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REPORT  
No. 1270

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## SUSPENSION OF IMPORT DUTIES ON CERTAIN SHOE LATHES AND CASEIN

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APRIL 14, 1960.—Ordered to be printed

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Mr. BENNETT, from the Committee on Finance, submitted the following

### R E P O R T

[To accompany H.R. 9862]

The Committee on Finance, to whom was referred the bill (H.R. 9862) to continue for 2 years the existing suspension of duties on certain lathes used for shoe-last roughing or for shoe-last finishing, having considered the same, report favorably thereon with amendments and recommended that the bill as amended do pass.

#### PURPOSE

H.R. 9862, as passed by the House of Representatives, proposes to continue for 2 years until August 7, 1962, the existing suspension of duties on copying lathes used for making rough or finished shoe lasts from models of shoe lasts and capable of producing more than one size shoe from a single size model of a shoe last. The Committee on Finance amended this bill to extend for an additional 3 years, until June 30, 1963, the existing suspension of import duty on casein.

#### GENERAL STATEMENT

Public Law 1012 of the 84th Congress, approved August 6, 1956, transferred from the dutiable to the free list of the Tariff Act for a period of 2 years, by amendment of paragraph 1643 of the Tariff Act of 1930, "copying lathes used for making rough or finished shoe lasts from models of shoe lasts and, in addition, capable of producing more than one size shoe last from a single size model of a shoe last." Public Law 85-416, approved May 16, 1958, continued the suspension of duty for a further period of 2 years, until August 7, 1960. H.R. 9862

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would continue the suspension for a further 2-year period, until August 7, 1962.

The suspension of duty was made in order to make available to domestic shoe-last manufacturers highly specialized and expensive copying lathes which can only be obtained from foreign sources. The U.S. Tariff Commission has advised that it is estimated that about 40 machines have been imported since the duty was originally suspended in 1956. The Commission has also indicated that imports are on the decline because of a falling off of demand and that future imports will probably be mainly replacements.

The suspension of import duty on certain shoe lathes as proposed in H.R. 9862 was recommended by the Department of Commerce; the reports from the Bureau of the Budget and the Department of State expressed no objection and the report of the Department of Treasury anticipated no unusual administrative difficulties under the proposed legislation. No objection to this section of the bill has been received by the Committee on Finance.

### AMENDMENT

The amendment would continue the temporary suspension of the duties on imported casein until the close of June 30, 1963.

### HISTORY OF THE AMENDMENT

Congress, in 1957, adopted a provision for the free importation of casein from September 3, 1957, to the close of March 31, 1960. This free status has existed for about 2½ years. The Ways and Means Committee, on August 10, 1959, unanimously reported H.R. 7456, a bill to continue the suspension of duties on casein for 3 additional years.

The bill was passed by the House of Representatives without objection on August 18, 1959. It was then sent to the Senate and referred to the Finance Committee where it was pending from August 19, 1959, until January 13, 1960, a period of about 4½ months. No industry opposition was made known and no unfavorable reports were made by interested Government departments or agencies.

On January 13, 1960, the Finance Committee reported the bill without objection and it was placed on the Senate Calendar. Opposition to the bill was then made known and requests for hearings were received by the committee. With the consent of the Senate, after a floor amendment had continued the suspension for a temporary period to prevent it from lapsing, the Finance Committee agreed to give all interested parties an opportunity to discuss the matter before the committee.

The committee gave serious consideration to the testimony offered in the hearings, including one proposal that the suspension should not apply to casein suitable for human food. There was evidence that some casein fit for human use might be imported and that some inedible casein may be imported and then converted in such a way as to make it fit for human consumption.

The production of casein in the United States is small primarily because domestic milk can be converted to other uses more economically. Nevertheless, as we pointed out in the hearings, some

interference with domestic agricultural programs or with the domestic sale of milk or edible soybean products may develop if the conversion of imported casein to competing edible products should begin on a large scale.

The cost of reworking the average inedible casein to make it edible is estimated at 11 to 12 cents per pound which exceeds greatly the 2¾ cents per pound duty which would apply if the suspension was not continued. It would appear, then, that the suspension would not in any way serve to attract larger amounts for conversion into edible items.

Evidence was introduced indicating extreme difficulty in the enforcement of any bar against the conversion of inedible casein to edible products after importation and the probability that any such bar would only result in increased importation of casein made edible before exportation whether or not the duty was assessed. The committee, therefore, placed no restriction in the bill.

The members of the committee, however, will maintain a continuing interest in this matter, and anticipate that the Department of Agriculture and other interested agencies will watch developments and ascertain to the extent feasible the amounts of imported casein being used for, or converted to, edible uses in competition with domestic agricultural products. Should such large-scale uses develop, the committee will want to be made aware of them.

The original bill providing for the suspension of duties on casein (H.R. 7456) was earlier reported by the Finance Committee without amendments, but a Senate amendment, later concurred in by the House, extended the suspension for a period of 90 days to prevent it from lapsing on March 31. This bill, having passed and been signed into law, was not before the committee, and the bill, H.R. 9862, for the temporary suspension of duties on certain shoe lathes, was amended to provide that the free importation of casein may be continued until the close of June 30, 1963.

The Departments of Commerce and Agriculture submitted the following reports on the proposal to continue the suspension of duties on casein.

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THE SECRETARY OF COMMERCE,  
*Washington, D.C., March 31, 1960.*

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

DEAR MR. CHAIRMAN: This letter is in reply to your request for the views of this Department with respect to H.R. 7456, an act to extend for 3 years the suspension of duty on imports of casein.

This Department has no objection to enactment of H.R. 7456 for various economic reasons, principal among which are those discussed below.

In the last two decades domestic casein production has declined (from 67.5 million pounds in 1937 to 2.5 million pounds in 1956) and has been replaced by casein imports (which reached 94.5 million pounds in 1959). Perhaps the primary reason for this reversal in the sources of casein consumption in the United States is the diversion of skim milk, the raw material from which casein is made, to other and more lucrative products; for example, nonfat dry milk solids.

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Import duty on casein is not felt to be a major factor in that reversal. Under the Tariff Act of 1930, casein was included in paragraph 1819 and a duty of 5½ cents per pound was fixed. Under the trade agreement negotiated with Argentina, the duty was reduced to 2¾ cents per pound, effective November 1941. Public Law 85-257, approved September 2, 1957, suspended the 2¾ cents per pound duty for 3 years. Argentine casein currently is quoted from 19¾ to 20¾ cents per pound while domestic manufacture based on skim milk would need to sell at more than double that price. Any influence of the duty on the ratio of domestic production to consumption would be very minor.

Economic effect of continued extension of the suspension of duty is therefore confined to the casein consumers in the United States, and the consumers of end products in the manufacture of which it is used. Casein is widely used in the manufacture of coated papers, gypsum wallboard, and other products. Failure to extend the suspension of duty would increase the cost of casein (and proportionately of its end products) by more than 13 percent. Reimposition of the duty would not appear to yield a commensurate benefit to the domestic economy of the United States.

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

Sincerely yours,

PHILIP A. RAY,  
*Under Secretary of Commerce.*

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

DEAR SENATOR BYRD: Thank you for your letter of March 24, 1960, regarding the views of this Department concerning H.R. 7456. In the determination of the probable effects of this legislation, particularly with respect to the soybean producers of the United States, a number of factors had to be considered.

The United States has been heavily dependent on imports of milk casein subsequent to the inauguration of price supports of nonfat dry milk solids in 1952, which encouraged a shift in the use of skim milk from use in the manufacture of casein to nonfat dry milk solids. Imports amounted to 43 million pounds in 1951, increased to 60 million pounds in 1954 and to 71 million pounds in 1956. After the suspension of the 2¾ cents per pound duty on September 3, 1957, imports continued their upward trend, amounting to 75 million pounds in 1957 and 94 million pounds in 1959.

Information made available to this Department indicates that there are four companies presently producing isolated soybean proteins, and of these, two have plans for expansion and a fifth company is planning to build a plant. Actual annual production of isolated soybean proteins is not known, but it is currently estimated to be 50 million pounds of industrial grade, plus about 5 million pounds of food grade. The use of good grade isolated soybean proteins have not yet developed a definite pattern, but it is being tested in perhaps as many as 80 products.

The average annual price of imported industrial grade milk casein changed little during this period, even after the suspension of the import duty. From 1954 to 1956 the price varied between 17 cents per pound (dockside, New York) to 20.2 cents. For 1957 and 1958 prices averaged 19.6 and 19.5 cents per pound, respectively. Preliminary data indicate that for 1959 the price averaged 19 cents per pound. The price for domestically produced industrial grade isolated soybean proteins has also been relatively stable, usually averaging 2 to 3 cents per pound more than for milk casein. The close conformance of the price of isolated soybean proteins and milk casein is probably largely explained by the competitive nature of their uses, both being largely used in various sizings, in addition to a number of less important uses. Current price quotations for food grade isolated proteins are from 32 to 50 cents per pound, depending on grade and quantity purchased. Domestically produced food grade milk casein is generally priced between 55 and 65 cents per pound. Use of the small quantity of domestically produced food grade milk casein is largely limited to specialty uses.

In the production of isolated soybean protein about 50 percent of the protein content of soybean meal is recovered, the oil being extracted first. In 1959, to produce an amount of isolated soybean proteins equivalent to the 94 million pounds of milk casein imported would have required 210,000 tons of soybean meal, or the meal equivalent of 9 million bushels of soybeans. Even though half of the protein content of soybean meal is not extracted in the manufacture of isolated soybean proteins, a large part of the remaining protein is available for use as feed.

From the above it appears that the reimposition of the 2½ cents per pound duty on milk casein would have little effect on the price of imported casein, as is indicated by the stability in its price even after the suspension of the duty in 1957. What evidently happened in the past, and is likely to again happen, is that the exporting countries will adjust their export prices in order to remain competitive, alternative uses for skim milk, from which milk casein is produced, being limited in the major exporting countries. The 210,000 tons of soybean meal, which would have been required to produce an amount of isolated soybean proteins equal to imports of milk casein, would have been equal to only 1.6 percent of the meal equivalent of the 1958-59 production (less seed use) of soybeans. It is also unlikely that, even if the price of imported milk casein increased by the full amount of the duty, all of the imported milk casein would be displaced by isolated soybean proteins, the two not being perfect substitutes.

Since it is highly doubtful that the reimposition of the duty would materially aid our soybean industry, and in view of the U.S. interest in getting other countries to lower their duties on our exports, it is felt that the reimposition of the duty would not be in our best interest.

In arriving at its position on pending legislation, the Department certainly wishes to consider the interests of all parties who may be affected by such action. We certainly appreciate the opportunity to present the views of this Department on this piece of legislation.

Sincerely,

TRUE D. MORSE, *Acting Secretary.*

The Department of the Treasury stated:

Since the commercial aspects of the proposed legislation would be of concern primarily to the Departments of Agriculture and Commerce, the Treasury Department has no substantive comments on them.

The Tariff Commission, after filing an original report on the bill subsequently answered a request for additional information with the following letter:

U.S. TARIFF COMMISSION,  
*Washington, D.C., February 8, 1960.*

In re H.R. 7456.

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

DEAR SENATOR BYRD: I have your letter of February 1 asking for information relative to competition between imported casein and domestically produced isolated soybean protein in nonedible uses.

Although casein and isolated soybean protein for nonedible use differ in nature and structure, they are so similar in appearance and working qualities that they can be used interchangeably in certain uses. It is reported that isolated soybean protein has displaced casein almost completely in the production of glues used in the manufacture of plywood, that it has displaced casein to a large extent in coating wallpaper and to a lesser extent in coating other papers, and that it has largely displaced casein in the manufacture of waterproof paints. It is also known, however, that synthetic resins and synthetic latex have, to a certain extent, displaced both casein and isolated soybean protein both in the above uses and in other uses.

Being interchangeable in use, it is probable that displacement of casein by isolated soybean protein was determined in large part by the fact, as shown in the attached table, that soya protein frequently was quoted at lower prices than casein. Contributing to this price differential, and offsetting a 2½-cent decline in the quoted price of imported casein immediately following the effective date of transferring casein from the dutiable list to the free list, a new process for manufacturing isolated soybean protein was perfected in 1958 which enabled the material to be quoted at 4 cents per pound lower than material made by the old process. It is understood that both the old and the new processes are currently employed and, occasionally, that protein made by the old process is quoted at the same price as that made by the new process.

Official statistics on domestic production of isolated soybean protein are not available; but it is reported in the trade literature that production approximated 20 million pounds as early as 1951 when imports of casein amounted to 43.6 million pounds, and it is estimated by an official of the Soybean Processors Association that between 42 and 48 million pounds were produced in 1959 when 94 million pounds of casein were imported. Despite the increase in imports of casein subsequent to its having been placed on the free list, the ratio of production of isolated soybean protein to imports of casein appears to have increased (from 46 percent in 1951 to 48 percent in 1959), rather than to have decreased. Moreover, it is estimated that the domestic production of sodium, potassium, and calcium caseinates, and of

casein hydrolysates—in large measure from imported casein because imports account for 98 percent of apparent domestic consumption—may remove at least 10 million pounds of casein from competition with isolated soybean protein in 1960.

If we can be of further service, kindly advise us.

Sincerely yours,

JOSEPH E. TALBOT, *Chairman.*

#### CHANGES IN EXISTING LAW

In compliance with subsection 4 of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill are shown as follows (existing law proposed to be omitted is enclosed in black brackets; new matter is printed in italic; existing law in which no change is proposed is shown in roman):

#### ACT OF AUGUST 6, 1956

(70 Stat. 1076; Public Law 1012, 84th Cong.)

AN ACT To suspend for two years the import duties on certain lathes used for shoe last roughing or for shoe last finishing, and to permit substitution for drawback purposes in the case of printing papers

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That paragraph 1643 of the Tariff Act of 1930 is amended by inserting immediately after "shoe machinery," the following: "copying lathes used for making rough or finished shoe lasts from models of shoe lasts and, in addition, capable of producing more than one size shoe last from a single size model of a shoe last,".

SEC. 2. The amendment made by the first section of this Act shall apply only in the case of articles entered for consumption, or withdrawn from warehouse for consumption, on or after August 6, 1956, and before August 7 [1960] 1962.

Section 313(b) of the Tariff Act of 1930, as amended, is amended by inserting after "linseed oil," wherever it appears the following: "or printing papers, coated or uncoated,".

#### ACT OF SEPTEMBER 2, 1957

AN ACT To amend the Tariff Act of 1930 to provide for the temporary free importation of casein

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That the import duty imposed under paragraph 19 of title I of the Tariff Act of 1930, as amended, shall be suspended with respect to imports entered for consumption or withdrawn from warehouse for consumption during the period beginning with the day following the date of enactment of this Act and ending with the close of [July 1, 1960] June 30, 1963.

