive if he should sell this same butterfat to evaporators, cheese factories, or as fluid milk." In consideration of the fact that an hour of labor is required to produce a pound of butter, including all steps involved in the process of production and distribution, it hardly seems possible that it could sell for less than a dollar a pound. In consideration of these facts, the repeal of the oleomargarine tax will not reduce the cost of butter or the price the consumer must pay for it.

7. The repeal of the tax on oleomargarine will reduce the price that the consumer must pay for uncolored oleomargarine only a quarter of a cent a pound. No one pays the 10-cent tax on colored oleomargarine unless it is colored when it is purchased. The most that the removal of the 10-cent per pound tax on colored oleomargarine could do would be to make colored oleo available to consumers at the same price as paid for uncolored oleo today. It is not likely, however, that this will be the case if the margarine interests can get the privilege of making their product appear like butter.

8. The time that would be saved by housewives if they could purchase colored oleomargarine instead of coloring it at home is not as important as the proponents of tax repeal would lead us to believe because of the fact that the majority of the housewives use more uncolored oleomargarine for cooking than they do for a table spread. For cooking purposes it does not matter whether it is colored yellow or whether it is white.

9. The tax on colored oleomargarine is the only protection that the housewife has in knowing whether she is buying butter or oleo. "The Pure Food and Drug people have no authority, except over interstate traffic, to regulate and prevent the sale of margarine as butter."

10. Butter in reality is the balance wheel of the dairy industry. Milk is not produced in the same quantity during all seasons of the year. A sufficient number of cows must be kept to provide an adequate quantity of milk to be used in fluid form for the manufacture of cheese and other milk products during seasons of low milk production. During seasons of high milk production there is a surplus of fluid milk. It is during these seasons that the bulk of our butter is manufactured.

11. If dairy herds are reduced to the point of producing a sufficient quantity of dairy products for human consumption during the high productive period of the herds, there will be a scarcity of dairy products during the low producing periods. As a result the price of milk will tend to skyrocket during periods of low production.

12. "The dairy industry is more important as a means of revenue to the farmers of every State than will be the sale of vegetable oils to margarine manufacturers even if they triple or quadruple their sales, completely pushing the use of butter from the market."

13. The dairy farmer is a better source of outlet for cotton and soybean products than the oleomargarine industry ever will be.

14. Beyond a doubt the dairy industry is worth protecting. The bill to repeal the Federal tax on oleomargarine should be defeated to avoid seriously crippling the dairy industry. (April 20, 1948, pp. 4982-4983.)

Representative Katherine St. George (New York)

1. "There is nothing unfair about continuing the taxes as they have been, as has been so well pointed out, as they have been for the last 60 years or more."

2. "The repeal of the tax will result in undermining the standards of food products. "Imitations and substitutions would take over our food industries."

3. "Other imitations of butter are taxed now. Adulterated butter which, like oleo, is an imitation of good butter carries the same per pound tax and the same manufacturers', wholesalers', and retailers' occupational taxes as does colored oleo. Renovated or processed butter carries the same per pound tax as uncolored oleo. There is no reason why an exception should be made for oleomargarine."

4. "Oleomargarine already has been given competitive privileges which are denied to butter. It may be 'fortified' with vitamins, flavored with butter flavor, and preserved with benzoate of soda. None of these nor any other extraneous substance may be added to butter."

5. "Uncontrolled and ruthless competition of a low-cost product in almost identical imitation of butter would hurt butter prices and drive many farmers out of dairying."

6. "In order to have an adequate supply of fluid milk in slack seasons, more than enough must be produced during seasons of high production. It is during the high-production seasons that the bulk of our butter is manufactured. Without a butter outlet, farmers would be forced to reduce their herds. As a result, there would be an insufficient supply of fluid milk during the seasons of low production."

7. Mrs. St. George stated that the Hill amendment seems to be satisfactory to the dairy farmers because it would make it impossible for oleo to pass as butter (April 28, 1948, p. 5112.)

Representative George B. Schwab (Oklahoma)

1. "The products of the farm are our basic commodities. Civilization depends more upon the production which results from labor on the farm, and particularly from food production, than from any other type of human activity. Food is the first essential and milk is perhaps the most universally needed item of food (see). From birth to the grave, we must have milk if our civilization is to survive."

2. "The repeal of the tax on oleomargarine will result in a decrease in our milk-cow population and a decrease in milk production. Butter is the balance wheel of the dairy industry. A large percentage of people living on farms in this country depend upon the sale of milk, cream, or butter as their chief source of cash income. If this bill passes and milk cows move off the farm, the family simply will not have this highly desirable food and will not have the money with which to purchase a colored substitute."

3. "The dairy industry is essential to our soil-conservation program. The source of the best soil enrichment and fertilization will leave the farm with the sale of the cow. While the cow is on the farm the fertilizer is immediately available."

4. "Cotton farmers will not benefit by the repeal of the tax to the extent claimed by proponents of repeal. "The dairy farmer in Oklahoma pays twice as much for cottonseed and soybean meals which are sold as dairy feed, as the value of the two oils sold for margarine. Similar situations exist in other States."

5. "A consideration of vital importance is that in 23 States there are heavy taxes on margarine. Before repeal of the modest Federal tax would benefit the consumers by offering margarine at a slightly less cost than is being paid today, it would be necessary for these States to remove their taxes on margarine."

6. "If this bill is to pass it should not be passed in its present form, but some of these amendments should be adopted. Otherwise, the adoption of this measure, in its present form, will do great injustice to the farmers of my State, and of every other State which has any considerable dairy industry." (April 28, 1948, pp. 5124-5125.)

Representative Karl Stefan (Nebraska)

"This legislation can easily result in the uncontrolled, ruthless competition of a low-cost synthetic product sold in almost complete imitation of butter. It will hurt butter prices and drive farmers out of dairying business to the detriment of agriculture in general and of business in our farming communities."

"Prices of oleomargarine will rise and soybean and cotton growers will suffer because cheap foreign oils will be used in the manufacture of oleomargarine."

"The tax upon yellow oleomargarine must be high enough to differentiate it from the uncolored product. These taxes, including occupational taxes on hand-

lers of oleo, are necessary for the enforcement of oleo regulations. No Federal law prohibiting the sale of yellow oleomargarine would be effective because such a law could not reach within State borders unless it were enforced by a Federal tax. (April 28, 1918, p. 5004.)

Representative William H. Stevenson (Wisconsin)

Oleomargarine manufacturers know that housewives would not buy their product in its natural "tall tale" gray color and so try to color it to imitate butter. Butter is made from unadulterated cream; it contains no foreign oil, no cottonseed, coconut, or soybean oils; it does not have to be artificially impregnated with vitamins; it does not have to be adulterated to look like something it is not. The attempt of the oleo interests to destroy the dairy industry is not new. In all parts of the world the manufacture and sale of oleo have been subject to regulation and taxation of one form or another.

It is often contended that oleo manufacture is a good thing for the farmers of this country. Actually, less than two tenths of 1 percent of the total cash income from the products of the farm is received from farm products utilized in the manufacture of oleo. All the cottonseed oil used in oleo manufacture accounted for only about one half of 1 percent of the cash income of the cotton farmer. The cotton farmer receives approximately four times as much cash income from cottonseed oil used in vegetable shortening and from cottonseed by-products sold as dairy feed as he receives from the entire oleo business. The average farmer in the Cotton Belt actually receives 24 times as much today from the sale of his dairy products as he receives from the sale of cottonseed oil and other ingredients of oleomargarine. In 1916 less than 11 percent of the total soybean oil production was used in the manufacture of oleo, and only 5 percent of total cash farm income from soybeans was derived from the sale of oleo products.

There were 47 plants licensed to produce oleo in 1917. These plants were owned by 25 corporations, 4 of which were the Big Four meat packing companies. The bulk of oleomargarine is produced by five or six large corporations.

If the Federal tax on colored oleo is repealed, you will see the price of colored oleo go up considerably in every State where the sale of colored oleo is not prohibited.

If oleo does displace butter as a spread it will mean practically the destruction of the dairy industry. This will mean less milk and cream, less meat, and less hides and leather for the American public.

Production of oleomargarine is increasing while per capita milk production per day is at its lowest point in 40 years. (April 26, 1918, pp. 4972-4974.)

Representative Henry O. Talle (Iowa)

"The Federal margarine taxes have helped us to protect our dairy farmers against unethical competition and the consuming public against fraud and deception." It is contended that removal of these taxes would materially reduce the cost of living. As a matter of fact, the present tax of one-fourth cent per pound on uncolored margarine plus the license fees would not cost the average family as much as a penny a week if margarine were substituted exclusively for butter on the American table. And color may be added to this product by the purchaser easily, quickly, and at no cost, if desired.

"I do not object especially to the removal of the tax on uncolored margarine. I do, however, strenuously oppose the removal of the tax on butter-colored margarine." Margarine now attempts to imitate butter in every way. If color is added, the deception will be complete. Any action that lessens the demand for butter will curtail the production of milk and this would have an adverse effect on the production of hogs, cattle, and poultry. A decrease in livestock and dairy farming and an increase in crop farming would be hard on the soil. (April 26, 1918, pp. 4987-4988.)

Representative Charles W. Fursell (Indiana)

The 24 oleomargarine corporations which produce nearly all of that product sold in the United States are taking advantage of the high cost of butter and other foods under the guise of reducing the cost of living so that they can sell yellow oleo to imitate butter.

This is a fight for greater profits led by the comparatively few oleo manufacturers in the country, and by the cotton lobby of the South. Millions of dollars have been spent in a Nation-wide propaganda campaign by these groups.

If oleo is colored yellow to imitate butter, there will be no protection for the people eating 65,000,000 meals each day in restaurants and public eating places.

"There is little question, if oleo is allowed to compete with butter in color as the repeal of this law would permit, that the price of oleo will be raised by the manufacturers, guaranteeing them millions of dollars that otherwise would be saved to the consumers who are now buying oleo, if the Federal law is kept on our statute books unchanged."

This proposal to repeal the tax, if adopted, will strike a heavy blow against the dairy interests and result in still smaller herds and higher prices for the scarce milk. The whole course of agriculture in the Northern States would be changed. Repeal of the tax would bring disaster to the dairy business which employs more people and produces more farm income than any other segment of agriculture. If this legislation passes there will be less food for the American people and less food to ship abroad.

Twenty percent of the total income of agriculture in the Nation is derived from dairy products. This income will be endangered and meat and hides will become scarcer and more expensive if this legislation is passed. Dairy farming preserves the fertility of the soil and aids soil conservation.

"During flush milk production the manufacture of butter is a necessary outlet for surplus milk which cannot be sold in bottles. Butter continues to be the product upon which the dairy farmer largely relies for tax money when the bottom falls out of other markets" (April 26, 1948, pp. 4079-4081.)

(Loretta Stankard, Carl Hagen, General Research Section, May 20, 1948.)

The CHAIRMAN. The first witness is Senator Maybank.

STATEMENT OF HON. BURNET R. MAYBANK, A UNITED STATES SENATOR FROM THE STATE OF SOUTH CAROLINA

Senator MAYBANK. I have only a short statement to make. I appreciate your kindness in calling me first, because I was going to South Carolina later in the day.

I appreciate the privilege of appearing before this committee again in the interest of margarine tax repeal. My presence here is not uncommon, because I have been here constantly during the past 6 years on behalf of the legislation you are now considering.

I hardly think it necessary to go again through the long 62-year history of this injustice. That has been done before this committee many times in the past and is a matter of record in the printed proceedings which are available to all. Extensive hearings were held in the House of Representatives, and the arguments were thoroughly and ably presented prior to the passage of this bill by that body. I am deeply appreciative of the fine efforts of my fellow townsman, Congressman Rivers, for his untiring efforts in getting this legislation out of the Agriculture Committee and steering it through the House debate to a successful vote. I call your attention to the fact that it was Congressman Rivers' bill which won House approval and is now before this committee.

It does not even seem necessary to go into the many, many reasons for the repeal of these taxes and license fees again at this time. As far as the manufacturers, wholesalers, retailers, and housewives are concerned, they are positively aware of the unjustness of these regulations. Their testimony in the House hearings is clear evidence of their feelings. The farmers—the men who produce the high-grade vegetable oils used in the manufacture of margarine—certainly know the facts. And, Mr. Chairman, all of these people have felt the burden of these ridiculous penalties far too long.

This is a question transcending the lines of any party or any group—even so powerful a group as the one which has been able to maintain this legislated stranglehold on an otherwise competitive industry.

Mr. Chairman, the time has come when the American people are no longer willing to tolerate the existence of such a restraining hand on the manufacture of one product, a product which has every right to take its deserved place and stand on its own merits with other products in its field.

The properties of margarine and the benefits to be gained from its use on the family tables of this country have been expounded over and over again by competent authorities. Its nutritional value is an established fact, controlled and labeled by our Pure Food and Drug Administration standard of identity.

The argument always resolves itself to one of color. While butter, the admitted opponent in this battle, may be colored any tint of yellow without even having been so labeled, even though it may have been white originally, the ingredients of margarine must be bleached to keep from giving the finished product a natural yellow tint. Butter, cheese, and ice cream enjoy special and unique exemption from labeling artificial coloring under the act of 1923. Margarine is denied the use of yellow simply because the dairy industry has misused its enormous political influences to drive a competitive product off the counter. This is discrimination and a violation of the American principle of open, competitive business.

Mr. Chairman, it is my sincere belief that these regulations are pointedly designed to restrain the free marketing privileges of our group of manufacturers. They go beyond that. They place undue restrictions and hardships on our housewives in their daily marketing. I have no doubt that the majority of our people prefer butter for table use. That may be habit and education and it may not. The main point is this: Our low-income families have no choice. The purchase of margarine for their use is an economic necessity. But whether they buy margarine by choice or by necessity, it is their inalienable right to be free to buy yellow margarine if they so desire. Butter is colored a particular tint of yellow to meet the consumer preference of a particular market. Why not margarine?

I might ask at this point to have incorporated the statement that was made in 1943 before this committee, if I may do so.

The CHAIRMAN. We will be glad to put that in the record. We are glad to have you here, Senator. Thank you very much.

Senator MAYBANK. Thank you.

(The statement is as follows:)

STATEMENT OF HON. BURNET R. MAYBANK, UNITED STATES SENATOR FROM THE STATE OF SOUTH CAROLINA, MADE BEFORE THE SENATE FINANCE COMMITTEE, WHICH APPEARS IN THE HEARINGS ON THE REVENUE ACT OF 1943

Senator MAYBANK. Mr. Chairman, I have a short statement that I would like to read, with your permission. I have three gentlemen here who are experts that I would like to introduce for short statements.

The CHAIRMAN. Yes, sir. Do you wish to introduce them now?

Senator MAYBANK. No, I would prefer to make this short statement and then have the privilege of introducing them.

On October 12, I introduced S. 1420, designed to suspend, for the duration, the existing 10-cents-per-pound tax on margarine containing yellow color, whether artificial or otherwise, and to restrict the definition of the term "manufacturer" for the duration, so that restaurants, boarding houses, hospitals, and so forth, could color margarine and serve it to their patrons, guests, and employees without incurring the \$600 annual license fee now imposed upon them.

On November 3, the House Agricultural Committee, by a vote of 14 to 11, adopted a motion deferring further hearings or action on H. R. 2400 or similar

legislation relative to oleomargarine for the balance of the Seventy-eighth Congress. H. R. 2400, by Representative Fulmer, was designed to repeal all existing Federal taxes, license fees, and related restrictions on the manufacture, sale, and use of margarine. The House Agriculture Committee in effect declined to consider further H. R. 2400, despite the fact that over 30 witnesses, representing science; manufacturers; wholesalers; retailers; cotton, soybean, livestock, and peanut producers; labor; consumers; and hospitals, unequivocally urged the repeal of the existing discriminatory margarine taxes and license fees. Therefore, I am requesting the Senate Finance Committee to incorporate my bill in the pending Revenue Act of 1944.

The manufacture, sale, and labeling of margarine is now fully and adequately regulated by the Food and Drug Administration under the Pure Food, Drug, and Cosmetic Act, and the standard recently promulgated by that Department for margarine. That supervision is not affected, in any way, by my bill.

I firmly believe that it is in the best interest of the public during this war period for margarine to be made available at its low cost and point value to the consumers throughout this country who are unable to obtain sufficient butter for an adequate diet. We are now reduced to one tablespoon of butter per day per capita, and this, in the opinion of experts in nutrition (and certainly in the opinion of laymen who do not like dry bread and won't eat it), is not enough. The free use of margarine will tend to make up this deficiency and relieve an important wartime scarcity.

All competent nutrition authorities, including the American Medical Association, National Research Council, and our own Department of Agriculture, have established the fact that modern fortified margarine is equal nutritionally to butter. Each pound of margarine packed for consumer use contains 9,000 USP units of vitamin A, which is the average found in each pound of butter.

The average American who can afford butter and has points to buy it, if his grocer has it to sell, would rather have butter than margarine. But, as we know, there is not now enough butter and probably will not be for the duration of the war. From the standpoint of nutrition, the deficiency between supply and demand can be supplied with fortified margarine, in a palatable form, if the existing restrictions that my bill proposes to suspend for the duration are removed as handicaps. For too long the consumer has been the "forgotten man" in the efforts of certain butter interests to "exterminate" margarine.

Now, Mr. Chairman, with your permission, I am going to ask that Mr. Carlson be heard.

Senator CLARK. Before you go into that; Your bill is designed to take off the license fee for artificially coloring margarine?

Senator MAYBANK. Taking off the \$600 license fee that everyone must pay to color margarine.

Senator CLARK. It does not have anything to do with the price of margarine is such?

Senator MAYBANK. No.

Senator CLARK. The bill is designed to permit people to color the margarine so as to, in some cases, fool people into thinking that it is butter.

That is the only advantage of coloring it, is it not, to make it a more acceptable substitute for butter? Not that it has anything to do with the taste; that does not have anything to do with it, except you are trying to improve the competitive position for margarine?

Senator MAYBANK. You can do it now providing you pay the \$600 license fee.

Senator CLARK. I eat it myself without coloring. It tastes as well without coloring as it would with coloring.

Senator MAYBANK. That might be correct, but unfortunately in hospitals and other places people refuse to use it in an uncolored form.

Senator CLARK. The coloring matter is the whole subject of the controversy.

Senator MAYBANK. Because of the \$600 license fee many small restaurants, many small places, cannot afford to pay the \$600 license fee.

Senator JOHNSON. Don't you think in hospitals they could serve butter?

Senator MAYBANK. They haven't butter to serve. That is why I want the experts to testify. I have an expert here from the restaurants and one from the hospitals, and a nutrition expert, to testify to exactly what they are up against in the institutions.

Senator JOHNSON. Will they testify?

Senator MAYBANK. Yes; they are right here.

Senator JOHNSON. Will they testify to the very large volume of butter that has been recently released by the Army so that hospitals can get all the butter they want?

Senator MAYBANK. I trust they can answer any questions that you may want to put to them.

Senator JOHNSON. I hope they will give us that information.

Senator MAYBANK. They will give you all the information that you ask for.

Senator CLARK. That is only during the duration?

Senator MAYBANK. Only during the duration.

Senator GUFFEY. I like margarine, and I like it colored. I do not like to think of eating lard. That is my objection.

The CHAIRMAN. Do you wish the witnesses called now?

Senator MAYBANK. Yes.

The CHAIRMAN. Will you call your first witness?

Senator MAYBANK. Anton J. Carlson.

Senator LUCAS. May I ask one question of Senator Maybank?

The CHAIRMAN. Yes.

Senator LUCAS. You spoke of a bill before the Agricultural Committee, introduced by Mr. Fulmer, of South Carolina.

Was that a bill which deals with this subject separately and is not included in the finance bill?

Senator MAYBANK. That is correct. That is a bill not for the duration and not to relieve the present situation where you have to pay 15 and 16 points for butter, whereas you can get this product for 3 points.

The CHAIRMAN. The next witness is Hon. A. Lee M. Wiggins, Under Secretary of the Treasury.

STATEMENT OF A. LEE M. WIGGINS, UNDER SECRETARY OF THE TREASURY, WASHINGTON, D. C.

Mr. WIGGINS. I am very glad to appear before your committee to present the Treasury Department's view on the tax aspects of the pending proposals which would modify or repeal the excise taxes and occupational taxes on the manufacture and distribution of oleomargarine.

At present oleomargarine is subject to tax of 10 cents per pound if it is yellow in color and to a rate of one-fourth cent per pound if it is uncolored. Imported oleomargarine, whatever its color, is taxed at a rate of 15 cents per pound. In addition, annual occupational taxes are imposed on the manufacturers and distributors of oleomargarine. The manufacturers' occupational tax is \$600 a year. Wholesalers are subject to a tax of \$480 if they distribute colored oleomargarine and \$200 if they handle only the uncolored product. At the retail level, the occupational tax is \$48 for the distribution of yellow oleomargarine and \$6 for the distribution of uncolored oleomargarine.

Although this schedule of tax rates has been in effect since 1902, the origin of the taxes goes back to 1886.

The legislative history of these taxes and the considerations advanced in their defense during their long history indicate that their origin was associated with an effort to prevent the widespread, fraudulent sale of oleomargarine as butter. Toward the close of the past century there was apparently need for using the Government's taxing power as a regulatory measure. The taxing power was also brought into use in connection with the regulation of the production or distribution of a number of other commodities, such as narcotics and firearms. The imposition of a tax on the production, sale, or importation of a commodity, the distribution of which the Government finds it necessary to regulate, enables the Government to establish rules, regulations, and reporting requirements with which manufacturers or distributors must comply. Failure to conform to such regulations con-

stitutes a violation of the revenue laws and provides a vehicle for regulatory purposes.

The use of a taxing power for this purpose is justified in the public interest when the regulatory ends cannot be achieved effectively in other ways. However, these ends require only the imposition of a token tax, sufficient to establish liability for reporting and for a tax obligation under the revenue laws but nothing more. Originally the tax was 2 cents per pound on all domestic oleomargarine. In 1902 the rate was reduced to one-fourth cent per pound on uncolored and raised to 10 cents on colored oleomargarine. From the viewpoint of regulating the sale of oleomargarine, this schedule of tax rates goes far beyond such requirements.

A further consideration is the fact that there appears to remain little, if any, need for the use of these taxes for regulatory purposes. Since their enactment, the effectiveness of the Government's administrative agencies as regulatory bodies has been substantially developed and improved. With special reference to safeguarding the public health where affected by interstate commerce, the Congress has created the Pure Food and Drug Administration. This organization is daily engaged in the task of insuring the maintenance of high food and medicinal standards and in safeguarding the consumer against fraudulent representation of commodities marketed in interstate commerce. Moreover, the development of the Government's administrative agencies has been paralleled by a decline in the need for regulation as standards of business conduct and self-imposed business standards have improved.

This conclusion is borne out by the recent experience of the Bureau of Internal Revenue with this tax. In 1947, almost 275,000 taxpayers paid the special taxes on manufacturers of and dealers in oleomargarine (table 1, p. 37). A search of the Bureau's records indicates that during the decade since 1938, it found it necessary to refer only four cases to the Department of Justice for prosecution for violations of the labeling, marketing, and handling provisions of the oleomargarine tax laws. This does not include a number of violations of a technical character which did not involve fraud or misrepresentation.

The effective development of public agencies charged specifically with regulatory duties suggests that there is no longer any need for the Bureau of Internal Revenue continuing in the field of oleomargarine regulation. Its facilities could be more usefully devoted to the discharge of its basic responsibilities in tax collection. However, if the Congress considers that there continues to be need for the use of the Government's tax-collecting agency for the regulation of the marketing of oleomargarine, this objective could be served by the retention of only a nominal tax at the rate of, say, one-tenth or one-fourth of 1 cent per pound, and correspondingly reduced occupational taxes.

I should like to emphasize, however, that it is the Treasury's view that as a general rule excise taxes should be used only for revenue purposes. As revenue taxes, careful consideration should be given to the rates and the tax base to make sure that the producers affected are not being placed at an undue competitive disadvantage or that the tax does not unduly burden low-income consumers. In a few cases, it may be desirable to use excises to prevent fraud or the use of deleterious products. In such cases, however, we should be sure that there

is a real need for such regulation and should be alert to changing conditions which might not only remove the need for regulation but might make regulation undesirable.

The revenue produced by the taxes on oleomargarine is relatively little. Collections in the current and the next fiscal year are estimated at 7 million dollars each. Throughout the thirties, annual collections ranged between one and one-half and not quite four and one-half million dollars. In fiscal year 1947 they were less than 6 million dollars and in 1946 about 5 million dollars. Until recently virtually all of the revenue was accounted for by uncolored oleomargarine. With the increased use of colored margarine in the postwar years, the share of the colored product in total collections has risen to about 40 percent (table 2, p. 38).

The oleomargarine taxes belong to that category of punitive consumption levies the burden of which increases as tax collections decrease. The tax may be said to impose a maximum burden when it yields no revenue at all because in such cases it effectively prohibits consumption and diverts demand to substitute products. The Federal oleomargarine taxes, in combination with State legislation, which I will describe later, approach this result. The combined effect of these taxes is to place a burden on consumers which falls with particular weight upon low-income groups.

For the majority of the population, the direct tax burden represented by the oleomargarine taxes is small because they consume only the uncolored product which is subject to the nominal one-quarter cent per pound. Ninety percent of margarine consumption falls in this category (table 3, p. 38). Those individuals who consume colored margarine bear a serious tax burden in paying a 10-cent-per-pound tax, but their number is small. The direct effect of the occupational taxes on consumers is also small. In 1947 combined tax collections from Federal excise and occupational taxes equaled about 1 cent per pound of margarine sold.

The direct tax burden, however, is the lesser part of the cost of these taxes to consumers. The more important cost results from the fact that the public is deterred from exercising its normal preferences. Many consumers are in effect prevented from purchasing less expensive oleomargarine and are obliged to buy more expensive butter or to forego table fats altogether. The public prefers yellow table spreads and has an aversion to the uncolored product. The improved coloring facilities supplied by manufacturers of uncolored margarine has not overcome consumers' resistance to uncolored table fats. The weight of the indirect burden resulting from the oleomargarine taxes cannot be calculated but might be illustrated. The reluctance of distributors to become involved with the machinery of oleomargarine tax enforcement, together with the impediments imposed by many State laws, frequently preclude consumers from effectively exercising a choice between competing products. Where consumers with equal preference for the two products are unable to purchase 40-cent oleomargarine and are obliged to pay 90 cents for butter, the indirect burden of these taxes approximates the 50 cents difference between the selling price of those items.

It should be noted that the indirect burdens imposed by these taxes on consumers have substantially increased with the widening of the

differential between the price of oleomargarine and butter in recent years. During the prewar period, when the price differential between yellow oleomargarine and butter was not more than 10 cents, the indirect burden was substantially less than it is today. Unhappily, this is also a period of high living costs. While the imposition of these burdens through taxation is always undesirable, it is especially objectionable at times when high prices threaten the living standards of large groups in the population.

I would like to emphasize that the views of the Treasury Department are concerned only with the tax aspects of the legislation before you. It may be appropriate nonetheless to observe that the oleomargarine taxes may interfere with the optimum utilization of our resources. It has been forcefully argued before this and other committees of Congress, for instance, that the national diet would be improved if more milk were consumed in fluid form and if the table fat requirements of the Nation were obtained to a greater degree from oleomargarine. The Treasury is not in a position to appraise the validity of this argument, but I mention it only because it illustrates the dangers involved in utilizing the taxing power as a punitive instrument in channeling consumption in the direction for some products and away from others. It suggests that we should exercise great restraint in the use of the tax system for such purposes, except where the objective is clearly in the public interest and cannot otherwise be secured.

In addition to the Federal taxes, large segments of American consumers bear also the burden of State regulation. Today the sale of colored oleomargarine is prohibited in 22 States. Three additional States impose a tax of 10 cents a pound on the colored product. In 23 States the sale of colored oleomargarine is unfettered by excises or State prohibitions.

Uncolored margarine is available without tax in all but 19 States. Seven of the 19 States impose taxes ranging from 5 to 15 cents a pound. In the other 12 the exemption of oleomargarine made of domestic oils and fats or with a specific minimum of animal fats renders the tax ineffective. As a result of this factor and the overlapping between States which tax colored and uncolored oleomargarine, approximately one-half of the States impose effective restrictions on the sale of oleomargarine.

License fees for the manufacture or sale of margarine are required in 14 States. Annual fees for manufacturers and wholesalers vary from \$1 to \$1,000, and for retailers from 50 cents to \$400 (table 4, p. 39).

State taxes have been more onerous in the past than they are now, and the trend toward less State regulation of oleomargarine continues both by legislative and judicial action. Less than a month ago the State of New Jersey repealed its law which prohibited the manufacture and sale of colored oleomargarine in that State. A bill to repeal a similar prohibition has recently passed both the House and the Senate in the Commonwealth of Massachusetts and is now in the hands of the conferees of the two chambers. However, State taxes are still widespread and repeal of the Federal taxes would make some contribution to intergovernmental tax integration by removing one of the all too many instances of overlapping Federal and State taxes.

In summary, it is the Treasury Department's view that there is no longer need for the use of revenue laws to regulate the manufacture and distribution of oleomargarine and that the Bureau of Internal Revenue might well be freed of this responsibility. The oleomargarine taxes unnecessarily burden consumers far in excess of the amount paid in taxes and interfere with the optimum utilization of national resources. Revenue considerations are not involved.

State imposed taxes and prohibitions are so far reaching that even in the absence of Federal taxes oleomargarine would continue to be unavailable to consumers in many parts of the country. Nonetheless, it is the Treasury's view that the Federal taxes should be repealed. Such action would eliminate one instance of overlapping Federal and State taxation and would directly benefit consumers in the majority of the States. In the event, however, that the Congress deems it to be necessary to continue the use of the tax instrument for regulating the production and distribution of oleomargarine, this end would be fully served if the present punitive tax rates were replaced by token tax requirements.

The CHAIRMAN. Are there any questions?

Mr. WIGGINS. Now, Mr. Chairman, I would like to file following my testimony four tables referred to in the testimony. Table 1, giving the number of taxpayers of special taxes on the manufacturers and dealers in oleomargarine for the fiscal years 1934 to 1947; a second table showing the collection from oleomargarine taxes for the fiscal years 1934 to 1949; table 3, the production and withdrawal of colored and uncolored margarine for the fiscal years of 1934 to 1947, inclusive, and the first 8 months of fiscal year 1948; and table 4, the State oleomargarine excises and license fees as of May 15, 1948.

The CHAIRMAN. The tables will be entered of record at this point. (The tables referred to follow.)

TABLE 1.—Number of taxpayers of special taxes on manufacturers of and dealers in oleomargarine, fiscal years 1934-47

Fiscal year	Manufacturers, \$000	Wholesale dealers		Retail dealers	
		Colored, \$480	Uncolored, \$200	Colored, \$48	Uncolored, \$6
1934.....	47	4	2,407	79	104,852
1935.....	45	4	1,275	160	155,415
1936.....	42	4	1,340	73	160,565
1937.....	41	4	1,471	57	174,591
1938.....	38	2	1,065	64	184,214
1939.....	40	3	1,036	38	173,727
1940.....	42	10	1,507	26	162,720
1941.....	42	2	1,486	37	162,038
1942.....	45	2	1,422	34	163,791
1943.....	72	14	1,731	133	182,543
1944.....	44	47	1,962	1,132	200,048
1945.....	47	121	1,973	3,842	218,889
1946.....	45	125	1,893	3,981	243,295
1947.....	47	176	2,204	5,102	265,964

Source: Annual Reports of the Commissioner of Internal Revenue.

OLEOMARGARINE TAX REPEAL

TABLE 2.—Collections from oleomargarine taxes, fiscal years 1934-49

[Thousands of dollars]

Fiscal year	Colored, 10 cents per pound	Uncolored, ¼ cent per pound	Special taxes				Total	
			Manu- fac- turers, \$300	Wholesale dealers		Retail dealers		
				Col- ored, \$480	Uncol- ored, \$200	Col- ored, \$18		Uncol- ored, \$6
1934	\$45	\$903	\$28	\$10	\$188	\$5	\$587	\$1,476
1935	85	898	27	10	209	5	814	2,049
1936	50	916	25	8	249	2	948	2,204
1937	69	908	27	3	272	3	1,007	2,348
1938	65	1,053	25	2	316	4	1,021	2,466
1939	39	759	26	4	302	2	1,014	2,210
1940	31	759	26	5	283	1	969	2,014
1941	50	851	26	2	284	3	965	2,122
1942	87	889	28	1	288	2	969	2,244
1943	238	1,088	32	4	267	7	965	2,621
1944	1,081	1,190	29	20	412	34	1,317	4,084
1945	2,219	1,350	33	40	380	131	1,330	5,503
1946	1,842	1,191	20	64	357	104	1,298	4,832
1947	2,132	1,441	34	74	364	224	1,604	5,874
1948 (estimated)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	\$7,000
1949 (estimated)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	\$7,000

¹ Not available.

² Includes collections from taxes on adulterated butter.

Source: Annual reports of the Commissioner of Internal Revenue and the Budget of the United States Government, fiscal year 1949.

TABLE 3.—Production and withdrawals of colored and uncolored oleomargarine, fiscal years 1934-47, and first 8 months of fiscal year 1948

[Thousands of pounds]

Fiscal year	Colored				Uncolored			
	Pro- duced	Tax-paid with- drawals	Tax-free with- drawals		Pro- duced	Tax-paid with- drawals	Tax-free with- drawals	
			For ex- port	For use of United States			For ex- port	For use of United States
1934	2,089	463	1,594	832	240,498	240,410	(1)	-----
1935	2,905	808	1,409	681	350,916	350,114	(1)	-----
1936	2,773	527	1,471	781	308,064	308,987	(1)	-----
1937	1,907	673	584	741	387,297	386,776	-----	-----
1938	1,049	624	200	838	413,755	413,501	-----	-----
1939	1,381	355	156	868	331,592	331,702	(1)	3
1940	1,860	302	649	896	301,858	301,599	2	-----
1941	4,489	427	1,865	2,076	339,446	340,550	1	8
1942	14,828	667	2,939	10,955	353,977	353,648	-----	-----
1943	116,970	2,104	1,558	110,302	431,498	429,469	10	87
1944	135,003	10,398	826	145,902	474,023	473,442	-----	114
1945	72,686	21,243	2,023	48,440	540,313	533,744	7,174	1,645
1946	66,410	17,918	8,222	41,896	484,792	481,493	3,285	700
1947	65,960	21,126	8,060	36,758	576,446	571,083	573	547
1947 ¹	47,626	13,378	(1)	(1)	398,787	395,727	(1)	(1)
1948 ²	48,893	27,965	(1)	(1)	533,642	528,800	(1)	(1)

Source: Annual Reports of the Commissioner of Internal Revenue and Internal Revenue Bulletin.

¹ Less than 500 pounds.

² 8 months.

³ Not available.

TABLE 4.—State oleomargarine excises and license fees, May 15, 1948

State	Excise tax (cents per pound)			Annual license fees			
	Colored	Un-colored	Contain- ing foreign materials ¹	Manu- facturers	Whole- salers	Retailers	Public eating places
California	(?)			\$100	\$50		\$2
Colorado			10	25	25		
Connecticut	(?)			100	50	\$6	3
Delaware	(?)						
Florida			10				
Georgia			10				
Idaho	10	5			200	50	
Illinois	(?)						
Iowa	(?)	5					
Kansas			10				
Louisiana			12				
Maine	(?)		10				
Maryland	(?)						
Massachusetts	(?)					0.50	
Michigan	(?)						
Minnesota	(?)		10	1	1	1	
Montana	(?)				1,000	400	
Nebraska				100	25	1	
New Hampshire	(?)						
New York	(?)						
North Carolina			10		75		
North Dakota	10	10		10	5	2	
Ohio	(?)						
Oregon	(?)						
Pennsylvania	(?)			2	2	2	
South Carolina			10				
South Dakota	(?)	10					
Tennessee	10		10	300	75	5	
Texas			10				
Utah	10	5					
Vermont	(?)				25	2-100	
Washington	(?)	15					
Wisconsin	(?)	15		1,000	500	25	
Wyoming	(?)		10				

¹ Manufacture or sale of colored margarine prohibited.

² Tax applies to oleomargarine (colored or uncolored) not made from oils and fats (specifically named by the statute) that are largely derived from domestic materials.

³ Idaho also prohibits the manufacture or sale of colored margarine.

⁴ Minnesota's tax applies to oleomargarine not containing a minimum percentage (65 percent) of animal fats, as well as that made of foreign materials. Wyoming's tax applies only to vegetable oleomargarine (containing 20 percent or less of animal fats).

⁵ The license is for 2 years.

⁶ Tennessee's tax applies to all colored margarine, regardless of ingredients. Uncolored margarine is exempt if made from domestic oils and fats.

Senator BARKLEY. May I ask you whether your figure of 40 and 90 as comparative prices of oleomargarine and butter, whether that includes the tax of 10 cents per pound? I suppose you are talking at the retail price. Does that include the tax?

Mr. WIGGINS. We are talking about retail prices, including the tax.

Senator BARKLEY. That includes the tax, whether levied on the colored or otherwise.

Mr. WIGGINS. There is very little of the colored sold. They sell it white.

Senator BARKLEY. Yes, I know.

Mr. WIGGINS. And give some coloring with it.

Senator BARKLEY. Yes, I know. They buy the coloring or furnish it when you buy the white, and color it at home.

Mr. WIGGINS. That is correct.

Senator BARKLEY. Or on the way home.

The CHAIRMAN. Any further questions?

Senator BUTLER. Mr. Chairman, Mr. Wiggins made a remark about the very few cases that have been brought by the Government for violation of the tax regulations.

Mr. WIGGINS. Yes.

Senator BUTLER. As an indication that it is not needed. I do not think we need to enter into any argument here, but I wonder if that would not be an illustration of the effectiveness of the tax that has been in effect all of the time, rather than otherwise.

Mr. WIGGINS. I think each one can draw his own conclusions. My opinion is that the Pure Food and Drug Act takes care of the type of violations that I think the Congress had in mind, when it originally imposed the tax.

The CHAIRMAN. Any further questions?

Thank you very much.

Mr. WIGGINS. Thank you.

The CHAIRMAN. Congressman Rivers, we will be very glad to hear from you. Will you identify yourself?

STATEMENT OF HON. S. MENDEL RIVERS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF SOUTH CAROLINA

Mr. RIVERS. My name is S. Mendel Rivers, Member of the House from South Carolina.

Mr. Chairman, it is quite a difficult assignment to follow my two distinguished South Carolinians who preceded me here before this splendid committee, my own colleague and senior Senator, the Honorable Mr. Maybank, who has worked hard on this subject, and who has introduced legislation, proposed legislation on numerous occasions, also our splendid Carolinian Mr. A. L. M. Wiggins, who did such a splendid job in the Treasury Department. I need not say anything about this other fine Senator we have over here who has likewise helped us a great deal on this subject.

Mr. Chairman, I am grateful for this opportunity to appear on my bill, H. R. 2245, which passed the House on the 20th of April by such a large vote, as you recall 260 to 107. My bill passed the House without one single amendment, saving and except the effective date, which was necessary to bring the bill, having been introduced each year, up to date, and the effective date of which would be July 1 of this year.

My bill is simple and to the point. Beginning on July 1 of this year, the tax on margarine is repealed. The bill, of course, does not affect the duty imposed by paragraph 7 of the Tariff Act of 1930 on imports of margarine, currently fixed at 7 cents per pound by the Geneva agreement.

This duty will remain in effect, as well as the tax of 15 cents per pound imposed by section 2306 of the Internal Revenue Code on margarine imported from foreign countries.

This is my opinion, and that of the congressional committee over there which helped me prepare the act which I am prepared to say now the passage of the bill in my opinion would not repeal certain sections of the Internal Revenue Code relating to manufacturers and

dealers of margarine under section 2302 of the Internal Revenue Code, for example, which requires the manufacturer to file a bond to package and mark margarine in certain prescribed ways.

Neither would it affect the Pure Food and Drug Act laws applicable to this product or the statutes under which the Federal Trade Commission operates.

The CHAIRMAN. I hope that someone during the hearing will introduce statistics on the imports of oleomargarine and constituent materials.

(The information referred to appears on p. 50.)

Mr. RIVERS. Thank you, sir.

My bill merely places the manufacture and sale of margarine on the same footing with other manufacturers of wholesale and edible products. Progress knows no time salient or season. The progress made in the manufacture of margarine has been so rapid that today margarine is no longer a substitute for butter. It is the coequal of butter.

For the information of this distinguished committee, I have asked one of the largest chemical houses in the Nation to prepare for me a report of ingredients commonly used in margarine, and I have that information for the record here, Mr. Chairman, also along with the report from the Treasury Department as far back as the year 1942, and if you want me to, I can tell you just what margarine contains, or I can place that in the record, even to the coloring of it. A lot of people do not know what is the coloring of margarine or the coloring used in butter.

The CHAIRMAN. I think it would be well to have some information on that.

Mr. RIVERS. All right, sir.

It contains fats and oils per thousand pounds, 346,346,000, that is in thousands of pounds, or percentage of 79.4; milk, a percentage of 17.2; salt, 2.98; glycerin derivatives, 0.231; and lecithin, 0.231.

Senator BARKLEY. What is that?

Mr. RIVERS. I can read about that.

Senator BARKLEY. Do you know what that is?

Mr. RIVERS. I have it down here.

Senator BARKLEY. You can do that later.

Mr. RIVERS. All right, sir.

The milk is used to impart body and flavor. The same cultures are used on pasteurizing milk. This report came from a chemical house in this Nation. I can also give you the name of that, if you care for it.

The CHAIRMAN. I think it would be well to give us the name.

Mr. RIVERS. Fritshie Co. of New York. I can give you the address later on.

That is the same used in the processing of butter and the same sanitary precautions are maintained. The culture developed the butter flavor. Natural butter made from sweet cream is lacking in proper flavor. Salt is used to stop the action of bacteria used in the milk culture. When the proper amount of flavor is developed, salt is added to the culture. This is also done in the manufacture of salted butter, which will remain stable over a longer period of time than will the unsalted butter.

Glycerin derivatives are used to stabilize the aqueous emulsion of fats which is margarine. Without such stabilization margarine is less stable than natural butter which on melting will not separate, and particularly will not splatter on frying. Such glycerin derivatives are closely related to natural fats, are nontoxic, and are approved for use in foods.

Lecithin, obtained principally from soybean oil, is used as a stabilizer. It is a natural derivative and a component of vegetable oils in varying proportions.

Sodium benzoate, an approved preservative, is sometimes used to the extent of not more than one-tenth of 1 percent. If used, a declaration must be made on the label.

Vitamin concentrates, principally vitamin A, are used in order to increase the nutrient value of margarine. If added, the margarine must by law contain not less than 9,000 U. S. P. units of vitamin A per pound.

Margarine therefore may have more vitamin potency than natural butter, and in general more than so-called winter butter, which as you know is colored about 8 months out of the year, and is very low in vitamin content. The cows cannot get the green food.

This includes color and flavor. Colors are usually oil-soluble colors, certified as to their stability for foods by the United States Department of Agriculture. These colors are known as F, D, and C, Yellow No. 3, and Yellow No. 4. The yellow color is obtained from annatto seed, which is used to color butter, and may also be used.

Senator BUTLER. Is this part of the statement of the chemical company that made the analysis?

Mr. RIVERS. They got this from the Department of Agriculture, and from their own analyses.

Senator BUTLER. The part you are reading now, is this still a quote from the report you got from the chemical company?

Mr. RIVERS. Yes, sir. The only permitted flavor is diacetyl, which is the same product as obtained from the cream in making butter, and is chemically identical with the chief flavor constituent of butter, and that is the report.

Now, scientists, and I am glad to say, Mr. Chairman, that my good friend, Dr. Anton Carlson is here this morning; I do not know whether he is scheduled to testify; I assume he is; but I will submit for the record a very fine writing by him and Dr. Larry Leichenger, and Dr. George Eisenberg on margarine and growing children.

(The information referred to follows.)

[Reprinted from the Journal of the American Medical Association, February 7, 1948, vol. 136, pp. 388-391; copyright, 1948, by American Medical Association]

MARGARINE AND THE GROWTH OF CHILDREN

Harry Leichenger, M. D., George Eisenberg, M. D., and Anton J. Carlson, Ph. D., M. D., Chicago

This study was undertaken to determine whether there is any nutritional difference, as shown by increases in height and weight in significantly large groups of children, when the source of supplementary table fat in their diets is vegetable (margarine) rather than animal (butter).

For a number of years there has been some controversy among nutritionists and other workers in the field of fat nutrition regarding the relative merits of animal and vegetable fats in the human diet. A great deal of experimentation

has been carried out, the laboratory rat being used, in the main, as the experimental animal.

Little experimental work has been done in fat nutrition, however, among human subjects. For that reason, the present study was decided on. To insure valid results, examinations of the 267 children (white) included in this study were made for a period of 2 years.

As early as 1925 Holmes,¹ in studies carried out on human subjects, found that margarine was from 93 to 97 percent digestible. Bunker,² in 1927, stated:

"Beef fat excreted in the milk of the cow is no different in its origin from beef fat which is retained within the animal, although the chemistry of butter fat and oil differ somewhat. Each is a suitable food. The vegetable oils, also, such as olive oil, palm oil, coconut oil, peanut oil, cottonseed oil, and others are all suitable foodstuffs. The digestibility of the various animal and vegetable fats is high."

Some years later Carlson³ stated: "All the scientific data on the digestibility, flavor and color of the dietary fats show clearly that there is no significant difference in digestibility between animal and vegetable fats and that the acceptability of those fats in regard to color and flavor is a matter of past conditioning of the individual and of no other significance in nutrition."

Boutwell⁴ and others, after experimental studies on rats, concluded: "1. With lactose as the sole carbohydrate * * * rats showed superior growth when fed butter or lard as compared to corn oil, coconut oil, cottonseed oil, soybean oil, peanut oil, olive oil and hydrogenated cottonseed oil. 2. With a mixture of carbohydrates composed of sucrose, starch, dextrose, dextrin and lactose in the diet, the average growth response of the animals fed vegetable oils was equal to that of the animals fed butter and lard. The growth rate on this ration was more rapid than when all the carbohydrate was present as lactose. 3. Properly fortified oleomargarine fats gave growth equal to butter fat over a period of 6 weeks when the above mixture of carbohydrates was incorporated in the rations."

Deuel,⁵ on the other hand, found no difference in the growth of weanling rats at any time over a 12 week period whether they were fed mineralized skimmed milk powder, vitamin supplements and butter, or corn, cottonseed, peanut or soybean oils, or margarine. The extent of growth was confirmed at 3 and 6 weeks by roentgen determinations of length of the tibia. Also, the efficiencies of conversion of these various fats to body tissue were identical. These experiments refute the idea that butter fat possesses certain fatty acids not present in other fats, which are essential to growth.

The Council on Foods and Nutrition of the American Medical Association⁶ stated: "It is therefore possible to conclude that at present there is no scientific evidence to show that the use of fortified margarine in an average adult diet would lead to nutritional difficulties. A similar statement is probably justified in the case of growing children, but preliminary reports from animal experiments indicate that more work is necessary before any specific conclusions can be made."

Graves⁷ stated: "When pure, all fats are equally available for the energy needs of the body * * * the shortening powers and keeping qualities of [both butter and margarine] are about the same and they are equally assimilable."

Again, Bloor⁸ pointed out: "Very little need be said about the relative nutritional value of fats and hence of availability and distribution for the reason that most of the ordinary food fats of both plant and animal origin consist mainly of the same few fatty acids—oleic, palmitic and stearic—in varying proportions, and it is to be expected that they would not differ much in digestibility or in metabolic usefulness."

From the department of pediatrics, University of Illinois College of Medicine. Aided by a grant from the National Association of Margarine Manufacturers. Terms of the grant provided that findings from the study could be published, regardless of results.

¹ Holmes, A. D.: Digestibility of Oleomargarine, Boston M. and S. J. 192: 1210 (June 18), 1925.

² Bunker, J. W. M.: Evidence Concerning the Reputed Health Values of Fats: A Review of the Literature, Am. J. Pub. Health 17: 997 (October) 1927.

³ Carlson, A. J.: Facts and Fancies About Food Fats, Am. J. Pub. Health, 31: 1181 (November) 1941.

⁴ Boutwell, R. K.; Geyer, R. P.; Elvehjem, C. A., and Hart, E. B.: Further Studies on Comparative Value of Butter Fat, Vegetable Oils and Oleomargarine, J. Nutrition 26: 601 (December) 1943.

⁵ Deuel, H. J., Jr.; Moritt, E.; Hallman, L. F., and Mattson, F.: Studies of the Comparative Nutritive Value of Fats: I. Growth Rate and Efficiency of Conversion of Various Diets to Tissue, J. Nutrition 27: 107 (January) 1944.

⁶ The Comparative Nutritional Value of Butter and Oleomargarine, report of Council on Foods and Nutrition, J. A. M. A. 119: 1425 August 22, 1942.

⁷ Graves, L.: Fats in Our Daily Fare, Mod. Hosp. 60: 90 March 1943.

⁸ Bloor, W. R.: Role of Fat in the Diet, J. A. M. A. 119: 1018, July 25, 1942.

Recently Deuel⁹ reaffirmed the fact that vitamin-fortified margarine has a nutritional value substantially equivalent to that of butter. This belief is supported by the conclusions of an entirely unprejudiced group, the committee on public health relations of the New York Academy of Medicine, which recommended in its report of February 1, 1943, that wide publicity, both lay and professional, be given to the fact that margarine fortified with vitamin A is nutritionally equal to butter. A similar conclusion was reached by the Food and Nutrition Board of the National Research Council in its Reprint and Circular Series No. 118, released in August 1943.

Cowgill¹⁰ concluded: "Edible fats, the melting points of which are not too high to prevent liquefaction in the alimentary tract, are digested and absorbed to about the same degree. Such differences as have been found are of no practical nutritional significance. * * * Natural fats differ with respect to their content of the essential unsaturated fatty acids but the amounts needed by the organism are so small that these are probably of no practical nutritional significance. Natural fats have not been found to differ appreciably in their effect on the body's needs for other dietary essentials. * * * In a diet otherwise nutritionally satisfactory, a vegetable fat such as that contained in a margarine can serve adequately in place of butterfat for growth and reproduction, as shown by experiments with eight and more successive generations of rats."

Boer and colleagues¹¹ recently reported on the presence of vaccenic acid in summer butter. They stated that vaccenic acid has growth-promoting properties in rats. Euler and associates,¹² however, reported inability to demonstrate any growth-promoting factor peculiar to butter. Moreover the same authors¹³ in later studies "to characterize the physiological influence on the rat's organism of different fats * * * compared the growth, the fertility, and the longevity of rats, which were reared on a fat nutrition, consisting either of butter or of margarine (fat mixture MW)." They concluded "that the nutritional and physiological value of the slightly varying fat mixtures, which we employed under the designation of MW and which correspond to the margarines manufactured in Sweden during the period from October 1943 to November 1946, is in no way inferior to the value of butter."

Deuel and associates,¹⁴ meanwhile found vegetable fats and margarine equal to or better than butter in supporting augmented growth in two series of tests with rats, based on administration of growth hormone from the anterior lobe of the pituitary body.

PLAN OF STUDY

Two groups of children were included in the study, which covered a period of 2 years. One group received only margarine as the table fat in the diet. It was used on bread and vegetables, as well as in the making of pastry and in frying. Fortified margarine was supplied by a number of the various companies now manufacturing the product and was the same as that sold to the public. The margarine used was all derived from vegetable fats, and contained no fat from animal sources. The second group of children used only butter for the same purposes.

The margarine group lived in an institution housing 130 children ranging in age from 3 to 16 years. The children were half-orphans, for the most part, from broken homes. They attended the neighborhood schools and returned to the institution for lunch. Samplings also indicated that the children were served margarine on their occasional visits to families outside the institution.

The butter group was in another institution some 10 miles (16 kilometers) away. It included 125 children ranging in age from 6 to 17 years, who were mostly orphans.

⁹ Deuel, H. J., Jr.: The Butter-Margarine Controversy, *Science* 103: 183, February 15, 1946.

¹⁰ Cowgill, G. R.: Relative Nutritive Values of Animal and Vegetable Fats, *Physiol. Rev.* 25: 684, October 1945.

¹¹ Boer, J.; Jansen, B. C. P., and Kentle, A.: On the Growth-Promoting Factor for Rats Present in Summer Butter, *J. Nutrition* 33: 339, March 1947. Boer, J.; Jansen, B. C. P.; Kentle, A., and Knol, H. W.: The Growth-Promoting Action of Vaccenic Acid, *ibid.* 33: 359, March 1947.

¹² von Euler, B.; von Euler, H., and Saberg, I.: Zur Kenntnis des Nährwertes verschiedener Fette, *Die Ernährung* 7: 65, 1942; Versuche über die Nahrungsfaktoren der Butter, *ibid.* 8: 257, 1943.

¹³ von Euler, B., and von Euler, H.: Biological Facts on Vaccenic Acid, *Ark. f. kemi, mimer. o. geol.*, June 1947, vol. 25B, no. 2.

¹⁴ Deuel, H. J., Jr.; Hendrick, C., and Crockett, M. E.: Studies on the Comparative Nutritive Values of Fats: VII, Growth Rate with Restricted Calories and on Injection of the Growth Hormone, *J. Nutrition* 31: 787, June 1946.

The diet in each institution was carefully supervised by trained dietitians and so regulated that 25 to 30 percent of the total calories were supplied by fat. The margarine constituted approximately 65 to 70 percent of the total fat calories.

All of the children in both groups were weighed and measured each month under medical supervision. A careful check was made from time to time to be sure that weights and measurements were accurately determined. Routine red-blood-cell counts and hemoglobin determinations were made on each child after the study was started and again 1 year later. Specialists in pediatrics supervised the medical care of all the children. A record was kept of the character and duration of all illnesses contracted by the children.

RESULTS

At the close of the study more than 200 records were available for analysis in the margarine group. Because of the turn-over in the institution, the period of study was not uniform and ranged from about a month to a maximum of 24 months. In the butter group there were about 150 records available, ranging up to 24 months' observation time on weight, height, red blood count, hemoglobin, and illnesses.

It was found that those children who stayed a very short time had extreme irregularities in weight gains. Since it would serve no useful purpose, and only increase the margin of error in the computations, all those records of children who were studied less than 6 months were discarded. About 40 in each group were so eliminated, leaving 160 records in the margarine group and 107 in the butter group.

Blood studies.—There were 65 children in the margarine group and 85 in the butter group from whose records differences in erythrocyte count and hemoglobin could be computed. At the beginning of the study there was an average red-cell count of 4,284,000 in the margarine group, the lowest being 3,710,000 and the highest 4,870,000. One year later the average was 4,198,000, the low 3,440,000 and the high 5,560,000. Comparable figures for the butter group were as follows: At the beginning the average red-blood-cell count was 4,629,000; low, 3,040,000; high, 5,640,000; 1 year later the average was 4,640,000; low, 3,920,000; and high, 5,560,000.

In the margarine group the average hemoglobin was 13.7 grams per hundred cubic centimeters, with a low of 11.3 and a high of 16.6. One year later the figures were 13.4, 10.5, and 18.6, respectively. For the butter group, at the beginning of the study the hemoglobin figures were: Average, 15.4 grams; low, 13.8; and high, 17.9. One year later the findings were: Average, 15.3; low, 12.4; and high, 17.5.

All these figures are within normal limits in our clinical experience. Moreover, according to Osgood and Baker,¹⁵ there is an average of 12 grams of hemoglobin, ranging from 10 to 14 grams in the blood of normal children from 4 to 13 years of age. Griffith and Mitchell¹⁶ stated that the red-blood-cell count remains at about 4,500,000 to 5,000,000 throughout childhood. Hence, it would appear that the blood-cell counts in both institutions were in line with counts found in similar groups of children. Furthermore, any variations which occurred were well within the usual errors in making hemoglobin and red-blood-cell determinations.

Height and weight.—All the records contained data on weight in pounds and ounces and height in inches. Gains in weight and height are partly a function of time, so a further adjustment had to be made to facilitate valid comparison. The basis of exactly 1 year was used for standardization. The period of the greatest majority of the cases was over a year. Since this means that the majority had to be reduced in value to be standardized, chance errors tend to be reduced as well.

An analysis of the total cases in each group is shown in tables 1 and 2. Average annual weight and height gains for boys and girls are shown. For additional comparison, the average gains for standard height-weight tables are included under the column headed "Standard."

Since changes in weight and height are also a function of age, only groups of like age are compared.

The standard error is appended to each value in the margarine group, and comparable value in the butter group. For a test of statistical significance at the

¹⁵ Osgood, E. E., and Baker, R. L.: Erythrocyte, Hemoglobin, Cell Volume and Color, Volume and Saturation Index Standards for Normal Children of School Age, *Am. J. Dis. Child.* 50: 343, August 1935.

¹⁶ Griffith, J. P. C., and Mitchell, A. G.: *The Diseases of Infants and Children*, ed. 2, Philadelphia, W. B. Saunders Co., 1937, p. 38.

5-percent level, the difference between two comparable entries in the margarine and standard columns must be greater than twice the standard error. For instance, on the first line in table 1, under "Boys," in the column headed "Margarine," the average yearly gain in weight was 6.7 pounds (3,039 grams) with a standard error of 0.6 pound (272.2 grams). Twice 0.6 is 1.2, which, added to 6.7, gives 7.9 pounds (3,583.4 grams). The average gain in the standard column is 7.2 pounds (3,265.9 grams), well within the range of the standard error, and the difference is, therefore, not statistically significant.

TABLE 1.—Average yearly gain in weight (in pounds) for children observed at least 6 months

Age, years	Boys			Girls		
	Margarine	Butter	Standard	Margarine	Butter	Standard
All (2-15).....	6.7±0.6		7.2	7.4±0.6		6.9
All (6-17).....		7.9	7.9		5.9	7.1
6-13.....	7.2±0.7	8.8±0.9	7.5	8.9±0.7	7.2±1.0	8.0
2-5.....	4.2±0.3		5.2	3.9±0.4		4.6
6-9.....	5.3±0.5	7.1±2.2	5.5	7.5±0.5	8.3±1.7	6.2
10-13.....	12.3±1.7	9.4±1.0	9.5	10.6±1.3	7.1±1.1	9.7
14-17.....		6.6	8.7		3.4	5.2

TABLE 2.—Average yearly gain in height (in inches) for children observed at least 6 months

Age, years	Boys			Girls		
	Margarine	Butter	Standard	Margarine	Butter	Standard
All (2 to 15).....	2.2±0.1		2.3	2.1±0.1		2.2
All (6 to 17).....		1.5	1.8		1.0	1.7
6 to 13.....	2.0±0.1	2.1±0.1	2.1	2.0±0.1	1.2±0.1	2.1
2 to 5.....	2.5±0.1		3.0	2.3±0.1		2.7
6 to 9.....	1.9±0.1	1.9±0.2	2.0	2.1±0.1	1.5±0.3	2.2
10 to 13.....	2.2±0.2	2.2±0.2	2.2	2.0±0.1	1.2±0.1	2.0
14 to 17.....		0.7	1.2		0.4	1.0

For a test of significance between a margarine and butter value the formula

$$\sigma_{\bar{x}_1 - \bar{x}_2} = \sqrt{\frac{\sigma^2}{x_1} + \frac{\sigma^2}{x_2}}$$

is used. In only 3 cases does it seem necessary to perform this test. This is in table 1, under "Boys," ages 6-13 and ages 6-9, and table 3, under "Boys," 6-9 years of age. In none of these cases was the difference found significant.

In both table 1 and table 2 all average gains in the margarine group were at least as great (including the standard error) as the gain in either the butter group or a standard group, with two exceptions. These exceptions were in the 2- to 5-year age groups. This is due to the fact that the average age in this particular group in the margarine study was greater than the midvalue of the group. In fact, there were only one boy and one girl 2 years old included in the study.

It is believed that the adjustment of all the values to an annual basis is accurate. However, to eliminate doubt as to the validity of the method, comparisons were made using only those subjects who were observed for the maximum time. There were 51 children in the margarine group who were studied the maximum time of 24 months. In the butter group there were 53 under observation for the maximum 24 months.

Again the values were reduced to an annual average gain, going far to reduce chance errors, since all values were practically halved. Tables 3 and 4 exhibit the data.

In only one case, the 2-5 year age group in the boys, in table 4, is the comparison unfavorable. In all other combinations margarine shows up as at least as efficient a source of fat for growth as butter in the normal diet.

TABLE 3.—Average yearly gain in weight (in pounds) in children observed 24 months

Age, years	Boys			Girls		
	Margarine	Butter	Standard	Margarine	Butter	Standard
All (2 to 15).....	6.7±0.9	.....	7.2	8.2±1.0	.....	6.9
All (6 to 17).....	.....	8.1	7.9	.....	6.3	7.1
6 to 13.....	7.4±1.2	8.7±1.2	7.5	9.5±1.1	8.3±1.2	8.0
2 to 5.....	4.6±0.5	.....	5.2	4.0±0.4	.....	4.6
6 to 9.....	5.1±0.6	6.7±2.3	5.5	8.3±1.1	.....	6.2
10 to 13.....	12.2±2.4	9.4±1.3	9.5	11.0±1.7	8.3±1.2	9.7
14 to 17.....	.....	7.0	8.7	.....	0.7	5.2

COMMENT

It is evident from the tables that growth of the group fed margarine, as determined by increases in height and weight, was comparable to that of the children fed butter and to standard height and weight values for the same age group.

TABLE 4.—Average yearly gain in height (in inches) in children observed 24 months

Age, years	Boys			Girls		
	Margarine	Butter	Standard	Margarine	Butter	Standard
All (2 to 15).....	2.2±0.2	.....	2.3	2.2±0.2	.....	2.2
All (6 to 17).....	.....	1.6	1.8	.....	0.9	1.7
6 to 13.....	2.1±0.3	2.2±0.2	2.1	2.2±0.2	1.2±0.2	2.1
2 to 5.....	2.5±0.1	.....	3.0	2.5±0.1	.....	2.7
6 to 9.....	2.0±0.4	2.0±0.1	2.0	2.4±0.2	.....	2.2
10 to 13.....	2.3±0.3	2.2±0.2	2.2	2.0±0.2	1.2±0.2	2.0
14 to 17.....	.....	0.7	1.2	.....	0.1	1.0

Furthermore, it was noted that in the margarine group there was no increase in the amount of illness. Illnesses in general had been on the decline in the margarine group for the last 4 or 5 years, and this decrease in the incidence of illness continued during the period of the study. This compares with conditions present in the community for the last 5 years.

It was interesting to observe how the children accepted margarine. When it first made its appearance on the table—in its white form—and the study was explained to the children, the younger children promptly accepted it. The children in the older age group did not take to it too kindly. Very shortly thereafter, however, a shipment of colored margarine came in. This was cut up into the usual pats and all the children then ate it readily and liberally. Thereafter it was always served cut in pats and colored.

At no time during the period of the study was it considered that vitamin A played any definite role in the results of the study. The reason, of course, is that all the margarine used contained 15,000 units of vitamin A per pound—which is equal to or greater than the amount present in average butter.

Blood studies showed that there were no significant differences between the margarine or butter groups.

The children in the margarine group experienced a high degree of good health during the study, and in comparing their health to that of the butter group it appears to have been much better.

When infirmary records are compared it is readily seen that the margarine group fared much better than the butter group. We are not making any claims that the margarine group were healthier simply because their diet contained margarine. Other variables are more likely to account for their better health.

At no time during the course of the study did either institution experience any type of epidemic, and no doubt this may in part be due to the fact that both institutions practiced accepted preventive measures on all their children.

CONCLUSIONS

Growing children experience normal growth in height and weight when their diets contain only fortified margarine as table fat, as shown by comparison with children fed on similar diets with butter as the source of table fat and by comparison with standard height and weight tables.

TABLE 5.—*Group total and average yearly gains in weight (pounds) and height (inches) ; children observed at least 6 months*

Age, years	Margarine group			Butter group		
	Number of children	Weight	Height	Number of children	Weight	Height
2 to 5.....	45	182.389	106.784	.....	.....	.....
6 to 9.....	71	439.368	139.446	13	96.872	23.332
10 to 13.....	41	462.620	86.432	53	440.173	90.510
14 to 15.....	3	43.121	6.878	.....	.....	.....
14 to 17.....	.....	.....	.....	41	223.328	25.299
Total.....	160	1,127.408	339,540	107	760.373	139,141
Average.....	.....	7.047	2.122	.....	7.106	1.300

Whether the greater part of the fat of the diet is derived from vegetable or animal sources has no effect on growth and health as shown by changes in height and weight and health records of children observed over a 2-year period.

During a 2-year period the health of 267 children was uniformly good so far as serious illness is concerned, regardless of whether margarine or butter was the source of the greater part of the fat in the diet.

TABLE 6.—*Group total and average yearly gains, by sex, in weight (pounds) and height (inches) : children observed at least 6 months*

Age, years	Boys			Girls		
	Number of children	Weight	Height	Number of children	Weight	Height
Margarine group:						
2 to 5.....	24	101.080	59.171	21	81.311	47.614
6 to 9.....	41	215.701	77.800	30	223.667	61.647
10 to 13.....	16	197.327	35.600	25	265.290	50.833
14 to 15.....	2	42.273	6.878	1	0.848	.....
Total.....	83	556.381	179.449	77	571.116	160.094
Average.....	.....	6.703	2.162	.....	7.417	2.079
Butter group:						
6 to 9.....	0	63.793	17.294	4	33.079	6.038
10 to 13.....	28	263.559	60.935	25	176.614	29.576
14 to 17.....	26	172.504	18.800	15	50.824	6.499
Total.....	63	499.856	97.029	44	260.517	42,113
Average.....	.....	7.934	1.640	.....	5.921	0.957

If there is a growth factor present in butter which is not present in margarine, there is no evidence in the present study that such a factor plays any important part in the growth of children as determined by increases in height and weight.

Margarine is a good source of table fat in growing children, as determined by a 2-year study. Children readily accept margarine as a table spread when it is colored and served in pats.

The CHAIRMAN. Dr. Carlson is on the list of witnesses.

Mr. RIVERS. They adequately show where growing children using margarine alone in their diet for all and every conceivable purpose in which fat is necessary, have no difference from butter, and certainly the growing features are equal to that of butter.

Now, if the converse of the present condition were true today, and no tax existed on margarine, Mr. Chairman, it would be difficult to imagine a condition giving an excuse to tax margarine today, because of the many great strides that have been made as the result of the manufacturers' desire to make this a good product. If any were taxed, it would be butter, because butter today is a luxury. People cannot afford it. The 40,000,000 households today which use margarine could not afford to get butter.

Margarine is eaten today because of desire and of necessity, because of the high price of butter, which has made it a luxury. Over 700,000,000 pounds of margarine were used last year, and of the 40,000,000 households, approximately over 13,000 man and woman years of labor were used in the mixing of it and I contribute to that, because I have mixed a sizable amount myself.

That 13,000 years could well have been used to the other necessities that exist in this high and inflated society.

Now, the American housewife today pleads, Mr. Chairman and members of this committee, as well as demands, that the tax on margarine, the un-American tax be removed. From the planting of the seed of the corn, the peanut, the soy and the cotton to the ultimate finished product, there is a tax of from one-quarter of 1 percent or whatever the tax is to 15 cents a pound for no rhyme or reason, and in addition to that there are hidden costs by virtue of the virtual sword of Damocles that hangs over the heads of every manufacturer, wholesaler, or retailer of margarine, because of the punitive Federal statutes, which cause untold cost to keep books to deliver this finished product to the housewife, every conceivable concoction is conceived to render it almost impossible to deliver a product to the housewife.

Before the House committee I referred to this tax as a tribute and as a ransom. I will not refer to it here, because the Senate, by a vote, has seen fit to refer to this as a tax, giving you jurisdiction, and at that point I am glad to note that this distinguished committee has jurisdiction on this subject matter.

Now, Mr. Chairman, in closing, I want to say this: Our body has spoken unmistakably on this subject, answering the plea and the demand of the housewife. I know that you will do likewise, and your body will follow your decision.

I am honored to be here, and I am very grateful for this opportunity.

The CHAIRMAN. We are glad to have you here. Thank you.

Mr. RIVERS. I will submit to any questions.

Senator BARKLEY. At the beginning of your statement, referring to the tariff taxes, you said the present tax, I understood, was 7 cents under the Geneva agreement.

Mr. RIVERS. I think that is right.

Senator BARKLEY. But the tax on the section 22 was 15 cents, the tariff. It sounded like a discrepancy between the two figures, sir. It may not be vital. What are the facts about it?

Mr. RIVERS. I think that the 15 cents is on imported margarine, and then there is the Geneva agreement which imposes a tax, I think it is, of 7 cents, in addition to that. In the treaty which the Senate approved with the Philippines I think it exempted coconut oils, which in some cases are used; virtually now margarine is made from just about 100 percent American oils, but I believe in the Philippine

agreement I have that in my files, I did not bring it this morning, but I procured that from the State Department, they are free. I think it is some kind of a reciprocal agreement.

The CHAIRMAN. Senator Fulbright, will you see that we get the statistics on imports of oleomargarine and constituent materials?

Senator FULBRIGHT. Yes, sir.

(The following was later submitted for the record:)

Imports of margarine and principal ingredients, 1930-47

Year	Margarine (1,000 pounds) ¹	Cottonseed oil, crude basis (1,000 pounds) ²	Soybean oil, crude basis (1,000 pounds) ³
1930.....	2	(⁴)	8,348
1.....	2	1	4,910
2.....	1	0	405
3.....	0	0	3,609
4.....	1	9,157	2,829
5.....	83	166,687	14,248
6.....	726	130,310	7,187
7.....	2,462	207,050	29,752
8.....	2,295	83,330	4,258
9.....	2,609	31,617	4,121
1940.....	1,764	12,837	4,849
1.....	2,522	25,398	759
2.....	983	9,002	0
3.....	1	13,114	0
4.....	0	10,357	(⁵) 0
5.....	0	33,499	0
6.....	8	0	0
7.....	146	977	71

¹ Source: Bureau of Foreign and Domestic Commerce.

² In 1947, contributed 63.1 percent of margarine oil ingredients. Source of data: Bureau of Internal Revenue.

³ In 1947, contributed 37.5 percent of margarine oil ingredients. Source: Same.

⁴ Less than 500 pounds.

⁵ Imported mostly into Virgin Islands and Puerto Rico.

NOTE.—Other ingredients, 1947: Peanut oil, 2.9 percent; coconut oil, 3.5 percent; corn oil, 1.1 percent; oleo oil, 0.6 percent; neutral lard, 0.5 percent; monostearine, 0.1 percent.

Senator BARKLEY. Do you have any figures as to the comparative consumption of margarine and butter?

Mr. RIVERS. I think butter is about three times as much, either twice or three times as much butter sold.

Senator BARKLEY. Twice or three times as much butter as margarine?

Mr. RIVERS. I do not know, sir. You cannot sell a pound of margarine to the armed services.

Senator BARKLEY. I wondered if you knew the comparative pounds of consumption between the two.

Mr. RIVERS. Margarine is, I think, over 700,000,000 pounds last year, and I think it was between 1 and 2 billion pounds of butter?

Senator BARKLEY. The price of margarine being less than half of the price of butter, and according to your view equally nutrient and desirable as a food, why has not the consumption of oleomargarine caught up with that of butter?

Mr. RIVERS. There are many factors, Senator. The majority of the spread which was used by the housewives of this Nation last year was margarine, but the majority of the spread used by the consuming public throughout was butter. A great portion of that was in the armed forces, a great portion I imagine in the restaurants and other places.

But the majority of the spread used by the housewives of the Nation was margarine.

Of course, as you observed a while ago, I am glad to see that in some instances they can mix it on the way home. Many things have been devised to do that.

Senator BARKLEY. I do not want that remark to be taken seriously, but I guess it is a simple process. They could stop on the way home and mix it so it would look like butter when they got there.

Mr. RIVERS. I shave on my way to the office sometimes. We have many little things which make it convenient now.

The CHAIRMAN. Let the record show that Senator Johnston of South Carolina is here. Do you wish to ask any questions?

Senator JOHNSTON. I do not. I have the figures that you are asking for. I put them in the Congressional Record in my last speech on this oleomargarine question. I will put them in. I decided I would not burden the committee with testimony because of the fact that this subject has been thoroughly explored over a long period of time. Instead, with your permission, I will offer a statement for the record.

The CHAIRMAN. We will be glad to have it. Senator Fulbright has undoubtedly taken note of what you just said and it will facilitate his supplying the material.

Senator JOHNSTON. I am speaking about the question that the Senator from Kentucky talked about, the amount of butter and oleomargarine used in the United States. In my last speech on this subject I put into the record the amount of pounds.

(The statement referred to is as follows:)

STATEMENT OF SENATOR OLIN D. JOHNSTON BEFORE THE SENATE FINANCE COMMITTEE OF MAY 17, 1948, ON THE RIVERS BILL, H. R. 2245, A BILL TO REPEAL THE TAXES ON OLEOMARGARINE

Mr. Chairman and gentlemen of the committee, I appreciate the opportunity of making a statement before you in connection with your consideration of the Rivers bill for the repeal of taxes on margarine.

It is unnecessary for me to point out how gratified I was at the reference of this bill to your committee. We actively sought such reference on the floor of the Senate. I further appreciate the publicly announced promise of the distinguished and able chairman to the effect that this bill will be reported expeditiously to the Senate for final action.

The action taken by the House is especially encouraging to those of us who have long urged the abolition of these discriminatory, unjust, and outmoded anti-margarine statutes. Not only does it indicate that a majority of the Members of the House favor a change in the antimargarine laws, but it offers, at long last, an opportunity for the Senate to vote on the matter.

My purpose today is to urge the committee—whatever their personal preference may be on the margarine question—that at the very least the Senate is given an opportunity for a clear-cut discussion and vote on the question of repealing the antimargarine laws.

We have never had, as I have already pointed out, such an opportunity before. I think we are entitled to that opportunity. I think the farmers of this country, in 44 of our 48 States, who grow the ingredients of margarine, are entitled to it. And I believe we owe it to the consumers of this country to let the Senate express itself on this matter. I think the case for margarine tax repeal is overwhelming. I know of no other current issue on which there is so much to be said for one side and so little for the other. I know of no law on our statute books which so unjustly discriminates against one American product in favor of another; against one group of American farmers in favor of another; and against one healthful food essential to the nutrition of many of our low-income people in favor of another healthful food which, because of its price, is now available in quantity only to our high-income groups.

I am especially hopeful that the cause of margarine tax repeal will be made a bipartisan one in this body as it was in the House that the Republican leadership will join with the Democratic leadership in support of repeal. This should never have been a party issue. The farmers who grow the ingredients of margarine are both Republican and Democrat. The growers, as I stated, live both in Republican-dominated States, and in Democratic-dominated States, both in the North and in the South. The grocers who sell it, the consumers who buy it, the housewives who are compelled, in effect, to mix the color into it, are both Republicans and Democrats, and the Federal antimargarine laws discriminate against them all without regard to party affiliation.

I am confident, if the Senate is permitted to discuss the question of margarine-tax repeal without the intrusion of the other issues which have always been present in past efforts to repeal these laws, that the outcome will be decisively in favor of repeal.

The fact that this body, by identical votes of 45 to 33, decided against the Fulbright and Maybank margarine-tax-repeal amendments to the income-tax bill is immaterial. That was not a vote on the merits of margarine-tax repeal alone; it was also a vote on the wisdom of incorporating in an income-tax measure an amendment to repeal excise taxes. I am confident that a number of Senators who opposed the Fulbright and Maybank amendments are in favor of repeal of the Federal antimargarine laws. I believe that this will be abundantly established when, and if, the Senate is permitted to vote on the question.

I have long championed repeal of these oppressive, undemocratic laws. In March 1947 I introduced a bill (S. 985) for the purpose. The crux of this whole controversy, it seems to me, is the contention of the butter proponents that butter has some unique right to the use of the color yellow and that margarine, if it uses that color, should be required to pay an impost of 10 cents a pound. This extraordinary claim, which has been accepted in our Federal statutes since 1902, is unique. No other food, no other American product has ever before claimed a monopoly on color.

The butter argument runs like this: The natural color of butter is yellow; artificial coloring is added to butter, but only to enhance this so-called natural color, not for the purposes of deception. The natural color of margarine is white, and yellow coloring is added only to make it look like butter and thus to deceive the public. Thus speak the butter champions.

Let us examine this argument carefully. In the first place, if the butter argument is correct, then margarine producers should be prohibited from using yellow at all, since yellow margarine presumably deceives the public. Outright prohibition of yellow margarine, not a 10-cent tax on it would be the logical solution.

But, of course, the butter argument on color is a most flimsy one. Yellow is the natural color of butter only part of the time. Butter's color varies from white to pale yellow to deep yellow. There has even been butter, the famous old Goshen butter of Pennsylvania, which had a reddish hue. Sometimes, depending upon the breed of the cow and its feed, butter is as white as the most thoroughly bleached margarine.

Notice that I said "bleached margarine." For one of the ironies of our tax on yellow margarine is that the natural yellow color of margarine has to be bleached from it or the product is subject to the 10-cents-per-pound Federal tax.

The reason, of course, that margarine manufacturers want to color their product yellow is the same as the reason that creameries add yellow coloring to butter—to meet consumer preferences.

Butter is the only product which claims a preemptive right to any color. Lard could claim a right to white to the exclusion of the vegetable cooking compounds. Cotton could try to prevent rayon and other synthetic fibers from using the colors which cotton used before its competitors came upon the market.

After all, the essence of competition is imitation in one form or another. If we tax one product because it resembles another and because it is used for the same purposes, we will destroy our competitive system. The butter people say that the tax on yellow margarine is necessary to prevent fraud. Since the pure food and drug laws are considered sufficient to prevent fraud in the case of other food products, it obviously is absurd to say they will not prevent fraud in the case of margarine.

Of course, no law was ever written which could not be violated.

I do not believe that any American industry has a right to the discriminatory protection against another that has been given butter over margarine. But, leaving aside the question whether such discrimination is just or wise, let us

meet the dairy argument on its own grounds. They defend the antimargarine laws because they say they are needed for the protection of dairy farmers.

Have they protected dairy farmers? More specifically, have they protected for farmers who depend upon butter for their livelihood? Let us examine the record.

During the past 50 years, under the protection of the antimargarine laws, butter has been reduced from a major factor in the dairy industry to a decidedly minor one. In 1901, the year preceding the passage by Congress of the most restrictive of the antimargarine laws—the 10-cent tax on every pound of yellow margarine—per capita consumption of butter was 19.9 pounds. In 1947, it was only 11.2 pounds.

In the 10 years between 1936 and 1946, total butter production, including both creamery and farm manufacture, declined from 2,131,000,000 pounds to 1,500,000,000 pounds. This is a reduction of approximately 29 percent. During the same 10 years, total milk production, for all purposes including butter, increased from 102,410,000,000 pounds in 1936 to 120,276,000,000 pounds in 1946. So we see that while there was more milk available for butter manufacture, the percentage of this milk made into butter during these 10 years decreased approximately one-fifth.

The disappearance of more than 600,000,000 pounds of butter from the market during these 10 years is especially significant because prices for butterfat rose fairly steadily. As a matter of fact, farmers received \$548,000,000 from the sale of butterfat at inflated 1946 prices compared to \$420,000,000 from the sale of a much larger amount in 1936. But, whereas in 1936 this income from butter was 29.5 percent of the total dairy income; in 1946, it amounted to only 14.7 percent. These facts indicate the chief reason for reduced butter production: It has been much more profitable generally for dairy farmers to sell their product as fluid milk and for whole milk purposes than to sell it for butter manufacture.

But it is not margarine that is driving butter out of the market. Margarine has not occupied that portion of the market vacated by butter which would have occurred if this were the big reason for the drop in butter consumption.

In 1946 margarine per capita consumption was 3.8 pounds, one of the highest on record, yet this represented an increase of only eight-tenths of 1 pound per capita since 1936. During this 10-year stretch butter consumption dropped 5.9 pounds.

The public, on an average, bought about 6 pounds less butter per capita in 1946 than in 1936, but this definite nutritional gap was not filled with a corresponding increase in margarine purchases.

Surely we cannot say that if margarine had been unrestricted, if it had had free access to the market place, more of the gap, or all of it, would not have been filled, to the definite nutritional gain of the American people. For no one today challenges the healthful qualities of margarine.

But even if this happy situation had transpired, it could not be said that margarine drove butter from the market. It is evident that butter has taken itself out of the market. The cost of producing butter is high by comparison with the more profitable uses of milk. Butter must be sold at a comparatively high price to meet the cost of production. These are the reasons for dollar butter and the loss by the butter industry of approximately 40 percent of the market which it had 10 years ago.

This, then, is what has happened to butter and to the income of farmers who depend upon butter for their livelihood under the alleged protection of the Federal antimargarine laws.

But repeatedly the butter lobby has claimed that if the Federal taxes on margarine were repealed it would disrupt the whole dairy industry and have other adverse effects on the national economy and health apparently in this way.

Margarine would become distinctly competitive with butter, forcing butter prices, which largely control the prices of dairy products, to fall to low levels. Milk prices would likewise fall. This would result in curtailment of the production of milk. The dairy farmer would reduce his herds of dairy cattle, losing considerable income, and perhaps many dairy farmers would be driven out of the dairy business. This would also force a shift from livestock toward field crops, which would result in soil erosion. National nutrition would also suffer as a result of the decline in milk production.

Assuming, however, that butter prices would be forced down competitively by expanded margarine production, there is no reason why this should affect the price of other dairy products. It is true that in many sections of the country the price of fluid milk is set by formula and depends in part upon butter prices. But

there is no necessity for this. It is the result of a situation that once existed—when butter production was greater and more profitable as compared with the sale of milk for other purposes—but that no longer exists today. Butter today is a dwindling industry. Its production has fallen fairly steadily for 10 years. It is the least profitable of all the milk outlets. There is no reason why some other milk product should not become the industry's price stabilizer. Many dairy farmers realize this and complain of the continuance of butter as a price fixer for the industry. The report in September 1947 of the Boston Milkshed Pricing Committee, which was composed of a number of outstanding dairy economists, recommended the abandonment of the butter formula for setting fluid milk prices in the Boston market.

It seems clear today that butter is no longer a desirable price stabilizer for milk products.

Moreover, butter is not the most satisfactory outlet for so-called seasonal surpluses of milk—or depression surpluses. The new dried whole milk industry and the greater expanded evaporated and condensed milk and ice-cream industries offer more profitable outlets for so-called surpluses of fluid milk.

No evidence is given that repeal would result in the curtailment of milk production, and little can be found, because the more butter produced the less fluid milk is available; and the less butter the more fluid milk. The reduction of butter production and the increase in fluid milk and whole milk use means more income for the dairy industry as a whole.

Since the milk which did not go into butter would go into fluid and whole milk channels, there would be no need for reducing the number of dairy cattle.

If a decline in milk production occurred, national nutrition would suffer. But an expansion of fluid milk production would be the more likely consequence—if margarin competition were sufficient to effect a decline in butter production, and that is a large "if." The diversion of milk from butter to fluid and whole milk uses is actually to the nutritional interest since these outlets, unlike butter, utilize all the nutrients of milk.

The other reasons which have been given over the years to justify this discriminatory, un-American legislation are merely rationalizations for this real purpose of protection—which, as we have seen, does not protect. Most of them are so patently false today that they deserve little consideration by serious-minded men. However, because they have been repeated so often, I think we must discuss them briefly.

I do not need to tell the committee in detail about the interest which the cotton farmers and the soybean farmers have in this issue. The cotton producers have been discriminated against for years and this discrimination has cost them millions upon millions of dollars. In market value cottonseed oil is more important than the three other products of cottonseed, meal, linters, and hulls combined. Ordinarily oil provides more than 55 percent of the market value of all four products, and for the first 9 months of 1947 margarine alone took 32.5 percent of all the cottonseed oil consumed in this country and was the biggest single use for the oil.

The price of cottonseed, from which the sharecroppers and other small cotton producers get the bulk of their spendable income, depends primarily on the price of oil. It is all too obvious that the Federal and State restrictions which restrict the use of cottonseed oil are a drop upon price. This matter is of vital importance to the South and the entire Cotton Belt.

Similarly it is of vital importance to the soybean areas which, incidentally, center in the Middle West. Almost as much soybean oil as cottonseed oil is used in the production of margarine and the story is similar to the story of cottonseed.

It also is of vital importance to the consumers of the country and to the housewives who waste time and food in coloring margarine. One can buy margarine a little cheaper if he colors it himself. He can save 10 cents. Is not that ridiculous? A man can buy margarine uncolored, take it home, and let his wife have the trouble of coloring it, to save 10 cents.

Finally, a vital principle is involved, one which transcends any of the other factors which I have mentioned. There is no reason to discriminate against margarine in favor of butter. This wrong is an ancient one, and we should wait no longer to rectify it.

I repeat, therefore, that I hope the Senate Finance Committee will permit this issue to come before us in such a way that Senators may express themselves directly upon it. If we do that, and if the facts are known, I have no fear of the result in this body.

Mr. RIVERS. I will be glad to procure anything you gentlemen desire on anything to which I have referred in this paper.

Senator BARKLEY. Would the price of oleomargarine be materially reduced to the consumer, the housewife, if this tax were removed?

Mr. RIVERS. I do not know, sir. I think it would, but the fact that one food product is taxed for the benefit of another makes it highly un-American, and certainly unfair.

Senator BARKLEY. I am not talking about the money involved.

Mr. RIVERS. I believe it would.

Senator BUTLER. I think the answer to that was given by Mr. Wiggins that the total tax collected amounted to about 1 cent per pound, so it perhaps would be reduced, if you reduced all taxes, the price would be reduced perhaps 1 cent a pound.

Mr. RIVERS. The colored margarine sells for a straight out and out 10 cents a pound higher.

Senator BUTLER. His statement covered all taxes collected.

Mr. RIVERS. Any margarine now that is colored, you pay 10 cents a pound tribute on that.

Senator BARKLEY. So that the 40 cents that you referred to, if that is the price, includes that 10 cents?

Mr. RIVERS. What is that?

Senator BARKLEY. The 40 cents per pound that he referred to?

Mr. RIVERS. No, sir; that is not colored. Colored margarine sells for around 50 cents a pound.

Senator BARKLEY. That part would be reduced by whatever the tax is.

Mr. RIVERS. That is right, sir. I believe you must remember that butter is colored about 8 months out of the year. Winter butter has no color. It is white. The color does not exist in dried food.

Senator BARKLEY. There is no tax on uncolored butter?

Mr. RIVERS. No tax on any creamery product that I know of.

Senator BUTLER. I just wanted to ask the Congressman if he could assure us who come from the butter States that you would not be prosecuting us pretty soon for trying to imitate oleo.

Mr. RIVERS. I do not think the butter industry has any market on colored butter.

Senator BUTLER. You made the statement in your statement, quoting the chemical firm. You gave that long analysis. One statement was to the effect that they included 17.9 percent of milk in order to give it body and favor, and then the balance of the statement lauded the quality of margarine above butter, and I was just a little fearful that maybe the next mess we will find ourselves in would be being prosecuted for trying to imitate margarine.

Mr. RIVERS. I will tell you, sir, in New York State we got some figures on it, and less than 1 percent—and there is not any better dairy products in the Nation than come from New York—of the farmer's income comes from butter. I predict, sir, in all deference to you that the day will come when butter will be a delicacy because there is no money in it, only in a very few States in the Nation. The money is in these people who manipulate the prices. The farmers will make more money off of cream or whole milk and canned milk and for cheeses and for ice cream than they can out of the cream for butter.

Senator Wadsworth told me that he sells 1,500 quarts of milk a day,

and he not only voted for this thing, but has spoken for the removal of this unfair and discriminatory tax.

Senator BUTLER. Butter is only one byproduct of milk.

Mr. RIVERS. Just one, that is right, sir, and I think the day will come when there will be no money in it.

The CHAIRMAN. Thank you.

Mr. RIVERS. Thank you.

The CHAIRMAN. Senator J. William Fulbright, of Arkansas, is the next witness.

STATEMENT OF HON. J. WILLIAM FULBRIGHT, A UNITED STATES SENATOR FROM THE STATE OF ARKANSAS

Senator FULBRIGHT. I have some figures in response I believe to the question of the Senator from Kentucky that last year butter was approximately 1,400,000,000 pounds production; margarine, 725,000,000 pounds.

Mr. Chairman, I testified before this committee some time ago, and I have a statement that I believe is a rather thorough covering of this subject from various angles which I would like to present for the record, and not read. It is quite long.

The CHAIRMAN. We will put that in the record.

Senator FULBRIGHT. I will give my attention this morning to one particular aspect of the problem relating to the question of the possible fraudulent sale of margarine, if that is agreeable to the chairman.

The CHAIRMAN. Proceed.

Senator FULBRIGHT. Before I proceed, just as a matter of interest, regarding that further question, there is one little paragraph I would like to read.

The CHAIRMAN. Is this the statement which you wish incorporated in the record, or another statement?

Senator FULBRIGHT. This one relating to frauds is one I would like to read.

The CHAIRMAN. You will supply the large statement to the reporter.

Senator FULBRIGHT. I will do that. It is practically the same as the one I gave before the committee before.

(The statement referred to is as follows:)

STATEMENT OF SENATOR J. W. FULBRIGHT, BEFORE THE SENATE FINANCE COMMITTEE, MAY 17, 1948

For 62 years the Federal antimargarine laws have been on the statute books.

I do not think it will serve any useful purpose to debate whether they were justified at the time they were first passed in 1886. The argument used was that some such laws were needed to safeguard the public from fraud and to safeguard the health of the public. At that time, margarine was not the nutritious product that it has since become. Even so, the Congress should not have used the taxing power to hit at margarine and could have dealt with the situation more directly by pure-food laws. But the arguments used in 1886, or in 1902 and 1931 when the Federal margarine laws were amended and strengthened, no longer apply. They are relics of a day when there were few or no pure-food laws, when both margarine and butter were frequently manufactured under unsanitary conditions, and when trade practices were not so enlightened or so subject to public regulation and perusal as they are today.

It is not my purpose to review the whole long history of this controversy, but it will be helpful, I think, if we consider briefly exactly what margarine is, the arguments used to justify its drastic regulation—and it is more drastically regulated than any other food product, and the reasons that these arguments have lost today whatever validity they may once have had.

WHAT IS MARGARINE?

Margarine has been made in Europe since the days of Napoleon III, and in the United States since 1874.

The original product was made largely of beef fat which technically is known as oleo oil, hence the name "oleomargarine."

The name oleomargarine, indicating the use of oleo oil, is today a misnomer and its use should be discontinued. Ninety-eight percent of the fats and oils used in margarine today are vegetable, but under the archaic law of 1886 the product must still be labeled officially as oleomargarine. The more accurate name is margarine. It is made almost entirely today of domestic vegetable oils—largely soybean and cottonseed, with small amounts of peanut and corn oil being used.

An official definition and standard of identity was adopted by the United States Food and Drug Administration in 1941 under the Federal Food, Drug and Cosmetic Act of 1938. Under it, margarine has a minimum fat content of 80 percent; the actual average figure for 1947 is slightly more. The standard requires fortified margarine to contain a minimum of 9,000 U. S. P. units of vitamin A per pound. But 99 percent of all margarine now is fortified with 15,000 units of vitamin, the content always being shown on the label. Margarine fortification is endorsed by the American Medical Association and leading nutritionists.

The only basic difference between margarine and butter is that margarine is vegetable fat, butter an animal fat product. They are equally nutritious. Each offers about 3,300 calories per pound. The amount of vitamin A in butter varies according to seasonal and other factors; while in margarine it is maximum and uniform the year round. Both products are equally digestible.

Report after report by medical associations and nutritional scientists declare margarine to be a nutritious, high-quality food.

For example, the report on margarine by the New York Academy of Medicine States:

"From a nutritional viewpoint, when it is fortified with vitamin A in the required amount, oleomargarine is the equal of butter, containing the same amounts of protein, fat, carbohydrates, and calories per unit of weight. Moreover, since the minimum vitamin A content of enriched oleomargarine is fixed, and the amount of this vitamin in butter may range from 500 to 20,000 units per pound, enriched oleomargarine is a more dependable source of vitamin A than is butter. Since it is a cheaper product than butter, fortified oleomargarine constitutes a good vehicle for the distribution of vitamin A and fats to low-income groups and should therefore be made available to them. Under the standards set by the Food and Drug Administration, oleomargarine is as clean and sanitary a food as butter. The two products are likewise equal in digestibility. Their relative palatability is a matter of individual taste."

A report on margarine by the Food and Nutrition Board of the National Research Council states:

"The present available scientific evidence indicates that when fortified margarine is used in place of butter as a source of fat in a mixed diet, no nutritional differences can be observed. Although important differences can be demonstrated between different fats in special experimental diets, these differences are unimportant when a customary mixed diet is used. The above statement can only be made in respect to fortified margarine and it should be emphasized that all margarine should be fortified."

Perhaps the most significant study of the relative nutritional qualities of margarine and butter was that made by three University of Illinois scientists, the results of which were published in the February Journal of the American Medical Association. In my opinion, this study explodes the contention that butter contains some mysterious and highly beneficial growth ingredient not present in margarine.

Three distinguished scientists of the University of Illinois College of Medicine—Drs. Harry Leichenger, George Eisenberg, and Anton J. Carlson—conducted a 2-year study of 217 children in two separate orphanages—one group of which had butter in its diet and the other margarine. This study showed no difference in the effects of the fats on growth and health.

I call your attention to the following conclusions of the three scientists:

"Blood studies showed there were no significant differences between the margarine or butter groups.

"The children in the margarine group experienced a high degree of good health during the study and in comparing their health to those in the butter group it appears to have been much better.

"When infirmity records are compared, it is readily seen that the margarine group fared much better than the butter group. We are not making claims that the margarine group were healthier simply because their diet contained margarine. Other variables are more likely to account for their better health."

In 1886, it was contended that margarine was an unhealthy food and was being sold fraudulently as butter. In 1902, when the original law—which imposed a 2-cent tax on all margarine—was amended to reduce the tax on uncolored margarine and place an almost prohibitive impost on the artificially colored yellow product, the argument was again made that consumers must be protected from fraud. In 1931, when the 10-cent tax was imposed on all yellow margarine—whether artificially or naturally colored—the contention was made that margarine was a foreign product since a great deal of it was then being made from imported palm and coconut oil.

I should like to point out here that the "foreign" argument is of no importance today. More than 95 percent of all margarine is now made of domestic ingredients. This argument is as archaic today as the contention that margarine is an unhealthy food.

Equally invalidated is the contention that the antimargarine laws are needed to protect consumers from the possible fraudulent sale of yellow margarine as butter. There were no pure-food laws when Congress passed the antimargarine law in 1886, and both butter and margarine were sold in bulk, or tub form. Now margarine is sold only in cartons, specifically and properly labeled.

Nowadays the Federal pure-food laws and similar pure-food laws in 47 of the 48 States guarantee the proper labeling and standard of purity of food products, including margarine, thus adequately protecting consumers. There are also, of course, criminal statutes in every State against fraud and misrepresentation.

Of course, no law was ever passed which would prevent lawless men from breaking it. But few risks were ever so well guarded against as the possibility that margarine would be sold fraudulently to any widespread extent if these discriminatory taxes were repealed. If we have any doubts on that score, however, there is no reason why we cannot further strengthen the already extensive labeling and marketing requirements to achieve even greater safeguards. I am sure many Members would agree to the general principle that direct legislation of this sort is preferable to the use of the taxing power of the Government to accomplish a similar purpose indirectly.

A dairy organization cites six cases of the fraudulent sale of margarine as butter. This record actually shows there is little danger of fraud. The cases represent the isolated actions of a very few individuals over a period of 20 or 30 years. The amount of margarine involved was infinitesimal by comparison with the amount of the product which was manufactured. The records of judgments under the Federal Food, Drug, and Cosmetic Act, published by the Food and Drug Administration, show that from 1930 through 1947 butter was seized for various violations 2,292 times; margarine only 21 times during this period. In only 2 cases was margarine seized for contamination, filth, addition of foreign matter, decomposition, or similar reasons. Butter was so seized in 652 cases. Margarine's few seizures under the Food and Drug Administration have been mainly because of slightly less than 80 percent fat content.

During the period mentioned butter volume was 4 to 5 times that of margarine. But the seizures were at a ratio for butter of 100 to 1 for margarine.

In this connection, only butter is exempt from certain labeling requirements of the Federal Food, Drug, and Cosmetic Act. The artificial color may be, and is, added without stating this fact on the label. Special dairy interests that put through the legislation on margarine were able to prevent butter from having to be accurately labeled. Likewise, the label states no grade or other value by which the contents—a pound of butter—may be judged by the consumer. Furthermore, much butter is artificially flavored without so stating on the label.

I think it should be made clear here, so that there may be no concern on the point, that no responsible margarine manufacturer or distributor of margarine—no proponent of repeal of these discriminatory tax laws—is opposed to the labeling and marking provisions of the pure-food laws. Margarine wants to be known as margarine, labeled as margarine, sold as margarine. I am afraid some spokesmen for the butter interests have conjured up a specter of "fear" on this particular issue that is almost as fraudulent as the thing they say they want to prevent.

Closely allied with the contention that these Federal margarine taxes are necessary to prevent the widespread fraudulent sale of yellow margarine as butter is the claim of the proponents of these laws that butter has some kind of preemptive

right to the use of yellow. Indeed, in 1902, when the tax of 10 cents a pound was laid against yellow margarine, the claim was freely made that yellow was butter's color, and the tax was actually justified as a kind of impost imposed for the use of that color.

Representative Wadsworth, of New York, chairman of the House Agriculture Committee, answered this contention when it was first made with a clarity and cogency that seems to me still convincing:

"If that claim is right," he asked, "what shade of yellow is it (butter) entitled to. It is only in the months of May and June—and I speak as a practical butter maker myself when I make the assertion—that creamery butter, and that, of course, is the butter of commerce, has a decided yellow color or tint, and that color disappears entirely, or almost so, when the fall and winter sets in * * *.

"I deny that butter has the copyright, patent right, or any other right to any particular color, whether yellow or otherwise * * *. If coloring oleomargarine helps to perpetrate a fraud, then the coloring of butter is actually a fraud, because it makes the consumer believe, and necessarily, that fall or winter, or white butter of any season of the year, is June butter, which is generally considered the best."

I hope that even those who contend that the antimargarine laws should be continued will not deny that modern margarine is a nutritious and high-quality food, equal in every respect to the butter product.

HOW THE ANTIMARGARINE LAWS PENALIZE MARGARINE

Why, then, does the Federal Government impose the following taxes and license fees on margarine?

	Colored modern margarine	Uncolored modern margarine
Excise taxes.....	10 cents per pound	14-cent per pound.
Manufacturers' license fees.....	\$600 per year.....	\$600 per year.
Wholesalers' license fees.....	\$489 per year.....	\$200 per year.
Retailers' license fees.....	\$48 per year.....	\$6 per year.

In addition, Federal Regulation No. 9, promulgated and enforced by the Bureau of Internal Revenue, imposes very burdensome restrictions on those engaged in the manufacture and distribution of margarine.

The law imposing the \$600 tax on manufacture of colored margarine has been interpreted to mean that private hospitals, private charitable institutions, public eating places, and others which buy and color margarine must pay the yearly manufacturers' license fee of \$600 plus the 10-cents-per-pound tax.

WHY WERE THOSE LAWS ENACTED?

There are, of course, no sound reasons for the imposition of these taxes and license fees on margarine.

Both margarine and butter are colored yellow to meet food habits. We are accustomed to yellow table spreads just as we are used to white milk. We would look with distaste upon green milk—though in every respect except color it might be identical with other milk. Our housewives do not object to white margarine for cooking purposes. They are accustomed to white cooking fats—such as lard. But they do want their margarine yellow for table use. There is no valid reason why their preference should be ignored or thwarted.

Margarine looks like butter. Furthermore, it imitates and is a substitute for butter but what is wrong with that? If we are to levy a tax on all products which imitate the original, in color and other characteristics, we are going to stifle competition. The very essence of competition is to develop new products which are like the old but which are better and cheaper.

Of course, the supreme irony of this amazing claim of butter to a monopoly on yellow, is that the fats and oils used in the manufacture of margarine contain some naturally yellow color. Under Federal regulations, however, these fats and oils must be bleached, a process which adds to the cost of manufacture, in order to make white margarine. Otherwise, the margarine resulting would have to pay the 10-cents-a-pound Federal tax.

DO THESE LAWS PROTECT THE DAIRY INDUSTRY?

There is little question that the purpose of the 10-cents-a-pound Federal tax on colored margarine and the license fees imposed on wholesalers and retailers, as well as the bulk of State legislation penalizing margarine, is to favor the butter industry and to limit the production and distribution of margarine.

Indeed, a careful study of the congressional debates in 1886, 1902, and 1931 will convince almost anyone that the fundamental reason back of this legislation was not the desire to protect consumers from potential fraud—there were other more direct ways to do that; nor was it that margarine was unhealthy—in which case its sale should have been prohibited; nor was it because margarine, for a time, was manufactured largely from imported oils—a higher import duty could have stopped that. The fundamental, underlying reason was a desire to protect the dairy industry in general and the butter industry in general and the butter industry in particular against competition from margarine.

In 1886, Representative Millard, of New York, a leading proponent of the original bill told the House: "Either oleomargarine must go or the great dairy industry of the country must be wiped out, utterly destroyed." This argument was repeated over and over. We are still hearing it today.

A report made in 1939 to the Secretary of Agriculture, Barriers to Internal Trade in Farm Products, says:

"Generally, those favoring margarine legislation have been frank to say that their object is to 'protect' the dairy industry. When the Washington tax of 15 cents per pound was carried to the Supreme Court, the sponsors of the act candidly stated that their purpose was to help the butter industry and they made their arguments on that basis."

The Dairy Record, a magazine representing the dairy industry, said in an editorial on June 18, 1941:

"The dairy industry must set as its goal the complete extermination of oleomargarine. It must never rest until the manufacture and sale of oleomargarine have been outlawed in this country."

And Hoard's Dairyman, another well-known spokesman for dairy interests, said, on January 25, 1948: "The tax of 10 cents a pound on oleomargarine colored in semblance of yellow butter is to stop the sale of this product. The tax should be higher * * *. It seems to us the dairy industry has a right to protect its products."

I could cite scores of similar statements which make it very clear that the basic reason for the antimargarine laws was to protect the dairy industry.

Leaving aside consideration of the wisdom or justice of legislation which seeks to protect one domestic product against another or one group of American farmers against another, let us consider whether antimargarine legislation has accomplished its avowed purpose. Has it "protected" the dairy industry?

Let us grant at once—what cannot be doubted for a moment—that antimargarine legislation—both State and Federal—has hurt the margarine industry. It has made margarine more expensive for the manufacturer to make and the consumer to buy; it has made it less attractive to users—especially through the 10-cent tax and other drastic restrictions on yellow margarine; it has curtailed margarine's retail outlets; it has discouraged expansion of the industry. In short, it has limited both the production and distribution of margarine. But, despite this fact, the production of margarine has expanded steadily and the 1947 output of 725,000,000 pounds is the highest on record, exceeding the next highest year, 1946, by 100,000,000 pounds.

But what of the dairy industry, particularly those farmers who earn the major part of their livelihood from the sale of milk for butter making?

In 1901, the year preceding the passage by Congress of the most drastic of the antimargarine laws—the 10-cent tax on yellow margarine—per capita consumption of butter was 19.9 pounds. It has never been that high since.

Following the enactment of the last Federal antimargarine legislation in 1931, per capita butter consumption fluctuated within narrow limits—dropping from 18.1 in 1932 to 17.8 in 1933, rising briefly to 18.2 in 1934, and then dropping to 17.1 in 1935. With one exception—when it rose to 17.3 in 1939—it continued to drop steadily until 1945.

And then, in 1946, it dropped again—this time to 10.5, the lowest per capita butter consumption in our history. I mention this particularly because the butter lobby has advanced, against all the evidence, the argument that wartime conditions—price control, rationing, and other emergency factors—were largely responsible for declining butter consumption.

The record shows, on the contrary, that total butter production, as well as per capita consumption, has shown a fairly steady decline for many years.

In the 10-year period between 1936 and 1946, total butter production, including both creamery and farm manufacture, declined from 2,131,000,000 pounds to 1,501,000,000 pounds or approximately 29 percent. At the same time total milk production, for all purposes including butter, increased from 102,410,000,000 pounds in 1936 to 120,276,000,000 pounds in 1946. While there was more milk available for butter manufacture, then, the percentage of this milk made into butter decreased from approximately one-third in 1936 to one-fifth in 1946.

Wartime conditions undoubtedly had some effect on butter production but they were not controlling; nor were they all disadvantageous to butter. For from June 1, 1943, until October 31, 1945, butter producers received a subsidy of 5 cents a pound.

In 1947, with wartime controls removed, per capita butter consumption is estimated to have been 11.5 pounds. This represented a very moderate increase over 1945 and 1946 but not even the most ardent butter advocate could take much encouragement from it.

It was the third lowest rate since 1896.

It is not margarine that has driven more and more butter out of the market. If this were the reason for declining butter consumption, we should have expected margarine to have occupied that portion of the market vacated by butter. But no such thing has occurred.

Margarine per capita consumption in 1946 was 3.8 pounds higher than it had been in any previous year except 1945. But this represented an increase of only 0.8 pound per capita since 1936. During the same 10-year period butter consumption dropped 5.9 pounds. In other words, the American people, on an average, bought about 6 pounds less butter per person in 1946 than they did in 1936, but they did not fill this gap—and it is a definite nutritional gap—with a corresponding increase in margarine purchases. Only one-seventh of the lost butter consumption was replaced during these 10-years by margarine.

The fact is that butter has been taking itself out of the market. The high cost of producing butter as compared with the more profitable uses of milk; the price at which butter is sold—and for the most part, must be sold—to enable butter producers to compete with other purchasers of feed and farm labor and land—these are the factors that, largely of necessity, have given us dollar butter and deprived the butter industry of approximately 30 percent of the market which it had 10 years ago.

Actually, margarine production does not materially affect the price of butter though, as we have seen, when butter prices are very high, some consumers, who cannot afford butter, turn to margarine. A study, published in 1942 by the Wisconsin College of Agriculture, in the heart of the dairy country, found no relation between margarine and butter prices:

"There is no evidence in the past that oleomargarine has been the important factor in causing low butter prices. In 1932 there were about 11½ pounds of butter consumed for every pound of oleomargarine, and consumers spent \$15 for butter for every dollar spent for oleomargarine. If all the money spent for oleomargarine that year had been spent for butter, the retail price of butter would have been increased 1.7 cents per pound. This would not have solved the dairy farmer's problem."

From the record it seems abundantly clear that antimargarine legislation has failed to aid butter producers. It has simply prevented margarine from occupying the market for table spreads which butter could not fill.

This leads to another question, more important than the first. We have already seen that antimargarine legislation has not aided that dwindling portion of the dairy industry which produces butter. But what of the much larger portion, those dairy farmers who depend mainly upon fluid milk and whole milk products for their livelihood? Has antimargarine legislation "protected" them?

There are, in the United States, some 24½ million dairy cattle owned by approximately 5,000,000 farmers. Of the farmers, 1,170,000—a little more than one-fifth—receive some income from butter manufacture, either on the farm or through sale of milk to creameries. For only half, or approximately 600,000 does butter represent the chief source of income. The others, roughly 85 percent of all dairy farmers, receive their principal income, or all of it, from the sale of the products of the cow in fluid milk form or for manufacture into cheese, dried whole milk, evaporated milk, condensed milk, skim milk, or ice cream.

But butter's importance to dairy farmers generally has been accentuated by certain other factors.

For it was, and still is, the use of butter as a price "stabilizer" and "balance wheel," as it is variously called, which has led many dairy farmers to insist upon special protection for butter against margarine competition.

For if, when depression comes, butter cannot recapture the table spread market because of the possible encroachment of margarine, then butter prices, it is contended, will fall abnormally and carry down with them the whole dairy price structure.

This argument, of course, does not stand up under examination. In the first place, as we have seen, margarine has never taken over more than a small portion of the table-spread market vacated by butter. But even if margarine, upon the repeal of this discriminatory legislation, took over a much larger share of the table-spread market vacated by butter or all of it, there is no reason why these formulas cannot be changed, so that the prices of dairy products would be tied to some more stable and profitable product than butter. Indeed, there is every reason why they should be changed if they injure the dairy farmer.

Recently, in the Western Dairy Journal, a prominent dairy farmer, Merritt Nash, wrote:

"My interest in the oleomargarine question is primarily selfish. As a person who gets his entire income from a dairy farm, I felt that I have a right to voice my opinion regarding what I think to be the soundest way in which to improve that field of endeavor and to make it more profitable for myself. Butter is our price stabilizer * * * and I object to exactly that. It stabilizes our prices at levels which are generally most unprofitable. Why do we not select a dairy product that will reflect a more advantageous stabilizing effect?"

Even more significant is a report by the Boston Milkshed Pricing Committee, published in September 1947. This committee, composed of a number of outstanding dairy economists, was appointed by Richard D. Aplin, acting market administrator, in response to criticisms of the fluid milk pricing formula used in the Boston market by representatives of cooperative milk associations. This formula called for a change of 22 cents a hundredweight in the class I milk price for each 5-cent change in the New York wholesale butter price, for each 3-cent change in the New York wholesale price of nonfat dry milk solids, or for any equivalent combination of the two.

The committee, with Dr. George F. Dow, chairman of the dairy committee of the New England Research Council on Marketing and Food Supply, in charge, worked on their report for 3½ months. They studied the milk-pricing situation in general with particular reference, of course, to the Boston market. They recommended that the butter formula for setting class I milk prices in the Boston milkshed be abandoned.

I think you will be interested in some of their reasons for this recommendation:

"For many years until 1946 the class I prices in the Federal order for the Boston market have been related roughly to butter prices, over a narrow range of prices. Since June 1, 1940, there has been in the order of a full-fledged formula for establishing class I prices * * *. It has been unsatisfactory * * *. Since the end of the war, butter and powder prices have proved to be erratic and unreliable measures of general economic conditions which should be used as a guide to sound fluid milk prices * * *. To cite an example: Consumer buying power was about the same in October 1946 as in March 1947, and the supply of butter moving into trade channels was almost the same in these 2 months; yet the price of butter was 84 cents in October and 64 cents in March. The difference was due apparently to the advance psychological appraisal of demand-and-supply prospects for butter by the forces that make the wholesale butter market. There is no reason why such errors of judgment should affect fluid milk prices in Boston by 2 cents a quart."

The report, after discussing the advantages and disadvantages of formula price fixing for fluid milk as opposed to public hearings or other means for setting prices, recommended the establishment of a new formula for the Boston milkshed based, not on butter prices at all, but on the "composite level of United States wholesale prices, New England department store sales, and Boston milkshed grain-labor costs."

It seems fairly clear that, today, butter is no longer a desirable price stabilizer for milk products. Indeed, it seems to have become such a liability as a price fixer that the sooner it is abandoned the better for the dairy industry. I think it is fair to conclude that to the extent that antimargarine laws encourage dairy farmers to stick to butter as a price stabilizer—under the mistaken belief that butter is protected by such laws—they are definitely harmful to the dairy industry.

There remains the contention of the butter lobby that butter is a kind of balance wheel for them since its increased production offers the only alternative use for their milk surplus when fluid milk sales decline. This is a key point in the argument of the butter lobby for protective laws against margarine competition, but I think it is at variance with the evidence today.

It may have been partially true once, when the evaporated and condensed milk business were in their infancy, when dried whole milk was just an idea in a scientist's mind, when cheese making was largely a home industry, and when the ice-cream business was a minor outlet for the products of the dairy cow.

But today, the situation has changed.

The following table indicates clearly how these whole milk industries, all of them more profitable alternative users of surplus milk than butter, have grown in recent years:

Utilization of milk in whole milk dairy products

(Amounts in pounds)

Product	Average, 1935-39	1946	Percent of 1946 increase
Fluid milk and cream.....	44,146,000,000	59,927,000,000	35.7
Ice cream.....	3,083,000,000	8,420,000,000	173.1
Cheese.....	6,650,000,000	10,950,000,000	64.2
Evaporated milk.....	4,034,000,000	6,098,000,000	51.5
Condensed milk.....	426,000,000	574,000,000	34.7
Dried whole milk.....	146,000,000	1,448,000,000	992.0
Total.....	58,515,000,000	87,455,000,000	49.8

By contrast, as we have seen, total butter production during this period dropped more than 600,000,000 pounds or approximately 29 percent.

Moreover, the expanded margarine production which might be expected if antimargarine laws are removed would offer an important outlet for milk products in times of depression as well as prosperity. For skim milk constitutes approximately 15 percent of the constituents of margarine.

Now, of course, the more milk we divert to butter production, the less we have for fluid milk and other whole milk products—such as ice cream and cheese—which, unlike butter, utilize the full nutritional value of the milk solids. In the course of butter manufacture, the rest of the milk is fed to livestock, thrown away, or converted into nonfat dry-milk powder. And since butter utilizes little of the nutrients in whole milk besides vitamin A, these nutrients are wasted when not converted for some human use.

W. A. Wentworth, vice president of the Borden Co., pointed out, in an address to the Minnesota Ice Cream Manufacturers Association in December 1947 that if we had attempted to produce enough butter in 1947 to make the per capita consumption 10 years ago possible, it would have been necessary to divert 13½ billion pounds from fluid and whole-milk uses.

He said: "If this 13½ billion pounds were to come from the supply for some other dairy products, it would take more than all of the milk which will be made into whole-milk cheeses this year (1947) or it would take 80 percent of the milk which is being made into both ice cream and evaporated milk in 1947."

Any attempt, therefore, in good times or bad, to increase butter production would necessarily be at the expense of these whole-milk products and of fluid milk and fluid-milk distribution, whole-milk industries such as ice cream, cheese, and dried milk, the income of dairy farmers, and the health of our people.

It is difficult to understand how even the butter interests can make any considerable number of farmers believe that it is ever to their economic interest to protect butter production at the inevitable expense of milk production.

For the sale of the dairyman's product as butterfat is, as I have stated, a sale at the lowest price for that product, and the sale of fluid milk is the highest. Other whole-milk products, such as cheese, ice cream, etc., fall in between these extremes. The average price paid to farmers for butterfat sold as fluid milk or cream during the 10-year period, 1936-45, was about 74 cents per pound, for milk sold as butterfat about 37 cents. Consider what this meant to the dairy farmers of this country.

This fact was not lost upon all of them, of course, and accounts for the fact that while much more milk was produced in 1947 than a decade ago, much less butter was manufactured.

The statistics graphically tell the story of the decreasing importance of butter and the rise of fluid milk and other byproducts.

In 1946, the dairy farmers' total cash income from the sale of all his dairy products was \$3,716,374,000, of which only \$548,874,000 came from the sale of butterfat and farm butter—exactly 14.7 percent of the total. Just 10 years before, income from butterfat and farm butter had amounted to 29.5 percent of the dairy farmers' total income.

As a result of declining butter production and increasing utilization of milk for fluid use and in whole-milk products, butter today, in certain sections of the country, constitutes such a minor factor in the dairy industry as to make the claim of the butter lobby that the industry's continued prosperity depends upon the suppression of margarine an absurdity.

The following table graphically illustrates the extent of the decline in butterfat production and butter manufacture in terms of farmer income:

	Income from sale of whole milk as a percentage of total dairy income	Income from sale of butterfat and farm butter as a percentage of total dairy income		Income from sale of whole milk as a percentage of total dairy income	Income from sale of butterfat and farm butter as a percentage of total dairy income
Wisconsin:			Iowa:		
1936.....	70.0	21.0	1936.....	24.4	75.6
1941.....	80.8	10.2	1941.....	23.3	76.7
1946.....	98.64	1.36	1946.....	29.3	70.7
Minnesota:			Washington:		
1936.....	23.4	76.6	1936.....	71.8	28.2
1941.....	27.4	72.6	1941.....	77.2	22.8
1946.....	68.1	31.9	1946.....	90.6	9.4
Illinois:			9 North Atlantic States:		
1936.....	77.8	22.2	1936.....	96.6	3.4
1941.....	82.0	18.0	1941.....	97.9	2.1
1946.....	88.6	11.4	1946.....	98.4	1.6
Indiana:			10 Southern States:		
1936.....	71.2	28.8	1936.....	74.2	25.8
1941.....	80.2	19.8	1941.....	77.0	23.0
1946.....	90.2	9.8	1946.....	85.5	14.5
Michigan:			11 Western States:		
1936.....	69.5	30.5	1936.....	73.6	26.4
1941.....	77.5	22.5	1941.....	79.7	20.3
1946.....	87.9	12.1	1946.....	91.3	8.7
Kansas:			United States:		
1936.....	44.0	56.0	1936.....	70.5	29.5
1941.....	42.5	57.5	1941.....	75.8	24.2
1946.....	55.9	44.1	1946.....	85.2	14.8
Ohio:					
1936.....	78.7	21.3			
1941.....	87.4	12.6			
1946.....	93.5	6.5			

Source: Data from Agricultural Statistics, U. S. Department of Agriculture.

HOW BEST TO "PROTECT" THE DAIRY INDUSTRY

The real interests of the dairy industry—and of the country as a whole—would best be served by expanding fluid-milk consumption, at least until we achieve the nutritional goal of 100 quarts more per person per year recommended by the Bureau of Home Economics. This could be done through educational campaigns emphasizing the importance of fluid milk and of other whole-milk products in the individual diet; through expanded use of milk in such nutritionally desirable projects as the school-lunch program—which should be extended to every public school in America; and, of course, through wider use of modern milk-production techniques and improved marketing methods.

But this could not be done, of course, if any considerable portion of the total milk supply were diverted from fluid and other whole-milk products to butter manufacture.

THE ANTIMARGARINE LAWS HURT AMERICAN FARMERS

One of the unfortunate aspects of the Federal antimargarine laws is the harm done American farmers who produce the ingredients which go into margarine.

These ingredients are the products of farms in 44 of the 48 States. Their sale to the margarine market constitutes an important source of income for over 2,300,000 farmers in every section of the country.

Eighty percent of the constituents of margarine are vegetable fat; 15 percent is skim milk—pasteurized and cultured; the other 5 percent is made up of salt and various other flavoring ingredients.

For the fiscal year 1946-47, according to the Bureau of Internal Revenue, 47.4 percent of the vegetable fat used in margarine was cottonseed oil, 41.5 percent was soybean oil, and 3.1 percent was peanut oil. Corn oil and other vegetable oils account for the remainder.

The total farm value of the cottonseed produced in 1946 was \$246,473,000. This was shared, in part, by 1,600,000 cotton growers who received income from cottonseed oil. The most important market for cottonseed oil in 1946 was shortening. In 1947, it was margarine. During the first 9 months of 1947, margarine used 32.5 percent of the total cottonseed oil refined. In 1946, 222,814,000 pounds of cottonseed oil was used in margarine. During the first 9 months of 1947, 194,484,000 pounds were used in margarine.

It is absurd for certain spokesmen for the dairy interests to continue to repeat that margarine is a "minor" market for the cottonseed farmer. Even if it were true, it would not excuse discriminatory laws against margarine, but the record reveals that it is not true.

The pleas of the cotton South for the removal of these burdens on the livelihood of its farmers have been heard many times in this Congress. They have gone unheeded, largely, I think, because the cotton farmers were neither so well-organized as the "butter farmers," nor so influential politically—due largely to the political situation in the South.

But the contest, this time, is not one between the cotton South and the butter North. Aside from the increasingly powerful protests of housewives and other consumers from every section of the country, there is another group of American farmers who have a vital interest in the repeal of these one-sided laws. The soybean farmers, too, are deprived of a fair return for their labor by legislation which prevents margarine from competing, like other domestic products, in a free American market.

There are three great soybean-producing areas in this country: The north-central or Corn Belt region—Illinois, Indiana, Ohio, Iowa, and Missouri; the Mississippi Delta—Arkansas, Mississippi, and Louisiana; the Middle Atlantic coast—North Carolina, Virginia, Maryland, and Delaware. These are the principal but by no means the only areas in the United States in which soybeans are produced. Thirty States produced soybeans in some quantity in 1946 and so amazing has been the expansion of this crop and the improvement in the varieties used—varieties that are adaptable to a wide range of soil and climatic conditions—that we may expect an even wider geographical distribution of soybean production in the future.

In 1924 total production of soybeans for sale as beans was 4,947,000 bushels; in 1933, 13,509,000 bushels; in 1939, 90,141,000 bushels; in 1946, 196,725,000 bushels, or 41 times as much as in 1924.

The value of soybeans, sold as beans, has increased from \$12,698,000 in 1933 to \$73,052,000 in 1939 to \$517,387,000 in 1946.

Perhaps the most important factor in expanding soybean production was the opening up, in the early 1930's, of profitable markets for soybean oil in the shortening and margarine industries. This was a triumph of long years of research leading to improved processing and refining methods which permitted a greater utilization of the edible properties of the bean.

Significantly, the greatest expansion of the soybean industry has occurred in the north-central region—Illinois, Indiana, Ohio, Iowa, and Missouri, along with Minnesota—in the heart of the dairy-farming country. Not only does this region produce more soybeans than any other, but it harvests more of that production for sale as beans.

Just how important the soybean industry has become as compared, for example, with the butter industry, to the farmers of the Midwest, is illustrated in the following table, compiled from Department of Agriculture statistics:

Cash receipts, with comparison, 1946

State	Soybean crop	Percent of all crops	Butter and butterfat	Percent soybean receipts of butter receipts
	<i>Thousands</i>		<i>Thousands</i>	
Illinois.....	\$183,243	31.0	\$20,021	015.0
Iowa.....	82,182	26.4	111,737	73.2
Indiana.....	56,897	23.7	12,545	438.0
Ohio.....	36,005	14.7	12,251	308.3
Missouri.....	31,290	18.1	22,202	154.5
Minnesota.....	22,172	09.0	76,461	28.9

Repeal of the Antimargarine Laws Would Benefit Our Country

I should prefer, however, to base my argument for freeing an important market for soybean farmers from restrictive laws on another plane than competition. I am not willing, if it can be avoided, to pit one group of American farmers against another. I am for the dairy farmer, the cotton farmer, and the soybean farmer. We should never have discriminated by law against one group of American farms for the benefit of another.

No; there are other, more compelling reasons, it seems to me, for freeing this highly important market—margarine—from restrictive legislation.

These reasons are concerned with the welfare of the country as a whole—with a healthy economy and a healthy people.

In recent years, despite some improvement in production, we have been plagued with scarcity—scarcity of food, particularly of meats, grains, milk, and fats. This scarcity, which is by no means due entirely to overseas commitments resulting from the war, has been reflected in higher prices, which in turn have led to demands for higher wages.

But there is one domestic crop in which no wartime shortage developed—bables. Approximately 10,000,000 wartime babies threw the estimates of population out of line. These new Americans must be clothed and housed and fed.

It is scarcity economics to discriminate against any good food product, a product which is needed to meet the nutritive standards demanded by our expanding population.

There is, as we all know, a desperate need abroad for grain for human consumption. At the same time there is, according to the Department of Agriculture, a serious protein deficiency in livestock feeding today.

There is abundant evidence to show that meal from soybeans and cottonseed, if made available in sufficient quantities through the expansion of the vegetable-oil markets, would not only offer an efficient means of overcoming this deficiency in the livestock ration but would, also, help free grain for human consumption.

Mr. Ersel Walley, president of the American Soybean Association, points out that soybean-oil meal, containing over 40 percent digestible protein, today leaves the processing plant at approximately the same price per pound as is paid for wheat or corn by livestock feeders. Yet a pound of soybean-oil meal will replace from 3 to 4 pounds of corn in the livestock ration, discourage the feeding of wheat, and will, therefore, help alleviate both the protein deficiency and the grain shortage.

Cottonseed-oil meal would prove, for all practical purposes, equally efficacious. It compares in price and nutritive qualities with soybean meal.

It is not surprising then, as an Agricultural Department publication, *The Deficit in Protein for Livestock* (1946), points out, that, "How much farmers will buy (of high-protein concentrates) is therefore literally only a question of how much will be available, as it is probable that whatever is produced will be bought and fed."

One argument which has been heard often from the proponents of these restrictive laws is that soybeans are destructive of the soil and therefore economically wasteful. Little or no support for this argument has even been offered but, like the jingling radio commercial, it seems to depend on repetition alone for its appeal.

Recently the Christian Science Monitor investigated the truth of this contention. I quote from the issue of January 14, 1948:

"Spokesmen for the butter industry have made repeated claims that a substantial increase in the soybean crop, from which soybean oil, a prime ingredient of margarine, is made, would be detrimental to soil conservation and adversely affect the general agricultural economy of the Nation. It is argued that 'soybeans and other fat-producing seed crops are soil-depleting crops.'

"These claims are not substantiated by technicians in the Soil Conservation Service of the Department of Agriculture. They state: 'On the basis of our experience, if soybeans are grown, even as a clean-tilled crop, with proper conservation methods and practices to protect the land, they are no worse on the land than any other clean-tilled crop such as corn and cotton * * *

"The soybean plant, which is a legume, benefits the land by adding nitrogen to the soil through its roots.

"'Soil conservation,' Department of Agriculture specialists say, 'does not mean only the conservation of topsoil, but putting all soil to the use for which it is best adapted.'

"* * * Federal technicians charge that dairy farmers are as guilty of improper utilization of their land as crop farmers. Pasture lands can be greatly injured by grazing at wrong seasons or by grazing too much stock per unit of land."

I want to emphasize the statement of Department of Agriculture specialists in regard to soil conservation. They say, what many of us may not have considered, that soil conservation involves more than the saving of topsoil. In this sense, I think we can agree, it involves the most efficient use of a given acre of land and a given amount of farm labor; it involves putting all soil to the use for which it is best adapted.

In 1943, the Iowa State College—from the heart of the largest butter-producing State in the Nation—published the fact that 1 acre of soybeans will produce as many pounds of vegetable fat as 2 acres devoted to dairying will produce of butterfat. Their report stated also that 1 man-hour of labor will produce 13.3 pounds of soybean oil compared with only 1.5 pounds of butterfat.

The Iowa State survey concluded by recommending that "restrictions on the sale of margarine—State excise taxes, license fees, etc.—should be removed so that its consumption may be encouraged."

C. F. Christian, farm marketing specialist at Ohio State University, also studied this problem recently.

"The dairyman," Professor Christian revealed, "raises an acre of grain, usually corn, and has another 2 acres in hay or pasture, to produce 225 pounds of butter. The acre of corn will take at least 30 hours' work and hay and pasture require more work, and care of the cows will involve another 150 hours in producing 225 pounds of butter.

"An acre of soybeans can be grown with 14 hours of man-labor and will make about 225 pounds of margarine.

"A pound of butter represents 10 times the amount of farm labor and three times the amount of farm land that is represented by a pound of margarine."

In conclusion, I should like to emphasize this point: I do not believe there is a single Member of this Congress who wants to destroy the butter industry. I do not believe any of the Members who have introduced bills for the repeal of the antimargarine laws want to hurt the dairy industry. It is my sincere belief that the repeal of these laws would be to the advantage of all farmers, including dairy farmers, and of the American people generally.

Much of the argument voiced in defense of the antimargarine laws has been based on an unproved assumption—that without this discriminatory legislation the dairy industry would be disrupted. There has been no proof submitted in this Congress or elsewhere, so far as I am aware, to support this assumption. All the evidence I have seen—and I have studied this question carefully—abundantly proves the contrary.

On the other hand, it is clear that restrictions which hamper and curtail the production and distribution of margarine are restrictions upon those who produce the ingredients of margarine—more than 2,300,000 American farmers. And, as I have indicated, they are also restrictions upon the welfare of the greatest livestock industries, of needy people at home and abroad, and upon the best interests of the whole American people.

I hope that all Members, regardless of party affiliation, will study the facts in this issue carefully and without prejudice. I am confident, if this is done, that there can be but one outcome: the antimargarine laws will be, at long last, removed from the statute books.

Senator FULBRIGHT. There was this one point: In the 10-year period from 1936 to 1946, total butter production, including both creamery and farm manufacture, declined from 2,131,000,000 pounds to 1,501,000,000 pounds, or approximately 29 percent. That is the way that butter production has declined even with these taxes. Total milk production for all purposes, including butter, increased from 102,410,000,000 pounds in 1936 to 120,276,000,000 pounds in 1946. There was more milk available for butter manufacture, but the percentage of this milk being made into butter decreased from approximately one-third in 1936 to one-fifth in 1946. That is a very important point as to what the significance of these taxes has been to the protection of the dairy industry.

I developed that point at some length in the statement which I give for the record of the committee. There are many other statistics on various States and the use of milk for butter in a great many States has been declining over the past years.

Mr. Chairman, there is in addition to these facts one argument which has persisted down through the years, and which even today is constantly brought to the defense of the margarine taxes. This argument, I believe, is the only one remaining which is seriously relied upon. I refer to the contention that these taxes are needed to protect consumers from the possible fraudulent sale of yellow margarine as butter. I shall devote a few minutes to an attempt to demonstrate that this argument, even if true 62 years ago, when the original margarine taxes were enacted, is certainly not true today.

There were no pure-food laws when Congress passed the antimargarine laws in 1886, and both butter and margarine were sold in bulk, or tub form. Now margarine is sold only in cartons, specifically and properly labeled.

Nowadays, the Federal pure-food laws and similar pure-food laws in 47 of the 48 States guarantee the proper labeling and standard of purity of food products, including margarine thus adequately protecting consumers. There are also, of course, criminal statutes in every State against fraud and misrepresentation.

Of course, no law was ever passed which would prevent lawless men from breaking it. But few risks were ever so well guarded against as the possibility that margarine would be sold fraudulently to any widespread extent if these discriminatory taxes were repealed. If we have any doubts on that score, however, there is no reason why we cannot further strengthen the already extensive labeling and marking requirements to achieve even greater safeguards.

The CHAIRMAN. Is there any law against breaking a properly labeled tub of margarine and selling it piecemeal without labels?

Senator FULBRIGHT. I think that that would be a misbranding or misrepresentation under the Food, Drug, and Cosmetic Act. I am assuming it is interstate commerce, which practically all of it is.

As a practical matter no margarine is shipped by manufacturers in tub form. It is all shipped in the same kind of carton that you buy it in. It is all branded and the present pure food laws require that branding or labeling, and even after it comes into the hands of a retailer in the State, if he changes or removes the carton, it would be a violation of the existing pure food laws, in my opinion.

I go into the pure food laws. That is the principal theme of this whole statement.

I am sure all Senators would agree to the general principle that direct legislation of this sort is preferable to the use of the taxing power of the Government to accomplish a similar purpose indirectly.

A dairy organization cites six cases of the fraudulent sale of margarine as butter. This record actually shows there is little danger of fraud. The cases represent the isolated actions of a very few individuals over a period of 20 or 30 years. The amount of margarine involved was infinitesimal by comparison with the amount of the product which was manufactured. The records of judgments under the Federal Food, Drug, and Cosmetic Act, published by the Food and Drug Administration, show that from 1930 through 1947, butter was seized for various violations 2,292 times; margarine only 21 times during this period.

This was a little different period from the period cited by the Under Secretary of the Treasury, but these figures were taken from the records.

In only two cases was margarine seized for contamination, filth, addition of foreign matter, decomposition, or similar reasons. Butter was seized in 652 cases. Margarine's few seizures under the Food and Drug Administration have been mainly because of slightly less than 80 percent fat content.

During the period mentioned, butter volume was four to five times that of margarine. But the seizures were at a ratio for butter of 100 to 1 for margarine.

In this connection, only butter is exempt from certain labeling requirements of the Federal Food, Drug, and Cosmetic Act. The artificial color may be and is added without stating this fact on the label. Special dairy interests that put through the legislation on margarine were able to prevent butter from having to be thus accurately labeled. Likewise, the label states no grade or other value by which the contents—a pound of butter—may be judged by the consumer. Furthermore, much butter is artificially flavored without so stating on the label.

I believe it is the only food product that has that special treatment.

The CHAIRMAN. By express exemption.

Senator FULBRIGHT. In the Pure Food, Drug, and Cosmetic Act.

The CHAIRMAN. In the Pure Food and Cosmetic Act?

Senator FULBRIGHT. That is correct.

I think it should be made clear here, so that there may be no concern on the point, that no responsible margarine manufacturer or distributor of margarine—no proponent of repeal of these discriminatory tax laws—is opposed to the labeling and marking provisions of the pure-food laws. Margarine wants to be known as margarine, labeled as margarine, sold as margarine. I am afraid some spokesmen for the butter interest have conjured up a specter of "fear" on this particular issue that is almost as fraudulent as the thing they say they want to prevent.

I am sure that most Senators, as well as the public generally, have a genuine respect for what are called the pure food and drug laws. They are not only so regarded by the Congress and the public, but they are likewise appreciated by the people whom they most directly affect in the commercial world; the manufacturers, distributors, and retailers.

I would like to discuss, briefly, the provisions of these laws with respect to the protection they give the consumer against the fraudulent sale of margarine, white or colored, as butter.

Section 301 of the Federal Food, Drug and Cosmetic Act includes these prohibitions, which have application to margarine:

The introduction or delivery for introduction into interstate commerce of an adulterated or misbranded food.

The adulteration or misbranding of any food while in interstate commerce.

The receipt in interstate commerce of a misbranded or adulterated food.

The alteration, mutilation, destruction, obliteration, or removal of the whole or any part of the labeling of, or the doing of any other act with respect to a food, if such act is done while such article is held for sale after shipment in interstate commerce and results in such article being misbranded.

In addition this section prohibits the refusal of access to or copying of records, and entry or inspection of premises, provided in sections 703 and 704. These sections are as follows:

SEC. 703. For the purpose of enforcing the provisions of this Act, carriers engaged in interstate commerce, and persons receiving food, drugs, devices, or cosmetics in interstate commerce or holding such articles so received, shall, upon the request of an officer or employee duly designated by the Administrator, permit such officer or employee, at reasonable times, to have access to and to copy all records showing the movement in interstate commerce of any food, drug, device, or cosmetic, or the holding thereof during or after such movement, and the quantity, shipper, and consignee thereof; and it shall be unlawful for any such carrier or person to fail to permit such access to and copying of any such record so requested when such request is accompanied by a statement in writing specifying the nature or kind of food, drug, device, or cosmetic to which such request relates.

SEC. 704. For the purposes of this Act, officers or employees duly designated by the Administrator, after first making request and obtaining permission of the owner, operator, or custodian thereof, are authorized (1) to enter, at reasonable times, any factory, warehouse, or establishment in which food, drugs, devices, or cosmetics are manufactured, processed, packed, or held, for introduction into interstate commerce are held after such introduction, or to enter any vehicle being used to transport or hold such food, drugs, devices, or cosmetics in interstate commerce; and (2) to inspect, at reasonable times, such factory, warehouse, establishment, or vehicle and all pertinent equipment, finished and unfinished materials, containers, and labeling therein.

All these provisions, prohibiting adulteration or misbranding of food from the time of its manufacture until its sale to the consumer, and permitting full powers of inspection and accounting, certainly guarantee, as fully as is possible under the Constitution, that margarine in interstate commerce shall be sold for exactly what it is.

Penalties imposed for the violation of these provisions, including refusal to permit inspection and access to records, are imprisonment for up to 1 years or fine of \$1,000, or both. For a second conviction or upon violation with intent to defraud or mislead the penalties are 3 years imprisonment and fine of \$10,000 or both.

Furthermore, the Federal Government has the power of seizure of any food adulterated or misbranded, while it is in interstate commerce, or at any time thereafter.

Senator TAFT. That is not set by that last line, "or at any time thereafter"?

Senator FULBRIGHT. No.

The CHAIRMAN. It is sustained by the Sullivan case.

Senator FULBRIGHT. I think the Sullivan case sustains that.

Senator TAFT. We have a bill on the calendar purporting to restore this condition.

Senator FULBRIGHT. That is the Miller bill. I refer to that later. Is that not what the Senator has in mind? But the Sullivan case—

Senator TAFT. Which said you could not seize adulterated food after—

Senator FULBRIGHT. The Sullivan case I discuss a little later, which involved the taking of sulfa tablets out of a properly labeled package, and sold in the sack without any label on it, after it had come into the hands of the retailer, if that is what the Senator has in mind.

Senator TAFT. The case I refer to that this bill was intended to correct, if it could, there was a case holding that the Federal Government could not seize food which deteriorated after it had passed out of interstate commerce.

Senator FULBRIGHT. Perhaps after it was no longer held for sale.

Senator TAFT. It spoiled after it had come to rest.

Senator FULBRIGHT. I am not sure about that case. I do refer to the Sullivan case later in this statement.

The CHAIRMAN. The Sullivan case threw some doubt on whether it would apply the same rule to food as it did to drugs. It seemed to have been brought to the attention of the court, could, for example, a merchant—a corner-grocery storekeeper—be brought under regulation and penalty if he took a box of candy sticks, the box being properly marked and labeled as to content, and broke the box and put the separate candy sticks into the showcase and sold them without any kind of marking or branding—whether that sort of a transaction would come under the rule.

My memory is that the court declined to go into that, and said in effect, "We will consider that when we come to it," which may pose the question as to the extent of that decision.

Senator TAFT. The case I refer to is the Phelps Dodge Mercantile Co., which held that foods and drugs that become filthy, debased, deteriorated, after interstate transportation, could not be seized by the Government. In other words, if they were in proper condition, if they came through in interstate commerce, and then spoiled after they reached the point of destination for retail sale, the Government could no longer seize them.

Senator FULBRIGHT. I believe the Senate report on the Miller bill that I referred to stated that the Sullivan case came subsequent to that case, and that they thought it might overrule that interpretation that it was beyond the power of the Government to seize, but the Miller bill, as I understand it, is designed to make clear and definite the power to seize. It was designed to meet the situation which arose under the Phelps-Dodge case.

The CHAIRMAN. I think it should be said that in the Sullivan case the Supreme Court did not cast any doubt on the constitutionality of a measure that would follow a food product through in the way in which you have described it.

Senator FULBRIGHT. Yes, sir.

The CHAIRMAN. The question being if the Congress should decide to go along that kind of a route, whether the present law is sufficient, or whether it needs amendment.

Senator FULBRIGHT. That is correct.

The CHAIRMAN. I think also, Senator, you may be coming to it, but also there is a line of cases in connection with the Food Marketing Act, and in connection with the Price Adjustment Act, where the transactions were purely intrastate but if they throw economic burdens on interstate transactions, or have a tendency to disrupt interstate controls, they can be brought under judicial control.

Senator FULBRIGHT. They can be. Of course, I mention later that practically all of the States have restrictions as onerous as this is and they have been in effect and will continue to be in, that is, if they want to do that. There is a specific exemption in the law with regard to occupying this field, that is, in our Federal statutes, that that specifically permits States to go ahead and regulate these matters even though the Federal Government has undertaken regulation also.

The CHAIRMAN. The chairman is hopeful that during the discussion of both sides that the possibilities of constitutional regulation in this field will be rather thoroughly explored.

Senator FULBRIGHT. I doubt that I could add anything to the chairman's great knowledge of that aspect of it or anybody could, but I will give you a suggestion later here.

The CHAIRMAN. I have just been passing my coals to Newcastle.

Senator FULBRIGHT. The Federal Security Administrator has the power to promulgate regulations fixing and establishing for any food a reasonable definition and standard of identity, designating the ingredients which shall be named on the label. Under this power, he has established a Definition and Standard of Identity for Oleomargarine, prescribing its ingredients and labeling requirements.

The act includes many additional provisions which broaden its scope, and make very clear the protection afforded the consumer. For example, section 403 provides that a food shall be deemed to be misbranded—making violation subject to the penalties I have mentioned—

1. If its label is false or misleading in any particular.
2. If it is offered for sale under the name of another food. That is one I would say particularly they are concerned about in this legislation.
3. If it is in imitation of another food, unless so labeled.
4. If its container is so made or filled as to be misleading.
5. Unless it bears a label containing the name and place of business of the manufacturer, packer, or distributor; and an accurate statement of the quantity of the contents.
6. If any word, statement, or other information required by the act to appear on the label is not placed with such conspicuousness and in such terms as to render it likely to be read and understood by the ordinary individual under customary conditions of purchase and use.
7. If it purports to be or is represented as a food for which a definition and standard of identity has been prescribed, unless it conforms to such standard, and its label bears the name specified by the standard.
8. If it contains any artificial coloring, flavoring, or chemical preservative, unless its label so states. This provision, incidentally, is expressly inapplicable to butter, cheese, or ice cream.

Senator LUCAS. All of these regulations would remain in full force and effect?

Senator FULBRIGHT. Yes.

Senator LUCAS. Regardless.

Senator FULBRIGHT. This is the Pure Food and Drug Act. This proposed repeal of these taxes in no way affects these laws.

It will be noted that these provisions, prohibiting misbranding and adulteration, extend to the point where the food is "held for sale after shipment in interstate commerce." Contrary to the impression of many people, this point actually extends to the final sale of the article of food. The recent decision of the United States Supreme Court in *U. S. v. Sullivan* (68 Sup. Ct. 331), decided in January of this year, makes this point clear.

In the Sullivan case, a retail druggist in Georgia had purchased a bottle of properly branded sulfa tablets from a wholesaler who purchased them in interstate commerce. The retail druggist took some tablets from the bottle, put them into a paper bag, and sold them across the counter in his store. This paper bag was not labeled as provided by the act and the defendant was charged with misbranding and a violation of section 301 (k).

The CHAIRMAN. I think an important element of the case is that the retailer accused purchased the tablets from the consignee. In other words, under old-time conceptions, the interstate feature of the transaction ended when it reached the consignee.

Senator FULBRIGHT. Yes.

The CHAIRMAN. This retailer bought the sulfathiazole tablets from the wholesaler-consignee, and then proceeded to sell them in a box of his own which merely had the word "sulfathiazole" on it, and did not have either warnings or directions.

Senator FULBRIGHT. Which only emphasizes the extent to which you can follow it.

The CHAIRMAN. If you can bring the case into analogy with food, then you have a rather powerful precedent.

Senator FULBRIGHT. The defendant claimed that section 301 (k) was not applicable since the transaction involved was entirely local, not involving interstate commerce, and that, furthermore, even if the act were applicable, then the transaction was beyond the constitutional power of Congress.

The Supreme Court upheld the conviction under the act and ruled that since the act was enacted to protect the consumer with respect to any food, drug, or cosmetic which had been shipped in interstate commerce, section 301 (k) is definitely applicable. Furthermore, the Court held that Congress has the power to cover this type of situation, since it is an aspect of regulating interstate commerce and protecting the consumer with respect to articles which move in interstate commerce.

It could be pointed out that the matter of whether section 301 (k) extends so far as to cover a completely local transaction—on which the Supreme Court has already ruled—will probably become academic, since the Miller bill, H. R. 4071, has already been reported out to the Senate and appears slated for passage. This bill makes it clear, by statutory language, that section 301 (k) applies to a local transaction of the kind being discussed, since the statutory language would

be amended to cover specifically any action done while the article is held for sale, whether or not the first sale, after shipment in interstate commerce and which act results in the article being adulterated or misbranded.

Of course it will be contended that these provisions do not protect the consumer in purely intrastate cases. This is true, although these cases are very limited and are not properly matters for the consideration of Congress at any rate.

The CHAIRMAN. I should like to suggest, if I may, that you have the opportunity to expand your argument by basing yourself on the Food Adjustment Act cases on the marketing decisions, and on the Shreveport cases.

Senator FULBRIGHT. I did not want to overstate the case. I agree, and I think what you have already suggested could well be true, which merely strengthens our position, that the power of the Congress through the pure food laws is quite sufficient to handle this situation. Would that not be the conclusion?

The CHAIRMAN. I have nothing but a tentative opinion on the subject. I am merely making a suggestion of a matter which might become of interest to the committee.

Senator FULBRIGHT. I think the Senator is quite right, and as so often happens, he knows a little more about this matter than I do, but I think the conclusions in the direction that there is the power now existing in the Government to control the matter, this is the point I am really trying to make: that this whole business should be handled directly through regulations under the pure food laws and not through a tax on it.

Senator BARKLEY. That reasoning follows not only the decision of the Court, but the Transportation Act of 1920 and other acts regulating railroads, in which intrastate rates, purely intrastate, that were a burden on interstate transportation were subject to regulation by Congress and action by the ICC.

If it can do that with regard to the means of transportation, it certainly can do it in regard to the things transported.

Senator FULBRIGHT. I think so. I certainly agree.

However, as I have said, this objection is met adequately by the laws of the States. Furthermore, as every margarine producer is dependent upon markets in several States, as a practical matter he and his distributors are obliged to comply with the Federal laws on the subject of fraudulent sales.

It should also be remembered that should these taxes be repealed, this will in no way affect the power of the States to regulate intrastate commerce in oleomargarine. This power, in spite of Federal laws on the subject—which might be held to take the matter out of the hands of the States—is especially reserved to the States under the terms of title 21, section 25, United States Code, as follows:

"Oleomargarine * * * transported into any State or the District of Columbia, and remaining therein for use, consumption, sale, or storage there, shall * * * be subject to the operation and effect of the laws of such State or the District of Columbia, enacted in the exercise of its police powers to the same extent and in the same manner as though * * * produced in such State * * * and shall not be exempt therefrom by reason of being introduced therein in original packages or otherwise.

The effect of this provision is to remove any doubt as to whether Congress intends to foreclose State action in the realm of regulation

of margarine. This provision is not, of course, affected by H. R. 2245.

Thus the only conceivable avenue for fraud—meaning the sale of colored oleomargarine as butter—occurs in restaurants and other public eating places, where yellow margarine could be sold as butter. I do not regard this as of particular importance for several reasons: In the first place, there is nothing in Federal law now, before the enactment of this bill, which would prevent a restaurant owner from purchasing colored margarine and serving it as butter, unless the Pure Food and Drug Acts are so interpreted, and these acts are not affected by the bill. So the repeal of the oleomargarine taxes will not affect the problem, except to save him 10 cents per pound of margarine. Even this, in view of the present cost of butter, would not increase the likelihood of such a fraud, since it would clearly profit the restaurant owner to buy colored oleomargarine and serve it now.

Senator TAFT. Could he not buy it without coloring?

Senator FULBRIGHT. I mean he could buy it colored and still be making a big profit. The motive to do it from the profit point of view exists now. It is true, however, if he bought the white now and colored it, the restaurant would be classed as a manufacturer and have to pay \$600 excise, but he can buy it straight as yellow and pay the 10 cents a pound and serve it now.

Senator TAFT. Still if he is willing to violate the law in serving it, he will be willing to violate the law by mixing the yellow.

Senator FULBRIGHT. That may be true.

Senator LUCAS. I should like to ask Senator Fulbright one question at this point. I have received suggestions that all public eating houses should be compelled to properly identify margarine from butter, so that the guests would know exactly what they were eating. Do you make any suggestion?

Senator FULBRIGHT. That is just what I am coming to right at this moment. There is just one more page of this statement.

Senator LUCAS. You started talking about it, and I note you had left the subject, and that is the reason I asked you that point.

Senator FULBRIGHT. In the second place, the laws of 40 of the States require that public eating places give notice to their customers when they serve margarine.

Also, it might well be argued that if the customer himself does not know what he is eating, it makes little difference, since margarine is nutritionally the equal or superior of butter.

Senator BUTLER. I bring up the same question there that I did before. Do you contemplate in amending this law to provide for prosecuting butter manufacturers or other people who imitate the superior qualities of margarine?

Senator FULBRIGHT. It might come to that some day. The great progress they have made in the development and refining of margarine might result in that, but we are not insisting on it yet.

Incidentally, in using the need for the protection of the restaurant customer as an argument for retention of the taxes, the defenders of those taxes are placing themselves in the position of claiming that margarine is of vastly inferior taste, which they do claim, yet contending that the restaurant consumer is unable to discern this.

However, assuming such protection is desirable, it can be accomplished by amendment to the Federal Food, Drug, and Cosmetic Act, extending the definition of "acts which result in misbranding."

This is the point which I believe the Senator from Illinois is interested in.

This procedure will bring the entire question of fraud in the sale of oleomargarine under the provisions of that act, which now contains adequate provision for protection to all consumers, except patrons of public eating places.

Section 301 (k) of the act, as I have said, prohibits acts which result in misbranding while an article of food is held for sale after shipment in inter-state commerce.

Section 303 (a) provides for penalties for acts of misbranding; imprisonment for not more than 1 year, fine of \$1,000, or both.

Section 403 provides that "a food shall be deemed to be misbranded" when, as defined in subsections (a) through (k), various acts of misbranding occur.

The proposed amendment would add a new subsection and thus a new "act of misbranding," as follows:

(L) If it is oleomargarine containing artificial coloring and is served by a restaurant or other public eating place, whether or not a separate and distinct charge therefor is made, unless a conspicuous sign in, or a prominent notice on the daily bill of fare or menu, of such restaurant or public eating place states that oleomargarine is served. The labeling requirements of this Act shall not apply to oleomargarine containing artificial coloring served by a restaurant or other public eating place if such restaurant or other public eating place fully complies with the provisions of this paragraph.

That is the proposed amendment.

The CHAIRMAN. Would there be an objection if butter is served in pats in public eating places?

Senator FULBRIGHT. Pats of butter?

The CHAIRMAN. I mean pats of oleo. Would there be any objection to putting some sort of imprint on the pat itself, just as housewives shape a pat into a rosebud or something else—put some kind of a mark on it to show that it is oleo?

Senator BARKLEY. You could not get much on a little tab of butter or margarine either, that they serve in the restaurant.

The CHAIRMAN. I am afraid you are right.

Senator TAFT. Put rosebuds only on margarine.

The CHAIRMAN. My thought was not to have it look like a rosebud, but of course, that would only be giving the rose another name. My thought was that the pat be imprinted with an initial or something that would show it was oleo.

Senator FULBRIGHT. I think, of course, as a practical matter perhaps in the Carlton or Shoreham they do make fancy little pats, but the average ordinary restaurant, it would be an intolerable burden to have to do that.

The CHAIRMAN. You think it would be impractical?

Senator FULBRIGHT. I think of no way that an ordinary small restaurant could have the mechanical means of doing that in any reasonably efficient manner. That is my only objection. If you think so as a practical matter, I see no objection. It seems to me it is the easiest way, and the way they already conform to it—40 States already make them do this—is to merely say that in some manner, some reasonable manner, notice must be given to the people that they are serving margarine. That is already, as I say, in effect, and causes very little trouble with the average small restaurant, and that seemed

to us the most practical way to follow that in the experience at least in the States. It seems to have dictated that as being the best way.

The CHAIRMAN. I am not proposing this. It has been suggested along with change in shapes and all sorts of things, and I wanted your opinion.

Senator FULBRIGHT. This is a relatively small item in a restaurant, and to require any extraordinary effort in the preparation of the butter or the margarine is simply another way of saying you shall not serve it. That is what it amounts to. If you wanted to expressly prohibit it, that is another matter. That could be considered.

Senator TAFT. I suppose your provision here, the labeling requirement shall not apply to oleomargarine, if this is on it.

Senator FULBRIGHT. If this is on?

Senator TAFT. I do not suppose the labeling provisions of the act apply to any food served in the restaurant, and you cannot label the pork chop or beans or anything else.

Senator FULBRIGHT. Of course there is no doubt about pork chops.

Senator TAFT. You are not exempting oleomargarine here from any general requirements in that section?

Senator FULBRIGHT. Not that I know of. You see, all of this merely is another further definition of misbranding. They say if you sell it without this, it amounts to a misbranding.

That is the effect of that.

The CHAIRMAN. This is another way of saying you do not have to serve it in a restaurant in an original container.

Senator TAFT. That is true of all food.

The CHAIRMAN. That is what you are saying there.

Senator FULBRIGHT. You have to give notice if you serve it.

The CHAIRMAN. When you waive the labeling requirements, you are waiving something that is on the container.

Senator FULBRIGHT. Yes.

The CHAIRMAN. Obviously you cannot serve butter in a container to the individual customer.

Senator FULBRIGHT. As I understand the present pure-food laws, there is a provision giving discretion to the Administrator where it is not practical, he makes that decision, to waive the requirement of a label. I think that would be true under existing law, that it has not been deemed to be practical to make an imprint, we will say, on the butter. I think he probably has the power to do that. So that their proposed amendment would relieve him of that discretion.

Senator TAFT. You have the alternative, if you do not put the sign on, you could still serve the pat of oleo if it had the proper labeling requirements on it. If it were wrapped separately that would relieve you of the necessity of putting it on the menu, is that right?

Senator FULBRIGHT. I would think certainly as a practical matter that would be compliance.

Senator TAFT. It has been one of the suggestions that it be served in a triangular form, which I suppose would require wrapping.

Senator FULBRIGHT. That was the trouble. That was suggested in the House. I believe that someone submitted an amendment in the House requiring that, and it was voted down on the ground that it is not practical as a way to reach it.

Senator TAFT. An alternative could be that if you did not want to say that, you could do that.

Senator FULBRIGHT. There again you run into the enormous difficulty of taking each pat of butter and wrapping it individually and doing that.

Senator TAFT. The word "oleo" on the pat would hardly comply with the labeling requirements, because they have to set out yellow coloring matter and a number of other things.

Senator FULBRIGHT. This seems to us, and we have thought about it from all angles, probably the most practical way that would not definitely prohibit it. Of course, if they think that the danger is so great that it ought to be prohibited that is another matter. I think there is no serious contention that in the other field, that is, distribution through retail outlets, that there is any fraud or any likelihood of any.

The CHAIRMAN. Without any expression of opinion on the merits of what you propose here, it is good to see a constructive suggestion made in this hearing.

Senator FULBRIGHT. I thank the chairman. We have really thought as seriously as we could as to what practical way we could follow, and we also felt the precedent of the States which have been so close to this matter, is probably very persuasive; 40 of them do use this, and I may say one reason I do not set out the exact way that they state this notice is in order not to require two notices, one under the State and one under the Federal law. I mean that was the reason. We considered that very seriously; should we say exactly how they do it. But that would run contra to those laws, and then you would have every restaurant having to have both the way we said they must be given the notice, and the way the State gives it.

Senator TAFT. How many States prohibit the sale of yellow margarine?

Senator FULBRIGHT. Twenty-three I believe. I had that a moment ago. Was it not 23 in the testimony?

Senator TAFT. They prohibit it?

Senator FULBRIGHT. It is 22 or 23. I have forgotten the exact number.

Senator TAFT. They prohibit the sale by restaurants of colored margarine?

Senator FULBRIGHT. They prohibit the sale altogether to anybody.

Senator TAFT. And then in addition to that, you have 40 States here that you say have this provision about the bill of fare.

Senator FULBRIGHT. That is, have requirements that their law requires that if you sell it.

Senator GEORGE. The Under Secretary of the Treasury said today the sale of colored oleomargarine is prohibited in 22 States. Three additional States impose a tax of 10 cents a pound on the colored product. In 23 States the sale of colored margarine is unfettered by the excise of State prohibition.

Senator TAFT. I wondered how you fixed it at 40 States. You say 40 States have this provision about notice on the bill of fare. How do you fit that in with the 22 that prohibit it altogether?

Senator FULBRIGHT. I have here information, if the committee would like it. This is a compilation of the State requirements. For example, they have different ways. Take my home State, just a short paragraph. This is section 602 of Polk's Digest:

Any hotel, inn or restaurant or boarding-house keeper serving margarine must clearly and indelibly mark the plate holding it on some prominent part thereof

with the word oleomargarine or such other word as may properly describe the compound, puff pastry shortening not made with milk and cream excepted."

They have different ways. Some say it has to be on the plate. Others I notice on the menu and others so on and so forth.

In order not to require double work on that part, we left that just saying in the language of the suggested amendment so that it is reasonably flexible, and yet gives notice.

The CHAIRMAN. Just as an expression of personal opinion, I believe that we should go the route of something of this kind. Whatever we do must be complete from the Federal standpoint, for obviously you cannot possibly adjust your Federal statute to all of the different requirements of the different States. The Federal statute must contain complete protection from the Federal standpoint if we adopt this kind of a device.

Senator FULBRIGHT. And I agree. I think this does it, and is in accord with the existing laws in the States.

For the information of the Senator, I would like to read his own State's requirement as a good illustration of a law quite similar to this.

The CHAIRMAN. May I interrupt with just one observation. I would like to suggest to the butter people that entirely without prejudice to their own contentions they give this amendment very close scrutiny, and if they wish, of course, feel at liberty to be critical of it.

Senator TAFT. Do I understand that under this amendment, white oleomargarine could be served without this requirement? Is that correct?

Senator FULBRIGHT. Yes. If it is oleomargarine containing artificial coloring—

Senator TAFT. You say 40 States have a similar provision. If you have that many States, then some of them must simply prohibit the sale of white margarine without notice, because they prohibit the sale of yellow altogether.

Senator FULBRIGHT. I think that is true. Some do prohibit, I believe, the sale of white oleomargarine. Does not Wisconsin prohibit the sale of white oleomargarine?

Senator TAFT. You claim that 40 States have a provision similar to this. If 22 prohibit it altogether, that makes 62 States, and it would not be possible to have 40 States having provisions similar to this, unless some of them are trying to require the labeling of white oleo. That is what I do not understand.

Senator FULBRIGHT. The 22 prohibitions do not relate solely to restaurants. That is a prohibition, general prohibition to anybody under any circumstances, that the Under Secretary was talking about, relating to sales of yellow margarine. Whereas the State laws requiring notice relate to serving white or yellow, so the 40 include the 22.

Senator TAFT. Have you a compilation of all of the States?

Senator FULBRIGHT. This is a compilation I was going to read, Colorado, which is a little nearer the one proposed. This is volume 2, chapter 49, section 23, Statutes Annotated. Whenever margarine is offered to the public for consumption as a butter substitute, the person, firm, or institution offering margarine shall prominently display a sign bearing the words "We serve oleomargarine" in plain Gothic letters at least 2 inches high.

with the word oleomargarine or such other word as may properly describe the compound, puff pastry shortening not made with milk and cream excepted."

They have different ways. Some say it has to be on the plate. Others I notice on the menu and others so on and so forth.

In order not to require double work on that part, we left that just saying in the language of the suggested amendment so that it is reasonably flexible, and yet gives notice.

The CHAIRMAN. Just as an expression of personal opinion, I believe that we should go the route of something of this kind. Whatever we do must be complete from the Federal standpoint, for obviously you cannot possibly adjust your Federal statute to all of the different requirements of the different States. The Federal statute must contain complete protection from the Federal standpoint if we adopt this kind of a device.

Senator FULBRIGHT. And I agree. I think this does it, and is in accord with the existing laws in the States.

For the information of the Senator, I would like to read his own State's requirement as a good illustration of a law quite similar to this.

The CHAIRMAN. May I interrupt with just one observation. I would like to suggest to the butter people that entirely without prejudice to their own contentions they give this amendment very close scrutiny, and if they wish, of course, feel at liberty to be critical of it.

Senator TAFT. Do I understand that under this amendment, white oleomargarine could be served without this requirement? Is that correct?

Senator FULBRIGHT. Yes. If it is oleomargarine containing artificial coloring—

Senator TAFT. You say 40 States have a similar provision. If you have that many States, then some of them must simply prohibit the sale of white margarine without notice, because they prohibit the sale of yellow altogether.

Senator FULBRIGHT. I think that is true. Some do prohibit, I believe, the sale of white oleomargarine. Does not Wisconsin prohibit the sale of white oleomargarine?

Senator TAFT. You claim that 40 States have a provision similar to this. If 22 prohibit it altogether, that makes 62 States, and it would not be possible to have 40 States having provisions similar to this, unless some of them are trying to require the labeling of white oleo. That is what I do not understand.

Senator FULBRIGHT. The 22 prohibitions do not relate solely to restaurants. That is a prohibition, general prohibition to anybody under any circumstances, that the Under Secretary was talking about, relating to sales of yellow margarine. Whereas the State laws requiring notice relate to serving white or yellow, so the 40 include the 22.

Senator TAFT. Have you a compilation of all of the States?

Senator FULBRIGHT. This is a compilation I was going to read, Colorado, which is a little nearer the one proposed. This is volume 2, chapter 49, section 23, Statutes Annotated. Whenever margarine is offered to the public for consumption as a butter substitute, the person, firm, or institution offering margarine shall prominently display a sign bearing the words "We serve oleomargarine" in plain Gothic letters at least 2 inches high.