

PROCESSING TAX ON COCONUT OIL

HEARING

BEFORE A

**SUBCOMMITTEE OF THE
COMMITTEE ON FINANCE
UNITED STATES SENATE**

SEVENTY-SEVENTH CONGRESS

SECOND SESSION

ON

H. R. 6682

**AN ACT TO SUSPEND IN PART THE PROCESSING
TAX ON COCONUT OIL.**

JUNE 25, 1942

Printed for the use of the Committee on Finance



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PROCESSING TAX ON COCONUT OIL

THURSDAY, JUNE 25, 1942

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON FINANCE,
Washington, D. C.

The subcommittee met, pursuant to call, at 10 a. m., in room 312, Senate Office Building, Senator Harry F. Byrd, chairman, presiding. Senator BYRD. Gentlemen, we will come to order.

The purpose of this meeting is to consider the bill H. R. 6682. (H. R. 6682 is as follows:)

[H. R. 6682, 77th Cong., 2d sess.]

An Act To suspend in part the processing tax on coconut oil

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 2470 (a) (2) of the Internal Revenue Code is hereby suspended: Provided, That if the President after receipt by him of a request from the Government of the Commonwealth of the Philippine Islands that the suspension of section 2470 (a) (2) be terminated, shall find that adequate supplies of copra, coconut oil, or both, the product of the Philippine Islands, are readily available for processing in the United States, he shall so proclaim; and thirty days after such proclamation, the suspension of section 2470 (a) (2) of the Internal Revenue Code, shall terminate.

SEC. 2. This Act shall become effective the day following its enactment.

Passed the House of Representatives June 1, 1942.

Attest:

SOUTH TRIMBLE, Clerk.

Senator BYRD. We will hear first from Mr. Allan R. Rosenberg, the Board of Economic Warfare, General Counsel's Office.

STATEMENT OF ALLAN R. ROSENBERG, GENERAL COUNSEL'S OFFICE, BOARD OF ECONOMIC WARFARE

Senator BYRD. Will you identify yourself to the stenographer?

Mr. ROSENBERG. My name is Allan R. Rosenberg. I am an attorney in the office of the General Counsel of the Board of Economic Warfare. I speak as an attorney who is somewhat familiar, generally familiar, with the subject but not as an expert on coconut oil. I am authorized to say, however, that the Board of Economic Warfare endorses H. R. 6682 and hopes for its speedy enactment as a measure to aid in winning the war.

The bill is really a very simple measure. In 1934 there was enacted a law, now section 2470 of the Internal Revenue Code, which imposed a tax of 3 cents on the first domestic processing of coconut oil, palm oil, palm kernel oil and derivatives; in addition a 2-cent tax was placed on the processing of coconut oil and its combinations, except that coconut oil that was the product of the Philippines, or derived

from materials produced in the Philippines, was excepted from that additional 2-cent tax.

The result of that additional 2-cent tax on non-Philippine oil was to give the Philippines a monopoly and to bar the importation of coconut oil, or copra from non-Philippine sources. The 1940 total imports of coconut oil was 758,000,000 pounds, approximately, of which approximately 730,000,000 pounds came from the Philippine Islands. So that the law operated, as it was intended to operate, to bar oil from non-Philippine sources and to give the Philippines a monopoly.

Now, with the fall of the Philippines, the reason for the law has disappeared. No coconut oil or coconut oil in the form of copra has come from the Philippines. On the other hand, oil from the non-Philippine sources is barred by virtue of this 2 cents additional tax, under the present price ceiling.

The price ceiling is based on the 3-cent tax and not on the additional 2-cent tax. As I understand it, the ceiling in New York is calculated on the basis of 8.32 cents per pound, plus the 3-cent tax, not the 5-cent tax. The result is that the imports of copra for processing have almost entirely fallen off. None is available from the Philippines, and the 2-cent additional tax bars it from non-Philippine sources.

The bill, H. R. 6682, would remove this additional 2-cent tax, but would leave the basic 3-cent tax. It would place the non-Philippine coconut oil in exactly the same competitive position, as far as the tax is concerned, as was formerly held by the Philippine copra, prior to the fall of the Philippines. It would give no advantage to consumers of coconut oil, or copra, which they did not have before the fall of the Philippines. Indeed, since there is a considerably less amount of copra available than was formerly consumed or imported from the Philippines, there would be a disadvantage in quantity, but there would be no competitive advantage so far as the tax is concerned, that the consumers did not have before the Philippines fell.

Now, this is a wartime measure, lasting only for the duration of the war. You will note that the termination date is—

that if the President after receipt by him of a request from the Government of the Commonwealth of the Philippine Islands, that the suspension of section 2740 (a) (2) be terminated, shall find that adequate supplies of copra, coconut oil, or both, the product of the Philippine Islands, are readily available for processing in the United States, he shall so proclaim.

My understanding of the reason for the formulation of the termination date in those words is that it was intended as a measure of protection to the Philippine Islands and as a measure of protection to the United States. The Philippine Islands may come back in on this import of coconut oil when they have supplies available for processing, not merely such supplies as they deem adequate, but such supplies as the President, by proclamation, shall deem adequate.

Senator BYRD. What it means, in effect, is when it is possible to resume the shipments, the suspension then is terminated? I mean it is a question now of obtaining the oil?

Mr. ROSENBERG. That is right, when it is readily available for processing in the United States.

Senator BYRD. The ordinary language with respect to the termination of the war is when the shipments can be resumed?

Mr. ROSENBERG. Yes, sir.

Senator BYRD. That is the effect of it?

Mr. ROSENBERG. Then they have the benefit of the 2-cent additional tax.

Senator GERRY. What you really do is you take the 2-cent tax off which was put in in favor of the Philippines, in order to give them a monopoly?

Mr. ROSENBERG. That is right. The basic 3-cent tax remains.

Senator GERRY. Then you leave the basic 3-cent tax that the Philippine Islands had to pay anyway, don't you?

Mr. ROSENBERG. That the processor had to pay on imports from the Philippines.

Senator GERRY. That the processor had to pay on imports from the Philippines?

Mr. ROSENBERG. That is right. He has to pay exactly the same under this bill as he had to pay when he imported Philippine coconut oil or copra. Coconut oil is needed in the war effort. I do not speak as an authority on this, but I am informed that the coconut oil itself is used—or the higher alcohols derived from coconut oil are used—for the manufacture of synthetic rubber.

Senator GERRY. Isn't it also used in nitroglycerin for the manufacture of munitions, and also used in the manufacture of medicines?

Mr. ROSENBERG. That is right. As I understand, it is used for nitroglycerin; it is used by the British for cordite as an explosive; it is used by the Russians as ammunition, and of course we are shipping large quantities of glycerin abroad to the United Nations.

Senator GERRY. It is used medicinally very largely?

Mr. ROSENBERG. I am not familiar with that. It is used also as protective coating for ordnance, as an alkyl resin essential for the war effort. It is used as coconut oil derivative for shatterproof glass in airplanes. So it has distinct war uses.

Senator TAFT. What percentage goes into soap? It does go into soap; does it not?

Mr. ROSENBERG. It does go into soap, but the glycerin is recovered in the process of making soap, and that glycerin is used for nitroglycerin and the war uses I mentioned. The coconut oil itself is also used, but the largest part of the coconut oil goes into the manufacture of soap from which glycerin is derived and that, in turn, gives us the glycerin for war purposes. The recovery of glycerin from coconut oil is 25 or 30 percent higher than from most other oils except the Babassu nut oil and the palm kernel oil used for the same purposes. That means shipping space is saved when you use this high recovery oil. It also means it is less of a drain on domestic oils, because you get more glycerin from coconut oil than from domestic oils and we need domestic edible oils for lend-lease and domestic consumption.

Senator GERRY. What is the amount of the shortage of oil cake?

Mr. ROSENBERG. I do not know of any overall shortage of oil cake for domestic use.

Senator GERRY. It says here they make it in California.

Mr. ROSENBERG. There is a preference for coconut oil cake in some parts of California.

Senator TAFT. You cannot get rid of cottonseed cake.

Mr. ROSENBERG. Yes. Now, because the amount of coconut oil, or copra, rather, that can be imported from non-Philippine

sources is only a fraction of what was imported from the Philippines, and even a smaller fraction of what we need for these war purposes, there would, in all likelihood, be no effect on the domestic market.

In addition to that, there is an order by the War Production Board called M-60 which I would like, if I may, to introduce in evidence and to show to you, if you care to see it, which prohibits the use of coconut oil except for glycerin-producing processes as you will see from paragraph (B) on the first page at the bottom, paragraphs (B) (i) and (ii), reading as follows:

(B) *Restrictions on use*—(1) *Prohibitions on use.* Hereafter, except as provided by paragraph (b) (3) hereof, the use or consumption by any person of high lauric acid oils in the following manufactures, processes or uses is prohibited:

- (i) Any manufacture, process or use in which glycerin is not produced;
- (ii) Any manufacture or process in which glycerin is produced where the amount of glycerin (whether free or combined) remaining in the product exceeds 1.5 percent calculated on an anhydrous soap basis or where the remainder of the glycerin is not at least 90 percent recovered.

Now, in paragraph (3), subparagraph (iv), it states:

(iv) Notwithstanding the provisions of subparagraphs (i), (ii), and (iii) of this paragraph (b) (3), no person shall use or consume high lauric acid oils in the manufacture of any margarine, shortening, or cooking fat.

That means, as I understand this order—and again speaking generally—that the use of coconut oil is prohibited for edible purposes and is directed entirely toward the production of glycerin, that is within certain limitations set up in the rest of the order. It is designed to take it out of competition on the one hand with domestic oils and, on the other hand, to conserve its use for war purposes.

(Order M-60 of the War Production Board is as follows:)

The fulfillment of requirements for the defense of the United States has created a shortage in the supply of Coconut Oil, Babassu Oil, Palm Kernel Oil, and other high lauric acid oils as herein defined for defense, for private account and for export; and the following Order is deemed necessary and appropriate in the public interest and to promote the national defense:

1027.1 GENERAL PREFERENCE ORDER M-60.

(a) *Definitions.*—For the purposes of this Order: (1) "High Lauric Acid Oils" means Coconut Oil, Babassu Oil, Palm Kernel Oil, and all other oils having a lauric-acid content of thirty-five percent (35%) or higher, whether crude, refined, bleached, or deodorized.

(2) "Inventory" of a person with respect to high lauric-acid oils means: (i) The high lauric-acid oil content of copra and other seeds and nuts from which high lauric-acid oils are obtained;

(ii) High lauric-acid oils, whether crude, refined, bleached or deodorized,

(iii) The high lauric-acid oil content of all mixtures and blends of which such oils are a part;

(iv) The high lauric-acid oil equivalent of all fatty acids and acidulated soapstocks and of all mixtures and blends of such fatty acids and acidulated soapstocks;

(v) All material as aforesaid to or in which such person has any title or equity of redemption or which he has purchased for future delivery;

(vi) The inventory, as above defined, of affiliates and subsidiaries of such person.

(3) "Inventory Quota" of a person means twenty-five percent (25%) of a person's inventory on the inventory date. In the event that through circumstances beyond the control of such person any material in a person's inventory for which a contract of purchase existed on the inventory date is in whole or in part not delivered to such person, his inventory quota as of such date shall be adjusted accordingly.

(4) "Inventory Date" means the close of business on the day prior to the date of issuance of this Order.

"(B) *Restrictions on use*—(1) *Prohibitions on use.*—Hereafter, except as provided by paragraph (b) (3) hereof, the use or consumption by any person of high lauric-acid oils in the following manufactures, processes or uses is prohibited:

- (i) Any manufacture, process, or use in which Glycerine is not produced;

"(ii) Any manufacture or process in which Glycerine is produced where the amount of Glycerine (whether free or combined) remaining in the product exceeds one and five tenths percent (1.5) calculated on an anhydrous soap basis or where the remainder of the Glycerine is not at least ninety percent (90%) recovered."

(2) *Curtailment of amount of use.*—No person shall hereafter in any calendar month beginning with March 1942 saponify, or put in the process of saponification, any high lauric acid oils or any fatty acids derived in whole or in part from such oils in a quantity, in terms of oil or of oil equivalent, in excess of seventy-five percent (75%) of one-twelfth of such oils or fatty acids saponified or put in the process of saponification by him in 1941.

(3) *Permitted uses for a limited period.*—(i) During March 1942 any person may use or consume high lauric acid oils in any manufacture, process or use in an amount not exceeding one hundred percent (100%) of one-twelfth of his use or consumption of such oils in such manufacture, process or use in 1941, and during each of the months April and May 1942 any person may use or consume such oils in any manufacture, process, or use in an amount not exceeding fifty percent (50%) of one-twelfth of his use and consumption of such oils in such manufacture, process or use in 1941.

(ii) During each of the months June and July 1942 any person may use or consume high lauric acid oils in the manufacture of any edible product not exceeding fifty percent (50%) of his use or consumption of such oils in such manufacture during the corresponding month of 1941, and during each of the months August and September, 1942 any person may use or consume such oils in the manufacture of any edible product in an amount not exceeding twenty-five percent (25%) of his use and consumption of such oils in such manufacture during the corresponding month of 1941.

(iii) Any person may use or consume Tucum and Muru-muru oils in the manufacture of any edible product, without limitation as to the time of such use and, except as provided in paragraph (d) hereof, without limitation as to the quantity of such use.

(iv) Notwithstanding the provisions of subparagraphs (i), (ii), and (iii) of this paragraph (b) (3), no person shall use or consume high lauric acid oils in the manufacture of any margarine, shortening, or cooking fat. [(3), as amended May 11, 1942.]

4. *Reports of unusable oils.*—Any high lauric acid oils at any time remaining in the hands of any person which by reason of any of the provisions of this paragraph (b) may not be used or consumed by him shall be reported to the War Production Board, Washington, D. C., Ref: M-60 for disposition.

(c) *Restrictions on processing.*—No person shall hereafter process or change the condition of any high lauric acid oils in preparation for any manufacture or use permitted by this order except to the extent necessary for such preparation and then only in such quantities as may be necessary to meet his normal production schedule or, if such oils are to be manufactured or used by another person, then the normal production schedule, of such other person, insofar as either such schedule is not in violation of paragraph (b) (3) hereof.

(d) *Withholdings of high lauric acid oils.*—(1) Every person who on the inventory date has an inventory in an amount in the aggregate in excess of 30,000 lbs. by weight of oil or oil content or equivalent, shall set aside his inventory quota and shall continue to hold such quota subject to the direction of the Director of Industry Operations. The quotas of all such persons shall provide the source for the allocation of high lauric acid oils to the extent that the Director of Industry Operations may determine that substitutes for such oils cannot be found and that the use of such oils is indispensable and essential for defense purposes; and such quotas shall also constitute a reserve supply of such oils.

(2) The inventory quota so directed to be set aside shall, insofar as possible, be composed of crude whole oils. Such quota shall be used, put in process, sold, or delivered only upon express instruction of the Director of Industry Operations, except that this paragraph (d) (2) shall not be construed to prevent the crushing of copra or other seeds or nuts nor to prevent changing the condition of the oils so set aside to the extent necessary to prevent deterioration while carried in inventory.

(3) On or before April 15, 1942, every person subject to the terms of paragraph (d) (1) hereof and every person who on the inventory date had in his possession or under his control in excess of 30,000 lbs. of high lauric acid oils including, in terms of high lauric acid oil content, any copra or other nuts or seeds, mixtures, blends, fatty acids, and acidulated soap stocks, but whether or not owned or under

contract or purchase, shall report to the War Production Board on Form PD-354, listing among other things such person's inventory as of the inventory date, the composition thereof, the amount of such person's inventory quota and the form in which held, and in case of material which on the inventory date was not owned by such person or was under contract of sale to another, the name of the owner or vendee thereof.

(e) *Restrictions on sales and deliveries.*—No person shall sell, or directly or indirectly deliver or cause to be delivered, any high lauric acid oils for any use prohibited by paragraph (b) hereof nor for any use in greater quantities than are permitted by paragraph (b) (3) hereof nor in violation of paragraph (d) hereof, and no person shall accept deliveries of any high lauric acid oils for any prohibited use or for any greater quantities or proportions than for permitted consumption.

(f) *Miscellaneous provisions.*—(1) *Applicability of Priorities Regulation No. 1.*—This Order, and all transactions affected thereby, are subject to the provisions of Priorities Regulation No. 1 [p. 30, 901] (Part 944), as amended from time to time except to the extent that any provision hereof may be inconsistent therewith, in which case the provisions of this Order shall govern.

(2) *Intracompany transactions.*—The prohibitions or restrictions contained in this Order with respect to deliveries shall, in the absence of a contrary direction, apply not only to deliveries to other persons including affiliates and subsidiaries, but also to deliveries from one branch, division, or section, of a single enterprise, to another branch, division, or section, of the same or any other enterprise owned or controlled by the same person.

(3) *Violations.*—Any person affected by this Order, who violates any of its provisions, or a provision of any other Order, direction, or regulation issued by the Director of Industry Operations, may be prohibited by the Director from making or receiving further deliveries of high lauric acid oils, or of any other material subject to allocation, or he may be subjected to any other or further action which the Director may deem appropriate.

(4) *Appeals.*—Any person affected by this Order who considers that compliance therewith would work an exceptional and unreasonable hardship upon him, or that it would result in a degree of unemployment which would be unreasonably disproportionate compared with the amount of high lauric acid oils or of glycerine conserved, or that compliance with this Order would disrupt or impair a program of conversion from nondefense to defense work, may appeal to the War Production Board, Washington, D. C., Reference: M-60, setting forth the pertinent facts and the reason he considers he is entitled to relief. The Director of Industry Operations may thereupon take such action as he deems appropriate.

(5) *Effective date.*—This Order shall take effect immediately and shall continue in effect until revoked by the Director of Industry Operations.

(P. D. Reg. 1, amended Dec. 23, 1941, 6 F. R. 6680; W. P. B. Reg. 1, Jan. 26, 1942, 7 F. R. 561; E. O. 9024, Jan. 16, 1942, 7 F. R. 329; E. O. 9040, Jan. 24, 1942, 7 F. R. 527; sec. 2 (a), Pub. Law 671, 76th Cong., 3d Sess., as amended by Pub. Law 89, 77th Cong., 1st Sess.)

Issued this 20th day of March 1942.

Mr. ROSENBERG. I think there was some confusion in the debate in the House on this. Perhaps I am mistaken, but my impression was that it derived from the House report itself. On page 1 of the House report it is stated that—

In 1934 there was enacted a provision, now section 2470 (a) (2), of the Internal Revenue Code, which imposes on the first domestic processing of coconut oil a tax of 2 cents per pound.

In fact, the tax was 3 cents a pound plus an additional 2-cent tax.

Coconut oil obtained from copra produced in the Philippine Islands is exempt from this 2-cent tax.

Well, it is exempt from the additional 2-cent tax. Now, the impression may have been given by this formulation of the effect of the law that all the taxes were being removed, all the processing taxes were being removed on coconut oil, which of course is not the fact. The basic 3-cent tax remains on all coconut oil, the same tax that was applied before the Philippines fell. So I would suggest, if I may, if

there is to be a revision of this report, or if the confusion that may have stemmed from it is to be cleared up, that after the words "a tax of" in line three of the second paragraph under "General statement" of the House report, there appear the words "3 cents per pound and an additional tax of 2 cents per pound on non-Philippine coconut oil", and that the words "2 cents per pound" be eliminated. And similarly in the next sentence, the word "additional" be inserted between the word "this" and the words "2-cent tax". That is just to make it clear that this tax that is being suspended by H. R. 6682 is an additional tax, that the basic tax is not being removed.

Senator TAFT. I do not quite understand. If it is a good thing to take off the 2-cent tax, why not the 5-cent tax? What is the difference?

Mr. ROSENBERG. I am not competent to speak on the relation between the prices and ceilings of the various oils. As I understand it, however, the ceiling of approximately 11 cents placed on coconut oil in New York is based on this 3-cent tax, and it has a certain relation to the other oils. To remove that 3-cent tax might give them a competitive advantage which they never had before, and perhaps will give them advantage that they should not have. I am not competent to speak on that.

Senator TAFT. The theory is the 2-cent tax can be taken off without reducing the price of other oils?

Mr. ROSENBERG. The removal of the 2-cent tax puts coconut oil back in the same competitive position that it had with respect to all the other oils before the Philippines fell, and all the oil in the form of copra which was imported at that time, practically all of it, came from the Philippines and had a certain competitive position. This 2-cent additional tax that went into effect when we could not get oil from the Philippines threw the competitive situation out of line. Whether, if you also take the 3-cent tax off, it will affect the normal relationship of prices I am not competent to say.

Senator BYRD. Would you suggest an amendment, Mr. Rosenberg, to the bill?

Mr. ROSENBERG. No; I would not. I suggest an amendment to the House report.

Senator TAFT. Do you know whether there is a tariff on coconut oil?

Mr. ROSENBERG. There is a tariff of 2 cents a pound on coconut, which does not apply in the case of the Philippines up to the 200,000-ton quota. I have the reference to that, if you like.

Senator TAFT. I mean copra imported from Africa.

Mr. ROSENBERG. Copra is duty-free.

Senator TAFT. What proportion is imported in the form of coconut oil?

Mr. ROSENBERG. From Africa, almost all is imported in the form of copra. The crushing mills are here.

Senator TAFT. There are no crushing mills there?

Mr. ROSENBERG. That is right.

Senator TAFT. In the Philippines was it nearly all oil?

Mr. ROSENBERG. No; it was mostly copra. I think there was some oil.

Senator TAFT. And there was a 2-cent tax on oil but nothing on copra?

Mr. ROSENBERG. A 2-cent tariff.

Senator TAFT. An import tax?

Mr. ROSENBERG. Yes; except for the 200,000 tons from the Philippines.

Senator BYRD. Of course, as the reports states, the purpose of it was to give the Philippines a monopoly.

Mr. ROSENBERG. That is right. So I think in the war situation, as it has turned out, the reason for the imposition of this tax no longer exists, and there are, in fact, urgent reasons for removing the tax. The processing of copra has come to a stop because it is impossible economically to process it with the additional 2 cents tax which this bill seeks to remove.

So, speaking for the Board of Economic Warfare, I urge the removal of the tax.

Senator TAFT. Is the copra coming in through private hands or the R. F. C.?

Mr. ROSENBERG. I am not entirely familiar with that situation, Senator Taft. Perhaps you could get a more authoritative answer from people who deal with it, who are to follow.

Senator BYRD. Anything further, Mr. Rosenberg?

Mr. ROSENBERG. No, sir.

Senator BYRD. Thank you very much.

STATEMENT OF HON. MERLIN HULL, UNITED STATES REPRESENTATIVE FROM WISCONSIN

Mr. HULL. My name is Hull. I represent the Ninth District of Wisconsin.

Senator BYRD. You may proceed.

Mr. HULL. Mr. Chairman, and gentlemen. I represent a large dairy district in Wisconsin, and this coconut oil question has been before us for a good many years. We have felt that the importation of coconut oil, particularly when it was so largely used in the manufacture of oleomargarines, was an unfair competition for our butter product.

Now, this bill is very adroitly drawn, and to my notion and to that of many dairymen of Wisconsin, would effect the permanent repeal of the 2-cent tax on coconut oil coming from other sources than the Philippine Islands. You notice the provision in this bill—The President may terminate and suspend the law, which will be H. R. 6682 if this is passed, only upon request of the Commonwealth of the Philippine Islands.

Now, we do not believe that this bill is necessary as a war measure notwithstanding the fact that it has been promoted in the House, and apparently is being proposed here as such a measure.

We do not believe the taking off of the 2-cents-a-pound-tax on coconut oil will affect the situation as to the manufacture of glycerin in any way whatsoever. If that is all there is to it, it is easy enough to get the tax paid and bring the oil in to manufacture the glycerin.

If this bill passes then we have got to start another long drawn-out fight, covering a long term of years, on the part of the dairymen, on the part of the soybean raisers, the cottonseed producers, and others, to restore the very feature of the law which is now in force and effect.

Senator TAFT. What would you think about amending the first section so as to read, "that section 2470 (a) (2) of the Internal Revenue

Code is hereby suspended until" a fixed date "June 30, 1944",—something of that sort?

Mr. HULL. I do not like to see it suspended at all, but that will be preferable to this provision, which would leave the suspension entirely in the hands of the Commonwealth of the Philippine Islands. That part of the bill is certainly subject to objection on our part.

Then, there is another feature about this matter, and that is that since this tax has been put on we have developed in the Middle West and in the South steadily increasing production of cottonseed and soybean oils. We have a new industry in my State, in Illinois a much larger industry, and some in Indiana and some in Ohio. It will expand the production of soybeans by millions of acres. The mills are now established and they are manufacturing soybean oil, and soybean cake from that product.

Then a change has taken place in the oleomargine industry and they are using far more cottonseed oil than they formerly used when they brought in the coconut oil without the tax. We feel that this would restore that unfair competition which we have had for years.

Another particular objection I have to the enactment of this measure is the cost to the Government in addition to the damage it might do to the soy bean and cottonseed producers of this country. I understand that back of this bill lies the importation of practically 100,000 tons or 200,000,000 pounds of coconut oil.

I understand further—I am not an authority on this subject, but that is just my general understanding from talking with people who are interested in this measure—that this bill has the support of a syndicate which proposes to bring that coconut oil into this country, and if they bring it in they are going to have a reduction in their revenue tax of \$4,000,000.

Now, about 14 percent, I am informed, of coconut oil is made into glycerin. In other words, if we bring in 100,000 tons from various tropical sources we shall have about 14,000 tons of glycerin obtainable from that coconut oil. On the other hand, there is going to be 86,000 tons of residue that will not be made into glycerin at all. The cost of 14,000 tons of glycerin, with the price fixed at 11½ cents a pound by Mr. Henderson's bureau, would amount to approximately \$3,220,000, on which we would have a reduction of \$4,000,000 in Federal revenues. Now, it does not seem to me that at this time, when we are trying to add to revenues instead of taking from them, we ought to strike out \$4,000,000 of revenue to the Treasury Department in order to get this oil. If it is going to be brought in, let them pay the tax just as they have been doing, and let the Government get the benefit of it.

There are large soap companies in this country which will manufacture the larger part of this glycerin. It is a byproduct. Ordinarily, among the smaller companies in particular I am informed that glycerin is run into the sewer after they use the oil for soap-making purposes.

Now, if this bill goes through we are going to grant to the large soap companies a reduction of \$40 per ton on short tons, on 86,000 tons of coconut oil. That reduction will amount to, then, on that part of the product, \$3,440,000. This bill just does not seem logical to me. It does not seem to me it is properly described as war measure, but it is a measure which, if it is passed, will bring up again to the farmers of this country, especially those producing vegetable

oils and dairy products, the fight we had for years before we obtained this tax.

I do not want to take any more of your time, but I object to the bill; and I hope your committee, in case you determine to pass it, will strike the provision that will leave the control of it in the hands of the Commonwealth of the Philippine Islands. I hope, therefore, that the bill will not be passed. I do not believe it is necessary. I think that if 2 cents a pound revenue is all that stands between the supply of ammunition and the supply of glycerin to foreign countries, that it is a very inconsequential matter.

Senator TAFT. I do not quite see, if this is merely a temporary measure, why it should be made only temporary. We are in no way injuring the industry, as we would be if we were still importing copra from the Philippines. They have had that competition right along, and the increase in soybean production of course is more than taken up by the war demands for soybean oil, apparently. So that I do not quite see why this should not be temporarily suspended. So instead of getting however many tons from the Philippines at 3 cents tax we get now a lesser amount from other sources at a 3-cent tax.

Mr. HULL. It brings on that old fight again, after the war is over, to get the tax restored.

Senator TAFT. I understand your argument as to why the suspension should have a definite termination other than just the request of the President. I mean, apart from that, supposing we get it down to a temporary suspension, for a definite period in which the renewal would then come up?

Mr. HULL. Even then we are going to reduce the revenues \$4,000,000. That is, we are going to buy \$3,420,000 worth of glycerin for war purposes, and the Government is going to lose in revenue \$780,000 more than the glycerin is actually going to cost. Now, if they need the glycerin, I want to see them get it the same as anybody else.

I do not speak about soybean oil only. In our section in the West, and possibly in Ohio, millions of additional acres have been devoted to soybeans and in the South millions of acres have been added to the production of peanuts for their oil content. We are going to have more oil cake than is needed from cottonseed and soybean oil.

Furthermore, there was an argument put up in the House that this was necessary for the dairymen in order to obtain the coconut-oil cake. I have been interested in dairying all my life, and I never heard of a farmer who ever fed a pound of coconut oil in the whole State. I do not believe they ever did.

Are there any other questions, gentlemen?

Senator BYRD. Thank you very much.

The committee will suspend until the whole committee meets.

(Whereupon, the subcommittee suspended for a few minutes; after which the hearing was resumed.)

Senator BYRD. The subcommittee will resume.

Mr. Ryder.

STATEMENT OF OSCAR B. RYDER, VICE CHAIRMAN, UNITED STATES TARIFF COMMISSION

Mr. RYDER. The Tariff Commission, Senator, on February 7, wrote to the Bureau of the Budget, who made inquiry of us as to our opinion on the bill, and we wrote the following:

We have examined the proposed bill and find no objection to it on any score. The passage of such a bill would greatly facilitate the importation into the United States of copra, of which there is now a severe shortage. The United States Treasury would incidentally benefit, too, inasmuch as the proceeds of the processing taxes collected on coconut oil derived from non-Philippine imports would be retained by this Government.

As you know, the Philippines have had a practical monopoly of the market for coconut oil by virtue of the preferential processing tax treatment they have been accorded. However, now that the Philippines are no longer in a position to supply that market, they derive no benefits from that preference; but in consequence of it, United States buyers are placed at a serious disadvantage in purchasing the limited amounts of non-Philippine copra, which are still available in the world market. So long as the processing tax on coconut oil derived from non-Philippine copra is 5 cents per pound and the corresponding tax on the principal competing oils derived from foreign materials is only 3 cents a pound or less, the United States importers cannot hope to buy much non-Philippine Copra in competition with foreign buyers whose countries do not impose discriminatory taxes on this raw material or on the coconut oil which is derived from it.

The elimination of the 2 cents per pound discriminatory processing tax on coconut oil derived from non-Philippine copra is clearly indicated. The Philippines would not be injured by such action, and would not even object to it; and the United States would benefit from increased imports of copra over the present.

The question was raised a little while ago as to whether it would be advisable to take off the whole tax of 5 cents. I doubt if anyone would be injured by taking it off under existing circumstances. It would stimulate the import on much-needed copra, but it should not be done unless similar action would be taken with regard to other oils with which it competes, of course, and it would probably not be advisable to do that.

That is all that I have to say here. If the committee desires to ask detailed questions, I have Dr. Dorfman here who is the Tariff Commission economist on oils and fats, and who has been in the Philippines two or three times investigating the coconut oil situation and other matters.

Senator BYRD. Does Dr. Dorfman desire to be heard?

Mr. RYDER. If you want to ask any questions in regard to the details I would be glad to have him answer rather than I.

Senator BYRD. Thank you very much, Mr. Ryder.

Mr. RYDER. Thank you.

Senator BYRD. Mr. F. H. Rawls of the Commerce Department, the Chief of Fats and Oils Staff, Consumers' Goods and Materials Unit of Foreign and Domestic Commerce

STATEMENT OF F. H. RAWLS (REPRESENTING MR. CHARLES LUND, CHIEF, FATS AND OILS STAFF, CONSUMERS GOODS AND MATERIALS UNIT OF FOREIGN AND DOMESTIC COMMERCE, DEPARTMENT OF COMMERCE)

Mr. RAWLS. I am appearing here really representing Mr. Lund, who is in the hospital and could not be present today, for the purpose of substantiating the testimony that he gave before the House committee in which the Department favored the passage of H. R. 6682.

I would simply like to add, I heard some discussion here, and maybe, Senator, it would clarify the situation a bit as to the necessity for this bill. It is a well-known fact in all Government circles and throughout the country that the fats and oils situation is critical at the present time. In fact it is pretty well known generally that it may get into the rationing basis similar to other products.

The whole point is simply the matter of the ceiling prices. In other words, you can very well see the picture here in which the Central American territory, or Caribbean or African territory has available supplies that we possibly can draw from, but under the circumstances, with the ceiling prices we could not draw from them with the differential that exists at the present time. If you raise the price you can see the picture, you would probably upset the whole fats and oils situation throughout the country.

So I can only substantiate what I have heard some of these gentlemen speak of here, and I think it is urgent that this bill be enacted, because it will take some time, as you can well understand, to get the new sources of supply and get them moving into this country in order to meet the very, very much increased demand that we have for fats and oils.

Of course, you are familiar with the fact that over a long period of years we have been deficient producers of fats and oils. Now, we are faced not only with the deficiency for glycerin and other purposes, but also, under our lease-lend program, the urgency of getting fats and oils, which is, after all, one of our most essential products, not only from the food standpoint but from the industrial standpoint.

That is about all I can add to it, sir.

Senator BYRD. Thank you very much, Mr. Rawls.

George Wisley, of the War Production Board.

STATEMENT OF GEORGE A. WRISLEY, CHIEF, SOAP AND GLYCERIN UNIT, WAR PRODUCTION BOARD

Senator BYRD. Will you identify yourself, please, sir?

Mr. WRISLEY. My name is George A. Wisley, Chief, Soap and Glycerin Unit, War Production Board.

Senator BYRD. All right, sir. You want to testify, don't you, with respect to this bill?

Mr. WRISLEY. We would like to endorse the passage of this bill, because we believe that it is right and proper, all things considered, and is needed.

Senator BYRD. Is there anything you want to file with the committee, or simply make that statement?

Mr. WRISLEY. In general, I am here to answer any questions that there might be. I do not know whether I am entitled to speak in answer to Mr. Hull's statement or not?

Senator BYRD. Yes.

Mr. WRISLEY. He commented on the fact that there would be a loss of revenue of approximately \$4,000,000 if this bill became an act. That does not seem quite correct, from our point of view, in that under the present ceiling the copra could not come into this country, except, of course, if the Government needs it, when it would come in, and if the Government brought it in, well, of course it would have to be on a price basis above the ceiling which would then automatically be re-

flected in the finished cost of whatever product was necessary, and in that way you would just have a commensurately higher cost that would completely offset the \$4,000,000 excise tax that was on it.

Senator BYRD. You figure you could pass it on to the consumer, do you?

Mr. WRISLEY. Yes. Of course, the only reason one would believe it would come in would be for the irreplaceable uses, which would be in the primary war needs, which would then be automatically reflected in the increased cost to the Government of whatever the finished product was.

Senator BYRD. Thank you very much, Mr. Wisley.

Mr. Charles Davis of the Treasury Department.

STATEMENT OF CHARLES W. DAVIS, OFFICE OF TAX LEGISLATIVE COUNSEL, TREASURY DEPARTMENT

Senator BYRD. Mr. Davis, will you identify yourself, please, sir?

Mr. DAVIS. My name is Charles W. Davis. I am attorney in the Office of the Tax Legislative Counsel of the Treasury Department.

The Treasury Department offers no comment on the general policy of this bill. From the standpoint of the revenue, there is no objection since in 1940 it was slightly more than \$3,000 derived from the 5-cent tax, and in 1941 less than \$300. The removal of the 2 cents per pound additional tax may be expected to increase the revenue derived from the tax on the processing of coconut oil produced in countries other than the Philippine Islands and other United States possessions.

Senator BYRD. You do not anticipate any loss of revenue?

Mr. DAVIS. No, sir.

Senator BYRD. Thank you very much, Mr. Davis.

Mr. Victor Lea, Office of Price Administration.

Mr. WALSH. Mr. Chairman, Mr. Victor Lea was compelled to leave, and he requested me to say he would like to have his letter to the chairman of the Finance Committee placed in the record at this point in favor of the bill.

Senator BYRD. If there is no objection, that will be done.

(The letter of Mr. Victor Lea referred to is as follows:)

OFFICE OF PRICE ADMINISTRATION,
Washington, D. C., June 10, 1942.

HON. WALTER F. GEORGE,
Chairman, Senate Finance Committee,
Washington, D. C.

DEAR SENATOR GEORGE: In accordance with our testimony before the Ways and Means Committee we wish to reiterate that we are definitely in favor of the reduction of the processing tax on coconut oil, which is derived from copra of non-Philippine origin. The Philippines are no longer the recipient of any provincial treatment which may be accorded to them through processing taxes. Nor are the Philippines in a position to supply the United States market with the raw materials from which much needed oils can be derived.

In view of these facts we feel that the reduction in the processing tax is a necessity for the current United States economy.

Sincerely yours,

VICTOR L. LEA,
Head, Fats and Oils Section, Food and Food Products Branch.

Senator BYRD. Mr. Stanley Williams of the Agriculture Department.

STATEMENT OF STANLEY P. WILLIAMS, SECRETARY, ADMINISTRATIVE COUNCIL, AGRICULTURE DEPARTMENT

Senator BYRD. Will you identify yourself, Mr. Williams?

Mr. WILLIAMS. Stanley P. Williams, Secretary, Administrative Council, Department of Agriculture. I have here, Senator, a very brief written statement that I will be glad to leave, if that is desirable.

Senator BYRD. Yes.

Mr. WILLIAMS. Perhaps you would just as soon I would dispense with any review of the facts. It is believed that the enactment of this bill should not materially affect the domestic producers, since the effective rate would be the same following the enactment of the bill as that paid heretofore on the Philippine product, but if the bill is not enacted the processors will soon be paying a 5-cent rate, since all the supplies will be from sources other than the Philippines.

As to price, it is believed that refined coconut oil would not be increased, because of O. P. A. ceilings, but if the 2-cent tax is not suspended it might be passed back to the foreign producer in lower price, and have the effect of reducing the quantities available to the United States and thus create an upward pressure against ceiling prices on domestic fats and oils.

Domestic processors, it is believed, would be benefited by the suspension, since they now face the prospect of paying a 5-cent tax, whereas O. P. A. regulations will permit the addition to the price of only 3 cents of the 5-cent tax. The ceiling at present on refined oil is 9.85 cents per pound without the tax; on crude it is 8.35, or 1½ cents difference. The suspension of the tax would more than wipe out the spread between the price of crude and refined oil. If the bill is not enacted the refiners would be forced to pay less, perhaps, for crude oil, and importers of copra and coconut oil would pay less to foreign producers. The reduced price, therefore, would tend to react unfavorably upon foreign collection of coconuts, and hence yield smaller supplies for the United States. If the bill is enacted, the present prices would, in all likelihood, prevail.

In view of these facts the Department believes that the bill should be enacted.

Senator BYRD. Thank you very much. If you desire to insert anything in the record, you are at liberty to do so.

Mr. WILLIAMS. I will leave this written statement with you here.

Senator BYRD. Very well. Without objection, it may be inserted in the record.

(The statement referred to is as follows:)

RE H. R. 6682—AN ACT TO SUSPEND IN PART THE PROCESSING TAX ON COCONUT OIL

WHAT IS PROPOSED

Under section 2470 of the Internal Revenue Code there is at present a basic tax of 3 cents per pound on the first processing of coconut oil irrespective of geographic origin. There is an additional tax of 2 cents per pound on coconut oil coming from geographic sources other than the Philippine Islands and other possessions of the United States.

The proposed bill (H. R. 6682) would suspend the additional 2-cent tax on coconut oil from sources other than the Philippine Islands and other United States possessions until such time as the Philippines are again in a position to supply coconut oil and copra to the United States in substantial quantities, but would

retain the basic rate of 3 cents per pound on the processing of all coconut oil regardless of origin.

PROBABLE EFFECT OF THE SUSPENSION OF THE 2-CENT TAX

It should be pointed out, in the first place, that the effect of the existing statute has been to force a drastic shift in the origin of copra and coconut oil imported into the United States. Because of the differential advantage of 2 cents per pound enjoyed by the coconut oil coming from the Philippines, the bulk of our imports since the imposition of the tax has come from that source. In 1940, for example, of the 759,000,000 pounds of coconut oil and copra in terms of oil we imported into the United States, 732,000,000 pounds came from the Philippines and only 27,000,000 pounds came from other sources. Moreover most of this 27,000,000 pounds was reexported and paid no processing tax (neither the basic 3-cent rate nor the 2-cent additional rate).

Should the 2-cent additional tax be suspended, the effect would vary somewhat as among domestic producers, processors, and importers.

EFFECT UPON DOMESTIC PRODUCERS OF VEGETABLE AND ANIMAL OILS

Domestic producers of vegetable oils such as cottonseed, soybean, and peanut, as well as of animal oils such as lard and butter, should not be materially affected by the suspension of the 2-cent tax since the effective rate would be the same as at present. If the bill is not enacted, on the other hand, the present effective rate will soon be raised to 5 cents per pound, since only supplies other than from the Philippines will be available to the United States. The price of refined coconut oil, however, probably would not be increased by failure to suspend the 2-cent tax because of the present Office of Price Administration price ceilings on coconut oil. But if the 2-cent tax is not suspended it might be passed back to the foreign producer in a lower price and have the effect of reducing the quantities available for import into the United States and thus create an upward pressure against the ceiling prices on domestic fats and oils.

EFFECT UPON DOMESTIC PROCESSORS OF COCONUT OIL

Domestic processors of coconut oil should be benefited by a suspension of the tax since they are now faced with the payment of a 5-cent tax (3-cent basic rate plus 2 cents additional tax) and apparently under Office of Price Administration regulations would be permitted to add only 3 cents to the present price ceilings of refined oils. It is our understanding that the ceiling on refined oil (exclusive of the tax) at New York is 9.85 cents per pound, while the ceiling on crude oil at New York is 8.35 cents per pound or only 1.5 cents per pound lower than the ceiling on refined oils. Obviously, it would be to the refiners' advantage to have the 2-cent additional tax suspended since under present conditions and regulations the tax would more than wash out the existing spread of 1.5 cents between the ceilings on crude and refined coconut oil.

EFFECT UPON FOREIGN SUPPLIES AND IMPORTS

If the bill were not enacted, refiners, as has just been pointed out, under present regulations of Office of Price Administration would be forced to pay less for crude oil (approximately 2 cents) and importers of copra and coconut oil, in turn, probably would pay less to foreign producers for imported supplies by about an equivalent amount. This would tend to react unfavorably upon foreign collection of coconuts, hence result in somewhat less coconut oil for the United States. On the other hand, if the bill is enacted, the present prices of crude oil probably will continue to prevail.

RECOMMENDATION

In view of the above analysis of the probable effects of the bill and in view particularly of our need for all the additional supplies of coconut oil we possibly can get, it would seem desirable for the Department to favor the suspension of the 2-cent tax for the period of the emergency.

Senator BYRD. Mr. Robert Walsh, economist, Bureau of Economics, Department of Agriculture.

Do you desire to add anything, Mr. Walsh?

Mr. WALSH. Mr. Chairman, I have nothing to add.

Mr. WILLIAMS. I wanted to bring him in case you had questions on the economics of this problem.

Senator BYRD. Thank you very much. It may be that we will have some questions. If we do, we will communicate them to you.

Congressman, come right ahead.

STATEMENT OF HON. W. R. POAGE, UNITED STATES REPRESENTATIVE FROM TEXAS

Mr. POAGE. My name is W. R. Poage, Representative from eleventh district, Texas.

I simply want to come as a layman who is not at all familiar with the expert figures on this matter but one who does represent a large cotton country, that believes we are vitally affected by this bill, and adversely.

We feel that the original legislation that gave the advantage to the Philippine Islands in the matter of this processing tax on copra was passed not in order to bring in a cheap product in competition with American oils, but was passed primarily for the benefit of the Philippine Islands at a time when the United States recognized an obligation to the Philippines and felt that it was our duty not to destroy their economy during the period of time that they were passing through the transition period from a dependency, as it were, to an independent nation in the Philippines. We believe that is still the basis on which the basic legislation is justified. But this amendment comes in on an entirely different principle. This amendment comes in, and if justified, it must be justified upon the theory that we should bring this copra into the United States from some foreign source without the payment of the full processing tax, whether it be from the Philippine Islands or from some other point.

The fundamental legislation was based on the theory that we should give an advantage to the Philippine Islands. We now see it is impossible to give that advantage to the Philippine Islands, because obviously we cannot bring the copra from the Philippines.

We have a bill presented to us that has no definite date of termination. It was stated on the floor that the bill would terminate at the end of the war, but when the proponents of the bill were questioned they admitted that the bill did not so provide.

Senator BYRD. You would prefer, if it was passed at all, that it would have a definite date?

Mr. POAGE. Very much so. I think that would be an improvement on the bill; but we feel there is no necessity for the bill, that if we are going to pay a subsidy, as the gentleman who recently spoke suggested, it should be paid to American farmers. The gentleman suggests that if this 5-cent tax remained in force a reduction in price would be passed back to the foreign producer, and by removing this tax we could pay the foreign producer more. To my mind, that is simply a matter of paying a subsidy to a foreign producer. If we are going to pay a subsidy for the production of oils, let us pay the subsidy to the American farmer rather than the foreign producer.

It is simply as a farmer, not as an expert, not as a soap manufacturer, that I come here to plead with you gentlemen that if you are going to pay a subsidy pay it to Americans rather than pay it to foreigners.

We think we have a proposition here that can benefit certain soap manufacturers in the United States; it cannot benefit the great rank and file of the producers of the United States, because American citizens do not produce copra. It is produced by foreign producers. We can produce oils in the United States. Give us the money that you would give to the foreign producers and the American farmers will produce this oil. At least that is the way we feel down in the cotton country.

If there are no questions, I appreciate the opportunity of appearing before you.

Senator BYRD. Thank you very much indeed. Are there any further witnesses?

Mr. WRISLEY. Mr. Chairman, may I just add one word?

Senator BYRD. Yes.

Mr. WRISLEY. The only reason for taking off the 2-cent tax a pound is because we need the coconut oil. If it were not for needing the coconut oil for those irreplaceable uses where nothing else will do, we would not be recommending it. There is no domestic fat or oil that will take the place of coconut oil for many of the uses for which this oil is to be used. Now, some of it will go into soap, it is true, for a definite reason; namely, to secure the additional quantity of glycerin, and at the same time to reduce, at least temporarily, the volume of fat that is needed for soap making.

Senator BYRD. What are the uses of the coconut oil that it can be put to that domestic oils are not available for?

Mr. WRISLEY. The particular uses there are in synthetic rubber, and also certain plasticizers for flexible glass and for some rubber substitutes.

Senator BYRD. Would you care to submit to the committee a memorandum on that, giving it in greater detail?

Mr. WRISLEY. We would be glad to prepare it.

Senator GERRY. Do not munitions come under that list?

Mr. WRISLEY. That was exclusive of ammunitions. Of course, it is a fact that you can get glycerin from domestic fats and oils, so that one could not hold that particular use as replaceable. In other words, your domestic fats and oils could give the glycerin you need, if you had the volume of domestic fats and oils that could be used for that purpose.

They are now talking now of allocating for the soap industry only a portion of the fats and oils they had in 1940 and 1941, because of the over-all fats and oils problems.

Of course, the particular point, as far as glycerin is concerned, is that the available amount of glycerin in coconut oil is 14 percent, whereas in the domestic fats and oils it is 10.5 percent. In other words, there is about 37 percent greater yield of glycerin from coconut oil than from domestic fats and oils.

Senator BYRD. I would like your memorandum to cover such items as that, and comparing the two sources, both of domestic and foreign.

Mr. WRISLEY. We will prepare it and submit it.

Senator BYRD. Are there any further witnesses?

(No response.)

Before adjourning I would like to place in the record a letter to the chairman from Mr. John B. Gordon.

(The letter referred to is as follows:)

Resolution of United States vegetable oil mission to Brazil in support of H. R. 6682 to suspend the processing tax of 2 cents per pound on coconut oil of non-Philippine origin.

JUNE 24, 1942.

SENATOR WALTER F. GEORGE,
Chairman, Senate Finance Committee,
Washington, D. C.

DEAR MR. CHAIRMAN: In September 1941, the Brazilian Ministry of Agriculture was authorized by President Vargas to invite a mission of United States vegetable oil technicians to visit Brazil for the purpose of studying the Brazilian vegetable oil industry, the entire expenses in Brazil to be borne by the Brazilian Government. This invitation was transmitted to ten United States technicians selected by the Brazilian Ministry of Agriculture. The invitation was extended through the Brazilian Inter-American Development Commission to the headquarters of the Inter-American Development Commission in Washington, which in turn communicated with the men invited. Many of the original ten were unable to accept the invitation, principally owing to the pressure of defense work in this country. Funds for plane transportation to and from Brazil were provided by the Office of the Coordinator of Inter-American Affairs for those men originally invited who were able to accept. In addition, several organizations requested permission to send representatives on the mission. Such requests were cleared with the Brazilian Government.

The Mission as finally constituted was composed of the following:

1. Mr. Charles E. Lund, Chief, Fats and Oils Staff, Consumption Goods and Materials Unit, Bureau of Foreign and Domestic Commerce, Department of Commerce.
2. Dr. George S. Jamieson, senior chemist, Bureau of Agricultural Chemistry and Engineering, Agricultural Chemical Research Division, Department of Agriculture.
3. Dr. James R. Mood, economist, United States Tariff Commission.
4. Mr. John B. Gordon, secretary, Bureau of Raw Materials for American Vegetable Oils and Fats Industries.
5. Mr. Marvin Wood, president, Marwood Co., Inc.
6. Dr. H. W. Vahlteich, technical director, The Best Foods, Inc.

The Mission departed from Miami March 8 by Pan-American plane. Messrs. Lund, Vahlteich, and Wood left Brazil April 11 and 13, the other members leaving on April 28.

I give you herewith the opening statement relative to the general conclusions of this mission, which reads as follows:

"The United States Vegetable Oil Mission, studying ways and means of increasing production of Brazilian vegetable oilseeds and oils and waxes, has completed an extensive trip through Brazil under the expert guidance of Dr. Joaquim Bertino de Moraes Carvalho, Director of the National Institute of Oils, Rio de Janeiro. Dr. Bertino acted as director of the combined Brazilian-American mission with the able assistance of Sr. S. T. Rolim, of the Banco do Brasil.

"After having visited all the principal producing, manufacturing, and export centers, and after having talked to hundreds of Federal, State, and private business executives, the mission has come to the following conclusions, and respectfully offers the following suggestions:"

Ten general conclusions dealing with transportation, technological matters, trade conditions, agricultural development, labor, legislation required to assist Brazilian vegetable oilseeds and oil industry, reclassification of Brazilian vegetable oils and oil seeds for customs purposes, recovery of glycerin, tung plantation possibilities, and plantation development of dende palm were arrived at by the United States Vegetable Oil Mission.

Since general conclusion No. 6, "Legislation required to assist Brazilian vegetable oilseeds and oil industry" is of specific interest to the Senate Finance Committee, I beg leave, as a member of the United States Vegetable Oil Mission to Brazil to quote that part of this general conclusion which is pertinent:

"A. There is a very important coconut production industry in Brazil. There are approximately 6,000,000 coconut trees in Brazil, 4,000,000 of which are distributed through the States of Alagoas, Paraiba, Sergipe, and Bahia, and the remaining 2,000,000 are scattered through other states bordering on the Atlantic Ocean. The coast line from Joao Pessoa in Paraiba to Salvador in Bahia is a solid wall of coconut trees. The production of copra has not been over a few

hundred tons a year. This has been because of the competition of Philippine coconut oil and the tendency of the Brazilians to utilize a large number of coconuts for the milk. Great numbers of the coconuts, however, go to waste. We believe that if the Congress of the United States would pass legislation removing in part the burden of taxation applicable to coconut oil of foreign origin entering United States markets it would be of tremendous assistance in building up the coconut growing industry of Brazil. There is now pending before Congress H. R. 6682, sponsored by the Board of Economic Warfare, which seeks to eliminate this burden of taxation against coconut oil, i. e. that applicable against the coconut oil of non-Philippine origin, for the period of the emergency. We earnestly recommend the passage of this legislation as an aid to the Brazilian coconut products industry."

Very truly yours,

JOHN B. GORDON,

Member, United States Vegetable Oil Mission to Brazil.

(Whereupon, at the hour of 11:18 a. m., the committee adjourned.)