

# TARIFF ACT OF 1929

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## HEARINGS

BEFORE A

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

SEVENTY-FIRST CONGRESS

FIRST SESSION

ON

## H. R. 2667

AN ACT TO PROVIDE REVENUE, TO REGULATE  
COMMERCE WITH FOREIGN COUNTRIES, TO  
ENCOURAGE THE INDUSTRIES OF THE UNITED  
STATES, TO PROTECT AMERICAN LABOR, AND  
FOR OTHER PURPOSES

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### VOLUME XVI

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SCHEDULE 16

FREE LIST

JULY 11, 12, AND 13, 1929

(With Supplement)

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INDEXED

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**COMMITTEE ON FINANCE**

**UNITED STATES SENATE**

**SEVENTY-FIRST CONGRESS, FIRST SESSION**

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**ISAAC M. STEWART, *Clerk***



## FOREWORD

Under authority of Senate Resolution 335, Seventieth Congress, second session, the United States Senate Finance Committee, for the purpose of investigating the effects of the operation of the tariff act of 1922 and the proposed readjustments as set out in House bill 2667, commenced general tariff hearings on June 13, 1929, pursuant to the following public notice authorized by the committee on June 7, 1929:

### *Dates of hearings and tariff subcommittees*

Schedules	Date to commence	Subcommittees
		<i>Subcommittee No. 1, room 212 Senate Office Building</i>
1. Chemicals, oils, and paints.	June 14.....	Smoot, chairman, Reed, Edge, King, and Barkley.
2. Earths, earthenware, and glassware.	June 19.....	Edge, chairman, Smoot, Reed, King, and Barkley.
3. Metals and manufactures of.	June 26.....	Reed, chairman, Smoot, Edge, King, and Barkley.
6. Tobacco and manufactures of.	June 13.....	<i>Subcommittee No. 2, room 312 Senate Office Building</i> Shortridge, chairman, Smoot, Watson, Harrison, and Connally.
8. Spirits, wines, and other beverages.	June 14.....	Shortridge, chairman, Smoot, Watson, Harrison, and Connally.
7. Agricultural products and provisions.	June 17.....	Watson, chairman, Smoot, Shortridge, Harrison, and Connally.
5. Sugar, molasses, and manufactures of.	June 26.....	Smoot, chairman, Watson, Shortridge, Harrison, and Connally.
9. Cotton manufactures.....	June 14.....	<i>Subcommittee No. 3, room 301 Senate Office Building</i> Bingham, chairman, Greene, Sackett, Simmons, and George.
10. Flax, hemp, jute, and manufactures of.	June 19.....	Greene, chairman, Bingham, Sackett, Simmons, and George.
11. Wool and manufactures of.	June 24.....	Bingham, chairman, Greene, Sackett, Simmons, and George.
12. Silk and silk goods.....	July 1 (2 p. m.).....	Sackett, chairman, Greene, Bingham, Simmons, and George.
13. Rayon manufactures.....	July 8.....	Sackett, chairman, Greene, Bingham, Simmons, and George.
14. Papers and books.....	June 13.....	<i>Subcommittee No. 4, room 412 Senate Office Building</i> Deneen, chairman, Couzens, Keyes, Walsh (Mass.), and Thomas (Okla.).
15. Wood and manufactures of.	June 17.....	Couzens, chairman, Deneen, Keyes, Walsh (Mass.), and Thomas (Okla.).
16. Sundries.....	June 25.....	Keyes, chairman, Couzens, Deneen, Walsh (Mass.), and Thomas (Okla.).

*NOTE.*—Hearings on "Valuation" will be conducted before the full committee June 12. All meetings will commence at 9.30 a. m. unless otherwise noted. Hearings on free list, administrative and miscellaneous provisions will be conducted before full committee at the conclusion of the subcommittee hearings.

Hearings on the free list began before the full committee on July 11, 1929, at 2 p. m. At the conclusion of the hearings for that day the committee unanimously decided to have the remaining witnesses on the free list appear before the above subcommittees before which they would have been heard had the item on which they testified been on the dutiable list. This policy was pursued as closely as practicable.

Stenographic reports were taken of all testimony presented to the committee. By direction of the committee all witnesses who appeared after the conclusion of the hearings on valuation were to be sworn.

The testimony presented, together with the briefs and other exhibits submitted, is grouped together as far as practical in the numerical order of the House bill, which has made necessary the abandoning of the sequence of the statements and the order of appearance.

In this consolidated volume, which includes briefs and data filed since the publication of the original print, the arrangement of the testimony has largely been preserved, while the new matter has been arranged by paragraphs in the supplement at the end. The index has necessarily been revised to include this new matter.

ISAAC M. STEWART, *Clerk.*



# TARIFF ACT OF 1929

## SCHEDULE 16—FREE LIST

THURSDAY, JULY 11, 1929

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

The committee met at 2 o'clock p. m., in room 312, Senate Office Building, Senator Reed Smoot (chairman) presiding.

The CHAIRMAN. The committee will come to order. I would like to say a word or two to the witnesses this afternoon before beginning the hearings. There is a long list of witnesses that desire to speak on the free list. Among them I notice about 15 on gypsum. Let me suggest to the parties interested in that question that it would be very much better for all concerned, not only the committee but those interested in the industry, if they would get together and appoint one man to present the case for free gypsum and another man to present the opposite view.

Another thing I wish to say is this, that wherever there are briefs filed I hope those briefs will completely cover the question. You must know that it would be an utter impossibility for the committee to take all of the evidence of every witness, particularly when there are a dozen witnesses upon the same subject matter. It would be much better and much simpler if a good brief were presented covering the whole situation, both for and against, so that the committee when it begins to write the bill could take those briefs and compare them, and I am quite sure that the result would be more satisfactory than for the committee to try to wade through all of the testimony that may be presented by a dozen witnesses. I simply say this with no intention whatever of trying to choke off anybody who desires to speak. It is not that. I speak of it because I believe it is for the best interests not only of those who are in favor of a tariff, but those who are in favor of a lower tariff or no tariff.

With that statement I will leave the matter now with the interested parties, and if they can get together and one man speak for one industry, and he can have longer time, and let him present it thoroughly, I am sure that it would be better for all concerned.

Senator WALSH of Massachusetts. Of course each witness can file a brief?

The CHAIRMAN. Each witness can file a brief upon any subject that he wants, and he need not appear as a witness. I do not care where the information comes from—what the committee wants is information. And I believe the best policy for a man to follow is to write out a brief, where he can sit down and carefully study the question. In fact it would be the policy I would follow if I were a witness in the case.

**GENERAL STATEMENTS****STATEMENT OF CHESTER H. GRAY, WASHINGTON, D. C., REPRESENTING THE AMERICAN FARM BUREAU FEDERATION**

(The witness was duly sworn by the chairman of the committee.)

Mr. GRAY. I am Washington representative of the American Farm Bureau Federation, with offices in the Munsey Building.

I shall make an effort to comply with the request of the chairman, as well as I know the unspoken request of every member of this committee, to be as brief as can be with the variety of things which the membership of the Farm Bureau is interested in and asks me to testify upon in the free list.

We have two or three points of view in approaching the free list, Mr. Chairman and gentlemen of the committee. There are some commodities on the free list that should remain there. Other commodities our membership is interested in having lifted from the free list and placed elsewhere in the structure of the tariff act. And there is a large group of commodities in the free list which we in agriculture have come to know as substitute commodities for those which we produce on our American farms which should be made dutiable at various rates. So under those three different and varied classifications our membership approaches the free list and considers it, next to Schedule 7, the most important schedule in the tariff act.

Referring to paragraph 1604, which is one of agricultural implements, let me briefly state that we will request, as we did on the House side, that it be continued on the free list. That is one of the groups of commodities that we want on the free list. Not that agricultural implements are coming in here much from foreign manufacturing plants. They are not coming in very much at the present time, but we notice that American capital is going abroad. Current reports have it that one of the big tractor manufacturers is now establishing himself in a western European nation to supply not only the western European markets for tractors but the American market as well. Canada is coming to be a great manufacturing center for agricultural implements, too. And we farmers necessarily must look to buying our supplies as cheaply as possible, one of which supplies is agricultural implements; and if our American capital is going abroad to make agricultural implements, and confessing, as I have, that up to the present time this paragraph has not been of any material benefit to us, in the future 10 years it is likely to be of interest to us if continued substantially as it is in the act of 1922.

Senator KING. Before you leave that paragraph, may I ask you what your view is in regard to the provision in line 4, page 282, in dealing with cream separators valued at not more than \$50 each?

Mr. GRAY. Our position, stated on the House side, Senator King, was that the paragraph in toto should be kept as it is.

Senator REED. The farmer does not use a separator costing more than \$50?

Mr. GRAY. Not often, with \$50 as the import value.

Senator BARKLEY. They might be able to buy them under the new farm relief bill, though, might they not?

Mr. GRAY. I will let the Federal Farm Board answer that question, if I may, after it gets organized and establishes its policy.

Senator BARKLEY. A moment ago did you refer to the Ford Motor Co. as the one that has moved its tractor factory abroad?

Mr. GRAY. That is the one of which we hear current reports of developments in western Europe.

Referring now to fertilizer. Our membership in the Farm Bureau, Mr. Chairman and gentlemen of the committee, repeatedly, and for the last time in 1928, has declared in favor of free entry of plant-food constituents. That applies particularly to paragraph 1684 in the House bill. That is the so-called guano paragraph. In 1922 that paragraph was designed to let in all plant-food fertilizer constituents duty free.

Senator GEORGE. Let me call your attention to sulphate of ammonia.

Mr. GRAY. But the language of the paragraph in the act of 1922 includes these words:

*Provided, That no article specified by name in Title I shall be free of duty under this paragraph.*

And also contains the other words "not specially provided for." So there are two provisos which let our from the free-trade classification several agricultural fertilizer commodities. And if you will refer back, without turning back, to paragraphs 1, 5, and 7 of Schedule 1 you will find that in Schedule 1 nitric acid and phosphoric acid are both dutiable at specific or ad valorem rates. And if you will turn back to paragraph 5 in Title I you will find it to be a basket clause which substantially puts duties upon most fertilizer plant-food constituents. And if you will turn back to paragraph 7 in Schedule 1 you will find that ammonium chloride, ammonium nitrate, ammonium phosphate, and ammonium sulphate are all dutiable at definitely described rates.

Senator WALSH of Massachusetts. Have they been increased in the House bill?

Mr. GRAY. They have not been increased. The House bill, Senator Walsh, did one very fine thing along this fertilizer line. They lifted urea out of the dutiable list and put it in the free list, much to our gratification.

Senator KING. Well, that had been done, had it not, by the Tariff Commission pursuant to an investigation?

Mr. GRAY. It had recommended it to be done, Senator King.

Senator KING. Yes. I offered a bill at the last session of the Congress for the purpose of putting that on the free list, and my recollection is that the Tariff Commission recommended that, and it was by presidential proclamation put on the free list. I may be in error.

Mr. GRAY. I can not remember just exactly those details, Senator King, but I do know that the House of Representatives has placed urea, which is coming to be a well-known and a definitely used nitrogenous fertilizer of high concentration, on the free list. Now the purpose of calling this to your attention is that the so-called guano paragraph No. 1684 be so dovetailed in with paragraphs 1, 5, and 7 of Schedule 1 that the purpose of the guano paragraph to make fertilizers free will be absolutely carried out. And in the brief which I shall file, with your permission, we are submitting the language not

only in the guano paragraph but in these three other paragraphs of Schedule 1 to accomplish the purpose desired.

Senator HARRISON. Is there any important manufacture of urea in this country?

Mr. GRAY. No; I think not, Senator Harrison.

Senator HARRISON. My understanding was that the Union Carbide Co. made urea, and they had a monopoly in this country.

Mr. GRAY. No; there is more urea made in Germany and western European nations than in the United States.

The CHAIRMAN. There is not any produced in this country. No production in the United States.

Senator HARRISON. There is not?

The CHAIRMAN. No.

Senator HARRISON. All imported?

The CHAIRMAN. All imported.

Mr. GRAY. And I am calling particular attention to ammonium sulphate, which has carried a duty of one-fourth cent a pound since 1922, or \$5.60 a ton, and it is used very largely in fertilizer field operations at the present time. And I am very glad to report, as you will learn later, that the National Fertilizer Association, not only in ammonium sulphate but in a more limited way on this whole fertilizer proposition, is not fully, but very much in accord with what I am presenting representing the American Farm Bureau Federation. Ammonium sulphate ought to be put on the free list or else the language which is being submitted in our brief incorporated in such a way that if it is imported as a pharmaceutical or as a drug, that the duty for that purpose be not applicable if it be imported for fertilizer purposes.

Senator BINGHAM. Is ammonium sulphate manufactured in this country?

Mr. GRAY. Yes.

Senator BINGHAM. Does it give employment to American labor?

Mr. GRAY. Yes.

Senator BINGHAM. Would that labor be affected if it were put on the free list?

Mr. GRAY. Not seriously, because ammonium sulphate is a by-product of another industry, the metal industry. And it would not throw the business of steel production into chaos if the ammonium sulphate from abroad should come in duty free.

Senator BINGHAM. It is merely a by-product of the steel process, is that it?

Mr. GRAY. I understand that so to be.

Senator KING. Is not this the fact with respect to ammonium sulphate, that it is a by-product of the coke industry and is controlled by the Koppers Co., and the Koppers Co. has transferred the sale of it to the Allied Chemical Co., which with the duPonts control very largely the dyes and pharmaceuticals of the United States?

Senator BINGHAM. Well it seems to me, Senator, with all due respect, that you are indulging in the fallacy known as *argumentum ad hominem*.

Senator KING. Characterize it any way you please. I wanted to state the fact that I supposed you wanted.

Senator GEORGE. Mr. Gray, ammonium sulphate is one of the chief ammoniates used in this country?

Mr. GRAY. It is.

Senator GEORGE. It is the direct competitor of Chilean nitrate?

Mr. GRAY. It is.

Senator GEORGE. On Chilean nitrate of course we pay or cover into the cost something like \$12 plus per ton export duty out of Chile in order to obtain it.

Mr. GRAY. That is true.

Senator GEORGE. It is the expensive element in commercial fertilizer.

Mr. GRAY. Yes.

Senator SHORTRIDGE. What was the last item to which you referred?

Mr. GRAY. Ammonium sulphate.

Senator SHORTRIDGE. From what country, chiefly, does that product come?

Mr. GRAY. From Germany.

Referring only briefly, now, to one or two other fertilizers, it is necessary to call attention to paragraph 1604, in which calcium nitrate and cyanamid are now contained, and should be retained, there being some slight efforts from certain sources to take them off the free list and put them under the dutiable section. It is in keeping with our policy in the Farm Bureau that such fertilizers as those two just named should be kept exactly where they are. The same thing is true of gypsum, in paragraph 1740.

Passing on to that great classification of food products known as substitutes for the American products, let me enumerate, first—

Senator HARRISON. Before you get to that, you indorsed this clause with reference to farm implements, and said it was all right.

Mr. GRAY. Yes.

Senator HARRISON. Does your bureau agree to this action of the House in taking forks, hoes, and rakes, which are agricultural implements, from the free list and putting them on the dutiable list?

Mr. GRAY. No; we have not approved that. Neither have we formally disapproved it.

Senator HARRISON. Those three items are agricultural implements, are they not?

Mr. GRAY. Those things never have been classified in paragraph 1604, although, by an elastic definition, they could be called agricultural implements.

Senator HARRISON. They have been included heretofore on the free list.

Mr. GRAY. Yes.

Senator HARRISON. This is the first time they have been put on the dutiable list.

Mr. GRAY. I think you are right in that, and so far as we are concerned, I am sure I speak the membership thought, although there has been no opportunity to get the thought since the House took that action—that those minor tools which formerly have been on the free list should be retained there. But I can not say that authoritatively, because there has been no opportunity to get a referendum of the Farm Bureau on that point.

Senator KING. Mr. Gray, can you see any reason why, if any agricultural implements are placed on the free list, those just mentioned by Senator Harrison should not be on the free list?

Mr. GRAY. No good reason.

Senator BINGHAM. How about other garden tools?

Senator HARRISON. They were included in the general paragraph under agricultural implements; and in paragraph 373, which did not include those items, but now includes them, shovels, spades, scoops, forks, hoes, rakes, and so forth, have been included at a 30 per cent ad valorem rate.

The CHAIRMAN. In paragraph 1604, agricultural implements, there has not been a word changed in the existing law.

Senator HARRISON. But forks, hoes, and rakes, which were included in that proposition, are now specified in the bill as carrying an ad valorem rate of 30 per cent.

Senator KING. In paragraph 373.

Senator HARRISON. In paragraph 373.

Senator KING. They were transferred.

The CHAIRMAN. There must be some new language in 373. Let us see what it is.

Senator HARRISON. There is new language.

Senator SHORTRIDGE. It was not an amendment of 1504, Senator, because that language remains. It is now known as 1604.

Senator HARRISON. You will notice that these are new items which are inserted, and the note on page 114 of what I am reading, the notation to paragraph 373, is that forks, except hay forks, hoes, and rakes, have been transferred from the free list under the act of 1922, to this duty.

Senator WALSH of Massachusetts. I suppose they were originally included in the language of "all other agricultural implements" and were taken out of that class and named specifically in the dutiable list. Is that the situation?

Mr. GRAY. That is the way I understand it, Senator Walsh.

Paragraph 1604, which is the main agricultural implement paragraph in the free list, has been a matter of controversy and a matter of interpretation and classification as to what goes in as an agricultural implement. Now, on the House side, if I may explain further, they have included—

Senator REED. There was nobody before the metals subcommittee to object to that.

Mr. GRAY. On the House side, to clarify that somewhat, they have lifted over into the metal schedule, schedule 3, forks, hoes, and rakes by specifically naming them. So, the House of Representatives has solved some of the classification problems by naming three garden and farm tools in the metal schedule, thereby taking them out of the classification of agricultural implements.

Senator BINGHAM. Is it not true that their use is more general by commuter than by farmers?

Mr. GRAY. I have not any statistics on that, Senator. I do not know.

Senator SIMMONS. Mr. Gray, is not a hoe one of the most commonly used implements in husbandry?

Mr. GRAY. As the representative of a farm organization, Senator Simmons, I could do nothing else than stand here and say that a hoe, a rake, a spade, a fork, or a shovel is an agricultural implement.



Senator SIMMONS. A farm implement.

Mr. GRAY. But the House of Representatives has classified hoes, rakes, and shovels differently by putting them over in the metal schedule.

Senator BARKLEY. Corn knives were in paragraph 373 originally. There is no doubt about them being agricultural implements.

Mr. GRAY. It is not an agricultural implement in the tariff classification.

Senator BARKLEY. But, in fact, it is.

Mr. GRAY. It has not been, and is not now.

Senator BINGHAM. Neither have shovels.

Senator BARKLEY. I understand about the classification, but, as a matter of fact, a knife to cut corn with is an agricultural implement, under whatever classification it comes in the tariff bill.

Mr. GRAY. Under a popular classification, you and I would be absolutely right in saying that it is an agricultural implement, but under the customs courts decisions and the tariff laws it is not an agricultural implement.

Senator SIMMONS. You do not think, Mr. Gray, representing this Farm Bureau Federation, that these things ought to carry a duty.

Mr. GRAY. No; I do not think they ought to.

Senator BINGHAM. How about garden trowels?

Mr. GRAY. We would not be so keenly interested in those.

Senator BINGHAM. Are they not used by the farmer's wife?

Mr. GRAY. Not much.

Senator KING. Builders use trowels, Senator.

Senator SIMMONS. Masons.

Senator BINGHAM. The Senator from Utah is not quite as familiar with garden trowels as some other people, or he would not say that masons use them. Masons use a flat trowel.

Senator KING. You did not say garden trowels. You said "trowels."

Mr. GRAY. I confess, Mr. Chairman, and members of the committee, that it is impossible for a person representing a membership from Maine to California, and from Michigan to Alabama, to come here and pick out the individual items in a long tariff act and reclassify them, even to suit our membership. But I have sought to bring to your attention the fact that the big paragraph of agricultural implements in the free list, namely, 1604, should be left as it is; if, in your wisdom, you want to take some of these lesser tillage tools, garden tools, and hay implements, and put them, by your classification, under the heading of agricultural implements, you will not displease the farmers of the United States.

Senator HARRISON. What you want done, so far as hoes and forks are concerned, is to have them left on the free list.

Mr. GRAY. That would be pleasing to our people.

Senator HARRISON. The House, in the agricultural relief they were going to give them, did not do that, but put them on the dutiable list, and put a 30 per cent duty on them.

The CHAIRMAN. I suppose it would solve the whole farm problem if they were put on the free list.

Senator HARRISON. It would help a little.

Senator BARKLEY. It would probably come as near as anything that has been done.

Senator BINGHAM. They were concerned with horse-drawn and gasoline-propelled implements. They were not really interested in the case of the man with the hoe.

Mr. GRAY. I am not acquainted with the background or the reason why these changes were made on the House side, but what you suggest is going to be more nearly true than it was a decade ago. The American farmer is using comparably less of those smaller tools and more of the larger ones.

Senator WALSH of Massachusetts. Let us proceed with the evidence.

Mr. GRAY. We have a long list of articles in the free list which are, as I began to describe a moment ago, called, in our farm circles, substitute products for our home-grown American products.

Notable among these is bananas.

The CHAIRMAN. You are not going to take much time on bananas, are you?

Mr. GRAY. I hope not. We have asked for a 75 cent rate per bunch on bananas, for the primary reason that bananas are a carbohydrate food, very largely starch. In that class they compete with potatoes, wheat, corn, rice, and some vegetables. They are not the cheapest food in the world, as the proponents of bananas say they are, because there are many of our home-grown American products just as cheap, and some much cheaper per calory value, than are bananas.

Senator SHORTRIDGE. Have you any figures as to how many bunches of bananas, or what quantity of bananas are imported?

Mr. GRAY. In 1927 there were upward of 60,000,000 bunches imported.

The CHAIRMAN. Sixty-four million, two hundred ninety-seven thousand, six hundred twenty-one.

Senator SHORTRIDGE. What is the tariff that is requested by certain organizations?

Mr. GRAY. Seventy-five cents a bunch.

Senator SHORTRIDGE. What revenue would that yield to the Government?

Senator REED. \$45,000,000.

Senator SHORTRIDGE. We are in need of revenue, are we not?

Senator BINGHAM. Have you not heard about the surplus?

Senator SHORTRIDGE. Would it not be a good thing to get a little revenue from that source?

Mr. GRAY. That would be a point in favor of a duty on bananas.

Senator SHORTRIDGE. Would it add a nickel, or a tenth of a nickel, to the consumer of bananas in America?

Senator REED. It would take it away from him.

Mr. GRAY. I presume it might, Senator Shortridge, but it would undoubtedly bring revenue to the Government, and also it would leave the American producer of fruits and vegetables more nearly on a basis of equality in producing American crops in competition with the crops of Central America.

Senator WATSON. Do we produce any bananas in the United States?

Mr. GRAY. None at all, in a commercial way.

Senator WATSON. So that it could not in any sense be called a protective tariff. It is a purely revenue tariff.

Mr. GRAY. No.

Senator WATSON. Well, you mean indirect or lateral protection, under the theory that if a man does not eat a banana he will eat an apple, or something else.

Mr. GRAY. Yes.

Senator KING. Or go hungry.

Mr. GRAY. Yes; but it is not an effort to compel the American people to forego bananas. It is an effort to put the American producers of fruits and vegetables on a basis of equality or nearly on a basis of equality, with the conditions which exist in Central America.

Senator BINGHAM. What county is it where bananas are grown?

Mr. GRAY. What country?

Senator BINGHAM. No; what county or what State in the United States?

Mr. GRAY. They are not produced here.

Senator BINGHAM. We are protecting home industries.

Senator SHORTRIDGE. We can raise them in lower California.

Senator BINGHAM. Do you raise them?

Mr. GRAY. They are not produced as a commercial proposition in the United States, although they are produced to a slight extent.

Senator BINGHAM. You want a tariff of 75 cents a bunch?

Mr. GRAY. Yes.

Senator BINGHAM. How many bananas are there in a bunch?

Mr. GRAY. About a hundred.

Senator BINGHAM. That is about a cent a banana.

Mr. GRAY. Approximately.

Senator BINGHAM. What does the banana cost in the country of origin, per bunch?

Mr. GRAY. I can not give you that figure off-hand. I can put it in the record.

Senator BINGHAM. Is it more than 75 cents?

The CHAIRMAN. About 44 cents.

Mr. GRAY. I know it is not 75 cents.

The CHAIRMAN. Forty-four and seven-tenths cents a bunch.

Senator BINGHAM. This, then, would be an ad valorem duty of 200 per cent. It is almost prohibitive.

Senator KING. It would be.

Mr. GRAY. According to the data that we presented on the House side, it might raise the price of bananas 5 cents a dozen.

Senator BINGHAM. Five cents a dozen, when it is nearly a cent a piece? How do you get that way?

Senator SHORTRIDGE. It would not raise it at all.

Senator BINGHAM. Seventy-five cents a bunch, for 100 bananas in a bunch. How could that be?

Senator SHORTRIDGE. We would get a whole lot of revenue to pay our national debt.

Senator KING. Let us proceed, Mr. Chairman.

The CHAIRMAN. Let us have order.

Senator KING. I will say, Mr. Gray, that I am opposed to your proposition. If you have anything further to say in advocacy of it, I would be very glad to hear it.

Senator SHORTRIDGE. I favor it, because I do not think it would cost the consumer of the aforesaid banana one-hundredth of a cent per banana, or one-millionth. They would sell them here at the same price.

Senator BARKLEY. You are not here to state that you are asking this tariff as a revenue measure, are you?

Mr. GRAY. I am not asking it as a revenue measure, although, incidentally, it will increase the revenue.

Senator BARKLEY. The effort seems to have been made to interpret your testimony as recommending this purely as a revenue matter, and I do not think that is the capacity in which you appear.

Mr. GRAY. Our exact position in this regard is contained in the answer I gave to Senator Watson a while ago, that it is an effort to put the American producer of fruits and vegetables on a parity with the producer of bananas in Central America. If it produces some revenue on the side, to us, that is incidental.

Senator SHORTRIDGE. But not unimportant.

Senator BINGHAM. Instead of putting a prohibitive duty on coffee, so as to make them drink cereal?

Mr. GRAY. The same arguments which can be adduced pro and con relative to the banana situation can be adduced, pro and con, relative to other commodities which are of the substitute nature, and I will come to some of those right now.

I refer to the oils and fats.

The CHAIRMAN. The same argument would apply to the one you are going to mention as applies to bananas?

Mr. GRAY. Oils and fats.

Senator WALSH of Massachusetts. What paragraph is that?

Mr. GRAY. Pardon me if I do not mention those, because there are several different paragraphs, and we will not have time to go into it in detail. There are several oil-bearing seeds from which the oil fats are extracted, which we do not produce in America, and quite likely will never produce, they being native to the Tropics, but which do compete with butter, to a certain extent, with lard to a greater extent, with tallow, with cotton seed oil, soy bean oil, and with various other vegetable oils which we do produce.

Our proposition in the farm circle is that if you want to protect and benefit the producer of American oils and fats it will be necessary to put a rate of duty higher than is now existing—because some of these are on the free list—on these foreign grown oils and fats, which we never can produce in the same form, but which come into the same uses, edibly and industrially, whenever they get into our country.

Senator THOMAS of Oklahoma. Mr. Gray, will you be more specific, please?

Mr. GRAY. If the argument we adduce relative to a duty on bananas is in error or faulty, the argument we adduce relative to an increased duty on vegetable oils and fats, and the one which we adduce relative to increased duties on starches from the Tropics, are also in error and faulty.

Senator THOMAS of Oklahoma. Will you be more specific, when you mention oils and fats, so that we will know exactly what you are talking about?

Mr. GRAY. The ones that are imported?

Senator THOMAS of Oklahoma. Yes.

Mr. GRAY. Palm oil, sesame oil, coconut oil, perilla oil, and palm kernel oil.

Senator BARKLEY. What domestic oils are they used as substitutes for?

Mr. GRAY. They are used as substitutes for practically all the vegetable and animal oils which we produce in the United States—not meaning to imply that a certain foreign oil is competitive with all of them, but the various foreign oils are competitive with all the home-grown vegetable and animal oils. For instance, coconut oil is competitive with lard in the making of lard substitutes, and oleomargarine.

Senator THOMAS of Oklahoma. What is your authority for that statement?

Mr. GRAY. The fact of use in the United States.

Senator THOMAS of Oklahoma. I think it is very questionable whether that statement is correct, and I want to get your authority.

Mr. GRAY. Coconut oil goes into the soap trade, into the margarin trade, and into the substitute trades in various forms. It goes mostly, as I understand it, into the soap trade, and so do some of our own American-grown vegetable and animal oils go into the soap trade. There is competition in the industrial field. There is competition in the edible field. Olive oil from abroad competes with olive oil grown in California. Perilla oil, grown in the Orient, competes with these vegetable oils down South, such as cottonseed, soy bean, and with our animal oils, which you know so much about.

Senator BINGHAM. I notice, in paragraph 1630, that books printed wholly in languages other than English are on the free list. Do you not think we ought to put a tariff on French novels so as to make people read more novels in English?

Mr. GRAY. That would not make them read more novels in English?

Senator BINGHAM. Do you not think that is comparable?

Mr. GRAY. No.

Senator BINGHAM. You think they would read the French novels anyway?

Mr. GRAY. They will read French novels if their taste runs toward French novels.

Senator BINGHAM. But do you not think we might put a duty on them?

Mr. GRAY. Yes; you might.

Senator SHORTRIDGE. I think an embargo should be put on some of them.

The CHAIRMAN. Mr. Gray, let us get at this thing as it really is. For instance, to-day there is 2 cents per pound on coconut oil, and 99 per cent of the oil comes from the Philippine Islands, and it comes in here free. If we increase that 2 cents, that will not do any good at all. What do you want? Do you want it specifically provided that there shall be a duty on coconut oil from the Philippines?

Mr. GRAY. Not from the Philippines, but a duty on the coconut oil which will be applicable to all nations.

Senator WATSON. Does it not all come from the Philippines, practically?

The CHAIRMAN. Ninety-nine per cent of it comes from the Philippine Islands.

Mr. GRAY. I can not remember these rates all offhand, but I think we are asking a fraction over 3 cents, but not less than 45 per cent ad valorem.

The CHAIRMAN. What good would it do you, if you had it? Tell us that.

Mr. GRAY. I am frank to say, Senator Smoot, that the rate on coconut oil would do us only an infinitesimal amount of good, unless this committee and the Congress as a whole goes further and carries out the rest of our tariff program, which has already been presented to the House side, unsuccessfully. That is to make the rates on these things applicable to the Philippines as to the rest of the world. The one synchronizes with and correlates with the other.

The CHAIRMAN. I wanted to know whether you really understood the situation. That is exactly the situation now. If you put 10 cents on it, it would not do a particle of good.

Mr. GRAY. The same thing, but not to such an extent, applies to sugar, if I may refer to that. The rate of 2.40 on sugar does not mean so much to American agriculture so long as sugar comes in preferentially from Cuba, and duty free from the Philippines. Our program on this is complete. We want these rates on these products, and we want the rates applicable as against the world, with no preferences or trade agreements or reciprocal arrangements, or duty free tonnages from any source whatsoever.

The CHAIRMAN. Would that apply to every country outside Continental America, with the exception of Hawaii?

Mr. GRAY. Yes; except Hawaii and Alaska.

The CHAIRMAN. Yes.

Mr. GRAY. Because they are Territories now, and eventually may become States. But these other 'so-called dependencies are merely protectorates.

Senator REED. You would put a duty on Porto Rican sugar?

Mr. GRAY. Yes. That is our position, and on Philippine sugar as well—and terminate the reciprocal trade agreement with Cuba.

Senator SHORTRIDGE. Did your remarks cover copra, when you were speaking on the oils?

Mr. GRAY. Yes. That is in the same picture.

The CHAIRMAN. That is in the same category.

Mr. GRAY. Coming to cotton, we are asking for a duty of 7 cents a pound on long staple cotton, measuring  $1\frac{1}{8}$  inches in length. We want that duty on long staple cotton.

Senator WATSON. How much?

Mr. GRAY. Seven cents a pound.

Senator WALSH of Massachusetts. What is the present duty?

Mr. GRAY. None.

Senator SHORTRIDGE. Under the emergency tariff it was 7 cents on  $1\frac{1}{8}$ -inch cotton.

Mr. GRAY. One and one-eighth inch, I think it was.

Senator SHORTRIDGE. In the emergency tariff?

Mr. GRAY. Yes.

Senator SHORTRIDGE. You want it restored?

Mr. GRAY. The competitive country in the long staple proposition is Egypt. Male laborers are paid about 50 cents a day. Child and female labor gets from 25 to 35 cents a day. The average wage scale in the Cotton Belt of the United States varies from \$1.33 up to \$2.70 per day, and we can not meet that kind of competition.

Senator HARRISON. I did not understand whether you said  $1\frac{1}{8}$  or  $1\frac{1}{2}$ . Witnesses appeared before the subcommittee on agriculture advocating  $1\frac{1}{8}$ .

The CHAIRMAN. Long staple cotton begins with  $1\frac{1}{8}$ .

Mr. GRAY. If I am not in error in my memory, our schedule begins at 1½ in length, at 7 cents a pound.

Broomcorn has been on the free list for a long time——

Senator SHORTRIDGE. Just a moment. You have devoted special attention to that particular item, have you not?

Mr. GRAY. What item?

Senator SHORTRIDGE. The cotton item.

Mr. GRAY. Yes.

Senator SHORTRIDGE. I say, you devoted special attention to that.

Mr. GRAY. Yes.

Senator SHORTRIDGE. That is raised in California, Arizona, Texas, and Mississippi, chiefly, I believe.

Mr. GRAY. Those four States. It used to be raised in certain islands and called sea-island cotton, but that has pretty nearly disappeared, if not entirely.

Senator SHORTRIDGE. The principal competitor is Egypt?

Mr. GRAY. That is correct.

The House bill raised the rate on broomcorn from nothing to \$10 a ton. We are asking that it be still further increased to \$25 a ton, because the growth of broomcorn is gradually disappearing in the United States. Where formerly it was produced commercially in 20 States, it is now practically down to two or three States in commercial production, and there is no reason in the world, climatic or otherwise, why we should not raise all the broomcorn we need, and even more.

Senator BINGHAM. Are there just as many brooms consumed as there used to be before the vacuum cleaners came in?

Mr. GRAY. I suspect more.

The CHAIRMAN. Mr. Gray, 17 tons were imported. That did not hurt very much did it?

Mr. GRAY. No; but we have a declining industry here, and larger imports come in frequently.

The CHAIRMAN. Seventeen tons would not hurt the industry, would it?

Mr. GRAY. There is some reason. It may be the reason that the Senator from Connecticut has alluded to, that is causing the disintegration of the broomcorn industry, but the fact of the matter is that the broomcorn industry is going down, and it is going down rapidly, from 400,000 acres in 1925 to approximately 200,000 acres in 1928.

The CHAIRMAN. In 1921 the value of the production was \$2,758,040; in 1927, it was \$4,212,000, or nearly double. In 1927 the production was 38,600 tons. In 1928 it was 45,500 tons. That is the production of it in the United States. In 1923 there was a production of 81,000 tons. It fell down in 1925 to 29,500, in 1926 it increased to 53,400; in 1927, 38,600; in 1928, 45,500; with 17 tons imported.

Senator SHORTRIDGE. Only 17 tons?

The CHAIRMAN. Yes.

Senator SHORTRIDGE. From Italy and Hungary?

Senator REED. Germany and Italy.

The CHAIRMAN. Sixty-seven per cent of that comes from Italy and 32 per cent from Hungary.

Senator HARRISON. The chairman will recall that the witnesses came before the Subcommittee on Agriculture, and some witness made a statement about some Japanese broom straw. You were to make an investigation. You said the statistics did not bear it out.

The CHAIRMAN. That was not broomcorn at all. It was rice straw.

Mr. GRAY. Turning to the last commodity to which I want to call your attention, I refer to the starches. The House bill gave a slight increase on potato starch, but it left tapioca, sago, arrowroot, and cassava starches, all of which are produced mostly in the British East Indies, on the free list.

The House also gave us a very nice duty on wheat, of 42 cents a bushel; a very nice duty on corn, of 30 cents a bushel; a fair rate of increase on potatoes, three-fourths of 1 cent a pound; and, according to my memory, gave some increase in the rate on rice—all of which are starch products grown by the American farmers. Then, forgetting, seemingly, to correlate this tariff proposition, the House failed to put any duty on these starch products which come from the British East Indies—sago, tapioca, arrowroot, and cassava. Our position is this, briefly, that any starch coming on our markets is a competitor of the starch foods which we produce here in the United States, whether that plant is a corn plant, a rice plant, a potato plant, or a wheat plant. If the starch happens to be grown abroad, in Java, in the shape of a tuber, like a potato, or if it happens to come from the pith of a tree, such as the sago palm, it is immaterial so long as it is in competition when it gets here directly against cornstarch, potato starch, and these other domestically produced starches.

Senator REED. The House put a duty on arrowroot flour, did it not?

Mr. GRAY. I believe it did that, Senator Reed, but not on the starch extracted from it.

The CHAIRMAN. Mr. Gray, we export a great deal more cornstarch than we import.

Mr. GRAY. Yes; and we want to export more starch, too, so that we will have a better market for our corn. That is what we are fighting for.

The CHAIRMAN. You have that same market now. Tapioca would have nothing to do with your exportation of cornstarch.

Mr. GRAY. With the growth of tapioca, and its cultivation in Java, and the cheapness of its production, and the fact, Senator Smoot, that, so far as I know, it is just now getting fairly well started toward an ultimate production, we can not produce corn in the United States to make starch for export or for domestic use as cheaply as we can get our starch from Java; so I am arguing here in behalf of the corn man, the wheat man, the potato man, and the rice man, in order to meet this foreign competition of imported starch from Java.

The CHAIRMAN. I am speaking here of your exports of cornstarch. You connected the two. What good would an increase in the tapioca starch, on importations of tapioca starch, do, in connection with your exportation of cornstarch? You want to export cornstarch, do you not?

Mr. GRAY. So that we will have a bigger market for more corn here in America.

The CHAIRMAN. We all agree to that.

Mr. GRAY. Yes.

The CHAIRMAN. Will not the stopping of the tapioca starch coming in here back up the cornstarch and prevent our exportation of cornstarch.



Mr. GRAY. I think not, for this reason——

The CHAIRMAN. I think it would either have that result or else tapioca starch would not be made.

Mr. GRAY. No; for this reason, Senator Smoot. So far as I know, we are the only starch producing Nation which has not a duty against tapioca, cassava, and sago starches. If we put a duty on those starches, it will so retard the development of this industry in Java that we will not be met with that competition, as we would be if we let them go ahead and come into this great market, duty free, and thereby promote their production and expansion in Java.

Senator SHORTRIDGE. It will take away the American market from the American producer, will it not?

Mr. GRAY. What is that?

Senator SHORTRIDGE. Starches coming in from Java would, to a degree, take away the market for the home producer.

Mr. GRAY. Surely. Furthermore——

Senator SHORTRIDGE. Of course, it would.

Senator WALSH of Massachusetts. Does not the imported starch possess some characteristics that make it appropriate for particular uses, such as the making of adhesives, and use in textile mills?

Mr. GRAY. There is a slight preferential in the use of starches made from tapioca, for postage stamps and envelopes, and things like that, for which the potato starch can not be used to as good advantage, because it gets sticky and gummy in humid weather, but that use is only about 800,000 pounds per annum, and is only a drop in the bucket compared with the total.

Senator WALSH of Massachusetts. What about the use of cornstarch for adhesives? Are not the imported cornstarches used for that purpose? The domestic is not suitable.

The CHAIRMAN. Tapioca starch is used for adhesives, for puddings, for wood glue, and for textile finish. You can not use cornstarch for all textile finishes. You have to have a tapioca starch. Take the adhesives. You can not use cornstarch. You have to have tapioca starch for that use. That is what I wanted to call the Senator's attention to.

Senator WALSH of Massachusetts. Are not the imported starches particularly adapted for that particular work?

The CHAIRMAN. Oh, yes. That is what they are imported for.

Mr. GRAY. In all this controversy over substituted products that displace our American farm products, either edibly or industrially, we must state that there are certain uses of some of these foreign commodities which our domestic commodities can not fulfill; but, in the case of starch, Senator Walsh, approximately 70 per cent of the uses of these imported starches is directly competitive with the American starches, which we produce here from corn, wheat, rice, and whatnot. Something like 30 per cent of these imported starches is not so competitive.

Senator WALSH of Massachusetts. I did not think the percentage was so large.

Mr. GRAY. These rates we are asking do not mean to imply that these foreign starches will be kept out absolutely, but it does mean to imply that this great market of the United States shall not be made the profitable feeding ground of production on a cheap labor scale, and under standards of living which prevail in Java.

Senator SACKETT. Does cassava make a competitive article?

Mr. GRAY. Yes.

Senator SACKETT. What is the reason for the tremendous jump last year in cassava imports, from 46,000 pounds to 29,000,000 in one year, according to the Tariff Commission report?

Mr. GRAY. There are several reasons. One of the biggest reasons is the comparatively high price of corn in the United States, which, during the last year, has just barely gotten to a point where the American farmer is fairly happy.

Senator BINGHAM. Did I understand you to say that the American farmer is happy?

Mr. GRAY. Fairly happy so far as the price of corn is concerned within the last year. But the American manufacturer or the refiner of starch can not buy corn at a dollar a bushel and make starch out of it, to compete with cassava or sago from Java at one-third that amount.

Senator SACKETT. That is a perfectly tremendous jump in the imports in one year.

Mr. GRAY. Mr. Chairman—

The CHAIRMAN. Mr. Gray, the department spent a great deal of time last year making an examination to determine just where this tapioca starch was used, and the percentages used for certain purposes. Over 30 per cent of all that tapioca starch that is imported into the United States is used for the purpose of wood glue. Twenty per cent of it is used for edible purposes. In the adhesives, using about 25 per cent, some use the cornstarch and some use the tapioca. It all depends upon the character of goods that it is used upon. With respect to the textile finish, which use consumes about 10 per cent, the finer textiles have to use it, and some of the coarser textiles use the cornstarch. So that about half of all that is imported into this country is used in wood glue and in edible forms in America.

Mr. GRAY. But that does not mean that that 50 per cent might not be fulfilled, in part, by our home-made starches, except that they can get the foreign importations cheaper than they can buy the domestic product.

The CHAIRMAN. They could not use the cornstarch for the wood glue. There is not a pound of cornstarch used for wood glue.

Mr. GRAY. Not for that particular use; but for some other uses. Here is the point I am trying to make in that particular regard, Senator Smoot; that this foreign imported starch is sometimes used now for some uses for which our domestic starches could be used, except for the price differential; and if the price differential were equalized, then they would use the domestic starches and the glues made therefrom, rather than getting those starches and glues from Java.

Senator SHORTRIDGE. We could develop that industry in Florida, could we not?

Mr. GRAY. I do not know.

Senator SHORTRIDGE. I think so. I know you could in California.

Mr. GRAY. I am not arguing, Senator Shortridge and members of the committee, in this matter of substitutes—with regard to bananas, vegetable oils, and starches—that if the rates of duty are put on we are going to raise those commodities in this country. All that I am arguing, and all that other organizations are arguing, is that if you

put rates of duty on these substitutes the American farmer, who meets them in trade competition, will be more nearly on a parity with his foreign competitor.

Senator REED. Mr. Gray, I asked you about arrowroot starch. I have been looking it up here, and I find that it is dutiable under paragraph 85, at 1½ cents a pound; and that it is used mostly for feeding sick babies. The importation is very slight.

Mr. GRAY. Very.

Senator REED. It all comes from the island of St. Vincent. Do you think that putting a tariff on that commodity is important to the American farmer?

Mr. GRAY. Not nearly as important as that on sago, cassava, and tapioca; but the rate we are asking, Senator Reed, is 2½ cents a pound on all these starches. For such a refined use as you have spoken of there relative to arrowroot, a rate of 2½ cents a pound is not going to prevent anybody from getting it, and it still is going to serve to keep the arrowroot from coming in here and finding other uses than that which you have specified.

Senator REED. My recollection is that in the chemical hearings we found that the income to the United States from that source was \$18,000 last year. It seems to me that it is pretty small potatoes to take that from sick babies.

Mr. GRAY. This does not take it from sick babies, Senator, because this rate would not prevent its use in that line at all. But it would prevent its use being expanded for a lot of industrial purposes, for which it may be found available, rather than wheat or potato starch, which necessarily cost more on account of our higher cost of production.

Senator BINGHAM. How about the children who like to eat tapioca pudding?

Mr. GRAY. They will still eat it.

Senator BARKLEY. What I would like to know is why anybody would eat it.

Senator BINGHAM. Perhaps Mr. Gray will tell us whether he prefers corn starch pudding or tapioca pudding.

Mr. GRAY. The use of tapioca in pudding is a very small fractional part of the complete importation of tapioca starch.

Senator BINGHAM. That is what the Chairman said.

Senator KING. I was amazed, Mr. Gray, to find that the value of the imports of sago—and you have emphasized sago, crude, and sago flour—were only \$113,000 for 1928.

Mr. GRAY. We use arrowroot, sago, tapioca, and cassava all in one terminology, because they are foreign grown starches; but the ones we are thinking of in commercial quantities, Senator King, are cassava and tapioca. These others are of lesser importance numerically. Fortunately—if you gentlemen desire me to take a little additional time—

The CHAIRMAN. Mr. Gray, it is now 3.30. If you have a brief, which you told me you have, I am quite sure that that brief will be studied very much more carefully than general running debate. We will have to ask you to close as soon as possible, because we will have to adopt some means of hastening these hearings or we will never get through with them.

Mr. GRAY. I always need to apologize in coming before a committee, because our membership is not interested merely in one paragraph, and I can not come and talk only about one paragraph.

I have taken more time than I really should have; I know that.

Senator SHORTRIDGE. We are at fault. We took your time by interruptions.

Senator SIMMONS. Mr. Chairman, I do not agree with you on that. I think Mr. Gray is speaking here on behalf of Agriculture as a whole, and if he has prepared himself as carefully upon other subjects connected with agriculture as he has upon those he has discussed, I think it would be of great advantage to us to have the benefit of a full statement from him. He has evidently studied these questions very closely.

Senator WALSH of Massachusetts. The witness says he is about to close, anyway, so that will prevent any controversy.

The CHAIRMAN. Evidently the gentleman from North Carolina did not hear what the witness said before I made the statement that I did, because he said he was through. When he started on this he said it was the last. Then I wanted him to file a brief which he had spoken to me about before he came on the stand. Nobody is interfering at all with the witness.

Senator SHORTRIDGE. We have taken up his time by the many interruptions.

Senator SIMMONS. That changes the situation entirely.

Mr. GRAY. I am very nearly through. I want to say this in conclusion, if I may.

Senator SIMMONS. Let me ask you this. You are going to file a brief, are you not?

Mr. GRAY. Yes, sir.

Senator SIMMONS. Would it be very much trouble to you to file a statement of the imports of all these substitutes upon which you say there ought to be a duty?

Mr. GRAY. You will find that, Senator Simmons, in the House record.

Senator SIMMONS. I understand we can find it very quickly, but I though that you had it all in your brief. If it were all connected, it might be helpful.

Mr. GRAY. When I correct the transcript I will compile all that information in one page, if I may.

(Mr. Gray subsequently submitted the following table:)

*Substitute products imported into the United States, 1927*

Article	Imports in 1927 for consumption		Competes with—	Present rate, act of 1922	A. F. B. F. rate
	Quantity	Value			
<b>VEGETABLE OILS</b>					
Tung oil.....	89,650,411 pounds.....	\$11,809,583	Linseed oil.....	Free.....	5.9 cents per pound but not less than 45 per cent ad valorem.
Hempseed oil.....	None in 1927.....		do.....	1½ cents per pound.....	3.9 cents per pound but not less than 45 per cent ad valorem.
Inedible olive oil:			Olive oil.....	Free.....	•Do.
Foots.....	42,307,314 pounds.....	3,694,357	do.....	do.....	7.5 cents per pound but not less than 45 per cent ad valorem.
Other.....	7,824,286 pounds.....	1,308,272			
Edible olive oil:			do.....	7½ cents per pound.....	17½ cents per pound.
Packs (under 40 pounds).....	42,269,821 pounds.....	9,783,743	do.....	6½ cents per pound.....	16½ cents per pound.
Other.....	29,587,640 pounds.....	6,875,183	Butter and lard.....	Free.....	3.1 cents per pound but not less than 45 per cent ad valorem.
Palm oil.....	159,911,079 pounds.....	11,039,594	do.....	do.....	3.6 cents per pound but not less than 45 per cent ad valorem.
Palm-kernel oil.....	43,127,657 pounds.....	3,548,986	do.....	do.....	5.4 cents per pound but not less than 45 per cent ad valorem.
Sesame oil.....	1,704,129 pounds.....	203,413	do.....	do.....	3 cents per pound but not less than 45 per cent ad valorem.
Vegetable tallow.....	5,687,581 pounds.....	389,740	Various oils.....	Free.....	5.4 cents per pound but not less than 45 per cent ad valorem.
Peanut oil.....	2,809,717 pounds.....	335,662	Butter and lard.....	4 cents per pound.....	3.7 cents per pound but not less than 45 per cent ad valorem.
Rapeseed oil.....	2,563,191 gallons.....	1,581,910	do.....	6 cents per gallon.....	3.9 cents per pound but not less than 45 per cent ad valorem.
Linseed oil.....	6,360,283 pounds.....	432,415	Linseed oil.....	3¾ cents per pound.....	2.8 cents per pound but not less than 45 per cent ad valorem.
Soya bean oil.....	11,515,027 pounds.....	713,657	Butter and lard.....	2½ cents per pound.....	3.4 cents per pound but not less than 45 per cent ad valorem.
Sweet almond oil.....	66,190 pounds.....	50,426	do.....	Free.....	4.6 cents per pound but not less than 45 per cent ad valorem.
Perilla oil.....	5,358,160 pounds.....	547,479	Linseed oil.....	do.....	3.6 cents per pound but not less than 45 per cent ad valorem.
Coconut oil:			Butter and lard.....	do.....	Do.
From Philippines.....	293,369,704 pounds.....	22,899,807	do.....	2 cents per pound.....	Do.
All other.....	38,014 pounds.....	2,990	do.....	3 cents per pound.....	5 cents per pound but not less than 45 per cent ad valorem.
Cottonseed oil.....	394 pounds.....	52	Castor oil.....	do.....	
Castor oil.....	18,962 pounds.....	8,711			

Substitute products imported into the United States, 1927—Continued

Article	Imports in 1927 for consumption		Competes with—	Present rate, act of 1922	A. F. B. F. rate
	Quantity	Value			
<b>VEGETABLE OILS—continued</b>					
Poppseed oil.....	41,614 pounds.....	8, 122	Butter and lard.....	2 cents per pound.....	8.8 cents per pound but not less than 45 er cent ad valorem.
Oils not specially provided for.....	1,641,181 pounds.....	148, 111	Various oils.....	20 per cent ad valorem.	45 per cent ad valorem.
Hydrogenated oils.....	92,926 pounds.....	15, 531	do.....	4 cent per pound.....	1 cent per pound additional to basic rates.
Oils vulcanized, oxidized, etc.....	78,713 pounds.....	3, 147	do.....	20 per cent ad valorem.	45 per cent ad valorem.
Mixtures.....	120,268 pounds.....	13, 707	do.....	25 per cent ad valorem.	Do.
<b>OIL-BEARING SEEDS</b>					
Cotton seed.....	10,931,503 pounds.....	165, 144	Butter and lard.....	½ cent per pound.....	2 cents per pound.
Castor beans.....	122,620,850 pounds.....	4, 298, 791	Castor beans.....	½ cent per pound.....	2 cents per pound but not less than 40 per cent ad valorem.
Copra.....	450,994,683 pounds.....	20, 641, 189	Butter and lard.....	Free.....	2 cents per pound but not less than 40 per cent ad valorem.
Flaxseed.....	22,008,363 pounds.....	38, 416, 260	Flaxseed.....	40 cents per bushel.....	84 cents per bushel.
Poppseed.....	5,888,576 pounds.....	565, 354	Butter and lard.....	0.32 cent per pound.....	3.8 cents per pound but not less than 40 per cent ad valorem.
Perilla and sesame seed.....	2,948,639 pounds.....	156, 851	Flaxseed.....	Free.....	1.6 cents per pound but not less than 40 per cent ad valorem.
			Butter and lard.....	do.....	2.4 cents per pound but not less than 40 per cent ad valorem.
Hempseed.....	4,255,844 pounds.....	105, 288	Flaxseed.....	do.....	1 cent per pound but not less than 40 per cent ad valorem.
Palm nuts.....			Butter and lard.....		1.7 cents per pound but not less than 40 per cent ad valorem.
Palm nut kernels.....	120,527 pounds.....	15, 146	do.....	Free.....	1.2 cents per pound but not less than 40 per cent ad valorem.
Rapeseed.....	7,302,914 pounds.....	328, 594	do.....	do.....	1.8 cents per pound but not less than 40 per cent ad valorem.
Seeds and nuts, not specially provided for.....	224,323 pounds.....	12, 528	Various seeds.....	do.....	40 per cent ad valorem.
Sunflower seed.....	987,225 pounds.....	33, 222	Sunflower seed.....	2 cents per pound.....	3 cents per pound but not less than 40 per cent ad valorem.
Soy beans.....	4,189,168 pounds.....	162, 642	Butter and lard.....	½ cent per pound.....	2 cents per pound.
<b>ANIMAL OILS</b>					
Spc m oil.....	265,983 gallons.....	95, 597	Various oils.....	10 cents per gallon.....	2.2 cents per pound but not less than 45 per cent ad valorem.

Whale oil, n. s. p. f. ....	7,084,127 gallons.....	3, 178, 725	Butter and lard.....	6 cents per gallon.....	2.7 cents per pound but not less than 45 per cent ad valorem.
Herring, menhaden, and sod oils.....	5,228,789 gallons.....	1, 733, 782	Butter, lard, and other oils.....	5 cents per gallon.....	2 cents per pound but not less than 45 per cent ad valorem
Fish oils, n. s. p. f. ....	93,097 gallons.....	28, 643	Various oils.....	20 per cent ad valorem.	45 per cent ad valorem.
Wool grease:			do.....	½ cent per pound.....	Do.
Crude.....	9,009,632 pounds.....	273, 544	do.....	1 cent per pound.....	Do.
Refined.....	1,917,185 pounds.....	150, 419	do.....	6 cents per gallon.....	2.4 cents per pound but not less than 45 per cent ad valorem.
Seal oil.....	629,160 gallons.....	259, 969	do.....	20 per cent ad valorem.	45 per cent ad valorem.
Animal oils and fats, n. s. p. f. ....	145,153 pounds.....	10, 779	Cotton.....	Free.....	8 cents per pound.
Jute.....	80,836 tons.....	11, 319, 110	do.....	do.....	Do.
Jute butts.....	11,579 tons.....	834, 964	do.....	do.....	5 cents per pound.
Waste bagging, etc.....	37,261,691 pounds.....	949, 984	do.....	do.....	10 cents per pound.
Burlaps, unbleached.....	567,113,688 pounds.....	67, 065, 067	do.....	1 cent plus 10 per cent.	Do.
Burlaps, bleached.....	1,594,047 pounds.....	171, 487	do.....	do.....	1½ cents per ounce per square yard.
Bagging for cotton:			do.....	do.....	10 cents per pound.
Unbleached (from 15-32 ounces).....	62,342,014 square yards.....	3, 769, 634	do.....	do.....	Do.
Over 32 ounces.....	11,559,946 pounds.....	461, 441	do.....	do.....	1½ cents per pound.
Bags, unbleached.....	35,776,831 pounds.....	3, 805, 851	do.....	do.....	Do.
Bags, bleached.....	1,708,984 pounds.....	168, 358	do.....	do.....	Do.
Yarns.....	2,514,000 pounds.....	286, 000	do.....	do.....	Do.
Cordage.....	467,351 pounds.....	65, 881	do.....	do.....	Do.
Bananas.....	61,009,425 bunches.....	34, 269, 450	Fruits.....	Free.....	9 cents per pound
					75 cents per bunch
STARCHES					
Cassava.....	46,566 pounds.....	1, 818	Starches.....	do.....	2½ cents per pound.
Tapioca.....	31,638,288 pounds.....	1, 063, 477	do.....	do.....	Do.
Tapioca flour.....	78,723,558 pounds.....	2, 133, 307	do.....	do.....	Do.
Sago flour.....	5,614,556 pounds.....	161, 693	do.....	do.....	Do.
Sago.....	249,669 pounds.....	4, 453	do.....	do.....	Do.
Arrowroot.....	18,253 pounds.....	2, 015	do.....	do.....	Do.

Mr. GRAY. On these substitutes, again, gentlemen of the committee, I want to close with this statement, that if these commodities are not made more dutiable by lifting them out of the free list and putting them over in their proper dutiable schedule, or making them more dutiable in the schedules where they now are, it is a partial mockery to go ahead and put rates of duty on the farm crops with which they are competitive.

In other words, if you put a rate of duty on corn of 25 cents a bushel, which now lies in the House bill before you, and allow these starches to come in duty free, the one neutralizes the other and makes the rate of 25 cents on corn per bushel a partial if not an entire mockery.

If you put a duty of 42 cents a bushel on wheat, which is in the House bill, and let these starches come in duty free, that is neutralizing, to a large extent, the 42-cent duty on wheat.

Senator BINGHAM. Do you mean to say that it would be better to let the corn come in free, and let the corn starch compete directly with the American cornstarch? Is that your position?

Mr. GRAY. No. I mean to say that if the Congress of the United States is going to give a rate of duty on a farm crop it should also synchronize its action by giving a rate of duty on those imports which compete with that crop.

Senator BINGHAM. When you say "compete with that crop" you mean that if a man has a taste for bananas, if you keep him from getting a banana he is going to buy an apple?

Mr. GRAY. No.

Senator BINGHAM. But you can not be sure that he is going to do that.

Mr. GRAY. That is not our position.

Senator BINGHAM. What is your position, then; because if he wants a banana he is going to get it, is he not? He is not going to eat any more apples, and he is not going to help the American farmer. We raise apples in Connecticut and no bananas; but those people who like to eat bananas want to get them as cheaply as they can. Since bananas are not raised anywhere in the United States, and can not be raised except in California greenhouses, I think the Senator said—

Mr. GRAY. In regard to this substitute proposition, we want to overcome, as much as tariff rates can overcome, the interchangeability of these foreign products, substitutes as they may be, with the home-grown products. The price factor, Senator, is one of the things which will induce the American consumer, if a tariff be imposed on these substitutes, to buy the American product. But if his taste is for bananas, if his taste is for cassava, or tapioca, he will go ahead and buy that material. However, we will give him an inducement, through the price equation, to buy the American product—not compelling, but, to a certain extent, inducing, through the price equation. In doing that we will come back to the position I stated a while ago. We will have put the American farmer more nearly on a basis of equality with his foreign competitor, and that is the thing that we are fighting for.

If you put a rate of 2.40 on sugar and let these starches come in—starches, in their next step, chemically considered, going into the sugar classification—the rate of 2.40 on sugar is, to a large extent, neutralized also.



Fortunately, Mr. Chairman and members of the committee, I have learned that there are two men connected with the Corn Products Refining Co.—which company is a great manufacturer of starches from corn and other American farm crops—who have just returned from a world trip, studying this starch proposition, particularly in Java.

I have here, as a part of the brief which I hope to find, a certified statement from those two gentlemen as to what they found on this starch situation in Java and a summary of their report. If you gentlemen desire it, I can have one of those gentlemen come before you and give you a verbal report of what they found.

Senator BINGHAM. Is the Corn Products Refining Co. in favor of putting a duty on these other things so that they will use more corn products?

Mr. GRAY. Yes, sir. They went on record in the House to that effect.

Senator WATSON. Whom do they represent?

Mr. GRAY. They are employes, as I understand it, of the Corn Products Refining Co., which is one of several manufacturers of starches and sugars from various farm crops, corn particularly.

Senator WATSON. Are they interested in the farmer, or in the Corn Products Refining Co.?

Mr. GRAY. They are interested primarily in the Corn Products Refining Co., but the refiners are with us farmers in getting rates of duty on these imported starches so that they will not be required to go to Java and get their starch to supply our own market, but can buy the American farmer's corn to supply the home market.

Senator BARKLEY. Does the Corn Products Refining Co. import a considerable amount of corn?

Mr. GRAY. In bond; and they manufacture it into starch and export that, so I understand.

(Mr. GRAY submitted the following brief:)

#### BRIEF OF THE AMERICAN FARM BUREAU FEDERATION

The tariff act of 1922 placed 36 agricultural products and processed agricultural products on the free list, and only a few of these are removed to the dutiable list in the proposed bill, H. R. 2667. Hence no readjustment of agricultural rates would be adequate without careful attention to the free list.

The recommendations of the American Farm Bureau Federation concerning the free list may be classified into three broad groups: First, certain articles which should be retained on the free list; second, certain articles which should be removed from the free list and be made dutiable at adequate rates because they displace by substitution various domestic commodities in domestic markets; and third, certain articles which compete directly with similar domestic products and which should be removed from the free list and be made dutiable at adequate rates.

In the first group are included agricultural implements, fertilizers, and fertilizer materials. The second group includes sago, tapioca, cassava, arrowroot, bananas, jute and jute butts, waste bagging and sugar sack cloth, oil-bearing seeds and vegetable oils, and vegetable tallow. The third group includes broomcorn, chestnuts, cotton and cotton waste, tobacco stems, and citrus juices.

#### AGRICULTURAL IMPLEMENTS

Although at present it is of no great financial gain to farmers to have agricultural implements on the free list since not many of them are imported, and since most of the materials of which they are made are dutiable, nevertheless it must be recognized that American capital is going abroad, some of which capital is in

recent years being invested in farm machinery and farm equipment manufacturing establishments. It is currently reported that one of our greatest American tractor manufacturers is developing an establishment in a western European nation, supposedly to supply not only the European markets but the American ones as well. Canada is also looming as a manufacturing center of farm machinery. It is therefore recommended that the policy of admitting agricultural implements free of duty be continued. (See par. 1604, H. R. 2667.)

#### FERTILIZERS

The free entry of fertilizers and fertilizer materials likewise was embodied as a general policy in the tariff act of 1922. This policy was contained in paragraph 1583 of that act, which placed fertilizer materials in general on the free list:

"PAR. 1583. Guano, basic slag, ground or unground manures, and other substances used chiefly for fertilizer, not specially provided for: *Provided*, That no article specified by name in Title I shall be free of duty under this paragraph."

Unfortunately, however, this last proviso, coupled with the specific mention of various articles in Title I, exempted a number of fertilizer materials from this provision and duties were provided for these articles. These articles which were exempted were urea (in par. 26), phosphoric acid (in par. 1), ammonium chloride, ammonium nitrate, ammonium phosphate, and ammonium sulphate (in par. 7) and the "basket" clause, par. 5).

The proposed bill, H. R. 2667, as passed by the House, removed urea from the dutiable list to the free list (see par. 1788) but failed to remove the other articles to the free list. A change in the wording concerning sodium nitrate was also made whereby the new provision applied only to the crude form whereas the old wording applied both to the crude and to the refined forms. This change leaves to administration officials the classification of sodium nitrate when advanced beyond the crude condition to any extent. While it appears likely that it should be classified under the new paragraph 1684 as "other substances used chiefly for fertilizer, not specially provided for," there might be doubt and litigation under the contention that it should be classified under paragraph 5, the basket clause, which reads:

"PAR. 5. All chemical elements, all chemical salts and compounds, all medicinal preparations, and all combinations and mixtures of any of the foregoing, all the foregoing obtained naturally or artificially and not specially provided for, 25 per centum ad valorem."

To avoid such a consequence, it is recommended that the following language be inserted at the close of paragraph 5:

"*Provided*, That any of the foregoing shall be free of duty when imported for fertilizer purposes."

Efforts have been made to secure the removal of phosphate rock from the free list. Such action is diametrically opposed to the established policy of admitting fertilizer materials free of duty and would work a serious hardship on the farmers by increasing the cost of producing their crops.

Any action calculated to increase the farm cost of production in the United States, which is already considerably above the costs in most of the competing countries, would to that extent nullify the benefits to be derived from protective duties on imported farm products. If our domestic costs are to be increased then further increases in the tariff would be needed in order to equalize the differences in the cost of production in the United States and foreign countries.

Phosphate rock is one of the principal ingredients of practically all fertilizers. On account of the bulky nature of the product and its low unit value, it is impracticable to import from foreign countries any except the high-grade phosphate rock.

The domestic miners do not need any tariff protection on the high-grade rock as they are exporting almost the entire domestic production of the high-grade rock in Florida and selling it in Europe in competition with phosphate rock from other countries. In 1927, a total of 131,254 long tons of hard rock (which is the highest quality of Florida rock) were sold or used by producers, whereas a total of 128,774 long tons of high grade rock were exported from the United States during the same year. (See pp. 318 and 323, Phosphate Rock in 1927, published by the Bureau of Mines, U. S. Department of Commerce, March 11, 1929.) Most of this went to Germany, with lesser quantities to Belgium, Poland, and Danzig, and other countries; 99 per cent, however, went to Europe.

The phosphate mining industry is largely concentrated in Florida, which produced, in 1927, 83 per cent of the total phosphate rock sold or used by producers in the United States, although appreciable quantities were mined also in Tennessee, Kentucky, Idaho, and Wyoming.

The representative of the phosphate miners told the Ways and Means Committee that a duty is needed to protect them against the competition from Morocco and that this would assure American farmers against high prices. The committee's attention is invited to the fact that the American farmer had no protection from high prices in 1919, 1920, and 1921, when the Moroccan deposits had not been developed to any great extent. During those years the prices of crude rock at the mines averaged, in the case of Florida hard rock, \$8.59 per long ton in 1919, \$11.30 per long ton in 1920, and \$10.28 per long ton in 1921; land pebble averaged in price at the mines in Florida, \$3.79 per long ton in 1919, \$4.99 per long ton in 1920, and \$5.38 per long ton in 1921.

A duty of \$4.90 per ton has been requested on imported phosphate. Think what it would mean to the farmers to have to pay \$4.90 more per ton for fertilizer! This duty would be equivalent to over 100 per cent ad valorem. Such a burden upon agriculture would be intolerable.

All of these recommendations are contrary to the established policy of admitting fertilizers free of duty and would impose upon agriculture a tremendous burden at a time when she is already staggering under all of the burdens which she can bear and still survive as the basic industry of this country. To place this burden upon agriculture at this time, when a special session of Congress has been called to afford relief to agriculture would be a mockery to the farmers.

The removal of urea to the free list in the House bill is highly commendable and it is hoped that the Senate Finance Committee and the Senate will concur in this action. (See par. 1788, H. R. 2667.)

The growing use of gypsum, particularly in the peanut producing sections of our country, justify the continuance of this fertilizer on the free list as now provided for in paragraph 1740.

We respectfully urge, however, that the policy of admitting fertilizers and fertilizer materials be made 100 per cent effective by eliminating all exemptions and allowing free entry to all fertilizers and fertilizer materials. To accomplish this purpose it is recommended that the following proviso be inserted at the close of paragraphs 1, 5, and 7, in Title I:

*"Provided, That any of the foregoing shall be free of duty when imported for fertilizer purposes."*

It is further recommended that the language of paragraph 1684, H. R. 2667, be revised to read as follows:

*"Par. 1684. Guano, basic, slag (ground or unground), manures, and all substances and products imported for fertilizer purposes."*

The adoption of these recommendations will make the policy of admitting fertilizers and fertilizer materials free of duty 100 per cent effective, while at the same time any of these materials when admitted for pharmaceutical purposes will be dutiable at the rates provided for in the bill.

#### IMPORTED SUBSTITUTES

Substitution is now possible to a greater extent than ever before in the history of the world, due to the interchangeability made possible by the marvelous development of industrial chemistry, the extensive facilities for transporting commodities for long distances, and the world-wide marketing organizations which have been built up to procure and market commodities.

Because of this greatly increased facility for substitution the farmers face a new menace in the form of importations from abroad—the menace of cheap substitutes for the products of American farms. These products may be very different from domestic food products in appearance, condition, and botanical classification when growing in the field or when marketed in the raw state, but through the ingenious processes of modern chemistry they may be converted into forms which can be utilized for the same purposes as domestic products.

The growers of American corn and potatoes must compete with the coolie labor of Java through the importation of tapioca, sago, and similar starch materials. The dairy farmers must compete with the vegetable oils and oil-bearing seeds produced under the primitive conditions of the Philippines, India, China, and Africa. The fruit growers must compete with bananas produced in tropical Central America at extremely low costs. The cotton growers of the South are competing not only with the Egyptian long staple and the short staple from Mexico and India, but also with cheap jute produced in India and sold at such low prices in America that manufacturers are unable to utilize cotton for the same purposes even though extensive tests have demonstrated the superiority of cotton for these uses.

It is the financial consideration which is the predominant factor involved—the fact that these imported substitutes can be purchased so much more cheaply than domestic products causes the displacement of domestic products in domestic markets.

The cotton grower is not adequately protected so long as low-priced jute is allowed free entry to displace domestic cotton; the duties on starches or on corn and potatoes will not be fully effective so long as tapioca and other starches which displace corn and potatoes are allowed free entry; and domestic fruit growers will not be adequately protected so long as bananas are allowed free entry to displace the utilization of domestic fruit.

#### CASSAVA, TAPIOCA, SAGO, ARROWROOT

The new tariff bill, H. R. 2667, as passed by the House, provides increased duties on starches enumerated in paragraph 85 but fails to provide duties on the group of starches now on the free list, which constitute injurious competitors of domestic corn and potatoes which otherwise might be utilized for starch purposes to a greater extent.

Tapioca in its various forms, arrowroot, and sago in its various forms are all left on the free list.

Tapioca is found in various forms with varying trade names. The crude roots are called cassava; the plant on which they grow is called the manioc (or manihot) or cassava plant; the tapioca flour is a ground form of the roots and is really tapioca starch; the tapioca in the form known to the housewife consists of small spherical pellets formed by dropping the ground tapioca on hot plates; gapek and gapek meal, or manioc meal, are forms of the crude ground roots, which are used for stock feed.

The following is quoted from the Encyclopædia Britannica:

"Tapioca (a native Brazilian word), a farinaceous substance prepared from cassava starch, the product of the large tuberous roots of the cassava or manioc plant, is cassava starch partially ruptured and agglomerated into pellets; and cassava is the name given to the farinaceous root of the manihot or manioc plant.

"By reason of commercial customs, the terms 'tapioca,' 'tapioca flour,' 'tapioca starch,' 'cassava,' 'cassava starch,' as well as 'gapek' and 'gapek meal' (the crude ground root of the cassava plant) have come in a sense to denote the starch produced by the manihot plant.

"Although this plant 'manihot' or 'manioc' is grown in tropical or subtropical locations, nevertheless starch, the only commercial commodity derived from manihot, is chemically identical with starch obtained from our domestic starch producing plants. All of these starches are chemically interchangeable and competitive."

This authoritative statement from the Encyclopedia Britannica not only reveals that tapioca in its various forms really signifies starch, but that this starch is "identical with starch obtained from our domestic starch producing plants" and that tapioca starches in the various forms "are chemically interchangeable and competitive" with starch obtained from domestic starch producing plants.

A similar statement is made concerning the starch made from the sago palm, to the effect that sago starch is called by various names, such as sago, sago starch, sago flour and that this starch is "chemically identical and competitive with starch obtained from corn and other domestic farinaceous products."

The following is quoted from the Encyclopedia Britannica:

"The sago palm is native to the East Indian Archipelago. At the age of about 15 years the trunk of this palm is gorged with a large amount of starch. The term 'sago' is frequently used to denote the small pellets prepared from the partially ruptured and agglomerated starch. The terms 'sago,' 'sago starch,' 'sago flour,' denote starch of the sago palm, chemically identical and competitive with starch obtained from corn and other domestic farinaceous products."

Tapioca in its various forms comes principally from Java and Madura in the Netherland East Indies; sago principally from the East Indies, arrowroot principally from the British West Indies.

These forms of imported starch displace proportionate quantities of domestic corn and potatoes which otherwise might be utilized for the production of starch.

The imports during the past few years under the tariff act of 1922 have been as follows:

## Starches on the free list

[Compiled from Commerce and Navigation and Monthly Summary of Foreign Commerce of the United States]

Commodity	Year					
	1923	1924	1925	1926	1927	1928
Tapioca.....	Pounds (1)	Pounds 19,612,823	Pounds 7,544,047	Pounds 21,623,547	Pounds 31,638,288	Pounds
Cassava.....	(1)	215,783	38,581	73,262	46,566	.....
Tapioca flour.....	1 83,882,460	63,662,550	110,823,296	82,241,611	78,723,558	.....
Sago.....	(1)	80,195	85,305	280,940	249,669	.....
Sago flour.....	7,452,941	5,626,263	6,229,995	5,239,769	6,614,556	.....
Arrowroot.....	16,819	14,640	11,761	23,743	18,258	.....
Total.....	101,352,220	89,212,260	124,749,025	109,482,872	116,290,895	176,468,606

1 Included with tapioca flour.

2 Includes also tapioca and cassava.

3 Included with sago flour; includes also crude sago.

The importation of 176,468,000 pounds of tapioca, sago, and arrowroot starches in 1928 was sufficient in amount to displace in effect over 5,000,000 bushels of domestic corn which otherwise might have been utilized for the same purpose. Our surplus of corn going into export during 1927 amounted to 13,428,000 bushels. In other words nearly 40 per cent of our surplus going into export might have been eliminated if corn had been utilized for starch purposes instead of these imported starches.

This displacement of domestic corn by imported tapioca, etc., about equaled the total imports of corn during 1927, which amounted to 5,458,000 bushels and exceeded the average imports during the 5-year period, 1923-1927, which amounted to 2,954,000 bushels.

The importation of tapioca, cassava, sago, and arrowroot in various forms, therefore, exceeded in importance the importations of corn during the 5-year period 1923-1927.

This reveals the necessity of correlating the proposed increase in the duty on corn from 15 cents to 30 cents per bushel with the imports of tapioca, etc., by providing an adequate rate of duty on these starches. A rate of 20 cents per pound is recommended on all imported starches—cassava, sago in its various forms, and arrowroot in its various forms, and all other starches.

These imported starches are competitive with domestic starches notwithstanding claims to the contrary by the opponents of the proposed duties. The consumption of tapioca by various industries, according to estimates prepared by the experts of the United States Tariff Commission and submitted to the House Ways and Means Committee, is given as follows:

## Consumption of tapioca

Uses	Per cent of total	Total amount
Food purposes.....	20.4	Pounds 25,420,685
Sizing of textiles.....	9.7	12,087,286
Wood glue.....	33.1	41,246,307
Adhesives.....	27.3	34,018,838
Miscellaneous.....	9.5	11,838,064
Total.....	100.0	124,611,200

In the statement submitted to the Ways and Means Committee by the American Farm Bureau Federation, in a letter dated March 18, 1929, it was shown that 70.61 per cent of the total importations of tapioca products are competitive with domestic agricultural products. (See Exhibit A in Appendix.) If 70 per cent of imported products are competitive with domestic products, then in justice to

agriculture, protection against this competition should not be denied in order to favor the users of 30 per cent of the imported product who prefer it for certain specialized processes which utilize only a small percentage of the total consumption.

The textile industry, which has been cited in opposition to the proposed duty, uses less than 10 per cent of the total imports of tapioca products. Another argument which has been stressed is that tapioca starch is required for adhesives for postage stamps; but only 800,000 pounds are utilized by the Government for the adhesives used on stamps and envelopes; this is less than 1 per cent of the total imports. These industries can still secure tapioca starch for such purposes if the proposed duty of 2½ cents per pound is provided. Perhaps it will increase the cost of these materials somewhat for these particular uses, but agriculture should not be penalized to the extent of losing a market for over 5,000,000 bushels of corn in order to favor users who consume less than 30 per cent of the total imports of tapioca products.

The attention of the committee is invited to a resolution introduced in the Illinois House of Representatives and passed by that body and the Illinois Senate on June 4, 1929, as follows:

"Whereas a new tariff bill has been presented to the House of Representatives of the United States; and

"Whereas its purpose is to extend the policy of protection to our farmers and industries; and

"Whereas stress was laid this year upon the value of this tariff revision to our farmers; and

"Whereas this policy of protection is not extended, in the report of the House Ways and Means Committee, to the corn farmer and corn products industry in so far as tapioca and sago substitutes are concerned: Therefore be it

*Resolved, by joint resolution of the House of Representatives and Senate of Illinois, That we urge the Congress of the United States to include protection against tapioca and sago as substitutes for corn and corn products in the pending tariff measure; and be it further*

*Resolved, That a copy of this resolution be forwarded immediately to the President of the United States; to the Hon. W. C. Hawley, chairman of the House Ways and Means Committee; to the Hon. William S. Ramseyer, chairman of the Subcommittee on Agricultural Products; and to Senators C. S. Deneen and Otis F. Glenn and the Illinois delegation in the House of Representatives."*

The corn crop of the United States averages two and three-fourths billion bushels. Less than 10 per cent of this crop reaches the primary markets, where the price is determined.

The 10 States of Iowa, Nebraska, Illinois, Kansas, Missouri, South Dakota, Indiana, Texas, Minnesota, and Ohio produced 1,917,395,000 bushels of corn in 1927, which is approximately 70 per cent of the entire corn crop.

The cornstarch produced by the wet milling industry from American-grown corn can be replaced and is being replaced by starch obtained from the tropical foreign plants, tapioca and sago. The farmers of the Corn Belt seek relief from the competition of this foreign starch, produced by foreign-tropical labor, paid 12 to 20 cents per day.

Cornstarch and Java starch are chemically interchangeable and competitive in that sugar, sirup, adhesives, can be produced from one or the other.

Of all the starch-producing countries of the world which assess a duty on starches to protect the production, the United States of America is the only one which does not assess duty on tapioca and sago starch.

Java can produce 5,000,000,000 pounds of starch. If three billions were imported it would defeat the sale of 85,000,000 bushels of corn.

In the course of the hearing before the Committee on Ways and Means with reference to the proper dutiable classification of starches of various origins, several questions arose with respect to what has been referred to as the question of their interchangeability or qualities of substitution, which has an important bearing on the question of competition.

It has been alleged that Java starch, or tapioca, would not compete with potato starch, or cornstarch, because it was of superior quality, or that from its use results could be obtained which could not be secured with the use of domestic starches. Based on the proposition of interchangeability or substitutional characteristics, information was furnished to the Ways and Means Committee with respect to those fields for the use of Java starch wherein the manufacturing interests of this country substitute or interchange the one for the other when the question of price was favorable or determinative, and in this showing it was

established that this interchange or substitution established a definite competition to the extent of 68.8 per cent of the importation.

These comparisons were made with definite relations to the importation and use of starch as starch. If, however, the importations of the Java starch are considered in the light of the fact that this starch is as readily convertible into sugar and sirup as is any other form of starch, then it is obvious that the competition, interchangeability, or substitutional character of these imported starches is to be stated at 100 per cent.

There was an impression that the Committee on Ways and Means entertained the view that duties should not be imposed on an article which was not produced in this country, and hence tapioca would remain on the free list, because the starch produced in Java was not produced in the United States. In this connection attention is invited to the opening paragraph of Schedule 11, wool and manufactures of, paragraph 1101 of H. R. 2667, as introduced in the Senate of the United States, on page 147. Here we have a provision made for the assessment of duties on wools from Smyrna, Cordova, Valparaiso, Ecuador, Syria, and so on, pretty well all over the world. Is it conceivable that here the doctrine shall be favorably considered that you must not place a duty on Java starch because it is not produced in this country, but that it is wholly reasonable to place a duty on Ecuadorian wool? Can anyone reasonably deny the propriety of the imposition of a duty on Italian canned tomatoes which are a different variety from the domestic tomato when growing in the field but which when canned constitute a product which is like and similar to domestic canned tomatoes for all practicable purposes? Nobody will contend with any degree of earnestness that Sumatra tobacco, or Swiss, Italian, French, or German cheese, Chinese rugs, Swedish iron, and one hundred and one other articles are to be freed from duty even though importers claim that no exactly similar articles are produced in this country. It might well be argued with relation to starch, which is produced indiscriminately from potatoes, from corn, from wheat, from tapioca, from sago, from rice, and other farinaceous tubers and plants, that no duty should be imposed on Cuban sugar because it is not produced in this country. Cuban sugar is produced from cane, and the greater proportion of sugar produced in the United States is from beets. Cuban sugar is produced from the pith of the cane, just as sago is produced from the pith of the sago palm. Beet sugar is produced from a root or tuber, just as the tapioca is produced from a potato-like root or tuber, and whereas the sugar produced in Cuba is absolutely interchangeable with, and substitutional for, and competitive with the sugar produced from Michigan beets, so the Java starch is 100 per cent substitutional for and interchangeable and competitive with starch produced in this country. If Cuban sugar is chemically molecularly identical with sugar, both being of a given standard of strength, as evidenced by the polariscope, so it is likewise true that Java starch and cornstarch are chemically identical and that the constituent elements of such starches will not chemically vary any more than the constituent elements of Cuban or Michigan beet sugar.

In paragraph 1430 of the act of 1922, which is read into H. R. 2667 as paragraph 1529, provision is made for the imposition of duties on laces, embroideries, and various other products and manufacturers of the textile trade at the modest rate of duty of 90 per cent ad valorem; and in this paragraph, for the benefit of this industry, it is provided that this rate of duty shall be applicable to this varied and extensive line of textile manufacture "by whatever name known, and to whatever use applied, and whether or not named, described, or provided for elsewhere in this act."

What will be the mental attitude of the farmers throughout the country when it is perceived that the very doctrine which protects the textile industries is the basis for the deprivation of protection to the farmer? If Java starch, pound for pound, can produce sugar and sirup of identical quality and chemical characteristics as can be produced from a similar quantity of corn starch, and when it is true that the importation of 34 pounds of Java starch will displace the sale of 1 bushel of corn, will any farmer throughout the length and breadth of the land understand or approve a vote to prevent the imposition of a duty on Java starch, and will he feel any lively sense of appreciation, understanding, and agreement with any who justify such a vote by saying that no duty on Java starch should be imposed because it is not produced in this country, or that it is known as tapioca or sago?

Your attention is directed to the fact that Congress in its wisdom has seen fit to place duties on coffee substitutes (par. 774), butter substitutes (par. 709), cheese substitutes (par. 710), cream substitutes (par. 708), lard substitutes

(par. 703), and it will be borne in mind that in every instance these so-called substitutes are very distinctly other and different in texture, quality, material, and use from the article for which they are to be substituted. With coffee substitutes we have interdicted the importation of acorns, chicory, dandelion roots, ground or otherwise prepared, and all coffee substitutes and adulterants and coffee essence, although these may differ in character, quality, and use to a far greater degree and constitute far less of a substitute than does the apple when compared with the banana or jute when compared with cotton.

Whatever may be said in opposition of the doctrine of substitutes, it would appear to have been looked upon with favor by the Congress. The fact remains that beyond peradventure this situation does not obtain as between Cuban sugar on the one hand and Michigan beet sugar on the other. These two articles can with no propriety be regarded as substitutes for the reason that, in so far as the doctrine of similitude is concerned, in quality, texture, material and use they are identical. And so likewise with Java starch, corn starch, wheat starch, potato starch, from this standpoint they are not to be designated or referred to as a substitute within the connotation of that word given to it by the Congress, because essentially as in the case of Cuban sugar and Michigan sugar these starches are within the doctrine of similitude in the matter of quality, texture, material, and use identical the one with the other.

In 1926 the exports of cassava products from Java amounted to 152,946 long tons, whereas in 1927 the exports of these same products amounted to 254,388 long tons, and in 1928 the export of Cassava products from Java amounted to 495,187 long tons. What will they be in 1929 and 1930? In terms of starch, this figure means something between 850,000,000 and 900,000,000 pounds of starch. Reference being had to the Summary of Tariff Information, 1929, on the tariff act of 1922, Schedule 1, chemicals, oils, and paints, page 402, it is represented that the quantity of corn starch produced in 1928 was 854,125,467 pounds. In 1928 the 11 manufacturers of corn products which represent the wetmilling industry of the country consumed about 87,000,000 bushels of corn, or about 37 per cent of the cash corn delivered to the primary market on the average receipts for the past five years.

From this amount of corn in the grain there is produced something like 4,000,000,000 pounds of products of substantially equal proportions. That is to say, there is produced approximately 1,000,000,000 pounds each of starch, sugar, sirup, and cattle feed. This accounts for the 85,000,000 bushels with the elimination of a part of the moisture content of the corn. Thus we have a billion pounds of starch used for starch purposes, a billion pounds of starch converted into sugar, and a billion pounds of starch converted into sirup. It will be interesting at this time to submit the chemical analyses of corn starch and tapioca starch, which are as follows:

	Tapioca starch	Powdered corn starch
	Per cent	Per cent
Starch.....	87.42	87.08
Ash.....	.12	.12
Moisture.....	12.00	12.00
Acidity.....	.10	.10
Protein.....		
Fiber.....	.36	.7

From a consideration of the above, coupled with the fact that sugar and sirup can be produced with equal facility from domestic starch or imported starch, it is apparent that the importation of 3,000,000,000 pounds of Java starch would be sufficient to dispense with the sale by the farmer of 85,000,000 bushels of corn.

**WILL THE IMPOSITION OF A DUTY ON IMPORTED STARCH, COMPETITIVE WITH AND A SUBSTITUTE FOR DOMESTIC STARCH, BE HARMFUL TO THE FARMER?**

The answer obviously and unqualified is no.

The nonimportation into the United States of starch means the selling of an equal quantity of starch manufactured from farinaceous products grown on the farms of this country and which are sold by the farmer at a price strengthened by the imposition of duty and the greater demand for such home-grown products in this country; it means conversion costs paid to American labor. It means the maintenance of an American starch manufacturing industry.



So far as the curtailment of corn exports is concerned, it does not appear probable that the diversion of Java starch excluded from the United States and diverted to European markets would curtail the exportation of corn, for the reason that European countries lay duties on starch, and furthermore, it costs less to ship such starch to the United States than it does to European ports. American corn, admitted free of duty, is used in foreign countries to produce starch, and these countries protect such production by the imposition of a duty on imported starches. The United States stands almost alone in its refusal to protect starch produced in this country and holds the door open for the free admission of starch produced in Java with coolie labor at a cost of 12 cents per day, to the end that the textile industry of New England may reap an advantage thereby.

Are the farmers all over the country, particularly in 10 States in the Corn Belt, to be mulcted in damages for the benefit of the textile industry? It will be interesting to analyze the extent of this benefit.

Why should the producer of starch in Java, who employs labor for 12 cents a day, be safeguarded as against the American farmer, on the theory that the exportation of corn may be curtailed, when, as a matter of fact, the American is definitely harmed in his own market and likewise in the foreign market by the free entry into the United States of this starch which, when sold here in the most favorable market of the world, assists and enables the foreign producers to compete in the foreign market in the sale of the remainder of their supply. To keep the foreigner out of our market will not keep American corn out of the foreign market and the American farmer will be benefited greatly in our own market.

Further information concerning the tapioca industry in Java is contained in the following report, dated February 9, 1929, and the following sworn statements, dated July 1, 1929, by Charles D. Ridgway, jr., and Herbert T. Middleton, who recently made a tour of the world to investigate the production, manufacture, transportation, and sale of starch produced from tapioca, manioc, or cassava. (See Exhibit C.)

#### BANANAS

One of the most subtle forms of substitution which confronts agriculture is the displacement of American fruits by the tropical banana. The standard of living in America is the highest of any country in the world, but this standard of living means high costs of materials and therefore high costs of production.

Commercial fruit growing in the United States has made great progress. Vast amounts of money has been expended in building up orchards, modern equipment, and fast refrigeration service to get fruits to market in first-class condition. The Government is spending large sums to eradicate and control diseases and pests which attack domestic fruits. Individual growers likewise are spending large sums to control these destructive agents. Culling and grading are carried out in order to place a high grade of fruit on the market.

Coincident with this development in the United States, the banana industry has been fostered in tropical Central America largely under the stimulus of American and British capital. Lands for banana plantations were secured for nominal sums in comparison with land values in the United States. Labor costs are small compared with domestic labor costs. As a result the banana can be produced very cheaply, transported by cheap water transportation to the United States, and sold at prices which are so low that the consumption of domestic fruit is greatly retarded by the substitution of the cheap banana.

It is estimated that a bunch of bananas weighs on the average about 50 pounds and contains about 100 bananas.

The imports of bananas amounted to 25.3 per cent of the total car-lot shipments of domestic fresh and dried fruits in 1920, whereas in 1927 the imports of bananas amounted to 34.6 per cent, or more than one-third the total domestic car-lot shipments of all domestic fresh fruits and dried fruits.

The growing importance of this increased consumption of bananas is indicated by the following table which shows the tremendous increase in imports:

Year	Bunches	Value	Year	Bunches	Value
1898.....	(1)	\$4,230,418	1913.....	42,537,109	
1899.....	(1)	5,655,588	1914.....	49,683,602	
1900.....	(1)	5,877,835	1915.....	41,091,585	
1901.....	(1)	6,550,186	1916.....	30,754,704	
1902.....	(1)	7,307,437	1917.....	34,691,179	
1903.....	(1)	8,541,156	1918.....	34,549,013	
1904.....	(1)	7,709,976	1919.....	36,993,095	
1905.....	(1)	9,897,821	1920.....	39,319,562	
1906.....	(1)	10,330,302	1921.....	43,305,763	
1907.....	(1)	11,883,168	1922.....	45,093,892	
1908.....	37,003,388		1923.....	43,958,890	
1909.....	39,873,584		1924.....	44,935,109	
1910.....	38,156,659		1925.....	50,519,331	
1911.....	44,699,222		1926.....	58,559,364	
1912.....	44,520,539		1927.....	61,009,425	

<sup>1</sup> Number of bunches not indicated before 1903.

This explains to some extent why domestic fruit growers have difficulty in disposing of their surpluses. The enormous surplus of fruit which we import in the form of bananas displaces the consumption of domestic fruit. To what extent this displacement goes it is of course not possible to determine. It is not denied that many of the purchases of bananas are made because of a preference for bananas, but it is contended that a very considerable amount of the purchases of bananas are the result of the cheaper price, and hence they displace the consumption of domestic fruit.

The average import value of bananas in 1927 was 56.1 cents per bunch, or about 1 cent per pound. In contrast with this extremely low value, the average import values of other fruits in 1927 were as follows:

	Cents per pound
Apples.....	4.4
Apricots.....	6.3
Berries.....	8.3
Oranges.....	5.5
Peaches and pears.....	7.5

To protect American fruit growers against this cheap competition and to prevent the undue displacement of domestic fruits by imported bananas, it is recommended that a duty of 75 cents per bunch be placed on bananas.

#### VEGETABLE OILS AND FATS

Detailed information concerning the various vegetable and animal oils and fats which are competitive with domestic butter, lard, and oils has already been presented to the Ways and Means Committee. (See pp. 33-36, 41-54, 560-629, 634-638, 3687-3691; 8059-8066, hearings of the Ways and Means Committee, House of Representatives, tariff readjustment, 1929, for data presented concerning oil-bearing seeds and vegetable and animal oils and fats.) In order to avoid repetition of this information, the attention of the Finance Committee is respectfully invited to this material.

Obviously, the duties on vegetable oils must be correlated with appropriate duties on the oil-bearing seeds. If duties are placed only on the seeds which contain the oil, then the result will be to shift from the importation of the seeds to the oil; vice versa, if duties be placed only on the oils, then the oil can be brought in free in the seeds and extracted after entry into the United States, thus evading a duty.

Furthermore, because of the wide range of substitution and interchangeability which are now possible it is not adequate to place duties on certain oils and leave the others free of duty. The price differential and the comparative costs of preparing the oil for consumption determine to a large extent which oils will be utilized within a variety which are available. This renders it essential to place on the dutiable list at adequate rates of duty the oil-bearing seeds and the vegetable oils which are now on the free list. Requests for increases in the rates of duty on oil-bearing seeds in Schedule 7 and various animal and vegetable

oils now in Schedule 1 have already been presented to the committee during the hearings on those schedules.

The competitive groupings of the oil-bearing seeds and vegetable oils on the free list may be segregated as follows: Copra, palm nuts, palm nut kernels, rapeseed, sesame seed, and oil-bearing seeds not specially provided for yield oils which may be utilized in the manufacture of butter substitutes and lard substitutes to compete with domestic butter and lard. The oils on the free list in the act of 1922 which thus compete with domestic butter and lard are: Palm oil, palm-kernel oil, sesame oil, sweet-almond oil, and vegetable or nut oils not specially provided for. In the House bill (H. R. 2667) sesame oil has been made dutiable at 3 cents per pound and palm-kernel oil at 1 cent per pound. These rates on sesame oil and palm oil are both inadequate.

Certain other oil-bearing seeds which are on the free list are competitive with domestic flaxseed; these are hempseed, tung nuts, and perilla seed; the oils from these seeds, hempseed oil, tung oil, and perilla oil, are also on the free list. Olive oil rendered inedible is competitive with domestic olive oil. Vegetable tallow is competitive with various domestic oils and fats in the manufacture of soap, candles, and similar products.

The domestic producers of butter, lard, and flaxseed, as well as the domestic producers of soy beans, cottonseed, corn, and peanuts can not be assured of the domestic market to the extent of their ability to supply it, which was promised to them in the recent campaign, so long as these oil-bearing seeds and vegetable oils are admitted free of duty to displace the consumption of domestic farm products.

To protect domestic producers against these cheap substitutes, the following commodities should be removed from the free list and be made dutiable at the following rates:

- Copra, 2 cents per pound, but not less than 40 per cent ad valorem.
- Hempseed, 1 cent per pound, but not less than 40 per cent ad valorem.
- Palm nuts, 1.7 cents per pound, but not less than 40 per cent ad valorem.
- Palm-nut kernels, 1.2 cents per pound, but not less than 40 per cent ad valorem.
- Tung nuts, 2 cents per pound, but not less than 40 per cent ad valorem.
- Rapeseed, 1.8 cents per pound, but not less than 40 per cent ad valorem.
- Perilla seed, 1.6 cents per pound, but not less than 40 per cent ad valorem.
- Sesame seed, 2.4 cents per pound, but not less than 40 per cent ad valorem.
- All other oil-bearing seeds and nuts, not specially provided for, 40 per cent ad valorem.
- Palm oil, 3.1 cents per pound, but not less than 45 per cent ad valorem.
- Palm-kernel oil, 3.6 cents per pound, but not less than 45 per cent ad valorem.
- Perilla oil, 4.6 cents per pound, but not less than 45 per cent ad valorem.
- Sesame oil, 5.4 cents per pound, but not less than 45 per cent ad valorem.
- Sweet-almond oil, 3.4 cents per pound, but not less than 45 per cent ad valorem.
- Japanese or Chinese tung oil, 5.9 cents per pound, but not less than 45 per cent ad valorem.
- Nut oils, not specially provided for, 45 per cent ad valorem.

#### JUTE AND JUTE BUTTS

Cotton producers in the United States now compete not only with the cotton producers of Egypt, Mexico, and India, but also with the jute producers of India.

The utilization of jute for cotton bagging and bags of various kinds displaces the consumption of 1,750,000 bales of domestic cotton which might otherwise be used for the same purposes. It has been shown that an increase or decrease of 1,000,000 bales in the supply of domestic cotton affects the domestic price from 1½ to 2 cents per pound. Hence if only 1,000,000 additional bales of cotton were consumed through substitution for jute, it would mean \$150,000,000 more money for the cotton farmers of the South by virtue of the increase in price, based on an annual production of 18,000,000 bales.

Requests have been made for increases in the duties on jute bags, jute burlap, and jute fabrics during the hearings on Schedule 10. Coupled with these increases the unmanufactured jute and jute butts should be removed from the free list and made dutiable at 8 cents per pound. The Bureau of Agricultural Economics has made a study of this whole problem and has worked out mathematically what rates would be required in order to make possible the substitution of cotton for jute. The rates which are requested on unmanufactured jute and unmanufactured jute are based upon this study. (See pp. 5674-5676, hearings of Ways and Means Committee, Tariff Readjustment, 1929.) We desire to emphasize,

however, that unless rates of duty on jute and jute products are provided which will be adequate to make possible the substitution of cotton for jute, we prefer no duties on these products because such duties would impose a burden on the farmers without commensurate benefits unless the rates are sufficient to promote the substitution of cotton for jute.

Extensive investigations by the Cotton Marketing Division of the Bureau of Agricultural Economics has demonstrated that cotton is superior to jute for use in cotton bagging as a covering for cotton bales. The bagging from cotton is more elastic and withstands shipment much better; it is lighter in weight and therefore subject to less taring charges and other fees based on weight; less cotton is wasted through adhesion to the bagging; it also has a greater resale value when garnetted for reuse. (For additional information and for rates requested on manufactured jute, see pp. 5665-5679, hearings of House Ways and Means Committee, Tariff Readjustment, 1929.)

#### WASTE BAGGING AND WASTE SUGAR SACK CLOTH

For similar reasons, it is requested that waste bagging and waste sugar sack cloth be removed from the free list and be made dutiable at a rate of 5 cents per pound. Imports in 1926 totaled 62,554,778 pounds and in 1927, 37,261,691 pounds. These imports displace proportionate quantities of domestic cotton which otherwise might be utilized for the same purposes.

#### BROOMCORN

The third group of products concerning which recommendations are made consist of those which compete directly with domestic products.

Broomcorn imported into the United States competes directly with domestic broomcorn. This industry has been badly hit by the development of vacuum sweepers and other cleaning devices. With a greatly lessened demand, the industry therefore needs tariff protection in order to maintain itself successfully in such of the domestic market which remains.

According to the census of 1920, broomcorn was produced in the following States: Connecticut, New York, New Jersey, Pennsylvania, Ohio, Indiana, Illinois, Michigan, Wisconsin, Minnesota, Iowa, Missouri, South Dakota, Nebraska, Kansas, Delaware, Maryland, Virginia, West Virginia, North Carolina, South Carolina, Georgia, Kentucky, Tennessee, Louisiana, Oklahoma, Texas, Idaho, Wyoming, Colorado, New Mexico, Alabama, Mississippi, Arkansas, Utah, Washington, Oregon, and California. Although the production in many of these States was small, it is evident that the distribution of production is such that we can produce all that we require if adequate protection is afforded.

The House bill removed this article from the free list and made it dutiable under paragraph 777 at \$10 per ton. A rate of \$25 per ton is recommended. Based on the average value of imports in 1927 amounting to \$145 per ton, a duty of \$25 would be equivalent to an ad valorem rate of only 18 per cent.

#### CHESTNUTS

Although enormous inroads have been made into the chestnut forests of the United States through the devastations of the chestnut blight, the industry is not extinct, but a large supply of domestic nuts still remains available, particularly in the South. In addition there are a considerable number of commercial groves outside of the infested area which are producing nuts for the market.

Furthermore the United States Department of Agriculture has been introducing for several years, blight-resistant varieties from China and Japan which apparently are thriving in a splendid manner. The department now has 200,000 trees which will be placed in the hands of cooperators within the next year or two.

The progress which has been made in the introduction of these varieties and the prospect for rehabilitating the chestnut supplies from the standpoint of nut production are set forth in a letter from Dr. William A. Taylor, Chief of the Bureau of Plant Industry, United States Department of Agriculture, which is submitted as Exhibit B in the appendix herewith.

The following significant statement, however, is quoted from Doctor Taylor's letter:

"As to whether from the purely cultural standpoint it appears likely that the chestnut industry can be restored in the United States on a reasonably permanent basis, our specialists are convinced that such restoration is probable."

A rate of 4 cents per pound on chestnuts, including marrons, unshelled, and a rate of 10 cents per pound on chestnuts, including marrons, shelled, dried, baked, prepared, or preserved in any manner, are recommended.

## COTTON

The cotton growers of the United States do not have a monopoly of the world supply of cotton, as some people suppose. On the contrary in recent years domestic producers are encountering growing competition in domestic markets, from imported cotton, particularly from long-staple cotton imported from Egypt.

The imports of long-staple cotton have more than doubled under the tariff act of 1922 which places raw cotton on the free list. The imports have been as follows:

## IMPORTS OF COTTON, UNMANUFACTURED, LONG STAPLE (FREE)

Year	Pounds	Value
1922.....	1 33,618,239	1 \$9,689,170
1923.....	58,460,482	17,163,023
1924.....	64,872,087	23,200,875
1925.....	60,289,434	20,459,979
1926.....	53,732,641	18,582,454
1927.....	69,679,809	19,624,249

## SHORT STAPLE (FREE)

1922.....	134,345,085	\$31,798,703
1923.....	128,904,825	32,279,845
1924.....	95,743,788	25,395,549
1925.....	109,390,597	32,274,018
1926.....	127,660,621	27,057,199
1927.....	136,028,953	26,044,477

## COTTON WASTE (FREE)

1922.....	28,399,261	\$2,674,371
1923.....	77,022,332	6,727,755
1924.....	33,663,041	3,244,346
1925.....	36,893,055	3,728,892
1926.....	29,735,862	2,147,002
1927.....	24,729,721	1,622,772

<sup>1</sup> Sept. 22 to Dec. 31, 1922.

Wages of agricultural workers in Egypt in 1928 ranged from 30 cents to 50 cents per day (United States currency) for men and from 15 cents to 25 cents for women and children, depending on the type of work done, the season of the year, and the district in which located. (See p. 93, Wages in Foreign Countries, prepared by the United States Department of Labor, S. Doc. No. 9, 71st Cong., 1st sess.)

In contrast with these low rates, the average male wage rates which prevailed in the southern region of the United States in 1928 were as follows:

South Atlantic region:		
Per day, with board.....	.....	\$1.33
Per day, without board.....	.....	1.75
South central region:		
Per day, with board.....	.....	1.29
Per day, without board.....	.....	1.68

The average wages paid to casual hired farm laborers in the southern region of the United States in 1928 were as follows:

South Atlantic region: Total, including cash and perquisites, per day....	\$2.76
East south central region: Total, including cash and perquisites, per day....	2.50

(See pp. 1058 and 1060, United States Department of Agriculture Yearbook, 1928.)

In order to protect domestic cotton producers from this competition, it is recommended that a duty of 7 cents per pound be placed on cotton  $1\frac{1}{2}$  inches staple length or longer.

## TOBACCO STEMS

Tobacco stems, uncut, unground, or unpulverized, are now on the free list although cut tobacco stems are dutiable at 55 cents per pound. A duty of 5 cents per pound for tobacco stems, uncut, unground, or unpulverized is recommended, in order to foster a more profitable utilization of this product.

## CITRUS JUICES

Orange juice, lemon juice, lime juice, and other citrus juices imported into the United States displace domestic juices extracted from domestic fruits and hinder the profitable utilization of grades of fruit which are not suitable for marketing profitably as fresh fruit.

The action of the House of Representatives in placing a duty of 5 cents per pound on citrus juices rendered unfit for beverages is gratifying and it is hoped that the Senate will retain this provision. It is hoped, however, that the Senate will provide protection on citrus juices for beverage purposes also and to that end it is recommended that a duty of 70 cents per gallon be placed on sweet-orange juice, sour-orange juice, grapefruit juice, lemon juice, lime juice, for beverages and also on beverages of which these juices constitute the major part. This rate would be in line with the duty of 70 cents per gallon on all other fruit juices not specially provided for.

On concentrated juice from citrus fruits, whether in liquid, solid, or powder form, a rate of 35 cents per pound is recommended.

## COWPEAS

The action of the House of Representatives in placing cowpeas on the dutiable list in the paragraph with beans (par. 763) at the same rates as beans is commendable and it is hoped that the Senate will concur in this action.

## SUGAR-BEET SEED

It is recommended that sugar-beet seed be removed from the free list and be made dutiable at 4 cents per pound. There seems to be no reason why we can not raise all of the sugar-beet seed that we need and the importation of 13,378,549 pounds of seed in 1927 would appear to warrant the imposition of a protective duty in order to foster the development of a domestic supply of seed adapted to the climatic conditions prevailing in the sugar-beet areas of the United States.

## EXHIBIT A

LETTER OF CHESTER H. GRAY, WASHINGTON REPRESENTATIVE, AMERICAN FARM BUREAU FEDERATION, TO MEMBERS OF THE COMMITTEE ON WAYS AND MEANS, HOUSE OF REPRESENTATIVES

MARCH 18, 1929.

The American Farm Bureau Federation has presented data to the Ways and Means Committee asking for increased rates of duty on grain, such as corn and wheat, and also on one vegetable, potatoes, from all of which starches are perhaps the most important industrial product.

Particular attention has been called also several times to competitive starches which come to us from foreign lands. One of the most important of these foreign starches is that made from tapioca in its several forms.

It will do slight good to the corn, wheat, and potato growers of this country to raise the rates of duty on these commodities and then in the same act leave such foreign-grown starches as those coming from tapioca on the free list. Therefore, it is urged again that the foreign-grown starches, particularly tapioca, but also the sago starches, be made dutiable.

Reasons, in addition to those given in the briefs of the American Farm Bureau Federation, are called to the attention of the members of the Ways and Means Committee at this time:

The United States Tariff Commission has submitted to the Committee on Ways and Means of the House of Representatives a statement covering tapioca, tapioca flour, and cassava, containing the following information—

"It has been estimated that from 40 to 50 per cent is used for food purposes, 30 per cent as glue for furniture, and the remainder for other purposes mentioned."

This statement has been used by the tapioca interests in the briefs presented to the Committee on Ways and Means, in an evident effort to lead one to the conclusion that tapioca is used mostly for food purposes, and even for that use the amounts are not consequential. Undoubtedly, the Tariff Commission based its estimates upon supposedly reliable information. Nevertheless, the statement referred to may need to be modified in conformity with facts as they exist at the present time, due largely to the rapidly increasing importations of tapioca since 1924.

The Division of Agriculture Products and Provisions of the United States Tariff Commission quotes from the statistics of the United States Department of Commerce for the year 1928 in regard to tapioca importations as follows:

	Pounds
Tapioca.....	13, 033, 226
Tapioca flour.....	128, 521, 898
Cassava.....	29, 660, 585
<b>Total.....</b>	<b>171, 215, 709</b>

A liberal allotment for food purposes would be all of the tapioca item representing the highest grade plus an estimate of 7,000,000 pounds of tapioca flour used in the manufacture of minute tapioca, making a total of 20,033,226 pounds for food purposes. This represents 11.7 per cent of the total importations of all forms, or 14.15 per cent of the sum of the importations of tapioca and tapioca flour. It can not be denied that a considerable portion of the tapioca used for food purposes, probably half, is directly competitive with domestic food products. Manifestly the statements of the importers of tapioca before the Committee on Ways and Means that 40 per cent of the tapioca importations is used for food purposes is grossly exaggerated, and the obvious effect of this misstatement is to minimize the much larger and more important industrial uses in which tapioca competes with domestic starches.

The item "cassava," representing the crudest form, also called "gaplak meal," is used for cattle feed. These 29,660,585 pounds represent 17.3 per cent of the total importations, and are, of course, directly competitive with domestic cattle feed.

The importations of tapioca flour amount to 128,521,898 pounds. Subtracting from this 7,000,000 pounds as used for food purposes in the production of minute tapioca, there remains a balance of 121,521,898 pounds to be accounted for. It is claimed that in certain fields tapioca and domestic starches are noncompetitive. This claim is recognized when justified in the following analysis:

	Amount	Noncompetitive	Competitive
<b>Industrial uses of tapioca:</b>	<i>Pounds</i>	<i>Pounds</i>	<i>Pounds</i>
Vegetable glue.....	1 25, 000, 000	25, 000, 000	None.
Textiles.....	2 25, 000, 000	12, 500, 000	12, 500, 000
Explosives.....	1, 500, 000	None.	1, 500, 000
Briquettes.....	2, 000, 000	None.	2, 000, 000
Postage stamps.....	800, 000	800, 000	None.
Gummed paper and envelopes.....	2, 000, 000	2, 000, 000	None.
Other uses (general adhesives, etc.).....	65, 221, 898	None.	65, 221, 898
	121, 521, 898	40, 300, 000	81, 221, 898

<sup>1</sup> Affidavit by Dr. William M. Grosvenor.

<sup>2</sup> Estimated by increasing figures of Tariff Commission of 1921 by 12 per cent.

<sup>3</sup> Estimated, no direct figures obtainable, but intended to be liberal.

<sup>4</sup> Estimated, intended to be liberal to the noncompetitive quota.

The use of 25,000,000 pounds in vegetable glue sworn to by Doctor Grosvenor is 14.6 per cent of the total tapioca importations, or 19.45 per cent of the tapioca flour importations. The brief filed by Mr. Strasser claims 30 per cent used for vegetable glue. Both statements can not be correct.

On the basis of the above analysis, 66.83 per cent of the tapioca flour used in the strictly industrial field is competitive with domestic starch. However, if

only one-half of the tapioca used for food is considered competitive the following results obtains:

Competitive uses:	Amount
One-half of food consumption.....pounds..	10, 016, 613
Cattle feed.....do.....	29, 660, 585
Industrial purposes.....do.....	81, 221, 898
<b>Total.....</b>	<b><sup>1</sup> 120, 899, 096</b>

If 70.61 per cent of the tapioca importations is competitive with domestic agricultural products, then there is certainly no justification for admitting any tapioca products free of duty. When approximately three-fourths of the imported tapioca comes into competition with home grown starches in one of three ways—in food, in cattle feed, and for industrial purposes, it seems wise to suggest to the Ways and Means Committee that our home-grown starch-producing plants be protected against a foreign plant like tapioca, which is produced mostly in the Strait Settlements and Java, under conditions of cost which are not possible to meet in the United States.

Very respectfully,

AMERICAN FARM BUREAU FEDERATION,  
CHESTER H. GRAY, *Washington Representative.*

#### EXHIBIT B

UNITED STATES DEPARTMENT OF AGRICULTURE,  
BUREAU OF PLANT INDUSTRY,  
*Washington, June 20, 1929.*

Mr. W. R. Ogg,  
*American Farm Bureau Federation,  
Washington, D. C.*

DEAR MR. OGG: Replying to your inquiry of the 14th instant, regarding the present status of the chestnut industry in the United States, while no very comprehensive recent study of this industry has been made by the department, the following information may be helpful to you in your consideration of the matter.

The major portion of the production of chestnuts in this country at the present time is derived from the native chestnut trees in the southern Appalachian Mountain region. Only a small part of the crops of these wild trees is harvested, and the trees themselves are rapidly decreasing in number through destruction by the oriental chestnut blight which appears destined eventually to wipe out entirely the existing stands of native chestnuts.

Considerable effort to establish blight resistant varieties of oriental chestnuts in the United States has been made. Within the past 10 years, the Bureau of Plant Industry has placed with cooperators suitably located some thousands of trees of *Castanea mollissima*, the Chinese hairy chestnut, which is quite resistant to blight. The bureau now has in growth some 200,000 small trees of the more promising blight resistant forms which will be placed with cooperating experimenters during the next year or two. It should be borne in mind, however, that these go primarily into forest plantings and that the production of nuts is likely to be much less than if the trees were planted in orchards. A few hundred acres of the Japanese chestnut, *Castanea crenata*, are in growth chiefly in small plantings in the eastern and middle United States.

As to whether from the purely cultural standpoint it appears likely that the chestnut industry can be restored in the United States on a reasonably permanent basis, our specialists are convinced that such restoration is probable. Much would depend on the development of methods to protect the crop in the eastern chestnut area from chestnut weevil. In the Pacific coast area, which is thus far free from both blight and weevil, considerably increased production seems entirely reasonable to expect. The pioneer plantings of that region, comprising something over 160 acres, are now being rapidly increased.

We have no very definite statistical information on the acreage of existing commercial groves of cultivated chestnut trees. Probably the bearing orchards now in existence do not exceed 400 acres in the eastern area.

It appears reasonable to expect that, in so far as cultural problems are concerned, if the chestnut weevil can be satisfactorily controlled, it will be possible

<sup>1</sup> Equals 70.61 per cent of the total importations.



to develop orchards of grafted trees of blight resistant "Tiger paw" and allied forms of sweet chestnuts from China and certain of the Japanese varieties, yielding nuts of acceptable quality, that would produce profitable crops of chestnuts of a quality that would be readily salable in our home markets.

Very truly yours,

WM. A. TAYLOR, *Chief of Bureau.*

### EXHIBIT C

STATE OF NEW YORK,  
*County of New York, ss:*

Charles D. Ridgway, jr., and Herbert T. Middleton, being first duly sworn, depose and say that:

At the instance of and pursuant to direction by the Corn Products Refining Co., we made a tour of the world, for the purpose of investigating the production, manufacture, transportation and sale of starch, produced from tapioca, manioc, or cassava.

In the course of this investigation we visited the Island of Java, where this starch is more largely produced than elsewhere in the world, and the facts ascertained and conclusions drawn therefrom, are more particularly set forth in our report dated February 9, 1929, and abstract or digest of which is hereto appended and made part hereof.

Deponents state that Java has an area of 50,762 square miles or is about the size of the State of New York; native population estimated at 40,000,000; education elementary, if at all, as the Dutch do not believe in educating the masses beyond their class. The native labor is paid from 12 to 20 cents per day. Cassava is very extensively grown.

An American concern—the Perkins Glue Co.—has invested argely in starch production for shipment to the United States. This country offers the most favorable market because, as we are advised and verily believe, it occupies and maintains the unique position of being the only starch producing country in the world which refuses to place a duty on Java starch. The Perkins Glue Co. controls about 16,572 acres against 3,000 acres now under cultivation, and employs about 5,000 natives. Stein, Hall & Co. act as agents for the H. V. A, the largest and most efficient producers of starch in Java. The Hall Trading Co. is restricted by agreement to the exportation of gapek, gapek meal, and crude unrefined starch.

Deponents further state that there are about 40 estates under European management.

In 1928, according to Government statistics, from 2,000,000 acres planted, the yield was 3.25 long tons per acre; the total production of fresh roots was 6,500,000 long tons or about 14,560,000,000 pounds, which on the basis of 35 per cent recovery of commercial starch would produce 5,696,000,000 pounds of starch.

The yield of 3.25 per acre as above is very conservative, a very much higher yield being possible, and there is so much produced, and so much more can be grown, that there will always be a supply equal to any demand for export.

Deponents state that freight rates are less to New York than to European ports. Pure starch can be laid down c i. f. New York at \$2.31 per 100 pounds as against \$2.45 European ports, and there is no reason why this New York price can not be lowered by greater production, lessened costs, increased organization and better manufacturing facilities; coupled with the production and sale of alcohol from starch residues, the advantageous disposition of which will permit the sale of starch at reduced prices.

The total exports of Cassava products from Java in 1926 were 152,946 long tons, in 1927 they were 254,388 long tons, and in 1928 they amounted to 495,187 long tons. In terms of starch this figure means something between 850,000,000 and 900,000,000 pounds of starch, and this exportable supply can readily be tripled, which on the basis of starch production from corn of 34 pounds per bushel, would displace the sale of something in excess of 85,000,000 bushels of corn.

And further deponents saith not.

CHARLES D. RIDGWAY, JR.,  
H. T. MIDDLETON.

Subscribed and sworn to before me this 1st day of July A. D., 1929.

[SEAL.]

FRANKLYN DOE,  
*Notary Public, Nassau County, N. Y.*

Commission expires March 30, 1931.

JAVA, DUTCH EAST INDIES, *February 9, 1929.*

Java has an area of 50,762 square miles, about the same as the State of New York. The length from east to west is 665 miles; the width about 80 miles.

The native Javanese is from Malay stock. The total native population is estimated at 40,000,000. To this must be added 500,000 Chinese; 300,000 Arabians; and 100,000 Europeans, mostly Dutch.

Education in Java seems to be of elementary nature. It would seem that the Dutch do not believe in educating the masses beyond their class.

In order that the large population may be fed, every square yard of arable land must be cultivated, and to achieve this, all must help.

The hotels in Java are very good.

The roads of Java are remarkable. One can travel by auto in any direction over as good roads as any in the United States.

Government regulations forbid the purchase of land by foreigners. This, however, is overcome by leasing land from the natives for a period of 75 years, after which the lease is usually renewed.

A great deal of cassava was seen growing, both in the small scale by the native, and also on regulation plantation scale. Many of the plantations could be seen from the main highway.

Beside the native and Chinese factories which are very numerous and vary from very small crude affairs to quite modern mills, there are large plantations or estates. At the Department of Agriculture we learn that none of the European-managed estates make report of their operations to the Government.

While in Soerabaia, we called at the H. V. A. office and were most courteously received by their general manager. He said not even a crown prince of Holland would be allowed to see their properties.

We did not attempt to see the Perkins Glue Co. plantations. It is quite inaccessible in the lowlands of the southwest. They control 16,575 acres, of which 3,000 acres have been cleared and are now under cassava. This company employs 5,000 natives.

Both sweet and bitter cassava are grown in Java. The native usually grows the sweet variety, while the estates generally grow the bitter kind. This latter is safe from depredation, while growing in the fields, and also it is freer from insect pests. The plant is coarser in growth, the roots being more fibrous; due to the extra size to which they grow, more starch is produced per acre.

*Manufacture of cassava.*—The fresh roots are scraped and peeled and washed. The roots are grated, the starch is washed from the resultant mash by means of water, the starchy water passing through the cloth is settled out in tubs. In the more prosperous Chinese grinding factories, the pulled roots are washed by machinery fed by high-speed power rasps. The starch is washed from the pulp by means of shakers or reels, usually covered with brass wire cloth. For high-grade flours, the starch is given a second and third washing.

The large European-managed factories use rasps made with hardened metal plates and wedges revolving at high speed. Fibre is washed in reels and shakers. The starch is separated either by settling in tanks or by tabling and the starch is dried in kilns of various types.

The Hall Trading Co. are about to build a gaplak grinding mill. They will locate their plant on the north shore of the island.

The methods used in Java for the cultivation of cassava may be divided into three groups: The small native grower, the larger native and Chinese grower, and the European-owned estates. The roots are harvested at from 8 to 10 months after planting. The yield per acre of fresh roots obtained by the small native grower is naturally very small—probably not more than 4 tons per acre. The larger native or Chinese grower secures results approximating 8 tons per acre when the roots are harvested at from 8 to 10 months after planting.

The wages paid for labor vary from 12 to 20 cents per day.

There are 40 estates in Java which are under the management of Europeans. It is impossible to obtain any information from these estates, either about their factories or their method of cultivation, as they will not give any details even to the Government as to their operations. These estates plant many different varieties of cassava, using the variety which experience demonstrated gives the best results under soil conditions existing in any locality. The so-called poisonous variety (*Manihot utilisima pohl*) was being planted by the estates in increased quantities which give a larger yield per acre in both roots and starch. The roots are harvested from 13 to 18 months after planting, depending upon the variety used, and a yield of from 10 to 20 tons per acre is obtained.

TABLE No. 1

Freight rates to Europe:	Per 100 pounds
Gaplek.....	\$0. 8900
Gaplek meal.....	. 7424
Ampas (waste).....	. 8182
Tapioca flour.....	. 5182
Pearl.....	. 6970

From Semarang the rates are \$0.029 more per 100 pounds for lighterage.

Freight rates to New York:	Per 100 pounds
Gaplek.....	\$0. 7640
Gaplek meal.....	. 5455
Tapioca flour.....	. 3818
Flake and siftings.....	. 5455
Pearl.....	. 4242

From Semarang the rates are \$0.029 more per 100 pounds for lighterage.

Insurance premium to New York is 0.5125 per cent.

Freight rates to Korea: Gaplek meal, \$0.2647 per 100 pounds, including fumigation in Korea. Insurance, three-eighths of 1 per cent.

TABLE No. 2.—Exports from Java of cassava products, 1925 to 1928, inclusive

GAPLEK

[Long tons are used in all tables]

	1925	1926	1927	1928	1928 In-crease over 1927
Exported to—					Per cent
Europe.....	38,406	11,957	16,648	31,782	91
Japan.....	12,075	22,377	5,468	20,499	127
Elsewhere.....	621	442	585	2,511	325
Total.....	51,102	34,776	22,701	54,792	141

GAPLEK MEAL OR FLOUR<sup>1</sup>

Exported to—					
Europe.....		15,219	93,607	244,777	161
Japan.....		109	580	1,434	147
United States.....			1,450	21,905	1,471
Elsewhere.....		200		1,377	
Total.....		15,534	95,637	269,493	182

AMPAS (WASTE)

Exported to—					
Europe.....	3,388	3,065	2,230	9,576	320
Japan.....	43	457	848	169	( <sup>1</sup> )
Elsewhere.....	46	425	806	281	( <sup>1</sup> )
Total.....	3,477	3,927	3,884	10,026	158

TAPIOCA FLOUR

Exported to—					
Europe.....	19,661	11,830	22,400	27,515	23
Japan.....	19,115	8,166	12,739	10,671	54
United States.....	40,907	42,740	49,495	54,638	10
Elsewhere.....	17,035	18,356	29,358	22,009	( <sup>2</sup> )
Total.....	87,848	81,098	113,992	124,833	9

TAPIOCA FLAKE

Exported to—					
Europe.....	4,654	4,227	4,100	8,830	116
United States.....	639	715	807	1,145	32
Elsewhere.....	72		24	146	508
Total.....	5,415	4,942	4,991	10,141	103

<sup>1</sup> The manufacture of gaplek meal was started in 1926.

<sup>2</sup> Decrease.

TABLE No. 2.—Exports from Java of cassava products, 1925 to 1928, inclusive—  
Continued

## TAPIOCA PEARL AND SEEDS

	1925	1926	1927	1928	1928 in- crease over 1927
Exported to—					Per cent
Europe.....	7,433	8,073	8,205	13,006	57
United States.....	2,968	2,702	2,669	2,879	45
Elsewhere.....	2,827	1,834	2,219	9,217	310
Total.....	13,228	12,609	13,185	26,102	

TABLE No. 3.—Exports of cassava products from Java in 1928 showing importing  
countries and values

[In long tons]

	Gapek	Gapek meal	Ampas	Tapioca flour
Exported to—				
Holland.....	361	32,170	362	3,201
Germany.....	1,538	39,489	559	1,863
Belgium.....	299	34,065	379	1,002
France.....	2,839	253	623	3,520
Denmark.....	1,886	49,550	544	117
Norway.....		45,195	190	252
Great Britain.....	1,696	43,142	6,899	16,659
United States.....		21,005		54,638
Japan.....	20,500	1,434	169	19,672
China.....		65	293	7,043
Spain.....	23,003			
Elsewhere.....	2,510	1,312	73	15,766
Total.....	54,792	269,493	10,029	124,633
Value in Java.....	\$870,698.00	\$5,046,317.60	\$120,270.60	\$5,089,628.00
Average value per long ton in Java.....	\$15.8910	\$18.7253	\$11.9067	\$40.8369
Average value per 100 pounds in Java.....	\$0.7094	\$0.8360	\$0.5336	\$1.8231

The value of gapek, gapek meal, and ampas, include the cost of second-hand bags, which amounts to about \$0.15 per 100 pounds for gapek, \$0.12 per 100 pounds for gapek meal, and \$0.17 per 100 pounds for ampas. The other products are shipped in new bags, the value of which is included.

Flake and siftings	Pearl and seed
<i>Long tons</i>	<i>Long tons</i>
845	1,988
26	2,095
351	2,071
3,243	22
	523
	169
4,272	6,111
1,145	3,879
	132
113	
146	9,085
10,141	26,102
\$673,381.60	\$1,700,848.80
\$66,4019	\$65,1616
\$2.9444	\$2.9090

NOTE.—The total exports from Java in 1928 of cassava products amounted to 495,197 long tons as compared with 254,383 tons in 1927, or an increase of 95 per cent in one year.

TABLE No. 4.—*Analysis of average costs of cassava products from Java in 1928*

[Costs per 100 pounds c. i. f. New York for 1928]

	Gaplek meal	Taploca flour	Flake	Pearl and seed
Average cost in Java.....	\$0.8360	\$1.8231	\$2.9644	\$2.9090
Brokerage.....	.0041	.0091	.0148	.0146
Government stamp tax.....	.0084	.0182	.0296	.0291
Harbor duty.....	.0073	.0073	.0073	.0073
Statistical duty.....	.0020	.0036	.0076	.0076
Shipping costs.....	.0636	.0636	.0636	.0636
Freight to New York.....	.5455	.3818	.5455	.4242
Insurance.....	.0075	.0118	.0186	.0177
Total average cost for 1928.....	1.4744	2.3185	3.6514	3.4731

NOTE.—For importation into the United States, the gaplek and gaplek meal must be stored in fumigated warehouses, packed in new bags, and handled in fumigated lighters if they are to be used for cattle food. If they are to be used in industry, fumigation is not necessary. Fumigation costs about \$0.0038 per 100 pounds.

No gaplek shipped in 1928.

*Analysis of average costs per 100 pounds c. i. f. European ports in 1928*

	Gaplek	Gaplek meal	Taploca flour	Flake	Pearl and seed
Average cost in Java.....	\$0.7094	\$0.8360	\$1.8231	\$2.9644	\$2.9090
Brokerage.....	.0035	.0041	.0091	.0148	.0146
Government stamp tax.....	.0071	.0084	.0182	.0296	.0291
Harbor duty.....	.0073	.0073	.0073	.0073	.0073
Statistical duty.....	.0016	.0020	.0036	.0076	.0076
Shipping costs.....	.0636	.0636	.0636	.0636	.0636
Freight to Europe.....	.8900	.7424	.5182	.8961	.6970
Insurance.....	.0084	.0083	.0122	.0199	.0188
Total average cost for 1928.....	1.6909	1.6721	2.4563	4.0033	3.7466

NOTE.—The freight rates to Europe are higher than to New York, as shown above.

TABLE No. 5.—*Cost of gaplek meal f. o. b. Java as of February, 1929*

[Per 100 pounds f. o. b. Surabaya]

For delivery February to May.....	\$0.9412
For delivery May and June.....	.9118
For delivery July to January.....	.8823

NOTE.—These are buyers' offers as per the bulletin of the Surabaya Chamber of Commerce. The sellers' offers are \$0.015 per 100 pounds higher.

NOTE.—From December to May there is a shortage of gaplek on account of the rainy season, and its quality is bad due to mold and weevil.

*Analysis of the cost of gaplek meal f. o. b. Java as of February, 1929*

[Per 100 pounds of meal]

Cost of gaplek.....	\$0.6500
Grinding cost and loss of weight.....	.0733
Secondhand bags.....	.1176
General expense.....	.0147
Shipping expense.....	.0813
Brokerage expense.....	.0041
Total.....	.9412

TABLE No. 6.—*C. i. f. costs of gapek meal as of February, 1929*

[Per 100 pounds]

	Cost c. i. f. New York	Cost c. i. f. Korea	Cost c. i. f. Europe
Cost f. o. b. Surabaya.....	\$0.9412	\$0.0412	\$0.9412
Ocean freight.....	.5455	.2647	.7424
Insurance.....	.0076	.0045	.0084
Total cost c. i. f. ....	1.4943	1.2104	1.6920

NOTE.—These costs are \$.02 per 100 pounds higher than the average costs for 1928.

NOTE.—The f. o. b. prices have varied between a minimum of \$.73 per 100 pounds and a maximum of \$1.03 per 100 pounds, during the three years in which gapek meal has been manufactured in Java.

NOTE.—Fumigation is required by the Japanese Government, but it is done by the steamship company, and its cost is included in the freight.

TABLE No. 7.—*Estimate of amount of cassava available in Java*

According to Government statistics, area planted in 1928, 2,000,000 acres; the yield was 3.25 long tons per acre.

The total production of fresh roots was therefore 6,500,000 long tons.

In 1928 the tonnage of fresh roots used for export was as follows:

	Long tons.
For gapek, 54,800 by 2 equals.....	109,600
For gapek meal 269,000 by 2 plus 5 per cent equals.....	564,000
For tapioca flour 125,000 by 5 equals.....	625,000
For tapioca flake 10,000 by 5 equals.....	50,000
For tapioca seeds 26,000 by 5 equals.....	130,000
Total.....	1,479,500

Surplus for home consumption or for export 5,020,500 long tons.

NOTE.—The cost of the roots will vary with the demand, and also with the price of rice. When rice is high, the natives eat more cassava, and therefore there is less available for export. However, there is so much produced, and so much more can be grown, that there will always be an ample supply of roots to fill practically any demand for export.

It is our opinion that the above statistics supplied by the Government are not correct, excepting perhaps the total tonnage produced. Practically all the cassava we saw would give a higher yield than 3.25 per acre, and the only explanation is the fact that the European-owned cassava estates seem to be very anxious to impress the world with the idea that the production of cassava is unprofitable. This explanation is further supported by the fact that the largest European-owned cassava estates have always refused to furnish the Government with any information as to their operation, in contrast with all the other estates such as sugar, tea, coffee, rubber, etc.

TABLE No. 8.—*Weight per cubic foot of cassava products*

Product:	Pounds
Gapek.....	25
Gapek meal.....	30
Ampas.....	20-25
Tapioca flour.....	37½

TABLE NO. 9.—Showing analyses of ampas and gapelek meal

	Ampas	Gapelek meal	
	Per cent	Per cent	Per cent
Molsture.....	15.8	14.2	16.6
Ash.....	1.3		2.3
Nitrogen.....	1.15	{ 2.2 1.23 }	1.25
Fiber.....	7.6	2.5	2.5
Starch.....	68.6	73.0	74.4

<sup>1</sup> Protein, 1 per cent.

<sup>2</sup> Protein 1.44 per cent.

<sup>3</sup> Protein 1.44 per cent.

These analyses were made for this report by the laboratory of the Department of Agriculture in Buitenzorg.

**STATEMENT OF FRED BRECKMAN, WASHINGTON, D. C., REPRESENTING THE NATIONAL GRANGE**

(The witness was duly sworn by the chairman of the subcommittee.)

Senator WATSON. You are connected with the National Grange and located in this city?

Mr. BRECKMAN. Yes.

Senator WATSON. What is the statement you have to make to the committee?

Mr. BRECKMAN. Referring to the calendar, I wish to talk in general terms, but there are a few items I would like to cover in particular.

Senator HARRISON. The items are on the free list and they all pertain to agriculture?

Mr. BRECKMAN. Yes, sir. I respectfully refer the Finance Committee to pages 8079-8082 of volume 15 of the hearings before the Ways and Means Committee of the House.

Senator WATSON. What item are you referring to?

Mr. BRECKMAN. That contains our entire statement before the House Ways and Means Committee in connection with the free list. It is volume 15 of the hearings before the House Ways and Means Committee in which we outlined the policy of the grange regarding the free list of the new tariff.

It has long been the policy of Congress to keep on the free list most materials used in the manufacture of fertilizers. This is intended as a partial offset to the inability of the protective tariff system to adequately protect many of our principal farm crops.

In 1927 the National Grange, at its annual convention, adopted the following resolution bearing on the subject:

*Resolved,* That we favor the removal of the tariff on all fertilizer material until the time that the tariff protects the farm commodities produced by them.

Senator WATSON. Are you and Mr. Gray together on everything?

Mr. BRECKMAN. I would not say so, but I am not sure. I do not think we are in entire accord on everything.

Senator WATSON. You heard his testimony?

Mr. BRECKMAN. My assistant was here. I was not here personally and I do not know exactly what he said.

This outlines the policy of our organization with reference to this subject.

Senator SHORTRIDGE. That is to say, you want fertilizers on the free list?

Mr. BRECKMAN. Fertilizer and fertilizer materials, for the reason given.

We note that the new tariff bill as passed by the House places a protective duty of 10 per cent on hides, but provides for a compensatory duty of 20 per cent on shoes, together with a duty on leather ranging from 12½ to 30 per cent, and a duty on harness as high as 35 per cent. All this was done in the name of farm relief, because the special session of Congress was called primarily to enact policies calculated to place agriculture on a basis of equality with industry.

It is estimated that there are five and one-half million farms in the United States upon which animals are kept. These produce an average of two and one-half hides per year per farm. The average cowhide weighs about 50 pounds and is worth about \$8. Suppose that all of the 10 per cent duty on hides were reflected back to the farmer, which would not be the case, the average farmer would receive 80 cents more for each hide, or \$2 a year, on the basis of two and one half hides per farm. This would be the maximum amount of money the average farmer would have out of which to pay the increased prices of shoes, leather, and harness occasioned by the compensatory duties on these articles included in the House bill.

A compensatory duty of 20 per cent on a pair of work shoes costing \$2.50 would amount to 50 cents a pair. Let us see if such a high compensatory duty on shoes and other leather goods is warranted, in view of the proposed 10 per cent duty on hides. Taking hides at 15 cents a pound, an ad valorem duty of 10 per cent would add 1½ cents per pound to the price of green hides. Inquiry reveals the fact that ordinarily 6 pounds of green hide is required to make one pair of work shoes. The protective duty of 10 per cent on hides would, therefore, add only 9 cents to the cost of a pair of shoes. This means that under this arrangement the farmer would be losing at the very least 41 cents on every pair of work shoes purchased. As a matter of fact he would lose more because the tariff on shoes would be pyramided and might cost him from 75 cents to \$1 a pair more than is now the case with both hides and shoes on the free list.

Senator HARRISON. But the farmers buy more than one pair of shoes a year, do they not?

Mr. BRECKMAN. I think the average farmer uses more than one pair of shoes a year.

Senator HARRISON. The bigger the family the more he buys?

Mr. BRECKMAN. Yes, sir. If we take it as five as the average family, and the average farm family would average five, and they took two pairs of shoes a year, each—

Senator SHORTRIDGE. Do you understand this increased tariff on shoes is due wholly to the suggested increase of the duty or the duty placed on hides? Do you understand that that is the only reason for the increasing of the duty on leather or shoes? Is that your contention and is that your theory?

Mr. BRECKMAN. It appeared so as the bill was going through the House.

Senator SHORTRIDGE. Well, is that so economically? Are there not other elements that come in to be considered?



Mr. BRECKMAN. Well, if we take the act as it now stands, shoes, leather and hides are on the free list. Now, then, we start out by putting a 10 per cent protective duty on hides and that was followed by these compensatory duties on shoes, leather and harness.

Senator SHORTRIDGE. I can well believe that the manufacturers of shoes in American might have asked for an increase of duty, quite regardless of this question of an increase or the placing of a duty on hides.

Mr. BRECKMAN. But do you not think, Senator, it would be pretty difficult for them to get a duty on shoes with hides on the free list?

Senator SHORTRIDGE. Not if they could prove the price of labor and the cost of making shoes warranted, you understand, a certain duty to protect that industry from the poorly paid labor cost which exists in other and less happy countries.

Mr. BRECKMAN. Probably we would have to be guided by the importation of shoes.

Senator SHORTRIDGE. Yes.

Mr. BRECKMAN. I want to speak about that a little later.

In addition to this, the farmer would have higher prices to pay for his leather and harness. There can be no gainsaying the fact, therefore, that the proposed duties on hides, shoes, leather and harness would work to the distinct disadvantage of the farmer.

Senator WATSON. Do you propose to put a tariff on hides?

Mr. BRECKMAN. We are neither for nor against a duty on hides; it all depends on whether the duty would benefit the farmer but our position is this: If hides and shoes, leather and harness are to be made dutiable, then there ought to be a just proportion between the protective duty on hides and the compensatory duty which goes on these manufactured articles. We claim the proposed rates are out of all proportion.

Senator WATSON. What would it amount to on the average hide?

Mr. BRECKMAN. If the farmer got, as I have indicated, the full duty, it would amount to 80 cents on each hide, and the average farmer produces two-one-half hides a year, which would make his increased revenues \$2 per year if he got all the duty.

Senator WATSON. You have no right to say, however, that the tariff that is put on shoes will be reflected directly in the price of shoes. The shoe industry of the United States would not do that.

Mr. BRECKMAN. We understand that there has been some difficulty among the shoe manufacturers, but the contention in some quarters is that it is largely due to the fact that they are over built and overdeveloped.

Senator WATSON. Nevertheless the fact is there.

Mr. BRECKMAN. That may be true. We are not arguing and not questioning that. The point we are contending for is that the disproportion between the protective duty on hides and the compensatory duty on shoes and leather goods is entirely too great, and if the bill were enacted as it now stands, there is absolutely no doubt but what the farmer would lose many times during the course of the year what he would gain by reason of the duty on hides.

Senator WATSON. Have you figured out through your experts about what the tariff on the hides ought to be and what the compensatory duty ought to be, in accordance with your theory?

Mr. BRECKMAN. I think some advocates of the duty on hides wanted a duty of 45 per cent. This is a duty of 10 per cent.

Senator SHORTRIDGE. I do not desire to argue the matter, but, on the other hand, I do not think the two propositions should be thus tied together. I can well imagine that hides should be protected at a certain rate and I can also understand that manufactured leather goods should have a certain rate, depending upon conditions; that they are not necessarily tied together. Of course, when you argue there is only a certain protection for hides and then because of that, if that be the only cause, a greater percentage of production, if that be the only cause, a greater percentage of protection, and a greater protection is allowed to the manufactured hide, there does seem to be an illogical and an unjustifiable adjustment.

Mr. BRECKMAN. Absolutely.

Senator SHORTRIDGE. But I do not think that they should thus be tied together.

Mr. BRECKMAN. Well, if raw material is on the free list, that is one reason why the manufactured product should be on the free list.

Senator SHORTRIDGE. If the hide be considered for the moment as a raw material, I do not want it on the free list. I want to protect the man who produces the raw material here in America.

Mr. BRECKMAN. But you are not doing it at this rate; positively not.

Senator SHORTRIDGE. You want a higher rate then?

Mr. BRECKMAN. Yes, sir; and there would have to be a more just proportion between the—

Senator SHORTRIDGE. Can you tie it up with the other?

Mr. BRECKMAN. There would have to be a more just proportion between the protective duty on hides and the compensatory duty on shoes, leather and harness.

Senator SHORTRIDGE. I do not hold to that method of tying the two propositions together, and by calling one compensatory—

Mr. BRECKMAN. To start at the beginning, this Congress was primarily called to enact farm-relief legislation.

Senator SHORTRIDGE. I do not know that it was.

Mr. BRECKMAN. And to revise the tariff in the interest of agriculture. This is going in the other direction.

Senator SHORTRIDGE. I do not think so.

Mr. BRECKMAN. Positively. Haven't I demonstrated that by the figures I have quoted?

Senator WATSON. We imported into the United States, from Czechoslovakia very largely, 2,323,000 pairs of women's shoes at \$2.89 a pair. Of course, our people can not make any shoes at such a price as that. We imported dried calf skins to the extent of 6,000,000 in 1919 and in 1928 the figures were 6,369,000 pounds. Then green calf skins in 1928, 28,247,000 pounds.

I do not think anyone, particularly with our view of the situation would object to a tariff on hides because of the large imports and because of the fact it is a farm product. The only question is what the compensatory duty should be, first as to whether or not the tariff on hides is high enough at 10 per cent and, secondly, as to what the compensatory duty should be. You would not ask that there be a tariff on hides and no compensatory duty on shoes?

Mr. BRECKMAN. No, of course not. The point I was trying to make and which I think I did make in the figures I quoted was that there is too great a disproportion between the protective duty on hides and the compensatory duty on shoes, leather, and harness.

Senator SHORTRIDGE. When I have been using the words "compensatory duty," I wish to add, for others rather than for immediate consideration, that I questioned the logic which connects up a tariff duty on hides with a tariff on shoes, for example. What I mean to express is this: Hides might well be a certain rate of tariff duty, depending upon facts, the amount imported, the original cost, and the American purchasing price and the rate should be adjusted according to what I conceive to be correct the principles of protection.

When we turn to manufactured shoes, they should bear a certain rate, depending upon conditions abroad, the price of labor there and the price of labor here. We must protect, of course, the farmer as such, but we must also protect the workmen in our factories who are making the shoes. If we make the factories prosperous and the city prospering upon facts, the amount imported, the original cost, and the American purchasing price and the rate should be adjusted according to what I conceive to be correct the principles of protection.

Mr. BRECKMAN. I agree with you in that line of reasoning, Senator. My fundamental political philosophy is summed up in the words that Col. Theodore Roosevelt used so frequently in the closing years of his life when he said: "In the long run, this country is not going to be a good place for any of us to live in unless it is a reasonably good place for all of us to live in." And that includes the farmer.

Now, to proceed. According to the Statistical Abstract of the United States, our total production of boots and shoes in this country during the year 1927 was 343,606,000 pairs. Our total imports of boots and shoes during 1928 was 2,616,884 pairs, or slightly more than one-half of 1 per cent of our total production. The farmers of this country would be well content if the importations with which they are brought into competition would total less than 1 per cent of the domestic production of farm crops.

Senator WATSON. Of course, that is all true, but you must remember this, that a very insignificant import can pull down the price of the whole product, while the price of your export, wheat, for instance, or any other commodity, will fix the price of all the domestic products, although very small. It is always true that when there is a surplus in the market, the cost of that surplus will have an effect on the sale as well as the production of the entire product.

You want a tariff on hides, which is an American product, and I do not see any reason why we should not have a tariff on hides, but there ought not to be an unreasonable compensatory duty following; however, there must be some compensatory duty. On the other hand, if we were not to put a tariff on hides at all, the shoe people would be here demanding a tariff because of the imports.

Senator SHORTRIDGE. And they might well be entitled to it.

Mr. BRECKMAN. It is manifest that the farmers would be better off with hides, shoes, and leather products restored to the free list than to agree to the duties on these commodities incorporated in the House bill.

Senator WATSON. Getting back to my original question, have you through your experts figured out first what you would like to see the

tariff on hides amount to and, secondly, fixing your figure and reasoning from that as a basis, what the compensatory duty should be, in your judgment?

Mr. BRECKMAN. Well, of course, you would have to figure out what the compensatory duty should be than on shoes, leather, and harness combined. It would be a very involved proposition, I think, to figure out.

Senator WATSON. Well, somebody did that in the House bill evidently, if they were fixing compensatory duties only. Whether or not they included the shoe industry of the United States, regardless of the tariff on hides, I do not know. You may proceed.

Mr. BRECKMAN. I think, Senator, the figures I quoted will show that the increased cost of shoes in the tariff would be practically nine times as high as the increased cost of the hides—because the extra cost of the hides going into the shoes under the 10 per cent ad valorem duty would amount to only 9 cents a pair on the shoes, and a 50 per cent duty on a \$2.50 pair of shoes would be 50 cents, which is almost six times as high as the duty on hides. That does not take into consideration that the farmer has to pay higher duties on his harness or his leather, in addition to that.

In our appearance before the Ways and Means Committee, we recommended that copra be taken from the free list and made dutiable at 2 cents per pound and not less than 40 per cent ad valorem.

Senator SHORTRIDGE. Your reason there is that copra converted into oil competes with oil producing products of our farms?

Mr. BRECKMAN. Exactly.

Senator SHORTRIDGE. That is your argument?

Mr. BRECKMAN. Yes, sir. Our total imports of copra and coconut oil during 1927 amounted to 577,497,000 pounds. Of these importations 49.2 per cent came in in the form of copra which has an oil content of 63 per cent.

Senator SHORTRIDGE. That is principally in the Philippine Islands?

Mr. BRECKMAN. Yes, sir.

Senator HARRISON. Is it your viewpoint that we ought to tax that that comes in from the Philippines?

Mr. BRECKMAN. Yes, sir, and I want to explain that a little later.

Senator SHORTRIDGE. That comes in in competition with what oil producing products?

Mr. BRECKMAN. It comes into competition with practically all of our vegetable oils, because these oils are interchangeable and if you put one on the free list it practically puts them all on the free list.

It is plain that if we allow copra to come in duty free, the duty on coconut oil is largely nullified. It is true that so long as we allow coconut oil to come in free from the Philippines the duties on this commodity against the rest of the world are futile. Practically all of our importations of coconut oil now come from the Philippines.

The Grange and other farm organizations request that coconut oil, copra, and other products imported from the Philippine Islands be made dutiable in like manner as imports from foreign countries. A large part of our importations from the Philippines come into direct or indirect competition with agricultural products domestically produced. With different standards of living, different land values and different costs of production, it is obviously impossible to expect that these importations can have anything but a depressing effect upon agriculture in the United States.

We are not unmindful of our obligations to the people of the Philippine Islands. As wards of the Nation, they are entitled to just and considerate treatment. We would, therefore, be in favor of segregating the duties derived from importations from the islands and paying this money into the treasury of the Philippines towards defraying the cost of conducting the Government of the islands. This would not be materially different in principle from the policy which we now pursue in appropriating money from the United States Treasury to balance the budget of the islands.

If for any reason this proposal should not meet with approval, we are in favor of giving the Philippines their independence, as we promised to do in due time.

The grange is in favor of taking soy bean oil cake from the free list and making the same dutiable at the rate of \$6 per ton. During the first nine months of 1928 we imported 79,155,776 pounds of soy bean oil cake. This was an increase of 25,204,873 pounds over our importations for the entire year of 1927.

Senator SHORTRIDGE. That comes chiefly from what countries? Have you that in mind?

Mr. BRECKMAN. Why, I think chiefly from China but I am not sure. These importations of soy bean oil cake equal more than 56 per cent of the entire soy bean production of the United States for 1928—

Senator SHORTRIDGE. What is your theory there? Is it that if we put a tariff on it would check the importations and result in developments of the industry here and the raising of soy beans in America? Is that the idea?

Mr. BRECKMAN. Yes, sir. We believe that this fact explains why soy beans are unprofitable to the American farmer. Encouraging the production of soy beans in the United States will assist in the diversification of our agriculture. It would probably mean that some of the acreage now devoted to the growing of crops of which we have a surplus could be turned over to the growing of soy beans.

Senator SHORTRIDGE. That is one reason why I think we should encourage our sugar-beet industry.

Mr. BRECKMAN. And I agree with you.

Senator SHORTRIDGE. They might turn from the growing of wheat to the raising of beets.

Mr. BRECKMAN. I agree with you.

Senator SHORTRIDGE. And in that way be beneficial in two ways, reducing this so-called and actual surplus of wheat and at the same time giving employment in other fields in the raising of beets.

Mr. BRECKMAN. Yes, I agree with you in that. But there again the same question comes up about the free importations from the Philippines. If you are going to put a tariff of \$2.40 against Cuba and allow sugar to come in free from the Philippines, the American farmer is not going to get any benefit out of any such arrangement as that. When Governor General Wood came back from the Philippines on a certain occasion and landed in Seattle, he gave an interview to the newspapers there. The interview was published in the Seattle Post Intelligencer. He remarked that they were then producing less than a million tons of sugar in the Islands but that they were easily capable of producing five million tons; which would be practically equal to our total domestic consumption. So that we ought to keep that in mind.

Senator SHORTRIDGE. Either put a tariff on or limit the amount?

Mr. BRECKMAN. Yes, sir.

Senator WATSON. In reference to your statement as to the appropriation of money for the Philippines, I am advised that we have not appropriated any money for the Philippines except to maintain the Army and Navy, for a long time.

Mr. BRECKMAN. I have been informed—my information may not be accurate—that we appropriate 10 or 12 million dollars a year, in one form or another. It may not be a direct appropriation, but it may be an indirect one.

Senator WATSON. No; only for the Army and Navy. At least, that is what I am told now. That would be an inconsequential sum anyway.

Mr. BRECKMAN. Our position would still be the same, whether we appropriated any money or not. We would be willing to segregate the revenues and turn them over to the treasury of the Philippine Islands in order to make it fair to tax the imports.

Paragraph 401 of the tariff bill passed by the House provides for a duty of \$1 per thousand feet on logs of fir, spruce, cedar, and western hemlock, exempting only logs used for wood pulp manufacture. The House bill also imposes a duty of 25 per cent ad valorem on red cedar lumber, together with a duty of 25 per cent ad valorem on red cedar shingles.

While the Grange would not wish to deny proper protection to any industry which is depressed and suffering from foreign competition, we feel that if there ever was a time in the history of this country when a duty on lumber and shingles would have been justified that time has long since gone by. To all practical intents and purposes our remaining stand of virgin timber, at the present rate of consumption, will have disappeared during the life of this generation. The imposition of a duty on imports of forest products would simply serve to hasten the depletion of our rapidly disappearing forests, besides raising the price of lumber and forest products to the consumer without warrant, as we believe. It would seem more reasonable to place a premium on the importation of lumber, in view of the vast amount of money being spent to conserve our forests than to tax its importation. The Senate Select Committee on Reforestation, of which Senator McNary of Oregon was chairman, reported on January 10, 1924, as follows:

As far as the data available permitted striking a balance, it appears probable that the remaining saw timber of softwood species is disappearing approximately eight and a half times as fast as new growth is replacing it.

According to the findings of the United States Tariff Commission, in its report to the President on the red cedar shingle industry, March 2, 1927, the cost of producing shingles is greater in British Columbia than in Oregon and Washington. For example, according to this report, it cost \$3.68 to produce one thousand No. 3 Perfects in Oregon and Washington and \$3.85 in British Columbia. Similar differences in cost of production of other grades of shingles, showing higher cost in British Columbia than in the United States, were contained in this report. Data compiled from the published reports of the British Columbia Lumber and Shingle Association and of the West Coast Lumber Association, the latter being an American concern, shows

that the cost of producing lumber in Canada is fully as high as in the United States.

Senator WATSON. I am neither affirming or denying that. I have an open mind on the question of a tariff on shingles. The though occurs to me, however, that if that is so why the mills up in Oregon and Washington are not operating and are closed down, while the Canadian mills are operating, apparently to full capacity?

Mr. BRECKMAN. From my information, having made a general study of the subject, the mills of Washington cut what are known as slash grain shingles and in British Columbia the bulk of the shingles are cut with the grain rather than across the grain, which makes a better shingle and one that commands a premium. For that reason the American consumers of shingles prefer the Canadian shingle, even if it costs a higher price. Then, again, I have been told——

Senator WATSON. Can not our people make that kind of a shingle also?

Mr. BRECKMAN. They could, but they do not, and the consumer, of course, wants a shingle that will stand the weather.

Senator WATSON. It is a very remarkable thing that the American producers would not make the kind of a shingle that the market would want.

Mr. BRECKMAN. The American consumers demand the Canadian shingles and are willing to pay a premium for them, for the simple reason that they are cut with the grain rather than across the grain, the way the Washington shingles are cut. That is the explanation given to me.

These studies I referred to cover a period of six years, from 1923 to 1928 inclusive.

Senator WATSON. Do you want lumber on the free list? That is, all lumber in whatever form it may be?

Mr. BRECKMAN. I think that would accurately describe our position, because if it were the lumber that we are afraid of, then I do not see why we should make any difference between one kind of lumber and another. As farmers, we do not see why, for instance, we should allow a telephone pole to come in free, and a railroad tie to come in free, and then turn around and tax the products that the farmer must use.

Senator SHORTRIDGE. There is something in that.

Mr. BRECKMAN. Absolutely.

Senator SHORTRIDGE. But the man who owns 10 acres is entitled to protection. If that is so, why on that theory is not the man who owns 10 acres of timber entitled to protection? Why prefer one class of our citizens over another?

Mr. BRECKMAN. In the case of a railroad tie, if it is used for that purpose, it comes in free, but if the farmer uses it for some other purpose would have to pay a duty.

Senator SHORTRIDGE. I would not approve of that.

Mr. BRECKMAN. A telephone pole might come in free but if you saw it into fence posts, it would be dutiable.

Senator WATSON. Not under the existing law.

Mr. BRECKMAN. Fence posts are dutiable under the existing law and telephone poles are free under the existing law.

Senator SHORTRIDGE. A telephone pole comes in free and a post——

Mr. BRECKMAN. The fence posts are dutiable.

Senator SHORTRIDGE. There is no sense in that.

Mr. BRECKMAN. I agree with you in that.

Senator SHORTRIDGE. My remark a moment ago meant to express this thought, to protect the farmer and by "farmer" I mean the man who plants something in the ground. Now, if he has ten acres and raises certain agricultural products, if he is entitled to protection as against a similar article coming from abroad, the man who owns ten acres of timber land, which is his source of income, is entitled to protection as against the foreign similar product?

Mr. BRECKMAN. Yes, and if we view the farmer as a consumer of timber or forest products, which he is, why should he be compelled to pay a duty on the importation of lumber that he uses and some other importer allowed to go duty free?

Senator SHORTRIDGE. I agree to that. The farmer is a producer as well as a consumer, is he not?

Mr. BRECKMAN. Yes, but he is a bigger consumer of forest products than a producer.

Senator SHORTRIDGE. But the forest products producer is a consumer of farm products too, is he not?

Mr. BRECKMAN. Yes, but the point I am bringing out is that the farmer consumes more lumber or uses more lumber—put it that way—than he produces.

Senator SHORTRIDGE. Yes.

Mr. BRECKMAN. Which is true of the whole country, of course.

Senator WATSON. Posts have been transferred to the free list now.

Mr. BRECKMAN. Yes, under the new bill. However, I was speaking of the present act.

The duty on lumber and shingles would weigh more heavily upon the farmers than any other group, since farmers consume in round figures about 45 per cent of the total forest products of the United States.

Other building materials which have been taken from the free list and made dutiable under the tariff bill passed by the House include bricks and cement. The cement industry in particular is in a flourishing condition and, in our opinion, duties on the importations of these materials would not be justified.

Senator SHORTRIDGE. Now, does it hurt the farmer?

Mr. BRECKMAN. Yes; we think it would hurt the farmer, along with the rest of the consumers of these commodities.

Senator SHORTRIDGE. Do they use a great deal of cement?

Mr. BRECKMAN. Yes, they use considerable cement in the construction of walls, walks, stable and cellar floors—

Senator HARRISON. Is there another class of people that are more highly taxed on country roads than are the farmers?

Mr. BRECKMAN. I do not believe there is.

Senator HARRISON. And the increased tax or duty on cement would reflect itself in the road construction?

Mr. BRECKMAN. Yes.

Senator SHORTRIDGE. But they are not the only ones that pay for the roads. We have a state-wide tax as a rule from which that is taken, besides gasoline taxes and automobile license fees.

Mr. BRECKMAN. Yes, of which the farmer pays one-fourth, because he owns one-fourth of the automobiles in the United States.

Senator SHORTRIDGE. Yes, that is true, too.



Mr. BRECKMAN. I am not confining this alone to the farmer. I am willing to look at it from the standpoint of the average taxpayer. The cement industry can not show that it is in any great distress or that there are any great importations of cement. For that reason we feel it would be a mistake to put this commodity on the dutiable list.

Senator WATSON. All right. We are much obliged to you.

#### STATEMENT OF W. T. RAWLEIGH, FREEPORT, ILL.

(The witness was duly sworn by Senator Shortridge.)

Senator SHORTRIDGE. You may proceed, Mr. Rawleigh.

Mr. RAWLEIGH. Mr. Chairman and gentlemen, I desire to speak as far as practical within the time allotted with reference to House bill 2667, but before proceeding with my remarks I desire to make some reference to some fundamentals.

One of the first fundamental points that I desire shall be taken into consideration by the Senate Finance Committee in considering this tariff legislation is, first, that equality of opportunity contemplated by our Constitution. Second, the Government's policy of, first, protection of our industries, which we have followed for so many years, and, second, another policy which I recall as a young man, which was so frequently referred to by our Democratic friends as a tariff for revenue only. And, third, taking specially into consideration the benefits of the few at the expense of the many. And, fourth, these issues. Ever since I was a young man I remember that in nearly every national campaign the tariff has been one of the most important issues that we have had. It is not only felt locally but throughout every State and throughout every nation. In other words, the issue is world wide. It affects everyone everywhere in their economic, political, and social relations. The tariff, to my mind, is one of the great issues of our day, and in my opinion it will never be settled until it is settled right. It has been the principal bone of contention, that has been my observation, not only in our national political campaigns during all these years, but there is nothing, perhaps, which is discussed more to-day throughout the entire world than the tariff and its economic and political effect upon the peoples of all nations.

As I think the gentlemen of the Senate committee understand much better than I do, selfishness is the underlying motive of the tariff. Perhaps originally this tariff idea in its original application to infant industries 40 years ago was sound, and, everything considered, best for everyone concerned. In those days when I was a young man and began business I became interested in the tariff and its effect upon producers and consumers, upon trade and industry and commerce. At that time there were no corporations, except the railroads and other public service corporations. Practically all of the business of the country was transacted by the individual and by copartnerships. There was real competition and independence of thought and action.

But beginning about 25 years ago we began to merge our small independent industries, and at that time the real competition and independence of action that had prevailed so long before began to lessen, and costs began to increase, and there were beginning many

impositions upon the public which we as manufacturers felt in our business.

Ever since then it has become increasingly difficult to secure real competition in obtaining our raw materials and supplies. And this condition resulted in a growing and a nation-wide demand upon the part of the public for the enactment of legislation to regulate and control these various lines of industry which had formerly been independent, but which were being merged, and with the result of increasing costs, and more and more impositions upon the public rights.

The result of this condition was the enactment of the Sherman anti-trust law, and later of the Clayton Act. And still later of many of the States passing what is generally referred to, I think, as our antitrust laws to regulate and control, so far as practical, these impositions upon the public.

One of the greatest problems, first of manufacturers, second of retail dealers, and third especially of producers and consumers, during the past 25 years, has been to secure real competition, as I said in obtaining our supplies of raw materials.

I have with me some substantial evidence, examples of some of the difficulties that we manufacturers have been experiencing during recent years, which perhaps if time permits I may refer to later. They are in the form of identical bids.

Now, getting down more particularly to the subject of our discussion, I will say that ever since I can remember our local, State, and national legislative bodies have been more or less besieged by organized groups who have appeared before these legislative bodies asking for certain kinds of special privileges which they say they are entitled to, and requesting and in some instances demanding legislation especially for their benefit.

Our local ordinances, State and Federal statutes, have become loaded with these special enactments for the benefit of the few at the expense of the many, until it seems to me sometimes that that equality of opportunity contemplated by the Constitution, Mr. Chairman, has been more or less destroyed and made ineffective to a certain extent. With the result that there is now much dissatisfaction and resentment, and for many years now agriculture and other groups have been demanding legislation to offset the adverse effect of these special privileges which have been granted to the organized groups for so many years.

Referring now to the investigation. I have been a student of the effect of the tariff for many years, and became deeply interested in the subject, but I did not know exactly how the proposed bill would affect the public, so I decided to proceed as I would as a business man and make as thorough investigation as seemed practical. I made arrangements with Dr. J. R. Commons of the University of Wisconsin, the head of the Economics Department there, and his associates, Professors Perlman, Hibbard, and Morton. I have known Professor Commons for a long while. I presume you gentlemen all know him. He has an international reputation as an authority on economic subjects. He has a very high standing in his profession, and my opinion is that his work is so well regarded and he so well established, that any conclusions that he reaches will generally be accepted as reliable.

My instructions and request to Professor Commons and associates were not to see how the tariff would affect ourselves or anyone else, but instead to get the facts and report those facts to the Members of Congress, irrespective of what their effect might be on anyone concerned.

These investigators began work with a staff of about 11 persons six months ago. They began first with the agricultural schedule, which has recently been completed. These studies show that the effect of the proposed bill will not be beneficial to agriculture, as expected, but instead it will be injurious. I have with me some briefs which I desire to file, including some statements that have been developed in this investigation, which show what the effect of the House bill would be not only upon agriculture but upon producers and consumers generally.

This investigation will be continued. No reasonable time or expense will be spared to complete the work that has been begun. The staff is now engaged in checking up the combined summaries on each of these subjects of the agricultural schedule, and these will be presented to the Members of Congress now soon. They will run from 2,000 to 5 000 words on each subject.

After that work is finished the professors intend to check up their monographs, which contain the facts and figures and charts, some in colors, and drawings, to support all of the conclusions of the investigations up to this time.

I have recently made arrangements with Professor Commons and his associates to continue this investigation during 1929 and 1930. They estimate that it will require about 10 months' time to complete their studies on all of the manufacturing and other schedules which up to date they have done nothing on. The work will be continued by these four professors and their staff.

They are opening at the university a new line of study of taxation and tariff, which will be made a part of the university course at the opening of the fall term. Professor Morton will devote part time, and there will be two full-time assistants and as many research assistants as may be needed. Their work will be begun early in September, and they expect to complete it in July, 1930. Then the result of this investigation will be published in a book form about August 30, and it will be made suitable for libraries and colleges, editors and commercial organizations, newspapers and farm organizations, and so on.

The investigation thus far seems to confirm my belief that enactment of the House bill in its present form would be injurious and an unjust imposition, first upon agriculture, and second upon the consuming public, and third to the future welfare of domestic industry, trade, and commerce. Fourth, it would seriously interfere with our foreign trade and commerce. And fifth, it would possibly destroy, or at least tend to impair, our peaceful relations with the people of many nations throughout the world, some of whom have already begun to enact retaliatory legislation, as you gentlemen have no doubt noticed.

For example, I received this morning a recent clipping from the Wall Street Journal referring particularly to some recent enactment in Germany intended to benefit their agriculture. And reference in

this article is also made to other contemplated laws, rules, and regulations to protect them in their rights as they see them.

I am a manufacturer. We are members and we have long been members of the Illinois Manufacturers' Association and of the National Association of Manufacturers. Most of the product of our factories is retailed to consumers by dealers throughout the United States, Canada, and more recently in some of the Provinces of Australia. We have developed our business throughout these countries to such an extent that we have now come to the time when we would like to expand and go into numerous other countries. We are now making the preliminary investigations to determine whether or not it would be sound and practical and advisable for us to establish small factories in practically all of the countries of Europe and in South America and in China, and Russia after a while, I hope.

I think there are many other industries of the United States which have come to a point where they have developed a maximum production, and more production than they have markets for, and they desire to go out in the countries of the world and expand their business. But should the Congress enact such legislation as is proposed in the House bill I am inclined to think that it would be a serious handicap in the proper development and extension of our business in foreign countries.

Let us pause for a moment and take into consideration how the people in other countries regard the United States and its people. Everywhere I have been in my foreign travels I have noticed that they look upon our people and its Government with great respect, and our form of Government especially as being ideal. And they all look forward to the time when they may also be able to secure that degree of democracy that we have developed in this country. And it seemed to me that anything that we might do now to impair the friendship and good will of all the peoples of foreign nations would be a very serious handicap in the development of our business, not only at home, but also in establishing new relations with the people of all nations.

As I look backward I am reminded of the conditions that existed in the United States when I was a young man some 40 years ago. Since then there has been a tremendous development of our natural resources. Our industries have grown from small, independent, competitive concerns into great national concerns, and many of international activities. During the early days we sold practically everything we produced at home. And as a Republican I was a strong believer in the protective policies of the Republican Party, because it seemed to me that, everything considered, those infant industries needed protection. And that our policies were sound and practical and best.

But it now seems to me that the conditions have become entirely different, prior to and during, and following the war especially. We now have, first, mass production in many of our most important industries. And they are not besieging the Congress and this committee with demands for higher rates of duties. In my opinion it seems to me that they are not here asking for higher rates as a rule.

Senator CONNALLY. You have not been here but one day.

Mr. RAWLEIGH. That is true, sir, and I may be wrong.

Senator DENEEN. You were here before the Ways and Means Committee of the House, were you not?

Mr. RAWLEIGH. I was not here personally, but we filed a brief with the Ways and Means Committee.

Senator CONNALLY. I am not reflecting on your opinion, but I think you are wrong when you think they are not here demanding higher rates. They are squawking as loud as they can, and they will all holler if they do not get higher rates.

Mr. RAWLEIGH. I was speaking of some of the larger ones, the Ford Motor Co. and all of those great industries.

I think that all of our industries have a desire to expand their trade and their commerce and to go out into all of the countries of the civilized world for new business. We are now furnishing a large part of the capital that is being used in many of our foreign countries for the development of their trade and industry and commerce. The industries are seeking foreign markets. But, gentlemen, may I say that it is my opinion that no one can reasonably expect the people of foreign countries to buy our supplies if we refuse them the privilege of selling to us by raising a high Chinese wall around our country. It can not be done. If we expect to sell we must also be willing to buy. This is not a one-sided matter in my judgment. It seems to me that instead of raising our tariff duties higher, we have now come to a time when we should take into serious consideration the gradual reduction of the duties to a more normal condition, to more normal rates.

Senator SHORTRIDGE. Pardon me, I will just interrupt you once.

Mr. RAWLEIGH. Yes, Senator Shortridge.

Senator SHORTRIDGE. In what immediate line of business and manufacturing are you engaged, Mr. Rawleigh?

Mr. RAWLEIGH. We are manufacturers of between 175 and 200 proprietary products, food products, extracts, spices, soups, toilet articles, stock dips, disinfectants, stock remedies, poultry supplies, and so forth.

Senator CONNALLY. Do you not sell medicines for people too?

Mr. RAWLEIGH. A few proprietary medicines, yes.

Senator CONNALLY. I mean Rawleigh's remedies?

Mr. RAWLEIGH. What are known as Rawleigh's Good Health Products; yes, sir.

Senator SHORTRIDGE. Very well, just resume, then.

Mr. RAWLEIGH. How much time do I have, Senator?

Senator SHORTRIDGE. About ten minutes.

Mr. RAWLEIGH. That is, I think, more than I will need, thank you.

Senator HARRISON. You are making a very interesting argument.

Senator SHORTRIDGE. You very fittingly and very entertainingly expressed many general propositions. Of course we bear those in mind. But we must sooner or later come down to details and fix rates, you know, on specific things. Now it may well be that there are some agricultural products in America that can not compete with like products raised in other and very cheap labor countries. That would apply to some things raised in my friend's State, Mississippi, or my friend there from Texas, my friends from Arizona, and, if I may add, California. Specific things which farmers—American citizens—plant and produce. Now we must deal with specifics. These general propositions are, and of course must be considered.

Mr. RAWLEIGH. Yes, Senator, I think you are entirely right, and the suggestion is timely. And in conclusion I desire to ask the

privilege of the committee to file some documents which contain specific information, particularly the information that has been developed by Dr. John R. Commons and his associates of the University of Wisconsin, who have been struggling with this economic problem now for six months at my request.

Senator SHORTRIDGE. The committee will receive that and give it careful consideration.

Mr. RAWLEIGH. Thank you. The first document that I desire to file, to become a part of this record here, is a statement regarding the tariff, approved by B. H. Hibbard, John R. Commons, and Selig Perlman of the University of Wisconsin, resulting from an impartial investigation of the tariff, with funds supplied by W. T. Rawleigh, of Freeport, Ill.

Senator SHORTRIDGE. Does that deal with specific importations?

Mr. RAWLEIGH. Yes. This is a copy of the authoritative releases that have been made to the newspapers.

Senator SHORTRIDGE. I do not think those elaborate statements and proclamations would be very helpful to us, but if the statement there is devoted to costs of labor, price of labor, amount of importations or exportations, as it may be, I think that information would be helpful. However, you may leave that with the committee.

Mr. RAWLEIGH. I also received from Professor Commons to-day a statement with accompanying charts, that I think the committee and the Members of Congress will be very much interested in, because it does contain practically complete and specific information, accompanied by all of the facts and figures and charts that have been prepared for your information. And I will, with your permission, leave that.

Senator SHORTRIDGE. In a word, what does it purport to be? What is it?

Mr. RAWLEIGH. This is their findings on the tariff on wool. And it was quite a surprise to me. I expected that any material increase in the duty on wool would greatly increase the cost of clothing. But quite contrary to my expectations, Professor Commons informed me when I last discussed this with him, that there would be but very little increase in the cost of clothing as the result of the proposed increase of duty, as shown by the Hawley tariff bill.

Senator SHORTRIDGE. Does he then suggest an increase of the duty on wool? I just wanted to know what conclusion he reached. Not the reasons leading up to it, but his conclusions.

Mr. RAWLEIGH. Here is the report of the conclusions, received by air mail this morning. I have only glanced it through. I do not know what the conclusions are. But it is accompanied by this apparently very complete and interesting chart.

Senator SHORTRIDGE. You may leave it with the committee and it may be perhaps printed. That will be determined.

Senator HARRISON. As I understand it, this committee of economists have been studying these particular rates, and these particular paragraphs of this bill with a view of giving this information to the committee and to the country?

Mr. RAWLEIGH. Yes, that is correct.

Senator HARRISON. I think it would be most valuable information.

Senator SHORTRIDGE. Well, I am not at all dissenting from that. You remarked a moment ago that they had not completed their labors, particularly in respect to the manufacturing industries of the country.

Mr. RAWLEIGH. No, the agricultural schedules are the only ones that have been completed to date.

Senator SHORTRIDGE. All right, I agree with Senator Harrison that their conclusions and the reasons that they assign may well be carried into the record for the study of the committee and the members of the Congress.

Senator HARRISON. Is that report on all agricultural propositions? Have you that?

Mr. RAWLEIGH. On all agricultural propositions?

Senator HARRISON. Yes.

Mr. RAWLEIGH. The report that I referred to is this statement here. This relates entirely to the following subjects: First, sugar, then butter, flax, barley, wheat, oats and rye, cheese, coconut oil and olive oil, cottonseed oil, peanut oil and soy-bean oil, blackstrap molasses, scoured wool, buckwheat, corn, casein, milk and cream, sheep and lamb and mutton, and ends with a summary.

Senator SHORTRIDGE. Now what is their conclusion as to those articles in respect to the raising or the lowering of present duties? That is what I would like to know, if you will tell us.

Mr. RAWLEIGH. I do not know whether I can answer that correctly or not, Senator Shortridge.

Senator SHORTRIDGE. Let me see the document.

Mr. RAWLEIGH. But the conclusion that I have reached is that agriculture, instead of being benefited by the enactment of the Hawley House bill, will be probably injured, because, first, the farmers and stock raisers can receive but little, if any, profitable benefit from the enactment of any of these proposed agricultural schedules, because any minor and very small benefits that they may receive as a result of these agricultural schedules will be more than offset by the added cost of the products of the manufacturing schedules which it is proposed and provided for that have been raised in the House bill.

Senator DENEEN. As I understand, Mr. Rawleigh, they have made a study of the whole bill?

Mr. RAWLEIGH. Yes.

Senator DENEEN. This board has not made a study of the tariff bill of 1922, has it?

Mr. RAWLEIGH. No.

Senator DENEEN. They have made a study of the existing bill that we are discussing. I think I noticed you made the statement that they have made a study of the Hawley bill.

Mr. RAWLEIGH. I think they confined their studies to that bill. They began their studies on the agricultural schedules by first obtaining the official facts and figures from the Federal Government. And then after the enactment of the Hawley bill they applied those facts to that bill and reached their conclusions on the agricultural schedule.

I also have here a brief on the free list that I would like to have incorporated in the free list record with reference to a few minor products.

Here is also a shorter summary of the professors' conclusions relative to the agricultural schedules, which I will not ask to be included in the record.

Senator DENEEN. You have handed the reporter all your briefs now that you want to be placed in the record?

Mr. RAWLEIGH. Yes.

The tariff, in order to have its effect upon our domestic and foreign trade and relations with the people of the world, is in my opinion not only the greatest issue we have to-day, but it is likely to be the greatest issue that we will have for many years to come. It always has been an issue ever since I recall the tariff. It has been an issue in every campaign, practically, we have had. But this question will never be settled until it is settled right.

Senator SHORTRIDGE. It never can be settled once for all time. Changes come in the world. It can not be like a law of the Medes and Persians.

Mr. RAWLEIGH. Would the committee, Senator Shortridge, be interested in what my opinion is as to what would be the best remedy for agricultural relief?

Senator SMOOT. Only as applying to the tariff bill, and that I guess you have given a pretty complete statement of.

Mr. RAWLEIGH. I may be regarded more or less radical, Senator SMOOT.

Senator SMOOT. We are here on the tariff rates. That is all we want to hear about.

Mr. RAWLEIGH. But may I add this to my statement?

Senator SHORTRIDGE. Yes.

Mr. RAWLEIGH. That if I had the power to do so I would undertake to repeal most, if not all, the special privilege legislation that has been enacted by our local, state and national legislative bodies during the past 25 years, the object of which would be to restore that equality of opportunity contemplated by the Constitution.

Senator SHORTRIDGE. As to tariff you would, I suppose, wipe out the tariff laws entirely?

Mr. RAWLEIGH. Oh, no, sir; no, sir, Senator Shortridge.

Senator SHORTRIDGE. You would reduce them materially, would you, or raise them, speaking generally?

Mr. RAWLEIGH. I would proceed, I think, as I have undertaken to proceed, to secure all necessary facts and figures and data to enable me to reach sound conclusions as to what would be fair and equitable.

Senator SMOOT. That has never been done in the past, has it?

Mr. RAWLEIGH. Oh, yes, sir, I think it has.

Senator SHORTRIDGE. That is what we are endeavoring to do now.

Mr. RAWLEIGH. We are always endeavoring to do that, Senator Smoot, but I think that the conditions are so different to-day, that we older men especially who have been trained from boys up to believe in this protective policy, have to recognize that we have now come to a time when these industries which were infants 40 years ago have grown to manhood and they are able to go out and cope with the world and take care of themselves.

Senator SHORTRIDGE. Yes, I see your theory.

Mr. RAWLEIGH. The fact that I think this does not make it so. You all understand that. I know it is the fact that some of our friends disagree with us entirely.

Senator SHORTRIDGE. Thank you very much for your illuminating remarks.

Mr. RAWLEIGH. I thank you, Mr. Chairman, and gentlemen for the attention you have given me.



Senator HARRISON. I wish all these gentlemen could have heard you, especially the Senator from Utah.

(Mr. Rawleigh submitted the following data and brief:)

#### EXHIBIT A

STATEMENTS REGARDING TARIFF APPROVED BY B. H. HIBBARD, JOHN R. COMMONS, AND SELIG PERLMAN OF THE UNIVERSITY OF WISCONSIN, RESULTING FROM AN IMPARTIAL INVESTIGATION OF THE TARIFF, WITH FUNDS SUPPLIED BY W. T. RAWLEIGH OF FREEPORT, ILL.

#### INTRODUCTION

The farmers' representatives before the Committee on Ways and Means have agreed on advances in the tariff on various farm products. Manufacturers of products used by farmers are also asking advances, while others are content with the present high tariffs.

Formerly the Democratic Party opposed high tariffs and this opposition had some effect in preventing the Republican Party from raising the tariff rates too high. Now the Democratic Party is not in opposition but is also asking for high tariffs on farm products.

Tariffs are always made up by logrolling. If one industry gets a high tariff it does so by consenting that other industries may have a high tariff. Under the new arrangement everybody will join in the logrolling, and nobody will be in opposition. Farmers have closed their mouths against high protection for manufactures because the manufacturers have consented to high tariffs for farmers.

In this game of logrolling the farmers will get what their representatives ask for. So will the manufacturers. If the farmers ask for a tariff that will do them no good whatever, then they are giving something for nothing in this game of logrolling. This is evidently what they are doing on several of the farmers' crops. In the case of other crops a small number of farmers will gain but the great majority of farmers will lose as consumers, along with other consumers.

The only way to find out whether the farmers will gain or lose in this logrolling is to make a careful investigation of each commodity by itself, on the basis of all available statistics, and then to sum up the total gain and loss for all commodities. This statistical examination is being made, with conclusive results on a number of commodities, by a force of experts in agricultural economics at the University of Wisconsin, under the direction of B. H. Hibbard, John R. Commons, and Selig Perlman, of the Economics Department. In some cases the results are significant and even startling.

The funds for the investigation have been furnished by Mr. W. T. Rawleigh, Freeport, Ill., a prominent manufacturer. His instructions are simply to find the facts.

These investigations show, as exactly as is possible, where the farmers will gain and where they will lose on each particular commodity. As fast as the investigation of each commodity is finished the results will be published. Not every commodity will be included, but only the most important. The investigation shows the results of existing tariffs and the estimated results of the tariff increases asked for by the farmers' representatives and by the manufacturers' representatives.

Among the more important commodities that will be reported on are sugar, cotton, meat products, dairy products, corn, wheat, barley, flaxseed, and lumber, besides several manufactured articles.

#### SUGAR

The proposed higher tariff on sugar will cost the average farmer's family about \$15 annually, in place of the \$10 which the present duty exacts. About 6,300,000 farmers' families will pay this tax and about 3 per cent of the farmers' families will be benefited about \$48 each.

The present tariff on Cuban sugar is approximately 1.8 cents per pound on raw sugar and nearly 1.9 cents on refined sugar. But the wholesale price of granulated sugar for domestic use at New York City averaged 2.18 cents per pound higher than the price of granulated sugar for export purposes. This measures the amount of the tariff passed directly on to the consumer. When this tax finally reaches the ultimate consumers in America it has, on account of intermediate charges, risen to at least 2.45 cents per pound.

Since the average farm family consumes about 405 pounds of sugar annually the present tariff costs each farm family about \$10 annually; and since the urban family consumes about 432 pounds, the burden on urban families is about \$11.50 annually.

The proposed increase in the tariff will raise the tax burden from the present 2.45 cents per pound to 3.7 cents per pound, so that the total burden, thus increased, will be \$15 per farm family and \$16 for urban families.

Under the present sugar tariff the annual revenue to the Government averaged \$134,000,000 for the five years, 1923 to 1927, one-fourth of all the tariff revenue collected. Under the proposed tariff, assuming that imports will not decrease, the Government revenue will be \$213,000,000, an increase of \$79,000,000 annually.

The present tariff, on reaching the ultimate consumers, costs \$293,000,000. The proposed tariff will cost the ultimate consumers around \$443,000,000, an increase of \$150,000,000.

Under the present tariff less than 3 per cent of the American farmers get about \$43,000,000; and all of the farmers pay about \$64,000,000; a net cost to all farmers of \$21,000,000. Under the proposed tariff this small number of farmers will get about \$69,000,000, based upon present production. No estimate can be made of increased production resulting from the tariff increase. All of the farmers will pay about \$97,000,000 in increased prices, a net cost to all farmers of \$28,000,000.

Besides the American producers, the island producers of Hawaii, Virgin Islands, Porto Rico, and the Philippines obtain, under the present tariff, a benefit of about \$58,000,000. Under the proposed tariff the island producers will get a probable benefit of \$91,000,000, or an increase of \$33,000,000 on the basis of present production. Their benefit will be further increased by an increase in production which is likely to result from higher prices.

#### BUTTER

The present tariff of 12 cents per pound on butter gives the butter producers of the United States \$125,000,000 annually. It is proposed to raise the rate to 15 cents. This proposed increase will probably be futile because the present tendency of production is such that no tariff legislation can help the farmer increase the amount he is now receiving.

Under the present tariff of 12 cents the farmer is receiving a benefit of 6 cents per pound above the London or world market price. Hence the tariff of 12 cents is not now fully effective. If the rate is raised to 15 cents as requested, it will have practically no effect. It will neither help the producer nor burden the consumer.

The reason for the relative ineffectiveness of the tariff is the increase in butter production in this country. The production of creamery butter in 1922 was 1,153,515,000 pounds; in 1928, 1,478,457,500 and is still on the upgrade. The total production of all grades of butter has risen from 1,824,609,000 pounds in 1922 to 2,075,000,000 pounds in 1928. So long as butter production continues to increase at the present rate the price of butter is likely to decline. Regardless of any upward revision in the tariff the farmers' benefit will probably decline to about 5 cents per pound or only \$100,000,000 annually during the next few years.

Since the imports of butter are practically negligible, the tariff on butter is useless as a revenue measure but it does function, as intended, as a protective measure. It can protect against foreign competition but it can not protect the farmers from competition against one another by increasing their production.

Should the tendency to increase production continue indefinitely into the future, the American production will probably become so great that we will be unable to use the butter produced in the United States and become butter exporters. Should this situation develop the price of butter will decline to such an extent that the tariff will be of no benefit whatever to the producing farmers.

Of the 6,300,000 farmers in the United States about half produce butter. During the past few years the annual average benefit to each producing farm from this tariff was approximately \$33. As noted above, this amount will probably decline in the next few years. Thus the proposed increased duty of 3 cents on butter is destined to be ineffective.

#### FLAXSEED

Flax is one of the farm products on which an addition to the present tariff will help the grower. The proposed addition to the tariff of 44 cents per bushel should yield the flax producers an additional \$5,600,000, or double the present benefit.

This benefit will go chiefly to farmers in the states of North Dakota, Minnesota, South Dakota, and Montana. The cost will be borne directly by the 32 linseed-oil mills in the United States located at Minneapolis, Buffalo, and New York, and indirectly by the consuming public.

Under the present tariff of 40 cents per bushel on flaxseed the annual total benefit to the flax growers, 1.6 per cent of the farmers of the country, is equivalent to \$5,600,000 or \$53 per farm. Under the proposed tariff of 84 cents the benefit would be increased to \$11,200,000 or \$106 to the same farmers.

Since flax is imported, the present tariff is effective both as a revenue measure and for purposes of protection to the local grower. Although the duty is now 40 cents, our Western growers get a benefit of only 25 cents per bushel. This is due to the fact that it costs them approximately 15 cents more to get their seed to the Buffalo market than it costs their competitors in Canada.

It is not possible to estimate exactly how much the farmer will get if the tariff is increased to 84 cents as proposed, but it seems likely that he will get at least 25 cents per bushel additional benefit, upon which basis the preceding estimate is made.

While in Russia flax is grown both for the straw to be used for linen and the seed for linseed oil, the chief use of flaxseed in the United States is for crushing into linseed oil. During the past five years we have produced 54.2 per cent of the total flaxseed used, importing the balance from Canada and Argentina. We also import a small amount of linseed oil which is equivalent to a proportionate amount of flaxseed. Due to the fact that flax can not be grown continuously on each farm, the production can not be increased at a very rapid rate. Thus, unlike butter, there is not much likelihood that the production of flax will be increased sufficiently to make the tariff ineffective.

While the proposed increase in the tariff is arousing both Canada and Argentina, it is a case in which the increased duty will be of benefit to the flax farmer. This benefit will be balanced by the increased cost to themselves and all other farmers who buy paints, varnishes, linoleum, oilcloth, patent and imitation leather, printer's ink, putty, soft soaps and other linseed products.

#### BARLEY

Since 1922 the duty on barley has been 20 cents per bushel. The evidence shows that the American farmer has thus far received practically no benefit from it, except during the exceedingly short feed crops in 1924. Yet it is proposed to raise the rate to 24 cents per bushel. This increase will, in all probability, also be futile.

Barley is produced chiefly in Wisconsin, Minnesota, North Dakota, South Dakota, and California. Approximately 75 per cent of the barley produced is consumed within the county in which it is grown as feed for livestock. The balance is marketed in Minneapolis, Milwaukee, Chicago, Duluth, and Omaha. The 15 per cent surplus which is sold abroad is sufficient to make the price of barley in the United States dependent upon European buyers.

#### WHEAT

The present tariff on wheat is 42 cents per bushel. No increase is being requested. Since 25 per cent of our annual crop is exported, the price is fixed in the world market. Due, however, to grading, the tariff is of some benefit to the growers of high protein wheat.

Prior to the tariff the only wheat which was imported was the high protein wheat grown in Canada. Since the tariff of 1922 only one-tenth of 1 per cent of our total consumption has been imported. The average effectiveness of the tariff since 1922 is approximately 9.8 cents per bushel on one half of the hard wheat, which is 26 per cent of our total production. This gives an annual average benefit of \$17,600,000 which goes almost mainly to farmers in three States—Montana, Kansas, and North Dakota. Since wheat is a billion-dollar crop, this benefit is only about 2 per cent of the total value. For reasons mentioned below, it is doubtful whether this is net benefit to the entire group of wheat farmers.

To most people, wheat is wheat. But to the miller who must make flour which the bakeries and the American housewife will buy, wheat is distinguishable into harder and softer grades. There are at least five distinguishable classes of wheat—hard red winter, soft red winter, hard red spring, white wheat, and Durum. These are further distinguishable into grades according to protein

content. The reason for protein recognition is that the miller has found from experience that in order to make a dependable flour which will give an even-textured and well-raised loaf of bread, he must either use all hard wheat or a mixture of hard wheat with soft, since the harder wheats have the higher protein content. Until recently close attention was not given to grading by the buyer, so that a farmer who had a low protein wheat probably got as much as the one having wheat of a high-protein content. Now the millers pay a higher price for the high protein than they do for the lower protein wheat. In this sense, therefore, the increased benefit accruing to the hard wheat growers is due partly to the greater attention paid to classification and to the resultant lower price which other wheat growers are getting for their product.

In view of the futility of tariff aid, some hope has been expressed that the American wheat grower will get the benefit of the tariff when domestic consumption catches up with production. If this should happen, the price of American wheat would not be fixed upon the world market at Liverpool, but in the tariff-protected American markets. There is little evidence, however, to indicate that this expectation will be realized in the near future.

The production of wheat in the United States since the war has averaged 804,000,000 bushels. Present indications are that this production will, if anything, increase. Domestic consumption averages 597,000,000 bushels, while the balance of 207,000,000 bushels, or about 25 per cent of the total crop, is exported either as wheat or flour. There is little prospect therefore that domestic consumption will soon equal production.

Looking abroad, conditions are no better. The foreign market seems to be decreasing due to the prohibitive tariffs being placed by Germany, France, and Italy against American wheat and the increasing production in those countries as well as in Russia, Canada, and Argentina.

#### OATS AND RYE

The tariff on oats and rye is practically without value to the farmer.

Inasmuch as the price of oats is dependent upon the world market the present tariff of 15 cents per bushel has not been effective. With the exception of a few months in 1924, the price of American oats has not been any higher than that of the competitive Canadian crop. Nevertheless, it is proposed to increase the duty on this crop by 1 cent per bushel. No benefit can be expected from this increase.

While oats ranks third among the cereal crops of the United States, it constitutes only 1.7 per cent of the total farm cash income. This is due largely to the fact that about two-thirds of the crop is used by farmers for horse and livestock feed. The chief benefit to be derived by the farmers from a rise in the price of oats, even could it be accomplished, would be only on the third which they sell for commercial purposes. They do not, of course, receive any real benefit from a rise of price of that portion of the product which they themselves use.

In spite of the fact that 48 per cent of our total crop of rye is exported, representatives of the farmers are asking that the present import duty of 15 cents per bushel be increased to 30 cents. There are no rye imports. There seems, therefore, to be no occasion either for the present or proposed tariffs.

Prior to the war, rye production averaged 38,000,000 bushels annually. During the period 1923-1927 it averaged 55,000,000 bushels, of which an average of 26,000,000 bushels was exported. The price of rye has accordingly been fixed in the world market. Since the proportion of the domestic production exported is increasing there is no reasonable basis for believing that import duties can be of any benefit whatever to the producer of rye.

#### CHEESE

Although many kinds of cheese are used in the United States, the tariff is significant only in relation to Cheddar and American-made Swiss cheese. Other grades of cheese are noncompetitive with American production.

The present tariff of "5 cents per pound, not less than 25 per cent ad valorem" on Cheddar cheese is ineffective because we produce practically our entire consumption. Canada, our chief competitor, ships her cheese abroad. Only during the extraordinary depression of the London price in 1926 and 1927 did Canada export appreciable quantities to the United States. The proposed increase in the tariff on Cheddar cheese to "7 cents per pound, but not less than 35 per cent ad valorem" will probably be ineffective.

The present duty on Swiss cheese of "7½ cents per pound, not less than 37½ per cent ad valorem" gave the American producers an average price of 7.7 cents above the Basel, Switzerland, price during the first 10 months of 1928. The average annual benefit amounts to about \$1,650,000. Of this, Wisconsin gets 80 per cent or \$1,320,000. If the duty had been fully effective it would have made the differential of the domestic above the world price about 11½ cents (or 37½ per cent ad valorem) instead of 7.7 cents. The duty is, therefore, only 70 per cent effective.

Due to the fact that the Committee on Ways and Means did not differentiate between "Swiss" cheese and other cheeses in the proposed tariff act, H. R. 2667, the proposed duty on Swiss cheese is decreased to "7 cents per pound, but not less than 35 per cent ad valorem." This is such a small decrease as to be practically insignificant. The benefit to our producers will be about 7½ cents per pound under the proposed rate instead of the 7.7 cents now obtained under the present rate. The total annual benefit will be about \$1,600,000 instead of \$1,650,000; and the total annual cost to consumers will be about \$2,790,000 instead of \$2,860,000.

#### COCONUT OIL

The effect of the present duty of 2 cents per pound on coconut oil has been to change the source of supply of crude oil rather than to raise its price. The duty has brought about a shift in the source of our imports from other countries to the Philippine Islands, who are allowed to export to us free of duty. The result of this shift has been a decided handicap on soap manufacturers who had built up a business on the cold process of soap making—a process for which the Cochin and Ceylon oils formerly imported are suitable but to which the Philippine oil is not.

In 1924 imports from the Philippines were 62,200,000 pounds, and from other countries 31,700,000 pounds. In 1926 imports from the Philippines equaled 245,100,000 pounds, while from other countries they amounted to but 300,000 pounds. In the meantime the quantity of oil produced in this country from imported copra (which is partially dried coconut) increased from 38,100,000 to 255,000,000 pounds.

Coconut oil is to-day the chief oil used in the manufacture of oleomargarine, a substitute for butter. In 1918, 62,000,000 pounds of coconut oil were used in connection with 107,000,000 pounds of oleo fats and 46,000,000 pounds of natural lard to make 327,000,000 pounds of oleomargarine. In 1928, 141,000,000 pounds of coconut oil were used in connection with 51,000,000 pounds of oleo fats and 25,000,000 pounds of natural lard to make 307,000,000 pounds of oleomargarine.

The present tariff bill proposed to continue the duty at 2 cents per pound. As long as coconut oil and copra from the Philippines are allowed to come in duty free, the sole effect of the duty will be to shift the source of our imports to the Philippines without increasing the domestic price of coconut oil.

#### OLIVE OIL

The present duty of 6½ to 7½ cents per pound on olive oil is effective to the full amount of the tariff. In 1925, six-tenths of 1 per cent of domestic consumption consisted of domestic oil, so consumers paid the average duty of about 7 cents per pound on the 99.4 per cent imports and six-tenths of 1 per cent domestic production.

Olive oil is a relatively unimportant by-product of the domestic industry; and the output in 1925 was actually less than in any year since 1920. Olive growers carry on their industry for the fruit primarily; and their prosperity is not substantially affected by the price of olive oil.

After the duty was raised in 1921 and 1922, imports of olive oil actually increased from 30,000,000 pounds in 1920 to 90,000,000 pounds in 1925, but since 1925 imports have decreased to 83,000,000 pounds in 1928. Under the olive oil duty, revenue receipts increased from \$975,825 in 1920 to \$6,217,547 in 1925.

It is proposed to continue the present duties as they are. The United States consumers will continue to bear the burden of paying on the average an added 7 cents per pound on the total consumption of about 84,000,000 pounds of olive oil in order to give California olive growers a benefit of 7 cents per pound on the domestic production of about 1,000,000 pounds. The consumer pays over \$6,000,000 in direct tariff increases; the producer gains \$70,000. Thus it is virtually a revenue and not a protective tariff.

## COTTONSEED OIL

The duty of 3 cents per pound on cottonseed oil has failed to create and maintain a difference between the foreign and domestic prices of cottonseed oil. It is proposed to continue the present duty without increase. There is no need for further increase, since the present duty is practically prohibitive, and since the differential of the domestic above foreign prices is less than the 3-cent duty. The United States is on an export basis; and an increase is both unnecessary and worthless.

Cottonseed oil ranks first among the vegetable oils in both consumption and production in the United States. In 1920, the output was 1,760,530,000 pounds, an amount equal to over half the vegetable oil annually consumed in this country.

The United States produces about 44 per cent of the world's output of cottonseed oil. Exports have declined greatly since the war even in the face of heavy production, due to increased domestic consumption. In 1914 exports totaled 216,000,000 pounds of oil, while in 1928 they totaled but 52,000,000 pounds.

Imports of cottonseed oil have decreased under the 3-cent duty from 9,458,000 pounds in 1920 to 394 pounds in 1927. Imports, compared to the domestic output, have always been inconsiderable in quantity and have consisted almost entirely of a very low-grade oil from the Far East, which was used in soap making. Of the domestic output, about 1 per cent is used for this purpose, so consequently imports never really competed with the domestic oil.

The extremely short crop of cotton in 1922 greatly reduced the United States exports of cottonseed oil and tended to increase the world price of this oil. European countries chose to shift their purchases to the cheaper oriental crude oils rather than buy the more expensive United States refined cottonseed oil. (Soy-bean oil appears to be more acceptable as a food oil in European than in American markets.)

The United States has lost the European market because of this shift in demand and now exports its annual surplus chiefly to Canada, Mexico, and Cuba.

## PEANUT OIL

The present duty of 4 cents per pound on peanut oil is fully effective on the higher grades, but since domestic production is principally of the poorer grades, domestic producers do not get the full 4 cent benefit. The new tariff bill provides for continuance of the present duty at 4 cents per pound. The present duty is sufficient since at no time has the differential of the domestic above foreign prices exceeded the 4-cent duty.

The average benefit on the entire crop received by producers from the peanut oil duty averaged about 2 cents per pound for the period 1923 to 1927. The total annual benefit on the average yearly production of 9,000,000 pounds amounts to about \$180,000.

The peanut-oil duty has been effective in decreasing imports of peanut oil. In 1920, imports constituted approximately 90 per cent of our domestic consumption. In 1927, imports comprised but 17 per cent of our domestic consumption. At the same time our domestic production has decreased by about 25 per cent, so our total domestic consumption decreased from 107,000,000 pounds in 1920 to about 13,000,000 pounds in 1927. The increased cost of peanut oil brought about by the tariff has greatly lessened its use as a soap oil and decreased our total yearly consumption. In 1927, nearly half our total consumption of peanut oil was used in the production of oleomargarine.

Domestic peanut oil is nearly altogether a salvage product made from culls and spoiled peanuts and marketed primarily as a soap oil.

## SOY-BEAN OIL

The present duty of 2½ cents per pound on soy-bean oil is effective in increasing the difference of domestic above foreign prices by the full amount of the tariff. It is proposed to increase the duty to 5 cents per pound. This increase will probably be fully effective, since the duty on linseed oil, the present chief competing product of soy-bean oil as a drying oil, has just recently been increased by presidential proclamation from 3.3 cents to 4.16 cents per pound, thereby increasing the price of linseed oil. These two oils, soy bean and linseed, maintain a definite price relationship as drying oils, and increasing the price of linseed oil by increasing the duty permits the duty on soy-bean oil to be increased to 5 cents per pound without causing a substitution of linseed oil for soy-bean oil.

The soy-bean-oil tariff has not brought about the development of a domestic soy-bean oil industry. It has brought about the practical discontinuance of this oil as a soap and food oil.

The average benefit received from the tariff on soy-bean oil amounts to 2½ cents per pound for an annual domestic production, which in 1927 and 1928 equalled approximately 3,000,000 pounds. Hence total annual benefits amount to \$75,000.

Soy-bean oil is a relatively unimportant by-product in the United States, soy beans being grown primarily as a forage crop and for introducing nitrogen into the soil. Only those beans which are not fit for planting are used in making the oil. Soy-bean oil is therefore a salvage product which is made from what would normally be a waste product, but which has been put to a productive use.

Of the soy-bean oil consumed in the United States, less than one-third is of domestic origin. Imports might be excluded by increasing the duty and the price of domestic oil raised to a point where farmers would find it profitable to grow soy beans directly for the oil. Too great an increase in the duty, however, might so increase the price of soy-bean oil as to lead to the practical discontinuance of its use as a drying oil, just as the present duty has led to the near discontinuance of its use as a soap and food oil.

#### BLACKSTRAP MOLASSES

The Corn Belt farmers have asked that the tariff rate on blackstrap molasses be increased from one-sixth cent per gallon to 8 cents per gallon. The new tariff bill as passed by the House of Representatives May 28, however, made no change in the rate. Contrary to the expectations of the Corn Belt representatives, the gain to corn growers due to any increase in duty is extremely problematical, while it would result in higher prices for alcohol and alcohol products.

Blackstrap molasses, prior to 1914, considered largely as waste, is now a useful by-product of the sugar industry. Since the World War, technical methods have been developed by which this material can be converted into industrial or ethyl alcohol. Consequently plants have been constructed on the seaboard or in other favorable locations for the utilization of molasses, about two-thirds of which is imported from Cuba. To-day approximately 85 per cent of the industrial alcohol used in this country is made from blackstrap.

It is contended that a high tariff on blackstrap will compel the alcohol manufacturers to substitute corn for molasses, thus increasing the demand for corn by about 40,000,000 bushels and excluding the importation of some 200,000,000 gallons of molasses from Cuba. While this argument sounds plausible on its face, there are several factors which will hinder if not entirely prevent this shift from taking place. These factors are:

(1) The manufacture of alcohol from corn is a more expensive process. Fifty-seven of the sixty plants in operation during 1928, were fitted to convert the sugar present in molasses into alcohol. In order to use corn as a raw material, these plants would have to equip themselves with facilities for first converting the starch in corn into sugar. This would involve the expenditure of large sums of money for equipment, and would at the same time increase the cost of producing alcohol by adding to the capital charges, making an additional process necessary, in addition to the use of a higher priced raw material.

(2) The freight charges to bring corn to the seaboard plants will be a large part of the total cost, since most of the existing alcohol plants are located on or near the seaboard outside of the Corn Belt.

(3) The production of alcohol from softwood waste and by synthetic methods, now being done on a small scale, will be encouraged. To-day there are at least four ways in which alcohol may be produced without the use of a sugar or starch substance as the raw material. A small incentive is all that is needed to induce men to start the production of alcohol by these new methods.

(4) Some plants will continue to use domestically produced molasses and molasses admitted, duty free, from our insular possessions. It is possible that about half our present consumption of blackstrap molasses might be furnished by our domestic producers and our insular possessions. To the extent that cheap molasses was available, the use of corn would not be stimulated.

In the face of all these facts bringing elements of uncertainty into the alcohol industry, it is quite unlikely that the alcohol producers would rebuild their present plants or open new ones nearer the supply of corn. Molasses would continue to be used as the chief raw material in the manufacture of alcohol; and synthetic methods now in actual use would gradually be developed. The corn farmer, therefore, can expect little or no benefit from a tariff on blackstrap molasses.

## WOOL

It is proposed to raise the duty on scoured wool from 31 cents to 34 cents per pound. If this is done it is likely that the American wool producer will receive the full benefit of the 3-cent increase in the duty.

Under the present rate the wool growers in Texas, Montana, Wyoming, Utah, California, Ohio, etc.—6.8 per cent of the farmers—are getting an annual average benefit of \$43,000,000. Under the proposed rate they will probably get \$47,000,000, a total additional benefit of \$4,000,000. These amounts include the benefit derived from "pulled wool," since the tariff on live sheep of \$2 per head is effective as a wool tariff and not as a mutton tariff.

The effectiveness of the wool tariff can be seen by the fact that during the last six years the price of scoured wool in Boston averaged 26 cents higher than in London. If allowance is made for differences in grading and transportation costs, amounting to 5 cents, it is found that the present duty of 31 cents is fully effective. The increase of 3 cents per scoured pound should also be effective in the future.

In order that the woolen mills may be able to sell their product in competition with foreign producers they are protected against foreign competition on manufactured wool by compensatory duties designed to offset the increased cost due to the tariff on wool. In addition, it is now proposed to give to the manufacturers, on about one-third of our woolen imports, an extra ad valorem rate over and above this compensatory duty.

The revenue of the government from the imports of wool, woolen goods, and other woolen materials averages \$69,000,000. This amount, added to the farmers' benefit of \$43,000,000, increases the total annual cost of wool and woolens about \$112,000,000. To this must be added the increased cost on all shoddy, mungo, and other wool substitutes domestically produced and consumed, or about \$13,500,000, together with the carrying charges of interest, insurance and taxes, probably \$6,000,000, making the cost to the ultimate consumer approximately \$125,000,000.

The wool passes through several hands before it reaches the ultimate consumer in the form of clothing. These are the wool buyer, the spinner, the cloth manufacturer, the clothing manufacturer and the retailer, all of whom add these increased original costs to their expenses. It is claimed also that they obtain increased profits by reason of these increased tariff costs, and it is generally estimated that the original cost of the tariff, \$125,000,000, is marked-up and snow-balled or pyramided until it costs the ultimate consumer over \$300,000,000.

But we do not find that this total mark-up has been effective. In the present period of depression of the woolen industry many manufacturers have been unable to pay the usual dividends or even, at times, to cover costs. Others have greatly increased their efficiency, thereby reducing costs. Workmen have been laid off for both reasons.

The consumption of men's woolen clothing has fallen off since 1925 on account of the high prices of garments. Lower-priced woolen garments had to be made, with some reduction in quality. Substitutes for wool, especially in women's wear, such as rayon and silk, have been found.

Since 1925, the tariff costs have not generally been pyramided as alleged. All of the costs, including the increased tariff costs, have been distributed among producers along the line, instead of falling wholly upon the ultimate consumers. The proposed increase in the tariff adds a proportionally heavier burden on the industry and on the consumers.

## BUCKWHEAT

One hundred and thirty thousand buckwheat growers, mainly of New York and Pennsylvania, who produce over one-half the total buckwheat crop of about 14,000,000 bushels annually, will benefit somewhat from the proposed tariff increase. The House bill increases the tariff on buckwheat from 5 cents to 12 cents a bushel. The total tariff benefit will be negligible, because there is no natural, well-organized buckwheat market, and prices depend largely upon local conditions.

The United States since 1921 has been definitely on an import basis. Virtually all imports of buckwheat originate in Canada. Large amounts of Canadian buckwheat have entered this country from 1922 to 1925, inclusive. Three hundred and sixty thousand bushels were imported in 1924 and 320,000 bushels in 1925. During this period buckwheat prices received by New York producers exceeded, on the average, the prices of Ontario, Canada by 28 cents a bushel.



In 1926 and 1927 this market of New York over Ontario decreased to 12 cents and imports dropped off sharply.

## CORN

The present tariff of 15 cents per bushel on corn is practically ineffective. The proposed increase to 25 cents in the House bill will likewise be of no benefit to the corn producers.

Although corn is our largest domestic grain crop, it yields a relatively small cash income to the farmer. This is due to the fact that 84 per cent of the crop is used directly on the farm for animal and poultry feed. About 10 per cent enters into the organized corn markets. Our corn imports are insignificant—seven hundredths of 1 per cent of our production.

The bulk of the corn which is used by the farmer as feed finally enters the world market as hog products and is therefore dependent upon the price of pork and lard. The greater portion of that which enters the channels of trade directly, on the other hand, is converted into corn meal, corn oil, corn starch, glucose, grape sugar and allied products, all of which are also on an export basis.

Any attempt therefore to raise the relative value of corn in the United States will be unsuccessful in the near future unless the value of the direct products of corn can be increased. This is difficult because we export 28,000,000 bushels of corn and corn refinery products, and a billion pounds of pork and lard, which is equivalent to 165,000,000 bushels of corn. The corn which enters the hog market alone consists of 40 per cent of our total annual production.

Pork and lard are in competition with foreign producers and are therefore definitely on a world market basis as our competitive system is at present organized. Unless, therefore, some means is devised to raise the price of pork and lard, the tariff on corn is destined to be ineffective.

Corn illustrates well the interdependence of farm prices. There appears over a period of years a quite definite relationship between corn and swine prices which is called the corn-hog ratio. This ratio varies with relative changes in quantities of hogs and corn. During the past 25 years, with the exception of the war period, at the average prices prevailing, the corn-hog ratio has been approximately 11.25 to 1. This means that 11.25 bushels of corn will buy 100 pounds of live hog. If hogs are worth \$10 per hundredweight, corn at this ratio would be worth about 90 cents per bushel. As the price of hog rises, the farmer increases his production, with a resultant rise in the demand and price of corn. But the quantity of hogs which the meat packers can profitably convert into pork and lard depends upon the prices which these products will bring in European markets. These prices are in turn related to other meat prices. Since the price of corn is dependent primarily on the price of meat animals and since meat prices are determined in the world market, there is little possibility that a tariff on corn can be effective.

## CASEIN

The present duty on casein is 2½ cents per pound and is left at that rate in the House bill. Representatives of the farmers ask that this duty be increased to 8 cents per pound. If granted, this increase will be of a very small indirect benefit to American milk producers.

Casein is made from skim milk. It is used chiefly in the manufacture of coated paper; and in small amounts for the production of insecticides, paints, medicines, textiles, and other products. The consumption in 1927 was 42,000,000 pounds, of which about 60 per cent was imported. The tariff of 1922 has already stimulated casein production in Wisconsin, Minnesota, and New York. The effect of the additional tariff would be to increase further the use of domestic skim milk for this purpose.

Since farmers usually sell their milk to the creameries and condensers at a contract price, the utilization of the skim milk would first benefit these plants. Should the tariff be put high enough to prohibit imports entirely these manufacturers would be able to use some of the skim milk now wasted and divert part of that now used for skim-milk powder and sold for hog feed. By doing this the increased tariff on casein would benefit the milk plants by about \$2,500,000 annually. If the farmers are able to get an increased price in their milk contracts so that the entire amount would be passed back to them, it would be equivalent to about a half cent per hundred pounds of milk, or only four-tenths of 1 per cent of the total value of their milk. This is equivalent to only about 50 cents per farmer annually in the five chief milk-producing States.

## CREAM AND MILK

The Fordney-McCumber tariff act of 1922 placed a duty of 20 cents per gallon on cream and 2½ cents per gallon on fresh milk. The proposed increase, in the House bill, to 48 cents on cream and 5 cents on fresh and sour milk will virtually exclude imports from Canada and thereby benefit the American milk producer.

The prices of milk and cream are related to butter and cheese prices. When the tariff on butter practically stopped its importation, Canadian producers shipped in their milk and cream. These were manufactured into butter on this side of the border, thereby avoiding the butter tariff. This was possible because the duty of 2½ cents per gallon on fresh milk was equivalent to only about 7 cents per pound on butter; and the present cream duty is equivalent to about 6 cents on butter. The proposed rates, however, will be equivalent to the higher rates on butter and cheese.

The milk and cream now imported come from Ontario and Quebec and is consumed in Boston, New York, Philadelphia, and contiguous territory. The Canadian producers who ship to the United States are for the most part within an area of about 20 miles of the American border. These producers can ship either to Montreal and other Canadian cities or to New York and Boston, depending on the market. The markets and uses of milk and cream differ enough so as to necessitate independent analysis.

The American creameries receiving the Canadian milk convert about 60 per cent of it into butter and other dairy products. They pasteurize and ship the remaining 40 per cent into New York for fluid use. Most of this milk comes in over the present tariff chiefly during the period of heavy milk production—May to September—and tends to depress the domestic price. That which is manufactured into butter competes with the domestic milk available for this purpose and tends to affect this market.

The cream imported, on the other hand, is of more significance, though equivalent to only one-fifth of 1 per cent of our total production. Like milk, it is shipped into this country chiefly during the summer months. The New York price of cream has been about 25 cents per gallon above Montreal during the last two years, the differential varying between 14 cents in April, 1924, to 47 cents in December, 1927. It is practically impossible to measure the quantity of cream being kept out by the present duty of 20 cents. Should the proposed duty of 48 cents become effective, however, it will probably entirely exclude imports from Canada. The total consumption of the New York and Boston markets will then be met by domestic producers. It appears that New England dairymen will not increase their production sufficiently to meet the demand. The price should, therefore, rise high enough to encourage the necessary shipments of three to four million gallons annually from the Middle West. Since this will require the payment of an additional freight rate of about 10 cents per gallon, the price of cream will probably rise by this amount. This will aid the New England producers accordingly and will directly benefit the Middle West by increasing its market, and indirectly aid by raising butter prices. All dairymen will benefit to the extent that the domestic butter market will be strengthened.

The magnitude of the benefit under the present and proposed tariffs is difficult to ascertain because of the smallness of the imports and the relatively unorganized state of the milk and cream markets. The fact, however, that imports will be entirely prohibited places upon domestic producers the responsibility of producing and marketing their products in such a manner as to insure themselves a good price. While in the past few years those imports have had merely a seasonal effect, at present their influence is spread throughout the year.

Whether the tariff on milk, cream, butter, and other dairy products can be made more effective depends entirely upon the extent to which domestic producers cease competing against one another and thus prevent decreases in the domestic price. Increasing production of dairy products at the present time, however, indicates that internal competition will keep prices of these products from going unduly high.

## SHEEP, LAMB, AND MUTTON

The present tariff on sheep is \$2 per head; on fresh lamb, 4 cents per pound; on fresh mutton, 2½ cents per pound. The duties proposed in the bill which recently passed the House are \$3 per head, 7 cents and 5 cents per pound, respectively.

These changes will be practically of no benefit to the sheep producers.

Our imports of sheep and lambs come chiefly from Canada. They are equivalent to about 1 per cent of our annual production.

While the tariff covers both sheep and lambs, the bulk of our slaughter consists of lambs. Lamb prices are subject to both cyclical and seasonal movements. The cyclical movements cover a period of approximately 10 years. They are due, among other factors, to changes in lamb production. The seasonal movement consists of a gradual rise in prices beginning about March. The peak is reached about June, from which point prices decline until about October. The relation between Chicago and Canadian lamb prices is not consistent. During the months of April, May, June, July, August, and September the two prices remain quite close together, Toronto generally being higher than Chicago. During this period the tariff is practically without effect; imports are small—about one-half of 1 per cent of our total slaughter.

During the months of October, November, December, January, February, and March, when lamb prices decline both in the United States and Canada there is a tendency generally for Chicago prices to remain above Canadian prices. During this period Canadian imports are about double those of the summer period. The tariff has a tendency at this time to exclude Canadian sheep which might come in. Due, however, to the small volume of imports even at this period, less than 1 per cent of our production, it is difficult to estimate accurately the benefit due to the tariff at this season. It appears, however, that the benefit is equivalent to \$1 per head.

The lamb tariff must, however, be considered in relation to the present wool tariff of 31 cents per scoured pound. Since the fleece on the bodies of live sheep pays no tariff as "wool," the importer of live sheep really brings in from 2 to 3 pounds of wool, without paying the wool duty. He could therefore afford to pay about 60 cents to \$1 more per head in Canada, allowing for freight and other charges, than would be the case were wool in the free list. It may be said, therefore, that the duty on sheep and lambs is effective only as a wool tariff. This is substantiated by the fact that there is practically no benefit from the tariff on dressed lamb.

This points to the fact that at present this country raises practically all of the lamb and mutton which we consume. An increase in the tariff will probably shut out the few lambs which we now import. Since, however, lamb and mutton must compete for the consumer's dollar with other meats, notably pork, of which we have a large surplus over domestic needs, it is not likely that the prospective increase in the tariff will be of any appreciable benefit to the American sheep producer.

#### WHEAT

Since the United States exports 25 per cent of its total wheat production, the general price is set by the world market. But due to a special demand for high protein wheat, the 42 cent tariff, otherwise ineffective, maintains a price advantage of about 9.8 cents per bushel on this portion (26 per cent) of our wheat crop.

Prior to the 1922 tariff, our only wheat imports were of the high protein grade from Canada; and these imports have been reduced to one-tenth of 1 per cent of total consumption. The protection thus afforded results in an average annual benefit of about \$17,600,000, which goes, of course, only to the growers of high protein wheat. Tariff aid for other producers is dependent on the rather distant possibility that domestic consumption may come to equal production. In this case, prices would be fixed not on the world market but by tariff protected American markets.

#### SUGAR

The proposed tariff increase on sugar will be of benefit in three quarters. It will give the small group of domestic producers a probable increase in benefit of \$26,000,000; it will raise the income of island producers by about \$28,000,000; and it will increase Government revenues on sugar from \$135,000,000 to \$160,000,000 annually.

But balanced against these benefits will be a tax burden on all domestic consumers of 3.2 cents per pound, which to the farm family means an increase in cost from \$10 to \$15 a year.

#### PEANUT OIL

The efficacy of the 4-cent duty on peanut oil is shown in the fact that in 1920 the domestic consumption of oil, chiefly in soaps and oleomargarine, was 107,000,000 pounds, of which 90 per cent was imported; that by 1927, as the tariff raised the price of oil, the use of oil in soap had dropped, and domestic consumption was about 13,000,000 pounds, of which only 17 per cent was imported.

This tariff is, however, only partly effective. Since the domestic oil is a salvage product of low grade, the domestic producer benefits to the extent of about 2 cents a pound, or \$180,000, on the average annual yield of a million pounds. The new bill provides for a continuation of the 4-cent duty, which is sufficient.

#### SOY BEAN OIL

The present soy-bean oil duty is fully effective, and the proposed tariff of 5 cents a pound will also probably raise the domestic price above the foreign by the full amount of the tariff. This probability is strengthened by the fact that linseed-oil duties have recently risen, so that it will not form a cheaper substitute. There is no domestic soy-bean industry, but some oil is salvaged for drying purposes from soy beans used as forage and nitrogen crops.

#### WOOL

Under the present wool duty of 31 cents per scoured pound, 6.8 per cent of our farmers are receiving a benefit of \$43,000,000 annually. The proposed rate of 34 cents will probably increase this benefit to \$47,000,000.

Allowing for a 5-cent difference due to grading and to transportation costs, the 26-cent price differential of Boston over London shows the 31-cent tariff fully effective.

It is estimated that present duties on manufactured wool, designed to protect the woolen mills, add about \$69,000,000 to the cost of woollens. Thus the total burden of approximately \$125,000,000 is shared by manufacturer and consumer.

#### OATS

The 15-cent tariff on oats is not effective because oats prices depend on the world market. Even an effective tariff would be of negligible benefit to the farmer on a crop of which he retains two-thirds for horse and livestock feed. Any increased price would of course apply only to that portion of his crop which enters the market. Thus, neither the present 15-cent nor the proposed 16-cent tariff is of any appreciable value.

#### RYE

The United States exports 48 per cent of its rye crop. There are no rye imports. Therefore both the present (15-cent) and the proposed (30-cent) tariffs are absolutely useless.

#### BLACKSTRAP MOLASSES

An increase from one-sixth cent to 8 cents per gallon, tariff on blackstrap molasses has been requested by Corn Belt farmers with the idea of effecting a substitution of corn as a raw material in the alcohol industry. The following farmers complicate the situation of the alcohol industry in such a way that benefits to corn farmers are extremely problematical:

- (1) Prohibitive costs involved in conversion of blackstrap plants for the use of corn.
- (2) Added expense of transporting corn to seaboard plants.
- (3) Probable development of already existing synthetic methods of alcohol production.
- (4) Increased use of domestic and of duty-free molasses (from insular possessions).

#### COTTONSEED OIL

Since the United States produces about 44 per cent of the world's supply of cottonseed oil and is consistently on an export basis, no increase in the present 3-cent duty is necessary. The 3-cent tariff is proved effective by the decrease of imports from 9,458,000 pounds in 1920 to 394 pounds in 1927.

#### FLAXSEED

The proposed increase of the tariff on flaxseed from 40 cents to 84 cents per bushel should double the present benefit to growers. Such an increase may be expected to nullify the advantage of lower transportation costs held by Canadian producers.

This benefit may be questioned in view of resultant higher prices which all farmers must pay for linseed products.

## COCONUT OIL

The 2-cent duty on coconut oil, which the present tariff bill proposes to continue, has shifted the source of supply to the Philippines with their free-trade privilege and has not affected the price.

## OLIVE OIL

The duty of 6½-7½ cents per pound on olive oil is virtually a revenue and not a protective tariff. Only six-tenths of 1 per cent of our domestic consumption is supplied by domestic industry. Consequently, consumers pay over \$6,000,000 in order to give the producer a gain of \$70,000.

## CHEESE

The tariff is significant only in relation to Cheddar and American-made Swiss cheeses, because other grades are noncompetitive with American production. Since we produce practically our entire consumption of Cheddar cheese, the present duty of 5 cents per pound, not less than 25 per cent ad valorem, and the proposed increase to 7 cents per pound, or 37½ per cent ad valorem, are ineffective measures.

The present 7½-cent tariff on Swiss cheese has been about 70 per cent effective, giving an average annual benefit of \$1,650,000. In the proposed schedule, Swiss was not differentiated from other cheeses, thus reducing the tariff to 7 cents and the probable benefit to \$1,600,000.

## BUTTER

The continued increase of butter production in this country tends to nullify the benefits of a protective tariff. The tariff does protect farmers from foreign competition, but no tariff can protect them from competition against one another. A continuation of butter production at the present rate will probably reduce the benefit of 6 cents received under the 12-cent duty to about 5 cents. A 15-cent tariff would be just as ineffectual.

## BUCKWHEAT

The proposed increase of the tariff on buckwheat from 5 to 12 cents per bushel may be of some slight benefit to the 130,000 growers. The effect of a tariff is limited by the lack of an organized market and consequent dependence of price on local conditions.

## BARLEY

The 20 cent per bushel tariff on barley, effective since 1922, has given the farmer practically no benefit. Since barley prices are fixed by European buyers who take our 15 per cent surplus, any increase of the tariff will prove futile as a price regulator.

## EXHIBIT B

## THE TARIFF ON WOOL

The tariff bill of 1929 (Schedule 11, R. H. 2667) passed by the House of Representatives May 28, 1929, has increased the duty on scoured or cleaned wool from 31 cents to 34 cents per pound. This increase will probably be of benefit to American wool producers, and the increased costs will be borne by the American public.

At present there is a duty of 45 cents per pound, plus 50 per cent ad valorem, on manufactures of wool. The specific duty of 45 cents is intended to compensate the manufacturer for the higher prices of his raw material cost occasioned by the duty on raw wool. The ad valorem rate is intended to protect him against the lower manufacturing costs of foreign competitors. The compensatory rates on these manufactures under the proposed duties will average approximately 50 cents per pound plus 50 per cent ad valorem.

## PRODUCTION AND CONSUMPTION

The production of wool has increased 30 per cent in the United States during the last five years while consumption has decreased 21 per cent, as is shown in the following table:

	1923	1928
Consumption in pounds <sup>1</sup> .....	268,000,000	211,000,000
Domestic wool used.....	122,000,000	159,000,000
Foreign wool used.....	140,000,000	52,000,000
Domestic production.....	122,000,000	150,000,000

<sup>1</sup> These figures are based on a revision of the Department of Commerce figures, which they advise us are incomplete due to the omission of statistics for one large and several small concerns.

Figures are for wool in the scoured or "clean" state.

The decrease in consumption is due chiefly to changes in women's styles. More silk and rayon is now the fashion in women's wear. Production has been stimulated by the increased price and because we are now on an upward trend in the sheep cycle. Previously to the passage of the tariff act of 1922, we produced only about 55 per cent to 60 per cent of the wool needed for our manufacturing requirements. Due to the increased production and decreased consumption our domestic producers grew 75 per cent of our total needs in 1928.

## TARIFF IS EFFECTIVE

There are some cases in which an addition to the duty does not increase the price of the product. Since, however, it is the purpose of a tariff to raise the domestic price, a duty which does any good to the producer usually raises the domestic price above that received by foreign competitors. The duty of 31 cents per pound on wool has been effective since it was enacted in 1922. The additional duty is also likely to be effective.

The effectiveness of the wool tariff can be seen by the fact that during the last six years the price of scoured wool in Boston averaged 26 cents higher than in London. If allowance is made for differences in the grading and transportation costs, amounting to 5 cents, it is readily seen that the present 31-cent duty is fully effective.

As a result of this tariff, the wool growers in Texas, Montana, Wyoming, Utah, California, Ohio, and other States—6.8 per cent of the farmers—are getting an annual average benefit of \$43,000,000 on the wool they are producing. If the tariff is increased, they will probably get a benefit of \$47,000,000 based on present production.

## WHO PAYS THE TARIFF?

Wool which is sold by the producer must go through a number of processes before it reaches the ultimate consumer. The burden of any increase in the price of raw wool is, therefore, borne first of all by the wool manufacturer. When the wool leaves the farmer's hands, it goes first to the wool buyer, then to the spinner, the cloth manufacturer, the clothing manufacturer, the wholesaler, and retailer. If these people are to make the same profits which they made prior to the tariff, they are obliged to pass on to the consumer at least 31 cents per pound additional. This is the amount which they pay to the Government as revenue on such wool as they import and to the domestic wool producer in higher prices on the wool which they buy from him. This is what is called shifting of the tariff duty and is to be distinguished from pyramiding.

## IS COST OF DUTY SHIFTED TO THE CONSUMER?

The extent to which the tariff of 31 cents is paid by the consumer depends upon the ability of the woolen industry to shift this cost in the form of increased prices (or perhaps, decreased quantity or quality) to the consuming public. In this respect, the 31 cents which the woolen manufacturer pays on account of the tariff is a part of his cost of production in exactly the same sense as labor, rental, insurance, taxes, overhead, maintenance, obsolescence, reserves, etc., are parts of his cost of production. If he is to make a reasonable profit, he must sell his goods above his costs.

A manufacturer sometimes operates at a loss. At other times he covers his costs but makes no profits. Sometimes he makes a small and at other times a large return on his investment. The rate of profits which any business can make in any particular year is determined by a great number of factors including prices at which the public is willing to pay for a product, competition of other producers, and the general prosperity of the country. Since the 31 cent duty or benefit must be paid by some one, the woolen industry is obliged either to increase the price of its materials to the consumer by 31 cents per pound or themselves stand the charge in whole or in part. Since, however, there appear to be actual expenses connected with the duty amounting to about 2 cents per pound, the total cost of the duty rises to about 33 cents, as explained below. If the manufacturer is to be reimbursed for this outlay, he is obliged to shift this amount to the ultimate consumer.

#### IS THE DUTY PYRAMIDED?

It has been contended in the hearings before the Ways and Means Committee of the House of Representatives by many people that the consumer actually pays three times the amount of the actual tariff. Hence, it is argued by a great many people that a duty of 31 cents per pound actually costs the consumer about 90 cents per pound.

In order to defend this point of view, its proponents presented statistics to show that it is the custom of every business to "mark up," i. e., to "pyramid" the prices of its products by a given amount above cost prices and thus arrive at the selling prices. Hence, it is claimed that the five or six successive merchants and manufacturers pyramided the 31 cents by a system of cumulative mark ups until it expands to about 90 cents when it reaches the ultimate consumer.

Under the assumption that the 31-cent duty is merely shifted to the consumer, the wool tariff costs the American public in the neighborhood of \$100,000,000 annually. However, if it be true that the duty is "snowballed" or "pyramided," the cost of the tariff to the consumer reaches \$300,000,000 annually. Hence, it is even claimed that the manufacturers and merchants make an additional profit by this "pyramiding" process whenever a tariff is levied. This view appears to be an exaggeration and, especially in the case of wool, can not be substantiated.

If, as is claimed, the tariff on wool costs the consumer \$300,000,000 annually and the farmer and the Government get only \$100,000,000 then someone is getting the other \$200,000,000. It is often claimed that the latter amount constitutes the "graft" of the tariff in additional profits to the business man. Thus it is falsely assumed that a rise in the cost of raw wool increases the net profits of the woolen industry.

The apparent truth in the pyramiding argument lies in the fact that, as mentioned above, it costs the industry something to handle the 31 cent duty. These costs consist chiefly of the interest charges on the additional capital required to carry the higher-priced wool, slightly greater insurance charges, possibly taxes, etc., which probably amount to only 5 or 6 per cent of the wool duty. The woolen industry must collect this amount or about 2 cents per pound in addition to the tariff in order to defray all of the expenses connected with the duty. If these charges only be included, the cost of this duty rises to about 33 cents instead of to 90 cents as is claimed by those who insist that the tariff is pyramided.

#### PYRAMIDING ARGUMENT FALLACIOUS

It is quite impossible for a manufacturer in a competitive line of business arbitrarily to "pyramid" the cost of the tariff, thus making an additional profit merely because his costs have been increased. He is usually able to make only his regular rate of profit on the total capital invested and to collect the additional cost which is actually imposed upon him by virtue of the duty. Should he attempt to "pyramid" these costs, as is claimed, he would find it a difficult thing to do. Evidently manufacturers do not accept the point of view that they can pyramid the tariff, since throughout the hearings before the Ways and Means Committee, many manufacturers have opposed increases in the cost of the tariff on the raw materials which they use. If the manufacturers and merchants could get back the amount of the tariff, plus 200 per cent more by increasing the prices to the consumer, it would seem that they would welcome rather than oppose additions to their costs.

The increased price paid for domestic wool, or the duty on imported wool, is simply an addition to the manufacturers' costs. Why should this addition to costs be returned to the trade three-fold by the consumer? By what process can it be collected in a competitive industry? If an addition to costs due to the wool tariff is pyramided, then it can be argued with equal cogency that all labor costs and freight rates are pyramided—not to mention taxes, interest, insurance, depreciation, obsolescence, and every other conceivable cost. If this were true, then it seems there would be practically no limit to prices and business profits. Pyramiding was actually practiced during the World War when the cost-plus-10 per cent plan was used by the United States Government. In those cases it was true that because a firm's costs increased its profits were likewise arbitrarily increased. This condition can not, however, be applied to competitive industry to-day. Whatever may be the merits or demerits of any tariff schedule, it is fundamentally fallacious to use as an argument against it that the cost of the duty is always multiplied until on reaching the consumer it is several times the original amount. In the case of wool, such an argument is especially fallacious.

#### WOOLEN INDUSTRY DEPRESSED

The woolen industry is an integrated industry in which the several processes of production are controlled by large corporations. If this industry had been able to "pyramid" the tariff during the last seven years, it could have made large profits. However, if one inspects the balance sheets of the various woolen companies he will quickly see that some of them have not been able to make their operating expenses.

When the industry is prosperous it is due to factors other than the high tariff on raw wool. One would hardly be justified in saying that the woolen industry in the United States has made profits, when it has done so, because it has paid 31 cents more per pound for wool. In prosperous times when there is a good demand for its products, the industry can often make good profits. These profits can hardly be attributed, however, to the existence of 31 cents duty on raw wool which the industry pyramids. To the contrary, the duty on the raw material of an industry is usually a detriment to that particular industry and not an aid to it in increasing its profits.

The present duty of 31 cents per pound was enacted in 1922. In 1922 and 1923, during a period of general business recovery, the woolen manufacturers were prosperous. At this time they were, no doubt, able to pass on to the consumer the actual costs connected with the duty. From 1924 to the present time this industry has been in a relatively depressed condition. Some concerns have not been able to cover their costs of production. At other times they have made a slight profit. There are a few exceptions, namely, some prosperous concerns in the clothing industry who have greatly increased their efficiency. If the entire amount of the duty and actual costs connected therewith were shifted to the consumer, it would, for instance, increase the price of a suit of clothes, containing 3½ pounds of wool, by about \$1.20. If it is pyramided, it would cost about \$3.15. At no time can it be said that any concern makes increased profits due to the tariff on raw wool.

#### COST OF WOOL DUTY

If, therefore, we assume that the woolen industry merely recouped the amount of the duty which it actually paid on the imported raw wool, and the increased price of the domestic product, and that the actual revenue collected on woolen goods was passed on to the consumer, the total annual cost of the entire woolen duty to the American public is about \$106,000,000 annually. To this amount must be added the increased cost on all shoddy, mungo, and other wool substitutes domestically produced and consumed—about \$13,500,000, together with the carrying charges of interest, insurance, and taxes—probably \$6,000,000—making the total cost to the ultimate consumer approximately \$125,000,000.

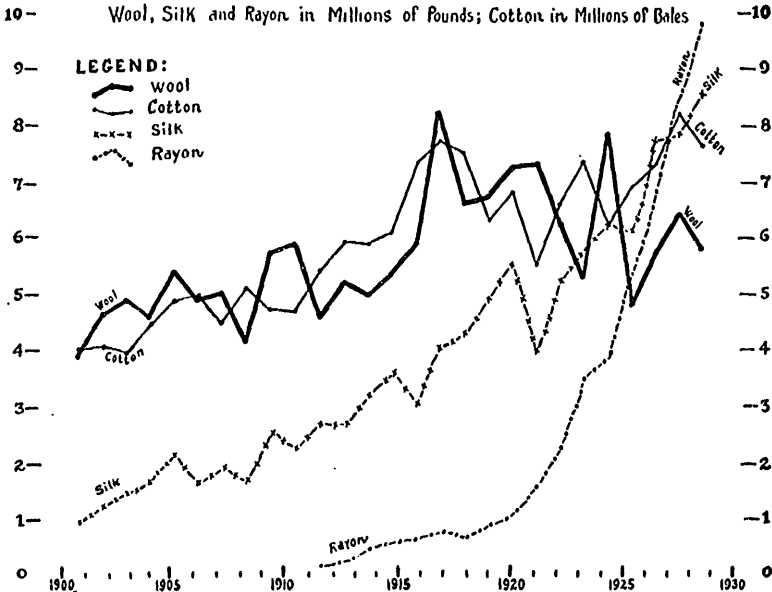
It may, therefore, be said that, in some ways, the duty on raw wool, although it helps the wool producer, is probably injurious to the woolen manufacturer. However, since the woolen manufacturer himself is asking for a tariff on manufactured woolen products, he is not in a position to protest either against the present or an increased duty on raw wool. Consequently, the woolen industry has generally not opposed an increase in the cost of its raw material, as is done by other manufacturers such as, for instance, the automobile interests. Instead, they ask for compensating duties.



The consumption of woolen goods has decreased during the past several years because of changes in women's styles and the increased use of rayon and silk. (See chart on Consumption of Wool and Competing Products.) These changes are vitally affecting the profits of the woolen industry, but they have practically nothing to do with the tariff.

The future effect of the tariff on raw wool will be conditioned largely by the trend of domestic consumption. The duty will probably be effective in raising the relative price of raw wool for at least a few years—thus aiding the wool producer.

U. S. CONSUMPTION OF WOOL AND COMPETING PRODUCTS \*



\* The figures for wool are based on a revision of Department of Commerce figures giving wool consumption in grease and mixed totals which they advise are incomplete due to the omission of statistics for one large and several small concerns. The corresponding scoured totals are, of course, much lower. The silk, rayon, and cotton figures are from the U. S. Commerce Yearbook and Statistical Abstract for 1928.

The profitableness of the woolen manufacturing industry, however, in the near future is dependent, not so much upon the duty of raw wool, as it is upon domestic consumption and the ability to sell woolen goods to the consumer in competition with silk and rayon. Whether or not competitive conditions and the demand of consumers will make the woolen industry profitable depends also upon the internal financial structure and management of that industry. The proposed duty of 34 cents on raw wool will probably have very little effect upon the industry. Whatever effect it does have, however, seems to be detrimental to the industry, though beneficial to the wool grower.

B. H. HIBBARD,  
 JOHN R. COMMONS,  
 SELIG PERLMAN,  
*Of the University of Wisconsin.*

## EXHIBIT C

## BRIEF OF THE W. T. RAWLEIGH CO., FREEPORT, ILL.

## FREE LIST

*To the honorable Members of the Finance Committee of the United States Senate.*

GENTLEMEN: The business of The W. T. Rawleigh Co. was founded in 1889, and ever since that time its principal offices and factories have been situated in Freeport, Ill.

It now has factories and branches in Memphis, Denver, Oakland, Chester, Albany, Minneapolis, and Richmond. It is engaged in the manufacture of medicines, food products, spices, toilet preparations, polishes, stock and poultry preparations, stock dip, insecticides and disinfectants. Its business extends into practically every county and into every State in the United States.

In its manufacturing processes, the company uses large quantities of imported materials, and in keeping with an old, established policy the company not only makes or prepares practically everything it sells, but, to enable its customers and consumers to get the best values, it imports many of its raw materials.

There was a time, we believe, when there were good reasons for tariff protection. That was during the pioneering period of our country, when industry was in its infancy, when practically all businesses were small and were owned and conducted by individuals or small partnerships.

The situation is very much different to-day. The period of pioneering is past. Industries which had but small beginnings have prospered as a result of the natural wealth and resources of the country, until we have some of the largest commercial enterprises the world has ever known.

As a result of mass production and high efficiency in operation, and increased buying power on the part of the American public, there is but very little need any more for tariff protection. There are undoubtedly instances where protection is essential, but in most cases the tariff is an imposition upon the general public for the benefit of a comparative few.

While we recognize that the Government must raise revenue, with which to pay expenses and meet its obligations, we are convinced that the soundest and most equitable method is by the levying of tax on real property and on the income of companies and individuals.

It is clearly unfair and an imposition on consumers for the Government to tax commodities, and especially the necessities of life. We contend, therefore, that custom duties should be confined to only those articles, which careful investigation shows conclusively require protection, not as a special class privilege, but for the best interests of the country as a whole, and that no custom duties be levied on articles that are not grown or produced, and especially not on those articles that can not be grown or produced in the United States.

## SPICES

A reasonable duty on ground or otherwise prepared and/or packaged spices for the protection of domestic grinders would not be objectionable, although we do not believe even this is essential. We contend, however, that whole spices, which, because of climatic and/or soil conditions are not and can not be grown in the United States, should be permitted entry free of duty.

Black and white pepper, cloves, cinnamon, allspice, nutmeg, and ginger are grown in tropical and semitropical climates. These spices have been given tariff protection in the acts of 1909, 1913, and 1922, but because they are exclusively tropical products, this protection has not, and any future protection can not induce or stimulate production in the United States.

Our calculations indicate that for each dollar of duty assessed on these items, there is an increase of \$2.51 to the consumer. We respectfully urge, therefore, that these spices be placed on the free list and thus discontinue the imposition of this unnecessary and unreasonable tax on the food of consumers.

The removal of the duty and the transfer of these spices to the free list will, according to our calculation, reduce the profit of this company and its dealers \$33,053 but it will also reduce the cost to consumers of our products \$54,266, and based on total United States 1927 importations, it will save United States consumers \$3,048,763 annually.

## VANILLA BEANS

Vanilla beans, which are necessary in the manufacture of vanilla flavor, the most popular flavor for foods in this country, are grown in and imported from Mexico, Madagascar, Tahiti, Java, Guadeloupe, and other tropical countries.

The W. T. Rawleigh Co. is one of the largest, if not the largest single importer of Bourbon vanilla beans in the United States, importing for its own manufacturing requirements, and for resale to other manufacturers, approximately 20 per cent of the total importations.

Like spices, vanilla beans are grown in tropical climates, and because of climatic and/or soil conditions, can not be produced in the United States. The protection of 30 cents a pound for 15 years past, by the acts of 1913 and 1922, therefore, has not stimulated production.

The removal of the duty on vanilla beans will, according to our calculation, reduce the profit of the W. T. Rawleigh Co. \$10,489, but it would also reduce the cost to consumers of the company's products \$12,886, and based on the total United States 1927 importations, will save consumers \$228,744 annually.

While some vanilla beans are produced in Mexico and other countries, most of the vanilla beans are produced by and imported from France's colonies and dependencies. France has rightfully protested against the United States imposing excessive duties on products from France and her possessions and, we understand, has threatened to retaliate, therefore, inasmuch as vanilla beans can not be grown in the United States, and consequently no tariff protection is needed, we respectfully urge, for the sake of our foreign commerce and in the interest of friendly relations with France, that vanilla beans be transferred to the free list.

## OILS OF ORANGE AND LEMON

Oil of orange had protection of 10 per cent ad valorem under the act of 1909, and both oil of orange and lemon had protection of 10 per cent ad valorem under the act of 1913. The duty on both of these oils, by the act of 1922, was increased to 25 per cent ad valorem. It was said that that increase in duty was for the purpose of stimulating production of these oils in California.

In a report on an investigation we recently had made, our Oakland, Calif., manager, Mr. C. M. Cooper, reports that the production in the United States is practically confined to California, with a total of only approximately 600 employees in both the oils of orange and lemon industry.

We would much prefer, quality and price being equal, to use domestic oils of orange and lemon, and we have from time to time for several years, conducted experiments in our chemical and analytical laboratory for the purpose of determining whether we could use these oils without adversely affecting the quality of our extracts.

Our latest tests were completed only a few weeks ago and our production manager, Mr. Leslie O Hill, Ph. C., in reporting on the results, said:

"I think it advisable to refrain from recommending the use of any California citrus oils in our extracts because

"(1) Domestic oil of orange and lemon is inferior in quality, because of its low citral content as compared to Italian or Sicilian oil, and this we believe is due to the difference in the American and the Sicilian fruit used in the manufacture of these oils.

"(2) The aroma and character of the extract does not stand up after aging.

"(3) There is considerable sediment carried down, causing manufacturing difficulties.

"(4) The strength of the flavor produced from California citrus oils would not approach the strength of flavors produced from the use of straight Sicilian citrus oils."

This is, in substance, a repetition of the results of several previous tests which we have made with view to using domestic oils of orange and lemon. We, therefore, have not used and do not use now, and we understand many other manufacturers do not use, domestic oils of orange and lemon in the manufacture of orange and lemon extract, and this we believe explains the small and practically insignificant domestic production of these oils.

Our calculations indicate that for each dollar of duty on oil of orange there is an added cost of \$1.98 to the consumer, and that for each dollar of duty on oil of lemon, there is an added cost of \$4.88 to the consumer. This is an unjust and unreasonable tax upon the consumers in the entire country for the benefit of an industry employing only about 600 employees, and which to the best of our

knowledge and belief has been unable to produce a product that is equal in quality to the Sicilian oil, nor even one that can be used satisfactorily in the manufacture of orange and lemon extract.

The removal of the duty on oils of orange and lemon will reduce the profits of the W. T. Rawleigh Co. and its dealers by \$2,570 and \$34,311, respectively, but the removal of these duties will also reduce costs to consumers of its products by \$4,290 and \$48,879 annually, and, based on the total United States 1927 importations, the removal of the duty on these two oils will result in a saving to consumers of \$521,361 and \$1,301,722, respectively, annually.

We respectfully urge, therefore, the removal of oil of orange and oil of lemon to the free list.

#### TARTARIC ACID

Tartaric acid is a by-product in the manufacture of wine; consequently the production in the United States is a comparatively negligible quantity. Tartaric acid has been protected continuously since the act of 1909. The present duty is 17 cents a pound. The Hawley bill provides for an increase in the duty to 18 cents a pound.

Our calculations indicate that for each dollar of increase or decrease in the duty there will be a consequent increase or saving in cost respectively of \$1.89 to the consumer.

It is unjust and unreasonable to tax the consumers for the protection of domestic producers on this by-product in the manufacture of wine which, because of prohibition, there can be only a limited sale.

The removal of duty on tartaric acid would reduce the profits of the W. T. Rawleigh Co. and its dealers by \$21,900, and the cost to its consumers by \$26,716, and, based on the total United States 1927 importations, result in total savings to the United States consumers of \$778,014 annually.

We respectfully urge, therefore, the removal of tartaric acid to the free list.

#### CONCLUSIONS

The removal of the duties, and the placing of the articles mentioned herein on the free list, according to our careful calculation, will lessen the profits of the W. T. Rawleigh Co. and its dealers approximately \$102,323 annually, but it will at the same time, according to the same calculation, save the company's consumers alone approximately \$147,037 annually, and will result in a saving to consumers throughout the United States of approximately \$5,878,604 annually.

The W. T. Rawleigh Co. will gladly accept this loss of revenue of \$102,323 annually, in order to bring about the enormous saving of \$5,878,604 to consumers annually, because it is its conviction that such a policy will produce, not only a more sound condition with the consuming public, but that industry also will be eventually but surely benefited as a result of increased purchasing power of the consumer and a more healthy economic situation generally.

Moreover, we are confident that such articles as are mentioned herein, when imported from foreign countries, do not compete with domestic producers in that these particular articles, or articles of the same quality as those produced in foreign countries, are not and can not be produced within the United States, and that everyone should, therefore, and particularly the housewife, who by virtue of her position is the purchasing agent for the American family, be gratified if the duty on these items are removed.

There is nothing, in our opinion, that can bring about more prompt and effective relief to the farmer and those industries which are dependent upon the farmer, than a reduction in the cost of the articles that the farmer buys, and we are convinced the removal of the duty on the articles herein referred to will greatly reduce the cost of the finished product in which they are used, all of which are actual necessities.

THE W. T. RAWLEIGH CO.,  
R. G. SAPPENFIELD,  
*Vice President.*

**STATEMENT OF C. E. DURST, CHICAGO, ILL., REPRESENTING  
THE NATIONAL HORTICULTURAL COUNCIL**

(The witness was duly sworn by the chairman.)

The CHAIRMAN. You were before the agricultural subcommittee, were you not?

Mr. DURST. Of the House?

The CHAIRMAN. I notice from your statement, which was very complete—and you are not going to repeat what you said down there, are you?

Mr. DURST. Yes.

The CHAIRMAN. Please do not, because we have that record, and I do not see that you could make it any plainer than you did there. If you have anything else here on the free list you want to discuss, go ahead and discuss it.

Mr. DURST. You have reference to the——

The CHAIRMAN. The agricultural schedule.

Mr. DURST. In the tariff hearings?

The CHAIRMAN. Yes.

Mr. DURST. Yes; that was rather complete.

The CHAIRMAN. It was. You made a very complete statement there. We have to go over that anyway. If you have anything new, confine yourself to that, please.

Mr. DURST. Could you give me about 10 minutes?

The CHAIRMAN. Yes. If you have a brief on this, I wish you would file it here.

Mr. DURST. Mr. Chairman and gentlemen of the committee, our organization is an organization of fruit and vegetable growers of the country. We have 45 fruit and vegetable organizations in our membership, distributed over the country, and a considerable number of individual growers.

We appeared before the House committee on the free list and asked certain changes. Some were granted and some were not.

The House took horse-radish off the free list, where it has been classed with the mosses and seaweeds, and put a duty on it. We are not greatly concerned about that duty, but we do think that in order to promote the growing horse-radish industry in the country the duty of five cents a pound on the crude roots, and of 60 per cent ad valorem on the processed forms, should be allowed. The House bill does not allow those amounts of duty.

We appreciate the action of the House in transferring chick-peas, a product that competes with peas and beans grown in this country, taking it off the free list and placing a duty on it.

We want to call particular attention to the question of fertilizers. The fruit and vegetable growers of the country use large quantities of fertilizer, particularly nitrogenous fertilizers. The House put urea on the free list, for which we are duly thankful. It is a concentrated form, and its use is increasing.

However, ammonium sulphate and ammonium nitrate have been left dutiable, and we are particularly concerned about the ammonium sulphate, because it is used very extensively in the fruit and vegetable industry.

We ask, in all seriousness, that you reconsider that matter and endeavor to transfer ammonium sulphate and ammonium nitrate to

the free list. We think that it has been the policy for Congress to have fertilizers on the free list, the same as farm implements. The list of fertilizers shows practically all fertilizers on the free list, and we think these ought to be there also.

Just very briefly on the banana question —

Senator KING. Before you leave that, Mr. Witness, have you given any consideration to arsenates and arsenical preparations used for insecticides? There is a tariff of 5 or 6 cents a pound on metallic arsenate, which is a component part, of course, of all insecticides.

Mr. DURST. Yes.

Senator KING. What is the attitude of your organization with respect to insecticides, or the bases of insecticides?

Mr. DURST. We would very much like to see all of them on the free list, because they are used here in enormous quantities.

Senator SHORTRIDGE. Do you think that we should be dependent on a foreign country for these articles if we could develop them here in America?

Senator KING. Arsenic? We do produce that.

Mr. DURST. We produce a lot of it here.

Senator SHORTRIDGE. If we could develop them and bring them into condition to be used, by employing American labor and American capital, would not that be better than to be dependent on the foreigner?

Mr. DURST. I most certainly think it would.

Senator SHORTRIDGE. And ultimately, perhaps, as cheap.

Mr. DURST. Yes, sir.

Senator SHORTRIDGE. All right. Go ahead.

The CHAIRMAN. What do you use Ioua salt-peter? Don't you use that as a fertilizer?

Mr. DURST. Yes.

The CHAIRMAN. Don't you use it entirely?

Mr. DURST. We use potassium sulphate and —

The CHAIRMAN. Ioua salt-peter is the name of an article that is composed of ammonium sulphate and ammonium nitrate. When they are combined they come in here free. Do not the farmers use that instead, mixing it themselves?

Mr. DURST. They do not use a great quantity.

The CHAIRMAN. Why do they not?

Mr. DURST. It is pretty expensive.

The CHAIRMAN. It is not any more expensive than applying the articles themselves before they are mixed. That comes from Germany. Ioua salt-peter is made from ammonium nitrate and ammonium sulphate. That is what you use?

Mr. DURST. Of course, Senator, here is the problem. A great many of the soils of the United States are sufficiently rich in potash so that they do not need that material, and therefore the growers do not care to buy that.

The CHAIRMAN. What do they buy?

Mr. DURST. They buy nitrogen chiefly, in the fruit industry, and phosphorus and potash for the soils that particularly need it.

The CHAIRMAN. Of course, you know that there is no potash whatever in this ammonium nitrate or ammonium sulphate.

Mr. DURST. No; there is no potash in them at all.

The CHAIRMAN. These are the two you want on the free list?

Mr. DURST. Yes. Of course, we would like all fertilizers to be on the free list.

The CHAIRMAN. They are.

Mr. DURST. We are committed to that general principle.

Senator SACKETT. Do you know what the imports of ammonium sulphate are?

Mr. DURST. No, sir, I do not.

Senator SACKETT. Do you know what the exports are?

Mr. DURST. No, sir, I do not.

Senator SACKETT. Do you know whether it is exported?

Mr. DURST. No, sir, I could not tell you that.

Senator GEORGE. Yes, it is exported.

Senator SACKETT. My information is that large quantities are exported.

Senator GEORGE. Yes. It is exported and the exports are growing.

The CHAIRMAN. There are 36,388,800 pounds of that leuna saltpeter coming in here, and it comes in here free of duty. The farmers use that as fertilizer because of the fact that it is composed of ammonium nitrate and ammonium sulphate.

Senator SACKETT. But there is a good deal of ammonium sulphate separate from that.

The CHAIRMAN. Yes, but that is used, of course, for many purposes.

Senator SACKETT. It is used largely for fertilizer.

The CHAIRMAN. I will find out what the importations of that are. In 1928 there were 37,609 tons; the value was \$1,572,242. Now, there were 103,776,960 tons of the leuna saltpeter imported, and the leuna saltpeter is made entirely from the ammonia nitrates and ammonia sulphates.

LETTER OF C. E. DURST, SECRETARY NATIONAL HORTICULTURAL COUNCIL

CHICAGO, ILL., July 15, 1929.

Senator REED SMOOT,

Chairman Senate Finance Committee, United States Senate,  
Washington, D. C.

MY DEAR SENATOR SMOOT: The members of our organization are particularly anxious to have ammonium sulphate placed on the free list. In the hearings before the Ways and Means Committee of the House we requested that ammonium sulphate, ammonium nitrate, and urea be placed on the free list when used for fertilizing. Urea was placed on the free list, for which we are thankful. However, the other two forms were left on the dutiable list.

We are particularly concerned about ammonium sulphate because it is the leading fertilizer constituent used by fruit and vegetable growers. Its use has been increasing in recent years and promises to continue to increase, especially for acid-tolerant crops, of which there are many in the fruit and vegetable fields.

It seems to have been a policy to admit fertilizers into the country duty free, the same as in the case of farm implements. All other fertilizers, except ammonium sulphate and ammonium nitrate, are now admitted duty free, or would come into the country duty free under the House bill. We believe this is good reason in itself why ammonium sulphate and ammonium nitrate should also be added to the free list.

Please allow us to call your attention to the fact that the National Fertilizer Association, representing manufacturers and importers of fertilizers, is asking that ammonium sulphate and ammonium nitrate be placed on the free list. The fact that the manufacturers and the users agree on the proposition is the strongest kind of evidence that the request should be granted, in our opinion.

While ammonium sulphate is used extensively by fruit and vegetable growers, nitrate of soda is still used in large quantities. This product comes from Chile. The Chilean Government assesses an export tax on this commodity which, according to our understanding, largely finances the Government of Chile. Thus,

it appears that the fruit and vegetable growers of the United States are compelled to a large extent to contribute toward the payment of Chilean taxation. The placing of ammonium sulphate on the free list will assist in lowering the prices of ammonium sulphate and this should force corresponding decreases in the price of nitrate of soda also.

The placing of ammonium sulphate and ammonium nitrate on the free list along with other fertilizers will be a material factor in lowering production costs of American fruit and vegetable growers, and this is, of course, in line with the program of the national administration to improve economic conditions in agriculture and horticulture.

Respectfully yours,

NATIONAL HORTICULTURAL COUNCIL,  
C. E. DURST, *Executive Secretary*.

### STATEMENT OF HARRY D. WILSON, COMMISSIONER OF AGRICULTURE, STATE OF LOUISIANA

Senator CONNALLY. I understand, Mr. Wilson, you wanted to file a brief here?

Mr. WILSON. It is nothing but a resolution passed at the conference. (The resolutions referred to are as follows:)

#### RESOLUTIONS PASSED AT A CONFERENCE OF SOUTHERN COMMISSIONERS OF AGRICULTURE AND THEIR AUTHORIZED REPRESENTATIVES AND ALLIED INTERESTS IN SESSION, RALEIGH HOTEL, JUNE 18, 1929

Whereas there has developed during recent years conditions of intense competition from abroad against our American grown farm crops: Therefore, be it Resolved by the Conference of Southern Commissioners of Agriculture and their authorized representatives and allied interests, (1) That we ask for protection on American agricultural products and substitutes.

(2) That we cooperate with organized groups, especially farm groups, which are asking for protection.

(3) That we do not overstress the things needed for our section against those needed in other sections, but all work together for the common good for agriculture.

(4) That it is our desire that this agricultural protection be placed on the same basis as that accorded other industries.

(5) That the tariff is an economic question; it is both local and national in its aspects.

(6) Resolved, further, That in levying tariff duties the same rates be applied against the Philippine Islands when such products from the Philippine Islands are in serious competition with American agricultural products as are levied against other foreign nations, except that they be allowed a preferential rate of 25 per cent.

(7) We urge that the following items, particularly products of our southern regions now on the free list, should have a protective tariff; that it would directly benefit our southern agriculture: (a) Jute and jute products; (b) long-staple cotton; (c) vegetable oils and oil-bearing materials; (d) Spanish moss or palm fiber.

*Alabama.*—William Howard Smith, representing department of agriculture and Alabama Cotton Association, Prattville, Ala; Edward A. O'Neal representing department of agriculture, Montgomery, Ala; D. Webb Hurst, representing State department of agriculture, Tuskegee, Ala.

*Arkansas.*—Earl Page, commissioner of agriculture, Little Rock; Paul Jones, cotton farmer, Texarkana; C. L. McNutt, secretary, Arkansas Farm Bureau Federation, Little Rock.

*Florida.*—Lorenzo A. Wilson, chairman, Florida division, Southern Tariff Association, Jacksonville; R. R. Kerr, tomato grower, Miami; J. L. Chandler, Goulds Growers (Inc.), Goulds; H. T. Bennett, Manatee County Growers Association, Bradenton; Phil S. Taylor, representing State department of agriculture, Tallahassee; Herman A. Dann, Florida State Chamber of Commerce, St. Petersburg; G. S. Fletcher, president, Florida East Coast Growers Association, Miami; Cary A. Hardee, ex-Governor of Florida, Live Oak.



*Georgia.*—Eugene Talmadge, commissioner of agriculture, McRae; W. J. Vereen, representing department of agriculture, Moultrie; Thomas S. Kenan, Atlanta Cotton Oil Co., Atlanta; J. H. Mills, Farmers Union, Atlanta; A. Steve Nance, representing Georgia Federation of Labor, Atlanta; T. N. Brown, member of State legislature and cotton farmer, Swainsboro.

*Louisiana.*—Harry D. Wilson, commissioner of agriculture, Baton Rouge; S. Odenheimer, textile manufacturer, New Orleans; Ben L. Thompson, representing Louisiana State Chamber of Commerce, Alexandria; C. T. Bourg, sugar and rice, Thibodaux.

*Maryland.*—Richard Woods Edmonds, editor, Manufacturers Record, Baltimore.

*Mississippi.*—J. C. Holton, commissioner of agriculture, Jackson; J. M. Aldrich, farmer-banker, Michigan City; Edgar Wilson, journalist, Jackson; Horace S. Stansel, representing commissioner of agriculture, Ruleville; P. H. Sanders, State department of agriculture, Jackson.

*Oklahoma.*—Z. H. Lawter, representing department of agriculture, Oklahoma City; G. A. Van Nory, representing State board of agriculture, Tishomingo; Ed L. Spears, State board of agriculture, Oklahoma City.

*Tennessee.*—William J. Fitts, commissioner of agriculture, Gallatin; S. N. Vannel, fruit and dairying, Cleveland; W. R. Clark, Rutherford County Creamery Association, Murfreesboro; A. E. Markham, representing Cotton Growers Association, Tiptonville.

*Texas.*—Ed Woodall, representing Texas & Oklahoma Cottonseed Crushers Associations, Dallas; J. E. Bell, representing chambers of commerce, growers and shippers of lower Rio Grande Valley, fruits and vegetables, San Benito; Roy Campbell, onion grower, Laredo; F. L. Crawford, livestock, Mullen; C. C. Belcher, Sheep & Goat Raisers Association, Del Rio; Brown White, representing Rio Grande Valley Shippers Association, San Benito; A. L. Price, representing shippers and growers in Rio Grande Valley, San Benito; I. R. Stahl, representing shippers and growers in Rio Grande Valley, Weslaco; J. E. Nichols, representing Texas cotton growers, Clarksville; R. B. Creager, lawyer and bank, Brownsville.

*South Carolina.*—A. C. Summers, representing department of agriculture, Columbia; Wade Stockhouse, farmer and feed, Dillon; E. W. Dobbs, farmer, Waynesville; W. H. Keith, cotton manufacturer, Greenville.

*Virginia.*—J. H. Meek, representing department of agriculture, Richmond; J. A. Arnold, Southern Tariff Association, Washington, D. C.; Vance Muse, Southern Tariff Association, Washington, D. C.

## CREAM SEPARATORS

[Par. 1604]

### STATEMENT OF E. W. MEESE, CHICAGO, ILL., REPRESENTING THE ASSOCIATION OF AMERICAN MANUFACTURERS OF CREAM SEPARATORS

(The witness was duly sworn by the chairman of the committee.)

The CHAIRMAN. This is paragraph 1604.

Mr. MEESE. Mr. Chairman and gentlemen, may I be permitted to make a short carefully prepared statement that will explain my position before your committee?

The CHAIRMAN. You may make your statement. I suggest that we let the witness make his statement without questioning him until he has finished. It is about cream separators.

Mr. MEESE. I have appeared before the Ways and Means Committee and before your subcommittee on metals, Schedule 3, representing the American manufacturers of centrifugal cream separators and asking that cream separators of a value under \$50 be taken from the free list, classified with larger machines over a \$50 valuation, and all subject to a duty of 45 per cent ad valorem.

There is a natural disposition on the part of many Senators and Congressmen at the present time to immediately jump to the con-

clusion that such a move would be to the detriment of the farmer and to the exclusive benefit of the separator manufacturers. The American farmer certainly needs help and from all appearances will undoubtedly get considerable aid, even though he may not receive all that he and his representatives request.

The American manufacturers of cream separators are strongly interested in anything that will aid the farmer and improve his financial condition, for we are more vitally interested than most business men in his welfare and, therefore, would consider well his ultimate interests before making our request. The well-posted farm organizations and their representatives know that the American manufacturers of cream separators have done as much for the farmer in dairying education and the growth of this largest and most profitable branch of agriculture as any single agency, and they are duly appreciative of this help.

The intense competition among American manufacturers has kept the price of cream separators on a far lower comparative basis than any other piece of farm equipment, the present price basis being but 25 to 33½ per cent higher than the lowest pre-war price as against the customary 100 per cent and over advance of most other agricultural equipment.

Consequently, the manufacturers' margin is extremely close—so close, in fact, that practically none of the American manufacturers have made even a reasonable profit from the manufacture and sale of cream separators since the war.

But how about the importers of European-made machines?

The gentleman representing Babson Bros., Chicago, importers of the Belgian Melotte machine, asked your subcommittee on metals, Schedule 3, to make no change because of the farmers' interests.

Cream separators under \$50 valuation have been on the free list since the Underwood bill of 1913, and during those 16 years of experience the farmer has not profited 1 cent on the price of cream separators.

The price which Babson Bros. place on their Melotte separators is practically the same as the prices to the farmer on the leading American makes. If there is anything for the farmer in duty free separators, why have not Babson Bros. and other importers given him the benefit of it?

Babson Bros. representative stated before the subcommittee on metals that their 740-pound capacity machine, which is their best selling size, cost them \$30. Still the price to the farmer is \$107.50. No wonder the importer opposes a duty on cream separators, and their purported interest in the farmer is bunk.

The excessive spread between their admitted cost of \$30 or the average valuation on their particular Belgian machines of \$26.78, shown by the Department of Commerce figures, is used to promote their own business in ways that can not be met by American manufacturers except with severe actual losses.

Babson Bros. advertise a \$20 trade-in allowance on any old separator, regardless of age, make, or condition, and, although trade-in allowances are made on American machines as well, no such large amount is justifiable or possible without actual loss to the American manufacturers or their dealers.

Excessive and unreasonable advertising expenditures are also made out of this unusual margin retained by the importers. In 1927

Babson Bros. spent over \$11 per machine imported that year in farm-paper advertising alone. This amount, 10 per cent per cream separator, is far greater than that spent by any automobile manufacturer in magazine or newspaper advertising, if current reports are correct.

No wonder the advertising agency handling their account took such an active and questionable part in getting the conference committee to change the decision of both the House and Senate committees when the Fordney-McCumber tariff bill was written in 1922.

If the importers are interested in the farmers' welfare, why do they not give him the benefit of their duty free privilege on their low-cost machines? The prices asked by Babson Bros. on their Melotte machines in the United States are practically twice those asked of the Belgian farmer by the Belgian manufacturer of Melotte separators.

Naturally, the importer will cite production figures of American separator manufacturers and comparative import figures to divert attention from the purpose of the request of the American manufacturers.

But, if the American farmer is not benefited, as we conclusively show, and the importer is the only one benefited, to the danger and detriment of the loyal American manufacturers, is there any reason why our request is not worthy of your consideration?

The duty requested—45 per cent ad valorem on all sizes and valuations of cream separators—will not prohibit importations, but will simply equalize importers' costs with American manufacturers' factory costs and still permit them to sell imported cream separators on just as favorable a basis as American manufacturers and their thousands of local dealers.

The importer perhaps can not give such excessive trade-in allowances, spend so much for advertising, or give such generous discounts and commissions as formerly—but the farmer will not suffer.

We have filed briefs, containing exhibits, with the metals subcommittee, which briefs, together with those submitted to the Ways and Means Committee, will prove our statements made herein and which give other pertinent facts.

We have spent much time and care in presenting our case before the tariff committees in 1922 and 1929, in order to try to correct the unfair basis to American cream separator manufacturers, and we will continue to do so, if necessary, until the situation is remedied. We want no advantage, but we do want to have as good an opportunity to sell American-made cream separators on a profitable basis as that granted by Congress to the importer of foreign-made machines. And on such claims we believe we can appeal to all Senators, regardless of their political affiliations.

Senator WATSON. How is the production in the United States? Has it been increasing or decreasing since 1912?

Mr. MEISE. It went down. It is less to-day than it was in 1912.

Senator WATSON. How has it been since 1922?

Mr. MEISE. It decreased for a while, but has come back in the meantime.

Senator WATSON. It is increasing again, you say?

Mr. MEISE. It did this last year, but it did not in the previous year, although the previous year was considered a better agricultural year than this last year.

Senator KING. Is it not a fact that your exports have been increasing from year to year; that is, American production?

Mr. MEESE. No, sir.

Senator KING. Is it not a fact that exports in 1928 were \$797,460 as against \$429,163 in 1927?

Mr. MEESE. That may be true, Senator, but you can not go by those figures, for the reason that a cream separator is a unit as an item, and that low value from one year to another would be dependent on the sizes.

Senator BINGHAM. Senator King, read the figures for the year before that.

Senator KING. You can read them if you want them.

Senator BINGHAM. You are reading them. I thought you might read the figures for the year before that and help the witness out.

Senator KING. Is it not a fact that in 1923 the value of your exports was \$488,000; in 1924, \$305,000; in 1925, \$553,000; in 1926, \$883,000; 1927, \$429,000; and in 1928, \$797,000?

Mr. MEESE. That is undoubtedly correct. You are reading from the records, Senator.

Senator KING. Yes.

Mr. MEESE. But I ask you to go by units. A unit is sold to the farmer, and there is a difference whether it is a \$70 separator or a \$125 separator.

Senator KING. Is it not a fact that the imports last year were only \$533,000; for 1927, \$610,000, for 1926, \$702,000; and for 1925, \$539,000; and for 1924, \$452,000?

Mr. MEESE. Yes, sir; no doubt it is correct. I wish to call the attention of the committee to the fact that 90 per cent of those separators that have been exported go to Canada. We have no hope of competing with European countries on the manufacturing cost of cream separators.

Senator KING. The value of the imports would be less than 10 per cent of the value of the domestic production.

Mr. MEESE. Perhaps so, but if 27,000 were imported last year, speaking about units, that means 27,000 orders taken away from American manufacturers.

Senator KING. But you take some orders away from the manufacturers in other countries by your exports.

Mr. MEESE. No, sir; only in Canada.

Senator KING. Well, in Canada.

Mr. MEESE. Ninety per cent of those exports are to Canada. That is the only country where the American manufacturer of cream separators can expect to compete on account of a similar labor rate, or labor cost, manufacturing costs. Ninety per cent went to Canada. Of that 90 per cent practically all were shipped by one American manufacturer to their own selling organizations, which have been organized in Canada, and not to compete with European machines.

Senator KING. Whom do you represent, Mr. Meese?

Mr. MEESE. I represent the Association of All American Manufacturers of Cream Separators.

Senator KING. However, one of those is the DeLaval Co., is it not?

Mr. MEESE. That is one of them.

Senator KING. Do you represent that company?

Mr. MEESE. I represent them with the others; yes, sir.

Senator KING. Are you the sales agent for these other companies?

Mr. MEESE. I am connected with the DeLaval Separator Co., Chicago.

Senator KING. What position do you occupy?

Mr. MEESE. General manager.

Senator KING. What were the dividends of that company in 1926?

Mr. MEESE. Less than 6 per cent.

Senator KING. What were they in 1927?

Mr. MEESE. Less than 5 per cent.

Senator KING. What stock dividends have you declared in the past 10 years?

Mr. MEESE. None that I know of.

Senator KING. How long have you been connected with that company?

Mr. MEESE. Five years.

Senator KING. What were your earnings in 1927 that were not distributed, and put to your surplus account?

Mr. MEESE. I can not tell you that. It was read out in the meeting. You had the figures, Senator, which showed that their earnings were \$750,000, which I contend on a \$12,000,000 investment is not making money very fast.

Senator KING. That is, after paying your dividends.

Mr. MEESE. The total net profits, as I understand those figures. I did not have them myself. Somebody read them into your records.

Senator KING. After paying your dividends, your profits were more than \$700,000, were they not?

Mr. MEESE. But on a \$12,000,000 investment—and I wish to say those are not my figures; I do not know what the figures are—I have no access to them—this, you understand, is a privately-owned concern.

Senator KING. I thought you were one of the officers of the company.

Mr. MEESE. No, sir; I did not say that.

Senator KING. What position do you occupy—general manager?

Mr. MEESE. General manager, Chicago.

Senator KING. Are you a stockholder?

Mr. MEESE. No, sir; there is no stock on the market, as I understand it.

Senator KING. Who are the owners?

Mr. MEESE. The heads of the business, I presume.

Senator KING. Who are they?

Mr. MEESE. F. J. Aaron is president and general manager. Mr. Ralph Stoddard, New York, is secretary. There are several others who are not active in the business, but form the board of directors.

Senator BINGHAM. Mr. Chairman, I beg the Senator to confine his questions to something that will really have a bearing on the issue. What difference does it make who owns this company so long as the business is in such and such a condition?

Senator KING. The Senator may have his views, but I have my own.

Does the International Harvester Co. manufacture these separators?

Mr. MEESE. Yes; that is a small part of their line.

Senator KING. Do they manufacture them, is what I asked you.

Mr. MEESE. They do.

Senator KING. What number do they manufacture?

Mr. MEESE. I could not tell you, sir.

Senator KING. They are a competitor of your company, are they not?

Mr. MEESE. They certainly are one of the strongest competitors we have.

Senator KING. Are they here asking for an increase in tariff?

Mr. MEESE. Only as I represent the entire association.

Senator KING. Well, you represent them.

Senator SHORTRIDGE. Your answer is "yes," then?

Mr. MEESE. Yes.

Senator KING. Have you been asked to represent the International Harvester Co.?

Mr. MEESE. All of the creamery companies.

Senator KING. Pardon me; have you been asked by that company to represent it?

Mr. MEESE. Not except that they are members of our association. I do not know how I can answer that more directly. If you mean to ask if Mr. Legg or somebody else came to me in person and asked me personally to represent them——

Senator KING. Do you know what proportion of the domestic production came from the International Harvester Co.?

Mr. MEESE. That I could not tell you. I imagine, based upon the statements of the importers, that their production will be approximately the same as the production of the DeLaval Separator Co.

Senator KING. What is your production?

Mr. MEESE. I can not tell you, sir.

Senator KING. I mean the proportion of the domestic production.

Mr. MEESE. Our production would be about one-fourth.

Senator KING. And the International Harvester Company about one-fourth.

Mr. MEESE. I do not know, sir, but I assume so.

Senator KING. It is a member of your association, is it not?

Mr. MEESE. Yes, sir.

Senator KING. What other companies manufacture them?

Mr. MEESE. The Iowa Dairy Separator Co., Waterloo, Iowa; the Dairy Cream Separator, Lebanon, Ind.; the King Manufacturing Co., of Buffalo, N. Y.; the American Separator Co. of Bainbridge, N. Y., Sharples Separator Co., Westchester, Pa. There is quite a list of them. I can not recall them.

Senator KING. And those other companies, manufacture, then, the other half, if the DeLaval Co. and the International Harvester Co. manufacture one-quarter each.

Mr. MEESE. I assume so.

Senator BINGHAM. Are you speaking now for all American separators, or for those that we are now considering?

Mr. MEESE. Those that are under \$50 valuation.

Senator BINGHAM. What?

Mr. MEESE. Those that are under \$50 valuation and are on the free list.

Senator BINGHAM. I mean when you say half manufactured by two concerns.

Mr. MEESE. Yes, sir.

Senator BINGHAM. You are only speaking of the cheaper grades.

Mr. MEESE. I am speaking of the small ones.

Senator KING. Do not the farmers themselves, the small farmers, use these cream separators to a large extent? And was not that the evidence before the committee of which Senator Reed was chairman?

Mr. MEESE. The entire sale of the machines such as come under the free list are to farmers.

Senator KING. Yes. That is all.

Mr. MEESE. But I want to call your attention, gentlemen, to one thing, that, although there is a classification of cream separators under \$50 valuation, and that class of separators are put on the free list, it does not mean that those separators are sold to the farmers for under \$50. That means the declared valuation, import valuations, of under \$50; and none of the farm machines come in over \$50. Therefore they are all duty free; that is what you call the farm size. They may be operated by hand, or a small electric motor, or some other kind of power, but 80 per cent of these farm separators that come in duty free are sold to the farmer at prices above \$50.

Senator SHORTRIDGE. About how far above would you say?

Mr. MEESE. The average price of the leading separators, Senator, is, as a representative of Babson Bros. stated their size 740 was their biggest seller, and I assume that is the average—their price is \$107.50.

Senator BARKLEY. What is your price on the same thing?

Mr. MEESE. Our price list is from \$107.50 to \$115.

The CHAIRMAN. \$107 is the lowest price a separator sells for that comes in free as being valued under \$50?

Mr. MEESE. Yes, sir.

Senator SHORTRIDGE. There is quite a spread there.

Mr. MEESE. There has to be.

Senator DENEEN. What does the \$107 separator sell for in Belgium?

Mr. MEESE. That separator in Belgium—that 750-pound separator which sells in the United States for \$107.50, sells to the Belgian farmer by the Belgian manufacturer at \$48.80.

Senator BINGHAM. Do you not think it would be a good idea for some of the cooperative associations to import some of these under \$50 and sell them at cost?

Mr. MEESE. If they want to get any benefit of the duty-free clause it will have to be done.

Senator BARKLEY. You stated a while ago that this free importation of these separators under \$50 in value was of no benefit to the farmer.

Mr. MEESE. That is the fact. He pays just as much for them as for the similar size American-made machines.

Senator BARKLEY. By how much does the imported article that comes in duty free undersell the American product?

Mr. MEESE. It does not undersell them at all.

Senator BARKLEY. It does not?

Mr. MEESE. They might in our case. Our price is a little higher than some of the others. They are around an average price.

Senator BARKLEY. If we accept your testimony and put a 45 per cent tariff on them, then the \$50 machine that comes in would pay \$22.50 tariff.

Mr. MEESE. How is that?

Senator BARKLEY. If an article is brought in duty free at \$50, then when you put a 45 per cent tariff on the same article you would have to pay \$22.50 duty.

Mr. MEESE. The average import valuation, Senator, of all separators under \$50 valuation last year was \$19.

Senator BARKLEY. Whatever it is, it pays 45 per cent.

Mr. MEESE. That would be \$7 or \$8.

Senator BARKLEY: So that would have to be added to the price the farmer pays, would it not?

Senator SHORTRIDGE. Not at all; not at all.

Senator BARKLEY. Why not?

Mr. MEESE: It would simply reduce the importers' margin of profit that much.

Senator DENEEN. It reduces his hundred per cent profit.

Senator BARKLEY. If he adds that \$22.50 or any part of it, it increases the price.

Mr. MEESE. It would if he added it.

Senator BARKLEY. And if he tried to undertake to increase his price by the amount of the duty he paid, you would immediately increase your price to the extent your tariff would allow you.

Mr. MEESE. Pardon me, Senator, but that possibility is very remote, and is almost precluded by the extremely keen domestic competition, regardless of the imported machines. The importers would be compelled to take it out of their profits.

Senator BARKLEY. If the price has been obtained in the face of domestic competition, and in the face of free importation of those under \$50, wherein lies the interest of the American manufacturers unless he expects by this tariff to be able to raise his price to the farmer?

Mr. MEESE. As explained in my statement, that extreme margin—we will say between \$30, the admitted cost of the imported article, and the sale price of \$107.50, less what was stated—\$4 for transportation, insurance, and so forth, which, by the way, seems very excessive—

The CHAIRMAN. As I understood you, that would require the importer to make a smaller price for exchanging old machines.

Mr. MEESE. He has used that—that is part of it—Senator. He has taken out of that flat spread between \$30 and \$107.50 a \$20 trade-in allowance.

Senator DENEEN. And \$10 for advertising.

Mr. MEESE. \$11 per machine for 1927 for advertising.

Senator SACKETT. That allowance is an advantage to the farmer. If you raise the tariff, would he not lose that?

Mr. MEESE. Not necessarily.

Senator SACKETT. Would he not probably lose it?

Mr. MEESE. No. The importer if he wished to continue to do so could sell the American farmer on the same basis as the American manufacturer did and it would not be taking advantage of the American manufacturer.

Senator SACKETT. The advantage you would get would be this raise of \$5 or \$6 in the tariff.

Mr. MEESE. The only thing we would get would be their inability to give the farmer these excessive allowances which we have tried



to meet in lots of cases in order to hold our business which we can not, and are establishing bad precedents.

Senator SACKETT. That would be taken away from the farmer, again?

Mr. MEESE. It would in some cases be taken away from the farmer, but what about the farmer who has no old machine to trade in?

Senator SACKETT. There are not so many farmers of that class as there are of the other, are there?

Mr. MEESE. No; but that catches the southern farmer.

Senator BARKLEY. You do not contend that these importers have undertaken to dump their product here to undersell you?

Mr. MEESE. No, sir; absolutely not.

Senator WALSH of Massachusetts. Is the result of this distinction in the valuation of these separators this—that the farmer who buys a separator valued at under \$50 does not have to pay any tariff duty, while the dairy-product producer or manufacturer who uses large machines has to pay the duty levied in this bill?

Mr. MEESE. No; it means this, Senator—that that \$50 valuation is merely an arbitrary division point which was set to denote sizes that ordinarily went to the farmer, thus distinguishing them from the big power machines.

Senator WALSH of Massachusetts. From the standpoint of the manufacturer, you need as much protection to protect American labor on the smaller and cheaper machines as you do upon the larger and more expensive machines?

Mr. MEESE. Absolutely.

Senator WALSH of Massachusetts. So if the principle is sound on a machine that costs more than \$50, it is sound on a machine that costs less than \$50?

Mr. MEESE. Absolutely. Twenty-five per cent on the power machines, gentlemen, that is now allowed under Schedule 3, is inadequate. The fact of the matter is, if you were to equalize European, Belgian factory cost with American factory cost, a duty of over 100 per cent would be necessary. We have not asked for that. We merely ask that the importer's price—the price that the importer pays to the Belgian manufacturer, and which is declared in this country—be equalized with the American factory cost, so that the importer has no advantage over us in the resale of those goods.

Senator SHORTRIDGE. You ask that he pay something to get into our home market?

Mr. MEESE. Merely to equalize it—not to cut him out; merely to equalize it with our factory cost.

Senator SIMMONS. You are manufacturing, and you are selling this product in competition with the importer?

Mr. MEESE. Yes, sir.

Senator SIMMONS. Now, I can not understand, if the importer buys this article from Belgium at an average, you say, of \$30—

Mr. MEESE. He buys it from the Belgian manufacturer at \$30, or \$26.78, to be accurate.

Senator SIMMONS. The importer gets it in free of duty, and it costs him about \$30, I understood you to say?

Mr. MEESE. The other gentleman stated that the freight they paid was around \$4, as I recall it, although that seems to me to be very excessive.

Senator SIMMONS. Well, what does he pay for it? What does the importer pay for it?

Mr. MEESE. That is what he pays for it.

Senator SIMMONS. \$30?

Mr. MEESE. Yes, sir.

Senator SIMMONS. Now then, that importer, with you as his competitor, is able in some way or other to sell that separator in the American market at \$107?

Mr. MEESE. Yes, sir; that is our point exactly.

Senator SIMMONS. What does it cost you to produce one of those separators?

Mr. MEESE. The average cost of those three large sizes, as submitted by the manufacturers and contained in one of the earlier briefs, is \$41.

Senator SIMMONS. \$41 is the cost of your material?

Mr. MEESE. That is the factory cost, without any overhead, interest on investment, advertising, sales expense, or anything else—bare factory cost.

Senator SIMMONS. Taking in all the elements of cost, what is the cost of producing, by you, one of those separators that sells in competition with the one that the importer brings in here at a cost of \$30?

Mr. MEESE. To compare with his \$30 cost, \$41 would be our cost.

Senator SIMMONS. \$41 would be your total cost. Now, do you sell in this market your product that cost you \$41 high enough to allow the importer, your competitor, to get out of the American market \$107?

Mr. MEESE. Yes, sir.

Senator SIMMONS. Then do you not make too much profit?

Mr. MEESE. We have not paid any dividends to speak of, and none of the manufacturers have made any money since the war to speak of.

Senator SIMMONS. How do you reconcile that difference? You are selling for about the same price, probably?

Mr. MEESE. Yes.

Senator SIMMONS. Your price is \$107. Your cost is \$41. Now, what absorbs the difference?

Mr. MEESE. The expense, discounts to dealers—

Senator COUZENS. What is the discount to dealers?

Mr. MEESE. I can only speak for ourselves, Senator; 25 per cent is the standard discount. We have a trade-in allowance that is limited on old machines that my company allows to the dealer of one-half of the amount allowed up to \$12.50 for a competitive machine.

Senator COUZENS. So, when you say "\$107," you mean that is the retail price to the farmer?

Mr. MEESE. That is the list price to the farmer. In other words, a farmer who has no cream separator, and wants a cream separator, pays \$107.50 for it.

Senator COUZENS. You give the dealer who sells him 25 per cent?

Mr. MEESE. That is the idea.

Senator BARKLEY. Is that 25 per cent on the \$107, or 25 per cent on the \$41?

Mr. MEESE. Twenty-five per cent on the \$107.

Senator KING. You say that the cost of this separator is \$41, and yet you sell it to the ultimate consumer for \$107?

Mr. MEESE. Yes.

Senator KING. That is all.

Senator SIMMONS. That is the spread, now?

Mr. MEESE. The cost of the imported machine is \$30, and they sell it for \$107.

The CHAIRMAN. What is the average price which you allow on exchanges for that class of machine? Is it like a sewing machine, where you lose what you allow on the machine that you take in? What is your loss per machine on the traded-in machines?

Mr. MEESE. It is all loss.

Senator BARKLEY. What is the life of one of these cream separators?

Mr. MEESE. That is, it is practically all loss. Occasionally you might get a new machine that might be traded in to exchange a size, or something of that kind.

Senator KING. Would there not be the same loss to the importer, too, if he took in an old machine?

Mr. MEESE. Certainly; but he offers \$20.

Senator BARKLEY. What is the life—

Senator SIMMONS. I want the witness a minute. I had him a little while ago, and somebody took him away from me.

Senator COUZENS. I beg the Senator's pardon.

Senator SIMMONS. This importer who buys his cream separator for \$30 is enabled to make a profit of about \$70 if he sells it for \$107? He is enabled to sell that machine for a profit of \$70 in the market of this country because you are selling yours at \$107?

Mr. MEESE. You are right.

Senator SIMMONS. Your spread between cost and sales price is \$66, is it not, on a \$41 machine?

Mr. MEESE. Yes, sir.

Senator SIMMONS. Now I wish you would explain to this committee, and also, through it, to the country, what makes up that additional \$66—how much is profit, how much of it is expenses in connection with sale, and so on. If it costs that much, or anything like that much, for the factory here to sell in the American market, I should like to know it.

Senator SHORTRIDGE. The factory cost is \$41.50, is it?

Mr. MEESE. Yes, sir.

Senator SHORTRIDGE. Now go on and answer the Senator's question.

Senator SIMMONS. I want the witness to analyze this, and show the committee what becomes of that \$66 spread. Let him tell all about it.

Mr. MEESE. I will say this: I have not the actual figures, but the company that I happen to be with is the De Laval Separator Co., and is reputed to be one of the largest advertisers in the United States in the farm field. I think the expenditure of the De Laval Separator Co. will run about 5 per cent, maybe 5½ per cent, on their output of cream separators, for advertising.

Senator SHORTRIDGE. For advertising?

Mr. MEESE. That is all advertising, of which farm-paper advertising, we will say, is about one-half. The Belgian machine people spent 10 per cent per machine imported in 1927.

Senator SHORTRIDGE. The Senator asked you about your own machine.

Mr. MEESE. Ours is 5 per cent. The actual discount to the dealer, plus the trade-in allowance, will run about 30 to 33 per cent, considering cash discount, etc.

The CHAIRMAN. That is on the \$107?

Mr. MEESE. That is on the \$107; yes, sir.

Senator SHORTRIDGE. Thirty-three per cent and 5½ per cent. Now go ahead.

Mr. MEESE. As to the traveling sales expense, it is very hard to tell. I can not give it to you accurately, but I will say that the cost of selling separators to the dealers through our own sales organization runs around 15 per cent. I am not certain as to that. I know what it costs in certain territory; but that fluctuates, and I am not in possession of all the facts.

The CHAIRMAN. There is \$55.50.

Mr. MEESE. Now then, we will say, roughly speaking, that we are supposed to get a profit—

The CHAIRMAN. \$55.50 plus \$41 makes \$96.50, and you sell it for \$107.

Mr. MEESE. Well, say there is a gross profit of \$11 to pay interest on investment, and possibly your executive overheads, and things of that kind.

Senator BARKLEY. I did not understand what that 15 per cent item was.

Senator COUZENS. Traveling salesmen.

Senator SHORTRIDGE. Traveling expense incident to the sale of the goods.

Senator BARKLEY. Do you mean that you pay your traveling salesmen 15 per cent in addition to the 25 per cent commission that you pay the man who sells the machine?

Mr. MEESE. The local dealer; yes, sir.

Senator BARKLEY. Do you sell most of these cream separators through traveling salesmen, or by direct order?

Mr. MEESE. We sell them to the dealer. Our traveling salesmen go to the dealers all over the country. We have a total of perhaps 10,000 or 15,000 dealers all over the United States who sell these separators. We have to call on them. We have service to render; and that, gentlemen, by the way, is one of the most important things to the farmer, and particularly on a cream separator. If a cream separator goes to the bad this morning while they are skimming their milk, it means the loss of the entire day's milk to that farmer unless he can get it repaired by evening. That is one of the services supplied by American manufacturers, and represents a tremendous saving to the American farmer which is little appreciated by the average business man.

Senator SHORTRIDGE. You have accounted for the increase from \$41.50 to \$107.

Senator CONNALLY. How much will separators go up if we give you this tariff?

Mr. MEESE. What is your question?

Senator CONNALLY. How much more will these separators cost if we put on the tariff that you request?

Mr. MEESE. I do not believe it will increase the price to the American farmer one nickel. It would reduce some of the expense to which the American manufacturers are put in attempting to meet some of

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these bad practices that have been established by the importers—excessive allowances, excessive expenditures and discounts, and things of that kind. As I understand—I do not know whether it is still in effect or not; the gentleman who represents Babson Bros. will appear later—but they had a proposition a year or two ago—this machine was bought on the mail-order plan—by which if a farmer bought one of their separators and then gave them the name of a neighbor to whom they might possibly sell a separator, and later on, within a certain length of time—we will say three months or six months, whatever it might be—they succeeded in selling that farmer whose name was given to them a separator, they gave the first farmer \$6 or \$7, just for sending in the name.

Senator KING. What you are trying to do, you say, is to reduce the profits of these importers?

Mr. MEESE. Is there any reason, Senator—

Senator CONNALLY. Wait a minute; I will get to that. I want to ask some questions myself first. I am not a witness here. If you did not expect to make more money out of this, you would not be here asking for this tariff, would you?

Mr. MEESE. We certainly hope so; and we need it.

Senator CONNALLY. I say, that is your purpose?

Mr. MEESE. Certainly.

Senator CONNALLY. If you make more profit, it has got to come out of the farmer who buys the separator?

Mr. MEESE. No, sir.

Senator CONNALLY. Who is it coming out of? You say all of your separators are sold to the farmers.

Mr. MEESE. We will have to eliminate some of the allowances. We can eliminate some of the allowances. We can curtail other expenses.

Senator CONNALLY. That comes out of the farmer, does it not? He gets the benefit of these discounts now, does he not?

Mr. MEESE. Some of them do, but some of them do not.

Senator CONNALLY. He gets the trade-in value, does he not? You give him that?

Mr. MEESE. Those who have an old separator do. Those who do not have an old separator do not.

Senator CONNALLY. I do not suppose you would make a trade-in allowance to a man who did not have a separator to trade in.

Mr. MEESE. Twenty-five per cent of the farmers do not have them.

Senator CONNALLY. But the man who has one gets that benefit, does he not?

Mr. MEESE. Yes, sir.

Senator CONNALLY. You are going to take part of that away from him if this bill passes, because you will not have the compulsion of the foreign product to make you do that?

Mr. MEESE. We will still continue to give our standard trade-in allowance, which is \$12.50, to the farmer.

Senator CONNALLY. Did you not say a minute ago, in answer to my question, that you were going to save some of those allowances?

Mr. MEESE. That will be because—

Senator CONNALLY. Answer my question: Did you say that or not?

Mr. MEESE. Yes, sir.

Senator CONNALLY. You are going to do it, then, are you not?

Mr. MEESE. We will stick by our regular allowance, instead of having to go to \$20 to meet some competitor.

Senator CONNALLY. Precisely. That is exactly what I was getting at. The farmer, then, will suffer between what you are giving him now and your standard allowance, will he not?

Mr. MEESE. No; he will not suffer, because it will only eliminate something that he will not get for nothing.

Senator CONNALLY. He is getting it now, and you want to eliminate it and get it yourself. I do not see why witnesses can not be frank, and just state what that means, as all of you know. You are here because you expect to get more money out of the farmers who buy these separators than you are getting now. That is the truth, is it not?

Mr. MEESE. In that light; yes, sir.

Senator CONNALLY. Well, that is the light I am talking about. That is all.

Senator BARKLEY. Do these importers have these charges of 15 per cent for traveling salesmen and 25 per cent to dealers also?

Mr. MEESE. I can not speak definitely about that. I know they have their travelers; they have their sales expense. Whether it is 15 per cent or not I do not know. It may be even more.

Senator BARKLEY. They have to have these same overhead expenses?

Mr. MEESE. If they sell to the dealers, they give the dealers a discount, and usually it is a far larger discount than the one given by American manufacturers.

Senator BARKLEY. They do not sell directly to the farmers?

Mr. MEESE. Some of them do; yes, sir.

Senator BARKLEY. Do Babson Bros.?

Mr. MEESE. Yes, sir; part of the stuff, although they try wherever they can to get a local agent, because they know the value of a local agent.

Senator SIMMONS. I want to ask the witness one question. Referring to your statement where you were asked to account for this spread of \$66, I want to ask you now how much of it you say is profit?

Mr. MEESE. I have not figured it out myself, but I should just guess that that would leave perhaps 8 to 10 per cent gross profit.

The CHAIRMAN. It leaves 10 per cent, the way you figured it.

Senator SIMMONS. When you started out and made your first statement that the importer bought this machine for \$30 and then sold it for \$107, I was very much astonished, or, rather, shocked; but I find now that you turn it out for just \$11 more than he does, and you sell it for \$107. You are very nearly or quite as bad as he is, are you not?

Mr. MEESE. In the way of percentage, you will see that it makes quite a difference.

Senator SIMMONS. You export this article, you say, to Canada, and only to Canada?

Mr. MEESE. We do.

Senator SIMMONS. How do you meet this Belgian opposition, this opposition from abroad, over in Canada?

Mr. MEESE. We are up against the same thing in Canada that we are right here in the United States.

Senator SHORTRIDGE. What is the tariff?

Mr. MEESE. Nothing. There is no duty on cream separators there.

Senator SHORTRIDGE. So you are just even.

Senator SIMMONS. You meet this opposition very well in Canada, do you not?

Mr. MEESE. We are losing ground.

Senator SIMMONS. You are meeting this opposition in Canada, and you are making a profit in selling your goods to Canada. I assume you would not sell them there unless you were making a profit.

Mr. MEESE. Well, I can not speak for that. I can say this, Senator: The average valuation of American machines going to Canada which would reflect American costs is sixty-some dollars and some cents, as against the importations from Europe to the United States of nineteen dollars and twenty-some cents.

Senator SIMMONS. How does the valuation of your machines go from \$41 to \$66? If it is \$41 here, it is \$41 when you send it to Canada, is it not? The machine that you manufacture here for \$41 and sell for \$107 is the same machine, costing you \$41, that you sell to Canada is it not?

Mr. MEESE. Yes; at a cost of sixty-some dollars.

Senator SHORTRIDGE. What causes that increase?

Senator SIMMONS. Do you say it costs sixty-some dollars to get it into Canada?

Mr. MEESE. You are getting into some market when you sell any stuff anywhere.

Senator SIMMONS. Is that what you sell it for in Canada?

Mr. MEESE. I do not know what we sell it for; but that is the average valuation of all separators exported to Canada.

Senator SIMMONS. What is the price at which you sell in the Canadian market the product for which you charge the American farmer \$107?

Mr. MEESE. We sell it, I assume, at the same price.

Senator SIMMONS. \$107. What are you talking about the \$60 in Canada for then?

Mr. MEESE. That is the export valuation.

Senator SHORTRIDGE. What do you mean by that—freight added to carry it to the border?

Mr. MEESE. That is the declared valuation for customs purposes into Canada.

Senator REED. The American invoice value.

Senator SIMMONS. You can not tell us, then, what you sell this same article for in Canada that costs you \$41 to produce. You have told us what you charge the American farmer. I should be very glad if you would find out and put in the record, for the benefit of the committee, the price at which you sell this same machine in Canada.

Mr. MEESE. The retail price to the farmer? I can answer that. It is the same as in the United States, but what we sell it for to a Canadian concern to sell to the farmer, I do not know.

The CHAIRMAN. You have no distributing agents up in Canada? That is done by Canadians?

Mr. MEESE. Yes.

Senator SIMMONS. You sell it at wholesale to Canada and not at retail?

Mr. MEESE. We sell it f. o. b. our factory in New York.

Senator SIMMONS. And they pay you, by wholesale, \$60?

Mr. MEESE. I assume so. That is the average valuation. I do not know. I have not anything to do with that.

**STATEMENT OF EUGENE H. GARNETT, REPRESENTING BABSON BROS., CHICAGO, ILL.**

(The witness was duly sworn by the chairman of the committee.)

The CHAIRMAN. You appeared before the House committee?

Mr. GARNETT. I appeared twice before the House committee.

The CHAIRMAN. You are not going to repeat all that again, are you?

Mr. GARNETT. I hope not.

The CHAIRMAN. I hope not, too.

Mr. GARNETT. I represent Babson Bros., of Chicago, Ill. They are importers of separators from Belgium, known as the Melotte separator. They have been in this business of importing separators for a great many years.

The average value of the imports of Babson Bros. is from 60 to 80 per cent of the total value of all imports of separators into this country.

In 1913, when agricultural implements generally were put on the free list, cream separators of farm sizes were also put on the free list and they have been on the free list ever since.

In the 1913 bill the dividing line between the free separators and, those subject to duty was made \$75. In 1922 the dividing line was made \$50, because it was found that all separators of farm size came under the \$50 valuation.

The CHAIRMAN. Do you import any over \$50?

Mr. GARNETT. We do not.

The CHAIRMAN. Every separator you import is less than \$50?

Mr. GARNETT. They are all less than \$50. The three sizes that we import range from \$25 to \$45. What we call our average size machine which constitutes about 90 per cent of the business, is our so-called 740-pound machine, which costs us, laid down in our warehouse in Chicago, \$34, \$30 of which we pay to the Belgian maker. The rest is for freight, insurance, cartage, and handling into our warehouse.

The CHAIRMAN. Do you distribute from New York at all?

Mr. GARNETT. Not that I know of.

The CHAIRMAN. You would know it; would you not?

Mr. GARNETT. No; I am an attorney. There are some things about the business I do not know. I know a good deal about this business, but that is simply one item that I do not know about.

The cost of the same size American separator, as stated in the brief of the American manufacturers—that is, the one that costs us \$34—is \$40.52, according to their brief filed in the House. That is a differential of \$6.52.

The method that we adopt in putting our machines in the hands of the farmer is entirely different from that adopted by the American manufacturers generally. The De Laval Co., for instance, whose general manager has just spoken, as I understand, does business entirely through local dealers. More than 90 per cent of our business is done on the mail-order plan.



We send our separators to the farmer, having gotten his inquiry by advertising; we send him a catalogue, and we give him 30 days' free trial. If, at the end of 30 days, he wants to keep the machine, he is permitted to give us his note payable over a period of 18 months, and no interest is charged on those notes during the 18 months' period.

Our price, as stated, for our 740-pound machine is, \$107.50.

Senator WATSON. What does it cost you to make it in Belgium?

Mr. GARNETT. We do not make it in Belgium.

Senator WATSON. Where do you make it?

Mr. GARNETT. We do not make it at all. We buy it from the Belgian manufacturer for \$30.

Senator WATSON. What does it cost him to make it?

Mr. GARNETT. We do not know. We tried to find out, but they will not tell us.

Senator WATSON. You buy it from him at a fixed price?

Mr. GARNETT. We buy it from the Belgian maker at a fixed price. The president of our company recently went to Belgium to see if he could not get a lower price. The answer was: "No; your price will probably increase, due to a very large recent increase in the cost of labor and materials in Belgium."

How does the farmer benefit by our plan over these other plans?

In the first place, he gets a free trial for 30 days.

In the second place, he gets 18 months to pay.

In the third place, he gets a larger allowance for his old machine than he is allowed by the American manufacturer, equal to just about the difference between what our machine costs us laid down in our factory and what their machine costs them; namely, about \$6.50.

The CHAIRMAN. The De Laval people, for instance, in selling their cream separators, give no time whatever to the farmer?

Mr. GARNETT. I can not answer that question authoritatively, Senator.

The CHAIRMAN. You state that your company gives him a year and a half?

Mr. GARNETT. A year and a half, and a month's free trial.

The CHAIRMAN. And then you said that was an advantage that was not given by the De Laval people?

Mr. GARNETT. Naturally that would depend upon their dealers, as to how they will sell to the particular farmers. Our practice, at least, is uniform. We allow them a discount—

The CHAIRMAN. You do not know whether they allow them any time or not?

Mr. GARNETT. I have not any doubt that some of them do.

The CHAIRMAN. You know that they all do, do you not?

Mr. GARNETT. Perhaps I should, but I do not.

Senator COUZENS. What discount do you give them for cash?

Mr. GARNETT. I think it is 5 per cent.

Senator COUZENS. On the retail price?

Mr. GARNETT. On the retail price.

Senator DENEEN. How much?

Senator COUZENS. Five per cent.

Mr. GARNETT. We make, as I say, an allowance up to \$20 for the old machine. They make an allowance, as they say, which ranges up to \$15, according to the age of the old machine that is turned in. So you can see that we give to the farmer something that is equiv-

alent to the difference between the cost to us, laid down in our warehouse, and their cost.

The CHAIRMAN. Is that allowance irrespective of how long the machine has been used? Is it \$20 without regard to that?

Mr. GARNETT. It does not make any difference.

The CHAIRMAN. If they had used it for a month it would be \$20, and if they had used it for 10 years it would be \$20?

Mr. GARNETT. They do not have to trade it in if they think it is worth more than that.

The CHAIRMAN. It is something like they do in the sewing-machine business; is it?

Mr. GARNETT. And typewriters and automobiles. The Chevrolet automobile people will give you \$50 for any kind of a car, whether it will run or not. Now as to service: We have what we call a 12-hour service. Every order for a repair part that has ever come into our warehouse in Chicago has been filled before sunset on the day on which it was received. We sent out a questionnaire to 100 of our users, and got replies, as I remember, from 52, as to what their repair expense was on our separator over a period of eight years. Those that replied to us gave us figures which showed that the average cost of keeping our machines in repair over a period of eight years was 20 cents per machine per year.

Senator WATSON. How many distributing points have you in the United States?

Mr. GARNETT. I can not answer that question.

Senator SIMMONS. If we were to place a duty of 45 per cent on these machines, would you add that to your \$107?

Mr. GARNETT. We feel that if a duty of 45 per cent or any substantial per cent is put on the imported separator, the importers will be out of business. Bear in mind that there is a smaller margin of net profit on the imported machine than there is on the domestic machine. A great concern like the International Harvester or De Laval has been in business a great many years. The unit of an international organization owned in Sweden has more prestige than any importer can possibly have. There is less sales resistance; so we have to spend more money in order to make our sales. Our margin of profit is necessarily much smaller than theirs because of this increased sales resistance—the added cost of educating the farmer to what we say is the superiority of our machine over anything made in this country.

Senator KING. Does the De Laval Co. have factories in Europe?

Mr. GARNETT. The De Laval Co. was originally a Swedish organization with a branch in Germany, and at one time, they tell us, in Austria and Russia, and this great factory in the United States.

Senator KING. Have they factories now abroad?

Mr. GARNETT. They have. They have factories abroad, at least in Sweden, and I suppose still in other countries.

The CHAIRMAN. The patent was obtained in Sweden?

Mr. GARNETT. The fundamental patent was a Swedish patent. The fundamental patents have now all run out.

There is another company in this country besides De Laval that has foreign factories—Sharples, of Pennsylvania. Sharples never found it advantageous to import any of these so-called low-cost machines until 1925. He discontinued it in 1926. He did not find it profitable, and quit.

Every time we have appeared before on this tariff issue with the representative of De Laval, we have said to them, "If the cost abroad is so much less than it is here, as you say, notwithstanding the fact that all these machines are made by automatic machinery, why do you not bring in your Swedish machine that you say you can produce for \$21 over there?" They never have brought one in from their Swedish factory, unless it is this year. We put that question up to them in January of this year. What do they say? They come back at the next hearing, in February, and say, "We have considered every year, and always decided not to do it; we have been deterred partly through patriotic motives. "Now," they say, "we are placing an order."

Senator WATSON. What does it cost you to lay down one of your machines in Chicago—total cost?

Mr. GARNETT. \$34.

Senator WATSON. \$34 in Chicago?

Mr. GARNETT. Yes, sir.

Senator WATSON. What do you sell it for to the customer?

Mr. GARNETT. \$107.50, less the trade-in allowance.

Senator SIMMONS. That is a little more than twice as much as the value of the machine.

Senator WATSON. You sell your machine at the same price that the De Laval people sell their machine; do you?

Mr. GARNETT. Our list price is the same as theirs. We give them a little advantage in the trade-in. We think we give them a little advantage, at least, in the time payment and in the free trial.

Senator WATSON. Is there any kind of an understanding between you that you shall fix the same price on the machine whether it is made abroad or in this country?

Mr. GARNETT. There certainly is not. There certainly is no understanding whatsoever between us.

Senator COUZENS. Just how did you arrive at the same list price as theirs, then?

Senator WATSON. That is just what I was going to ask.

Mr. GARNETT. I was not there when the price was made. I have no doubt that we get their catalogues, and they get ours. We claim that our machine is a better machine, and I suppose they claim that theirs is the better machine, but we have to meet competition.

Senator COUZENS. I fail to see where American industry gets any benefit out of these importations from Belgium.

Senator KING. Suppose there were no importations; might not the domestic manufacturers raise the price above \$107.50?

Senator COUZENS. We are relying upon the testimony of the previous witness, who says there is internal competition. Of course there is internal competition in the motor-car business and a lot of other industries. These gentlemen are under oath, and I assume that they are telling the truth. I do not see any advantage in bringing these separators in from Belgium and giving no employment to American workmen or American industry if there is not some advantage to somebody; and I see no advantage on the testimony of the witness himself.

Mr. GARNETT. We give them a better machine. We claim it is a better machine.

Senator COUZENS. Of course that is advertising.

Mr. GARNETT. There is a feature in our machine that does not exist in any American machine except one that is made in a little factory up in Michigan that has no national distribution. Our bowl, which is the vital part of the machine, can not get out of balance, because it is suspended on a single ball bearing.

Senator WATSON. How many did you sell in the United States last year?

Mr. GARNETT. About 8,000 last year.

Senator WATSON. Do you know how many were sold in the aggregate?

Mr. GARNETT. I do not know how many were sold, but I know how many were made.

Senator WATSON. How many?

Mr. GARNETT. The production last year in the United States was 203,000, according to the preliminary report of the Census Bureau.

Senator WATSON. And you brought in 8,000?

Mr. GARNETT. I think we brought in somewhat more than that. You asked me how many we sold.

Senator WATSON. Yes.

Mr. GARNETT. Our imports last year were in excess of our sales. In 1922, when the present act was put into effect, the domestic production was under 100,000.

Senator WATSON. How many grades of these do you make under \$50 cost?

Mr. GARNETT. Only one grade.

Senator WATSON. Just one?

Mr. GARNETT. Well, we have two types, but we are abandoning one type—the old type. We are abandoning the type that is equivalent to the De Laval.

Senator GEORGE. You say your sales were about 8,000?

Mr. GARNETT. About 8,000.

Senator GEORGE. How many of them were replacements?

Mr. GARNETT. I understand that about 85 to 90 per cent of our sales are replacements.

Senator GEORGE. So that 85 to 90 per cent of 8,000 purchasers got the advantage of the increased allowance that you made?

Mr. GARNETT. They did.

Senator BINGHAM. How much of an allowance did you make?

Mr. GARNETT. We make an allowance of \$20.

Senator BINGHAM. On a machine selling for \$107.60?

Mr. GARNETT. On a machine selling for \$107.50.

Senator BINGHAM. You sell about 85 per cent of these machines, then, for—

Mr. GARNETT. For replacement.

Senator BINGHAM. For replacement—you sell them for \$87.50? Is that right?

Mr. GARNETT. That is right.

Senator BINGHAM. You sell them for \$87.50, and they cost you \$34?

Mr. GARNETT. \$34.

Senator BINGHAM. Do you think that is a fair margin of profit?

Mr. GARNETT. We have about \$750,000 of invested capital, and we made \$40,000 last year on that branch of our business.

Senator WATSON. How many other importers are there?

Mr. GARNETT. We do not know exactly, but we think there are probably eight or nine.

Senator WATSON. What was the total importation?

Senator WALSH of Massachusetts. Twenty thousand six hundred and forty-four units in 1925, and 168,857 units produced in America.

Senator REED. Twenty-seven thousand two hundred and nineteen units imported in 1928.

Senator BINGHAM. What I can not understand is why you do not sell your machine for about \$75, and be satisfied with 100 per cent profit, and sell a great many more of them.

Mr. GARNETT. We would not make anything at that price. Remember, the cost of doing business on this plan that we have is greater than the cost of doing business through the dealers.

Senator BINGHAM. You would not have to do it on that plan if you sold the machine for an ordinary 100 per cent profit.

Mr. GARNETT. Selling this type of machine is largely a matter of education. Suppose you had an automobile that nobody knew anything about, but which was a very good automobile—

Senator BINGHAM. I do not think you would have to educate the Connecticut farmer much if you offered him a cream separator at \$75 which is the same as one that costs him \$107.50.

Mr. GARNETT. The educational cost is very high.

May I state the figures of our exports and imports?

Senator SIMMONS. Before you get to that, your selling price is \$107.50?

Mr. GARNETT. Less \$20.

Senator SIMMONS. What is the \$20 for?

Mr. GARNETT. Trade-in, old machines.

Senator SIMMONS. Old machines. You sell to some people who have no old machines, however. The selling price is \$107.50. That is the selling price of the company represented by the gentleman who preceded you?

Mr. GARNETT. Yes, sir.

Senator SIMMONS. Is that the selling price of all the other importers? You say there are other importers as well as yourself. Are you all selling at the same price?

Mr. GARNETT. No; there are different machines imported.

Senator SIMMONS. I am talking about the same machine.

Mr. GARNETT. I do not know what the other importers sell for.

Senator SIMMONS. Is there not a concert, an agreement between you as to price, and do you not all sell at the same price?

Mr. GARNETT. Montgomery Ward & Co.—

Senator SIMMONS. I want you to answer that question squarely.

Senator WATSON. Say "yes" or "no."

Mr. GARNETT. No; it is certainly not true that there is any concert.

Senator SIMMONS. How does it happen that your price and the price of your competitors happens to be the same to a cent?

Mr. GARNETT. I do not think it is quite to the cent, but we have always looked upon the De Laval as our natural competitor. We try to beat them a little every time, and we do it by giving a little greater discount.

Senator SIMMONS. You are now selling at \$107.50, and they are selling at \$107.50. If we put a duty on this machine of 45 per cent, would it not work out in this way: This company represented by the gentleman who just preceded you will add that 45 per cent to the price of his machine, and you will add it to the price of your machine,

and the farmer will get it at no less? That would hurt you 45 per cent, and it would profit him 45 per cent, but the farmer would get nothing out of it. The purchaser of those machines would not get anything out of it.

Mr. GARNETT. Of course if it worked out that way, nobody would be hurt but the farmer.

Senator SIMMONS. Nobody would be punished but the farmer?

Mr. GARNETT. Nobody would be punished but the farmer. The De Laval people say that they do not intend to increase the price.

Senator SHORTRIDGE. But would it work out that way?

Mr. GARNETT. I think it would work out in this way: They would first exclude us by a duty, and then they would raise the price to the farmer.

Senator SHORTRIDGE. That is your theory?

Mr. GARNETT. That is our theory.

Senator SIMMONS. Out of that \$73 spread—I believe it is \$73—between the Chicago cost and the selling price, could you not pay that 45 per cent and get along?

Mr. GARNETT. Our total profit per machine last year was \$5. Our net profit was \$5 per machine last year.

Senator BARKLEY. If you had a duty of 45 per cent, which on a \$30 machine would be \$13.50, you would either have to reduce your expense of selling or increase the price?

Mr. GARNETT. One or the other. We can not reduce our expense of selling, because our expense of selling is by mail. We get a certain percentage of returns for a certain amount of advertising and catalogues.

Senator BARKLEY. So that if the duty is imposed, and you keep on doing business in this country, you have got to pay that \$13.50 and add that to the retail price of your machine?

Mr. GARNETT. Add that to the price.

Senator DENEEN. Do Montgomery Ward & Co. and Sears, Roebuck & Co. sell these machines?

Mr. GARNETT. Yes; Montgomery Ward & Co. and Sears, Roebuck & Co. both sell them. They sell both imported and domestic machines.

Senator DENEEN. At what price?

Mr. GARNETT. They sell much smaller machines than we sell. Montgomery Ward has a machine made in this country that sells for \$19.95.

Senator DENEEN. What does Sears, Roebuck & Co. sell for?

Mr. GARNETT. Sears, Roebuck have a slightly smaller machine, made in Finland, which sells for a little under \$19. Of course they sell the larger machines, also.

Senator SACKETT. At what price do they sell your machine?

Mr. GARNETT. They do not sell our machine. They can not get it.

Senator SACKETT. At what price do they sell a comparable machine?

Mr. GARNETT. I do not believe they have a comparable machine, Mr. Senator.

Senator SACKETT. Do they sell any machine at all over \$100?

Mr. GARNETT. I have a catalogue. I should be glad to refer to it. I think not.

Now may I say a word, Mr. Senator, about the increase in domestic production, the decrease in imports, and the increase of exports?

In 1922, when the present act went into effect, the domestic production was about 98,000 separators. In 1928, according to the preliminary report of the Census Bureau, the domestic production was 203,000—an increase of over 100 per cent.

In 1922 the value of separators imported into this country was about \$568,000. In 1928 the value had declined to \$530,000. In other words, there was an actual decline in value of imports as against a doubling of the number of domestic units. There was a slight increase in the number of imported machines, due to the fact that of late years there has come into use a very small machine to screw down on a table, for a farmer that has one or two cows. A lot of those are coming in; and while the number has increased since 1922, the total value has decreased.

Now as to exports: In 1922 our total exports amounted to \$268,000. In 1928 they amounted to about \$800,000. They have increased more than three times since 1922.

Mr. Meese says that 90 per cent of them go to Canada. That is not quite true now. It was true at one time. Our exports to Canada last year were about \$560,000 out of a total of approximately \$800,000. In other words, new markets other than Canada are being developed by the domestic producer.

The CHAIRMAN. Did you want to file a brief? You have filed one, however.

Senator REED. He filed a brief with us.

Mr. GARNETT. I did not file one with you. It would merely be a duplication.

The CHAIRMAN. That is the same brief you filed in the House; is it?

Mr. GARNETT. No; it is merely supplemental.

The CHAIRMAN. Hand it to the reporter.

(Mr. Garnett submitted the following brief:)

#### BRIEF OF BABSON BROTHERS

##### FINANCE COMMITTEE OF THE UNITED STATES SENATE.

GENTLEMEN: The undersigned Babson Bros., of Chicago, Ill., are importers of farm-size cream separators, made by Melotte in Belgium, now admitted duty free (with other agricultural implements) as "cream separators valued at not more than \$50 each." (Par. 1504, Schedule 15, tariff act of 1922.) They are used exclusively on farms. The value of Babson Bros.' cream separator imports has, in some years, been 80 per cent of the total imports, and for many years has never been less than 50 per cent.

We are not interested in cream separators having an import value of more than \$50 each, now subject to duty under paragraph 372, Schedule 3, tariff act of 1922. These are not used on farms, but in creameries, cheese factories, and city milk depots.

##### FARM-SIZE CREAM SEPARATORS ARE AGRICULTURAL IMPLEMENTS AND HAVE BEEN SO CLASSIFIED IN THE TARIFF ACTS SINCE 1913

It is hard to believe that anyone would contend that farm-size cream separators, which are used exclusively on farms, and which are advertised exclusively in farm papers, and which have contributed so materially in bringing the dairy industry up to \$5,000,000,000 a year, are not farm implements.

Every one of the million farmers we have done business with knows that it is. If a cream separator is not a farm implement, then a dairy cow is not a farm animal and the hay and grain fed to cows are not farm products.

The American manufacturers made the claim in 1922 that farm-size cream separators were not agricultural implements. We then caused the question to be

put up to numerous farm papers and agricultural colleges. The question was baldly stated, without disclosure of any purpose, and without any suggestion that the question was involved in a hearing on the tariff.

Thirty-eight publishers of farm journals and heads of eight agricultural colleges replied, in varying language, that cream separators of farm sizes were undoubtedly agricultural implements. Not one of them took a contrary position. Dr. C. F. Curtis, dean and director of Iowa State College, Ames, Iowa, said: "A hand or farm-sized separator is clearly an agricultural implement just as much as a corn sheller. A creamery sized separatory is not."

Dr. H. L. Russell, dean and director of University of Wisconsin, Madison, Wis., said: "Consider farm cream separator without question agricultural implement." We filed all these replies with the Senate Finance Committee in 1922.

#### POSITION OF AMERICAN FARM FEDERATION BUREAU

The American Farm Federation Bureau, recognizing the fact that farm-size separators are agricultural implements of the highest importance to the farmers, naturally demands that they be left on the free list. The item is given first consideration in its brief filed with the Ways and Means Committee. (See Vol. XV, p. 8039.)

#### HISTORY OF TARIFF ON CREAM SEPARATORS

Prior to 1913 all cream separators were dutiable. In that year, notwithstanding the protests of American manufacturers, cream separators valued at not more than \$75 each were put on the free list. Under this classification all farm-size separators came in free.

The tariff act of 1922 left farm-size separators (those having a value of not more than \$50 each) on the free list.

The tariff bill of 1929 (H. R. 2667), as passed by the House of Representatives, makes no change in the existing law with respect to cream separators.

In 1913 the American manufacturers prophesied, in a brief filed with the Senate Finance Committee, that, if the duty were taken off, the foreign makers would dominate our market. The duty was taken off farm-size separators, but the prophesied results did not follow.

Again in 1922 the American manufacturers filed a brief with this committee, stating that they believed American manufacture of cream separators would be destroyed in five years if a duty were not imposed. Farm-size separators were left on the free list and the prophecy again failed. Domestic production and exports steadily increased while the value of imports declined.

On the hearings held in January and February, 1929, by the Ways and Means Committee, oral testimony was given and briefs were filed, both by the American manufacturers and by the undersigned importers, first, on consideration of the metals schedule and again when the free list was under discussion. The testimony and briefs are printed in Volume III (Schedule 3, metals and manufactures of), pages 2442 to 2469; and in Volume XV (Schedule 15, free list), pages 8089 to 8115, of the hearings before the Ways and Means Committee.

The testimony given and the briefs filed with the Committee on Ways and Means, in January and February, cover the subject quite fully, and we do not intend to do more here than summarize a few of the principal facts appearing in the printed volumes of that committee's proceedings and make some comment relative to matters set forth in the brief filed in February by the American manufacturers, which we have had no opportunity to answer until now.

Both in 1922 and this year the principal proponent for a tariff has been the De Laval Co., the largest or second largest American manufacturer. That company is the American unit (whose stock is chiefly owned in Sweden), of an international organization having factories in several European countries.

#### DOMESTIC PRODUCTION

Number of separators produced in United States:

1922.....	98, 433
1923.....	162, 169
1924.....	143, 977
1925.....	170, 505
1926.....	194, 270
1927.....	191, 966
1928 (preliminary estimate by Census Bureau).....	203, 857

Production in the United States has more than doubled since 1922.



## EXPORTS

In 1922 our separator exports amounted to only \$268,116. In 1928 they were nearly \$800,000. Canada admits cream separators duty free and American makers compete there on equal terms with separators from all European producing countries. In that free market the value of the separator trade of the United States is more than double that of all other foreign countries combined. The separator exports from this country to Canada alone exceed in value imports into the United States from all foreign countries. If the De Laval Co.'s exports to Canada have fallen off, as it says (notwithstanding our greatly increased exports to that country), it must be because other American manufacturers (International Harvester principally) have increased their proportion of the rapidly increasing total.

## IMPORTS

Since the present tariff act was passed, although domestic production has more than doubled, the number of separators imported has increased less than one-third. The value of separator imports has declined, the 1928 imports being valued at about \$530,000, which was less than in 1922 or in any other year since 1922. The reason for the increase in number of separators imported, while the value has declined, is that there are now more small table-size machines being imported for use by farmers having only one or two cows. In 1928 the number of separators imported was 27,159 as against domestic production of over 203,000.

## SUMMARY OF TRADE CHANGES SINCE 1921

Domestic production of cream separators has more than doubled.  
The value of separator imports has decreased.  
Our exports have trebled and now greatly exceed our imports.

## FAILURE OF AMERICAN MAKERS WITH FACTORIES ABROAD TO IMPORT SEPARATORS

The Sharples Co., of Pennsylvania, has a separator factory here and factories in Germany. It tried importing from its German factories in 1925 and 1926, but evidently found it unprofitable, for it has not imported for two years.

De Laval, notwithstanding its assertion of lower costs abroad, admits it has never imported from its foreign factories. On January 16, 1929, we told the Ways and Means Committee that De Laval had never imported from its so-called low-cost foreign factories. A letter dated February 3, 1929, from Mr. Arend, president of the De Laval Co. (American unit), was presented to the Ways and Means Committee, saying that every year the De Laval Co. had considered importing separators from their foreign factories, but, guided in part at least by patriotic motives, had never done so. Now, however, they say in their letter that this very year for the first time they have placed an order for foreign made De Laval separators. (Hearings before Committee on Ways and Means, Vol. XV, p. 8086.) Evidently a gesture to help secure a tariff, made although De Laval has always heretofore concluded that importation would be unprofitable.

## FOREIGN AND DOMESTIC COSTS OF PRODUCTION

We do not know how the American manufacturers arrive at the figures they use for the average American cost of manufacture of the three principal size separators (\$40.52), but we do know that average size American made separators are being sold here at retail by shrewd and successful merchants at prices little or no more than the manufacturers claim to be the actual average American manufacturing cost.

Regardless of the estimates of costs in Europe furnished by American manufacturers, the fact remains that we pay in Belgium about \$30 per machine and the additional cost of freight, insurance, and cartage brings the total to \$34 laid down in our warehouse. These separators weigh about 250 pounds and the raw material alone can not be bought for the price the American manufacturers state to be the total cost in Belgium.

## CONDITION OF AMERICAN INDUSTRY

There are only about a dozen American manufacturers of cream separators in the United States, and the number is declining, but American production and exportation of separators are both increasing, the increase in production since

1922 being over 100 per cent, while exports have tripled in value since 1922. This increased American production, as in many industries, is gradually being concentrated in a few strong, efficient producers, the outstanding makers being De Laval and International Harvester. These two are already probably doing more than two-thirds of the total domestic business. De Laval and International Harvester, with the companies whose output is sold by Montgomery Ward, Sears, Roebuck, and the John Deere Co. probably sell 90 per cent of all American-made separators and they are all, no doubt, on a profitable basis.

#### UNPROFITABLE OPERATIONS BY SMALL AMERICAN MANUFACTURERS

The unfortunate condition of a few of the smaller American makers is exemplified by the American Separator Co. which filed a brief with the Committee on Ways and Means. It has an output of only about 6,000 separators, 20 a day. It says its bare manufacturing cost on its small table size 200-pound machine is \$19.11. Its selling price is \$24.95. Montgomery Ward sells a slightly larger machine, made in the United States, for \$19.95, only a few cents more than bare factory cost of production for the smaller machine of American Separator Co. What is bound to happen (tariff or no tariff) to the American Separator Co. and other small producers, with small output, high production cost, and no national sales organization, is apparent. (See our brief filed with Committee on Ways and Means, Vol. XV, p. 8110.)

#### THE IMPORTED, SMALL, LOW-PRICED CREAM SEPARATORS ARE EFFICIENT AND EQUAL TO THE AMERICAN PRODUCT

The contention of the American manufacturers that the small-size, low-cost, imported separator is an inferior product was conclusively disproved by facts set forth in our second brief filed with the Committee on Ways and Means. (See Vol. XV, pp. 8109, 8110, 8111, 8112.)

Respectfully submitted.

BABSON BROS.,  
By HENRY B. BABSON.

## FORKS, HOES, AND RAKES

[Par. 1604]

### BRIEF OF JOHANESON, WALES & SPARRE, NEW YORK CITY

Hon. REED SMOOT,  
*Chairman Committee on Finance, United States Senate:*

We are respectfully submitting this brief in opposition to the proposed duty of 30 per cent ad valorem on forks, hoes, and rakes. These articles are agricultural implements and, with the exception of certain forks, that is, hayforks, which we will refer to more specifically hereinafter, are now on the free list, paragraph 1504 of the tariff act of 1922.

Paragraph 1504 of the tariff act of 1922 and paragraph 1604 of H. R. 2667 are identical in language and provide as follows:

"PAR. 1604. Agricultural implements: Plows, tooth or disk harrows, headers, harvesters, reapers, agricultural drills and planters, mowers, hoes, rakes, cultivators, thrashing machines, cotton gins, machinery for use in the manufacture of sugar, wagons and carts, cream separators valued at not more than \$50 each, and all other agricultural implements of any kind or description, not specially provided for, whether in whole or in parts, including repair parts: *Provided*, That no article specified by name in Title I shall be free of duty under this paragraph."

The proviso, to the effect that no article specified by name in Title I shall be free of duty under paragraph 1504 of the tariff act of 1922, and paragraph 1604 of H. R. 2667, was not embodied in the provision for free entry of agricultural implements in the act of 1913, paragraph 391, but was inserted for the first time in the act of 1922. The effect of this proviso is to exclude from free entry any agricultural implement that may be mentioned by name in the dutiable schedules of Title I. Thus, the free entry privilege accorded agricultural implements, was very much curtailed in the act of 1922, and this will also be true if the same language is adopted in the bill now under consideration.

Under the act of 1913, many articles used for agricultural purposes were free of duty, which under the act of 1922, by reason of the said proviso, became dutiable. As an example, hay forks were free of duty as agricultural implements under paragraph 391 of the tariff act of 1913. By reason of the proviso these hayforks were held to be dutiable by the United States Customs Court under paragraph 355 of the tariff act of 1922, which provides for various knives, including hay knives and similar knives and forks. If imported without handles, they are assessed with duty at 8 cents each and 45 per cent ad valorem. (Abstracts 3049, July 25, 1927, 3097, May 17, 1927.)

There was no personal appearance before the Ways and Means Committee by any of the proponents of the assessment of duty on forks, hoes, and rakes, but a brief was submitted by Mr. A. B. Durell, in which he stated he represented the five domestic manufacturers of these articles. Of five of these companies, two, namely the American Fork & Hoe Co. and the Union Fork & Hoe Co., are believed to be closely affiliated or controlled by the same interests. They are the dominating influence in the industry.

#### THE INDUSTRY NEEDS NO PROTECTION

The brief submitted by the domestic manufacturers in support of the proposed duty is the best authority for our proposition that no protection tariff on these articles is needed. The industry, so the brief states, is earning from 8 to 10 per cent per year on the invested capital and is paying 7 per cent dividend. Furthermore, from the brief we learn that there is no foreign competition. The appeal to the Ways and Means Committee for the assessment of duty on these articles is rather novel in that it was not an appeal for protection against present competition but for protection against competition which it was feared might start in the future. The sole basis of the fear was that a German concern had made a futile attempt to sell these articles in the United States and, also, that one small sample order had been imported from Sweden.

We refer to the Summary of Tariff Information, 1929, on the tariff act of 1922, Schedule 15, free list, which was compiled by the United States Tariff Commission for use of the Committee on Ways and Means of the House of Representatives, and quote from page 2173 thereof the following:

"The United States implement industry competes in practically all export markets and is the dominant source of supply for many such markets \* \* \*. Exports in 1927 amounted to 20.5 per cent and the imports to 1.09 per cent of domestic production."

This summary shows that the value of the domestic production in 1927 was \$442,135,372. Included in these figures were some articles which are not devoted chiefly to agricultural purposes. The value of this miscellaneous and uncertain class of equipment, produced in the United States in 1927, is stated to be \$95,760,672, and of this amount it is estimated that one-half represents articles that are strictly agricultural machinery. By deducting, therefore, one-half of \$95,760,672 from the total production of \$442,135,372, we get a fairly accurate statement of the total value of agricultural implements produced in the United States for 1927, which is \$394,255,036.

The exports for 1927 were \$97,359,082 and for 1928, \$122,289,912.

The imports were as follows: 1927, \$5,406,000; 1928, \$4,838,652.

A tariff on forks, hoes, and rakes would be directly contrary to the purposes of the present tariff revision. It has been stated that Congress at this time proposes to aid the agricultural industry by affording it proper protection from competing products and also to protect these domestic industries which have suffered during the past years from foreign competition.

The proposed tariff on forks, hoes, and rakes would be directly contrary to these intents. Not only would there be an increase in the cost to the farmer for the tools with which he earns a livelihood, but said increase would be entirely for the benefit of an industry which is now in a prosperous condition and which meets with practically no foreign competition.

Duties assessed on agricultural implements are reflected in the prices charged to the farmer by domestic manufacturers, so that the effect of the proviso to paragraph 1604 of H. R. 2667 and the inclusion of forks, hoes, and rakes in paragraph 373, and clippers, pruning and sheep shears in paragraph 357, and also the enumeration in paragraph 355 of hay knives and similar knives and forks, will be to increase the cost to the farmer of these enumerated farming implements.

The United States Customs Court held in protest No. 131503-G, T. D. 41945 that cutters or plates used exclusively in power-driven sheep-shearing machines

were dutiable under paragraph 357 of the tariff act of 1922, at 20 cents each and 45 per cent ad valorem. The record in that case shows that the plates or cutters were imported for use in a sheep-shearing machine manufactured in the United States; that the particular importation of cutters cost \$1,026 (foreign market value); and that the duty assessed under the decision of the court amounted to \$1,811.70, or nearly \$800 more than the foreign selling price of the cutters in question.

The production of wool should not be handicapped by excessive costs of the necessary implements, and these implements, which are essentially agricultural implements, should not be removed from the free list.

Our interest in all this matter is that we do a general line of hardware business. Certain of the agricultural implements which we have referred to, viz, forks, hoes, and rakes, have been imported by us to a very limited extent as a supplement to our regular line. While we hope to buy wherever it is for our best interest, either from domestic or foreign manufacturers, we do not desire to see any American industry suffer. However, as an American company, we do not wish to see a tariff on these articles because we are convinced that it is not needed and would mean a virtual monopoly of the business to one or two closely related domestic manufacturers, and would raise the prices to the farmer of these articles which are necessities to him.

We therefore urge that in the reenacting of the paragraphs to which we have referred, forks, hoes, and rakes, be omitted from paragraph 373; hay knives from paragraph 355; and animal clippers, pruning and sheep shears from paragraph 357; and that the proviso "that no article specified by name in Title I shall be free of duty under this paragraph" be likewise omitted.

Respectfully submitted.

JOHANESON, WALES & SPARRE,  
By PEHR SPARRE,  
250 Park Avenue, New York City.

STATE OF NEW YORK,  
County of New York, ss:

Pehr Sparre, being duly sworn, deposes and says that he signed the attached brief in opposition to the rate of duty proposed in H. R. 2667 on certain agricultural implements; that the matter which is stated in said brief, as of his own knowledge, is true, and that which is stated on information and belief, he believes to be true.

PEHR SPARRE.

Subscribed and sworn to before me this 19th day of July, 1929.

[SEAL.]

A. V. MARSHALL, Notary Public.

Commission expires March 30, 1931.

## BLOOD ALBUMEN

[Par. 1605]

### STATEMENT OF WILLARD C. WHITE, REPRESENTING ARMOUR & CO., CHICAGO, ILL.

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. WHITE. I am vice president of Armour & Co., of Chicago.

Senator WATSON. How long have you been connected with Armour & Co?

Mr. WHITE. About 35 years.

Senator WATSON. You may make any statement you would like to make.

Mr. WHITE. With your permission I should like to submit a statement and ask permission to file a brief which will cover it in detail.

We wish to present to the committee facts showing the necessity for an import duty upon light blood albumen and dark blood albumen.

Senator WATSON. What section is that?

Senator CONNALLY. Free list.

Senator SHORTRIDGE. On what article?

Mr. WHITE. Blood albumen, a by-product of the livestock industry, made from cattle blood.

I am here as the representative of Armour & Co. to ask for a protective tariff on blood albumen, a by-product of the livestock industry, made from cattle blood. I am asking the committee for a duty of 4 cents per pound on the dark albumen and 8 cents per pound on the light or higher-priced product. This would probably afford us reasonable protection to meet the foreign competition, though 6 cents and 12 cents would stimulate the industry to a greater degree.

We have been engaged in the manufacture of this product for a period of years, but until comparatively recent date use was practically confined to that as a waterproof adhesive largely in wood lamination or veneering in airplane manufacture. The demand was not at its peak during the war period, but subsequently thereto there was a marked decrease in the demand for these purposes, with the result that departments operated at three of our major plants outside of Chicago, viz, St. Louis, Kansas City, and Omaha, were shut down and manufacturing carried on at Chicago only.

Senator WATSON. What is blood albumen?

Mr. WHITE. It is a dried product. The white blood, or green blood, as it is taken direct from the killing floor, is put into separators wherein the serum is separated from the red or blood corpuscles. The white or the serum makes the product termed in the trade light albumen. The residue or corpuscles make the dark color, or sometimes referred to as red or black albumen.

Senator WATSON. It is used for what?

Mr. WHITE. That is stated in detail in the brief, Senator.

Senator WATSON. But I just wanted you to make a statement.

Mr. WHITE. It is used by the textile manufacturers, and it is used, as I have just mentioned, in wood lamination or veneering in airplane manufacturing. It has been used recently quite extensively, and, as a matter of fact, its use is developing.

One remarkable use which has been made of it recently—and this is something which the Senator from California will be interested in—was that as a base for a poison spread because of its adhesive properties. It is not washed off of the vegetation by rain nor is it blown off.

Senator WATSON. Are there imports?

Mr. WHITE. Yes, sir.

Senator WATSON. From where?

Mr. WHITE. There has been a marked development in European manufacture in the past two years. My understanding is that there are now plants located in Hamburg, Berlin, Vienna, and at one point in Italy, although I am not just sure where, and in France and in England.

Senator WATSON. Did we begin to make it first or was it made first over there?

Mr. WHITE. I am quite sure we made it here.

Senator WATSON. And they took it up over there?

Mr. WHITE: Yes, sir; and they developed uses for it. We had formerly gone along on about a 1-line theory.

In 1922 we first began to feel the effects of European competition, which has been intensified since that time, as evidenced by the

marked increase in imports, which ranged from a total of 29,000 pounds in 1921 to 282,000 pounds in 1927. The manufacture of this product necessitates costly equipment turning out a relatively low tonnage of finished product as compared to investment in mechanical equipment, space, and selling expense.

Experimental work in laboratories, other than our own, and in manufacturing plants in the past two or three years, have strongly indicated that blood albumen is a remarkable product, adaptable to a variety of uses, and with every prospect that use will grow in channels already developed and in others now being tried out, if American manufacturers are encouraged to proceed through proper tariff protection so as to permit us to compete with the European manufacturers located in Germany, Austria, Italy, France and England, whose selling prices in the U. S. A. have been so low as to make manufacture here unprofitable. We feel that a protective tariff will warrant expansion of our manufacturing facilities to other of our major plants outside of Chicago, with the possibility that we may be able to utilize our entire production of cattle blood or a very considerable portion thereof, in the manufacture of a high grade product, increasing the value of our cattle by-products materially. The history of the packing business has shown conclusively that by-product production, and the value thereof, has been an important factor in the valuation of the live animal, and we feel that a wonderful opportunity exists to take cattle blood out of the low valuation class of by-product into a much higher-priced class and a field of unlimited possibilities of use.

Reference is made to those uses in a brief which I ask leave to file with the committee, with the request that it be made a part of the record.

To summarize, in my opinion, the manufacture of animal albumen is an infant industry with great potential value to an important department of livestock production and one that must have a protective tariff in order to survive and prosper.

Senator WATSON. Does anybody make this but Armour & Co.?

Mr. WHITE. There is but one manufacturer at the present time. I think one other firm has made three attempts over a period of years to get into the business, but for some reason or other, probably because of unsatisfactory results, did not continue. It is, as we term it in the trade, rather a tender product to make.

Senator WATSON. Is it a patented affair?

Mr. WHITE. No, sir.

Senator WATSON. Do Swift & Co. enter into it?

Mr. WHITE. I believe they have made it. That is the firm to which I referred.

Senator WATSON. How many plants have you that manufacture this particular product?

Mr. WHITE. We would be interested particularly in the development of the manufacture in probably nine of the so-called major plants. Those would be Fort Worth, St. Louis, Kansas City, St. Joseph, Omaha, St. Paul, and Chicago.

Senator WATSON. How do you measure it—in pounds?

Mr. WHITE. The finished product is sold by the pound.

Senator WATSON. How many pounds did you produce last year?

Mr. WHITE. Our production was, I think am reasonably accurate in saying, 480,000 pounds, as against an import of 282,000.

Senator WATSON. An import of 282,000 pounds?

Mr. WHITE. Yes, sir.

Senator WATSON. Is it in general use for these particular purposes of which you spoke or is it so new that it has not yet developed?

Mr. WHITE. It is comparatively new. Most of these uses have developed in the last 18 months or 2 years.

Senator SHORTRIDGE. What are those purposes?

Mr. WHITE. May I refer to my direct testimony, Senator, and I will name some of the uses. The light blood albumen is used principally in the leather industry as a glazing agent, and in the textile industry as a mordant, or adhesive, to set colors fast. Light blood albumen is also used as an adhesive in making light veneer woods and by the cork manufacturers as a binder. Experimental work is under way in the paper industry with a view to finding a use for this product in the glazing of fine writing papers and experimental work is also being done with the hope of finding a use for this product in the making of waterproof boards, in the manufacture of a light shade of buttons, for the making of plastic molding and for like purposes. In the technical field light blood albumen comes into competition with egg albumen since large quantities of egg albumen are used in the leather, bookbinding, lithographing, and engraving industries. There is also a small amount of egg albumen used in the textile field.

Dark blood albumen is used for glazing on dark colored leathers as a precipitant in clarifying tanning extracts, and as an adhesive in wood lamination, principally in aircraft manufacture, which latter use comprises the principal outlet for this product.

Senator SHORTRIDGE. So the manufacture of that article is directly related to agriculture?

Mr. WHITE. I would say so, Senator, because of its influence on the by-product of our cattle killing.

Senator CONNALLY. Do these other plants that do not make it use the blood for other purposes. Is that it?

Mr. WHITE. Yes, sir. It is used at the other plants largely dried in process and cooked.

Senator WATSON. What rate do you want on this?

Mr. WHITE. I have named in my petition 4 cents on the lower priced product and 8 cents on the higher priced product. The higher priced product sells at approximately 40 cents to 44 cents a pound, and the dark product sells at 11¼ cents to about 12 cents a pound, Chicago.

Senator CONNALLY. With these foreign manufacturers are they all side lines of the packing business, like yours, or are they separate establishments?

Mr. WHITE. I think they largely get their products from the abattoirs, the municipal abattoirs in the European countries.

Senator CONNALLY. They buy the blood, in other words?

Mr. WHITE. And then process it.

(Mr. White submitted the following brief:)

#### BRIEF OF ARMOUR & Co., CHICAGO, ILL.

We wish to present to the committee facts showing the necessity for an import duty upon light blood albumen and dark blood albumen.

These products are made from the blood of cattle. They are, therefore, agricultural products of American farms and ranches, fully entitled to tariff protection along with that now extended to like products and by-products of livestock

such as oleo oil, oleo stearin, lard, meats, extract of meat and other items. With a higher starting cost for our raw material, i. e., cattle, and higher labor and manufacturing costs, the domestic production of blood albumen is carried on at a loss. In order that American farmers and ranchers may receive satisfactory prices for cattle, the production of this important by-product of cattle slaughter must be given tariff protection along with like products and by-products of the livestock industry.

*The present tariff law and importations thereunder.*—Under schedule 7 of the existing tariff act of 1922, an import duty is provided only on "egg albumen," as follows:

"PAR. 713: \* \* \* egg albumen, frozen or otherwise prepared or preserved and not specially provided for, 6 cents per pound; \* \* \* dried egg albumen, 18 cents per pound."

By paragraph 1505 of Schedule 15, "albumen not specially provided for" is placed on the free list.

In the proposed tariff act of 1929 (H. R. 2667) the duty on "egg albumen, frozen or otherwise prepared," has been raised to 8 cents per pound; the duty on dried egg albumen remains at 18 cents per pound and all other blood albumen is on the free list as "not specially provided for." (Par. 1605.)

The present situation is, therefore, that foreign manufacturers of blood albumen may ship into this country, free of import duty, either light or dark blood albumen.

That such importations, in increasing quantities, are being made is quite evident from the following data furnished by the Department of Commerce, as to imports of blood albumen:

	Pounds.		Pounds.
1918-----	1, 378	1923-----	282, 800
1919-----	885	1924-----	131, 916
1920-----	44, 331	1925-----	148, 886
1921-----	29, 411	1926-----	273, 615
1922-----	110, 808	1927-----	281, 989

*Nature of the industry.*—Blood albumen is a dried product, made from the blood of cattle. The blood of the slaughtered animals is caught on the killing floors and taken to the separators, wherein the serum is separated from the corpuscles. The serum thus recovered is further processed by removing the fibrin and fatty substances, and is then dried. This product is commercially known as light blood albumen.

The corpuscles which remain after the serum is removed is then taken from the separators to the driers, and the resulting product is commercially known as dark blood albumen. From each 100 pounds of liquid blood there is obtained 4.25 pounds of light blood albumen and 14 pounds of soluble dried blood or dark blood albumen.

The light blood albumen is used principally in the leather industry as a glazing agent and in the textile industry as a mordant or adhesive to set colors fast. Light blood albumen is also used as an adhesive in making light veneer woods and by the cork manufacturers as a binder. Experimental work is under way in the paper industry with a view to finding a use for this product in the glazing of fine writing papers, and experimental work is also being done with the hope of finding a use for this product in the making of waterproof boards, in the manufacture of a light shade of buttons, for the making of plastic molding, and for like purposes. In the technical field light blood albumen comes in competition with egg albumen since large quantities of egg albumen are used in the leather, bookbinding, lithographing, and engraving industries. There is also a small amount of egg albumen used in the textile field.

Dark blood albumen is used for glazing on dark colored leathers, as a precipitant in clarifying tanning extracts, and as an adhesive in wood lamination, principally in aircraft manufacture, which latter use comprises the principal outlet for this product.

*Production and competition.*—Our production of light blood albumen last year amounted to approximately 50 tons. The data showing importations of blood albumen above set forth disclose that the quantity of blood albumen imported has more than doubled during the past four years. Such figures include a small quantity of soluble dried blood but the exact quantity of this product imported is not definitely known since segregation thereof is not made in the list of importations. These imports of blood albumen come principally from Austria and Germany, and a small amount from England. The Department of Commerce advises that Austria imposes an import duty on blood albumen of



14 gold crowns for 100 kilos plus 3 per cent ad valorem, and France imposes an import duty on this product of 10 francs per 100 kilos. However, all of our business on blood albumen is in the United States, since we have never been able to manufacture these products on a cost basis sufficiently low to allow of competition with foreign manufacturers. Moreover, the situation is now such that we are not able to compete on a price basis with foreign manufacturers who ship these products into this country.

*Costs and sale prices.*—Cost data carefully compiled show that light blood albumen at point of production, Chicago, costs 39.85 cents per pound, and that dark blood albumen costs 19.54 cents per pound. These costs do not include any selling expenses or freight. Assuming a sale price on light blood albumen of 40 cents per pound and on dark blood albumen of 20 cents per pound delivered New York, there must be deducted therefrom a 5 per cent sales commission to a jobber and \$1.25 per hundredweight freight to the East, which would net 36.75 cents per pound for the light and 16.75 cents per pound for the dark blood albumen.

Price quotations, extending over the past three years, from importers of blood albumen to prospective American buyers, disclose a determined effort on the part of foreign manufacturers to secure control of this business by keeping their prices below cost of production in this country. The statement has been made by representatives of such importers that they intend to secure the entire albumen business of this country within the next year. Their recent action in offering product at prices far below cost of production bear out the statement of their intention in this matter. A letter from the Metal, Ore & Chemical Co. (Ltd.), of London, under date of December 28, 1928, quotes prices per pound "c. i. f. New York and/or main Atlantic ports" as follows:

Grade:	Cents
Pale No. 1.....	32.5
Pale No. 2.....	29.3
Pale No. 3.....	24.6
Dark.....	11.0

Necessarily, we can not remain in business and meet this price competition. The present price situation, while worse than heretofore, is not of recent origin but has existed for several years. Another recent offer of product made by an importer of light blood albumen representing German manufacturers quotes a price of 34 cents per pound on light blood albumen f. o. b. New York. Another quotation from an agent of an English concern, prices per pound f. o. b. New York, is:

Light blood albumen:	Cents
No. 1.....	34.3
No. 2.....	31.3
No. 3.....	25.7
Dark blood albumen.....	10.7

We are advised that labor in Austria and Germany is employed at a rate of approximately 19 cents per hour for unskilled labor and 23½ cents per hour for skilled labor. The labor employed by us in the manufacture of blood albumen and soluble dried blood is paid on a basis of 45 to 50 cents per hour for ordinary labor. It is generally understood that not only labor costs are lower in Germany and Austria but that other manufacturing costs are likewise proportionately lower.

Unless immediate relief in the form of an import duty is approved whereby we may meet this foreign competition, the manufacture of blood albumen will be discontinued and the buyers thereof in this country will be forced to depend upon European production for their supplies. Our production thereof is gradually decreasing in volume, such production last year of light blood albumen amounting to but 50 tons against importations of over 140 tons in 1927, more than double the importations in 1924. There is ample production of blood albumen in this country to take care of all domestic consumption. Importations of foreign albumen represent nothing more than an effort of European manufacturers to dump their surplus product on this market. On January 18 we cabled our representatives in England for information as to present prices at which light albumen and dark blood albumen were offered in their territory. In reply they advised light grade No. 1 was offered at 38.4 cents per pound; grade No. 2 at 33 cents per pound, and dark blood albumen at 12 cents per pound. These prices in England on the light blood albumen are 6 cents per pound more than the prices "c. i. f. New York and/or main Atlantic ports," quoted on December 28, last by the

Metal, Ore & Chemical Co. (Ltd.), of London. The effect of this dumping of foreign albumen has demoralized values in this country and is surely destroying the domestic manufacture of blood albumen. We feel that encouragement should be given our efforts to utilize this product of livestock by a duty consistent with that imposed to protect other products of cattle such as meats, stearine, extract of meats, etc.

*Import duty recommended.*—It is recommended that the committee in order to protect the development of this industry and equalize costs of production should provide a duty of at least 8 cents per pound on light blood albumen and at least 4 cents per pound on dark blood albumen. We suggest there be added to paragraph 705 of Schedule No. 7, relating to agricultural products and provisions, the following:

“Light blood albumen, 8 cents per pound; dark blood albumen, 4 cents per pound.”

Respectfully submitted.

ARMOUR & Co.,  
By WILLARD C. WHITE.

### STATEMENT OF JOSEPH MORNINGSTAR, REPRESENTING JOSEPH MORNINGSTAR & CO., NEW YORK CITY

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. MORNINGSTAR. I came here to talk about blood albumen, which is on the free list.

Blood albumen is made by the separation of the albuminous serum in cattle blood. The blood is allowed to coagulate, the serum rising to the top, and being separated and dried. In America this is done by a centrifugal process. In Austria, where the great bulk of the imports of blood albumen originate, it is done by the hand method, that is, allowing it to settle and dry in little pans. That really accounts for the great difference in quality.

Imported albumen has always been sold at a premium in the United States because of this.

The sole producer of blood albumen in the United States is Armour & Co., and we have time and again, in competition with this concern, sold the Austrian albumen at a premium over the domestic price. Armour & Co. is now asking for a tariff of 8 cents a pound on the light blood albumen and 4 cents a pound on the black blood albumen. This would virtually amount to an embargo.

It hardly needs any evidence to prove that Armour & Co., with its enormous supply of cattle blood available, needs no protection against the few tons of blood albumen which are imported annually into the United States. The quantity is so small that the Department of Commerce, in its yearbook, does not make a separate category for this material.

In this respect, let me point out that blood albumen should not be confused with egg albumen, as the two are not comparative in any way.

The average kill of cattle in the city of Vienna, where all the Austrian albumen originates, does not exceed 3,000 head a week, whereas the figures for slaughtered cattle in Federally-inspected abattoirs in the United States is in excess of 9,500,000 head for the year. In other words, if Armour & Co. secured its fair share of this business, its own kill of cattle is far in excess of the entire kill in the city of Vienna.

Senator SMOOT. You want it to remain on the free list.

Mr. MORNINGSTAR. I do, sir. It has always been on the free list.

Senator REED. Have we had any testimony from Armour & Co.?

Mr. MORNINGSTAR. Not before this committee.

Senator SMOOT. They were briefs filed in the House; but nobody has appeared here.

Mr. MORNINGSTAR. No.

Senator SMOOT. I do not think we need to take much time on that.

Senator REED. I want to ask you a question or two about arrow-root. Do you import the root, or the starch?

Mr. MORNINGSTAR. The starch.

Senator REED. Where do you get it—St. Vincent?

Mr. MORNINGSTAR. Entirely.

Senator REED. What do you pay for it?

Mr. MORNINGSTAR. Our average cost to-day, duty paid, is 7.75, landed in New York.

Senator REED. Seven and three-quarters cents a pound?

Mr. MORNINGSTAR. Yes.

Senator REED. Do you wholesale it, to druggists?

Mr. MORNINGSTAR. We do, sir.

Senator REED. At what price, approximately?

Mr. MORNINGSTAR. The prices vary on different qualities, Senator—I should say anywhere from 9 to 27 cents a pound, in bulk.

Senator REED. The druggists put it up in packages and sell it for about a dollar a pound.

Mr. MORNINGSTAR. More than that. When the druggists sell it, they sell it, I think, for 10 cents an ounce.

Senator REED. And you import it at  $7\frac{3}{4}$  cents a pound?

Mr. MORNINGSTAR. That is right.

Senator REED. If we were to take the duty off that, would that probably be reflected in the price to the consumer?

Mr. MORNINGSTAR. No, sir. I claim that as arrowroot is not in competition with any other starch on the market, the present tariff of a cent a pound, or the proposed tariff in the House bill of  $1\frac{1}{2}$  cents a pound, is simply a nuisance tax. It does not protect anybody. The amount of revenue raised is so negligible that it does not amount to anything.

Last year I think there were only one and a quarter million pounds. At a cent a pound it represented about \$12,000 revenue for the Government, and the House bill proposes to raise that to \$18,000. In other words, it is not competitive in any way.

Senator REED. Who pays the \$18,000—you or the wholesale druggist?

Mr. MORNINGSTAR. Of course, we pay it and pass it on.

Senator REED. But it comes out of the wholesale druggist, does it not?

Mr. MORNINGSTAR. Yes; or the biscuit manufacturer. It has been recommended all over the country by the medical profession as one of the first solid foods for infants, and I believe it would be a great help there. In other words, if we could reduce the price of arrow-root to the manufacturers of biscuits, the bakers, and people like that it would tend to increase the consumption.

Senator KING. Why do you not sell directly to the people to whom you have just referred, instead of to the druggists?

Mr. MORNINGSTAR. We are not equipped to distribute packages, Senator. That takes an organization, and more than one product of

that nature. To-day it is absolutely out of the question for us to attempt that, in competition with the chain grocery stores and such organizations.

We have noticed this, Senator Reed. There have been times of scarcity of arrowroot, and we have had to sell our arrowroot as high as 15 cents a pound to the bakers and factory people. We have noticed that their consumption goes up only when the price of arrowroot goes down.

**STATEMENT OF F. E. MOLLIN, DENVER, COLO., REPRESENTING THE AMERICAN NATIONAL LIVESTOCK ASSOCIATION**

Mr. MOLLIN. A matter of direct interest to the beef-cattle industry is albumin. It is made entirely from the blood of cattle, and there is at present only one packing plant in this country that produces it. The others who did manufacture it have given up the fight in an unprotected market. It has many uses, and it would seem proper that a duty be allowed. Otherwise, the industry might be discontinued entirely. We would like to see the fullest possible use made of every by-product.

Senator SHORTRIDGE. It is on the free list now?

Mr. MOLLIN. Yes, sir; it is on the free list now.

Senator SHORTRIDGE. What rates do you ask there?

Mr. MOLLIN. Eight cents on light-blood albumin and 4 cents on the dark.

Senator CONNALLY. That is what the packer asked the other day, is it not?

Mr. MOLLIN. I think so.

Senator SHORTRIDGE. Yes; I think it is.

Mr. MOLLIN. It is a packing house by-product, the same as oleo oil and oleo stearin, on the dutiable list now. Our only interest is to see that the fullest possible use is made of these products.

**ARSENIOUS ACID OR WHITE ARSENIC**

[Par. 1614]

**BRIEF OF THE JARDINE MINING CO. AND OTHER PRODUCERS OF WHITE ARSENIC**

The Jardine Mining Co. and other producers of white arsenic urge that arsenious acid, or white arsenic, be taken from the free list, paragraph 1614, and placed on the dutiable list and a duty of two cents a pound be imposed.

Also that sulphide of arsenic be taken from the free list, paragraph 1613, and placed on the dutiable list, and a duty of two cents a pound be imposed on the arsenic content thereof figured in terms of arsenious acid or white arsenic.

In support of their request the following facts are set forth.

White arsenic is used largely in the manufacture of glass, paints, arsenical insecticides and fungicides, weed killers, and smaller amounts in other industries. There is consumed annually in the United States about 23,000 tons, approximately one half of which is imported free of duty. In 1927 and 1928 the following amounts were imported from the countries named:

	1927	1928
Mexico.....	Tons 9,374	Tons 8,136
Canada.....	1,847	1,650
Japan.....	1,080	1,260
Germany.....	17	60
Belgium.....	198	8
Other countries.....	17	37
Total.....	12,533	11,151
United States production.....	11,560	11,834

Imports during the first five months of 1929 amounted to 5,330 tons compared with 4,832 tons for the corresponding period of 1928.

No detailed cost figures were presented to the Ways and Means Committee and the Jardine Mining Co. now offers the following statement of costs based on the production of more than 7,000,000 pounds of white arsenic at its plant at Jardine, Mont.

*Costs per pound of producing white arsenic*

	Cents
Proportion of mining costs.....	2.576
Proportion of milling costs.....	.037
Proportion of overhead costs.....	1.173
Labor in arsenic plant.....	1.072
Supplies.....	1.105
Trucking arsenic to railroad.....	.143
Freight to destination.....	.087
Cash discount and other charges.....	.033
Marketing costs.....	1.110
<b>Total costs.....</b>	<b>7.595</b>

Cost figures furnished by other producers are as follows:

	Cents per pound
Anaconda Copper Mining Co., Anaconda, Mont.....	6.351
Toulson Arsenic Co., Toulson, Nev.....	7.260
Keystone Arsenic Co., Keystone, S. Dak.....	6.659

A vice president of the American Smelting & Refining Co. in 1922 stated that it is not until the price reaches 6 or 7 cents a pound that arsenic can be recovered at a profit, but their brief recently filed with the Ways and Means Committee states there is a reasonable profit in its production at approximately the present price of arsenic (4 cents a pound). This discrepancy is due to the custom of arsenic producers of charging a large proportion of their arsenic costs, such as mining, milling, and overhead to other products.

Comparing upon and coolie wages with wages here, inland and ocean freight rates of foreign producers with railway freight rates in the United States, and construction and other foreign costs with ours, it is evident that foreign arsenic costs must be much less than in the United States.

As white arsenic is imported in large quantity when the price here is less than 3 cents a pound, foreign costs must be much below that figure, and it is safe to assume that it can be laid down in this country at probably 2 cents a pound.

Commencing in 1901, production of arsenic in the United States increased until in 1922, 80.3 per cent of the total consumed was from domestic production. Since 1923 imports of foreign arsenic have increased and now only 50 per cent is produced here. With plenty of arsenical ores in the United States there is no excuse for this condition, but it can not be changed in face of competition with cheap foreign labor and other costs unless protection is granted.

The gain to labor and industry by producing here the 50 per cent that is now imported would be in excess of \$1,000,000, and in the production of the arsenic there would be a gain to the country in gold, silver, and other metals of at least \$10,000,000, so that the total gain would be \$11,000,000, which means employment to 5,000 or 6,000 men, and with dependents would support 25,000 people. A large portion of this gain would reach the farmer,

either for his products or directly paid to him for work performed for the mining companies.

There are many deposits of arsenical ores in this country capable of producing sufficient white arsenic for all present and future needs. The United States Geological Survey lists 19 States in which they occur and production has already been made from nine of them, but as a result of importations of low-priced foreign arsenic all independent producers have been forced to close their plants and the industry is practically dead.

In 1925 the arsenic plant of the American Smelting & Refining Co. at San Luis Potosi, Mexico, was put in operation and importations from that country increased from 1,900 tons a year to 9,374 tons in 1927, 8,136 tons in 1928, and for the first five months of 1929 at the rate of nearly 10,000 tons a year. In 1927 Mexico furnished 75 per cent of all the arsenic imported, and in 1928, 73 per cent, nearly all of which came from the plant of the American Smelting & Refining Co. It is plain why this company has been so active in opposing a duty on white arsenic.

While a duty of 2 cents a pound would not build up the arsenic industry as should be done, it would tend to stimulate production by assuring domestic producers an outlet for their arsenic at not less than 4 cents, and would protect them from the dumping of foreign arsenic on the American market. In 1926, when the market was demoralized and the price 2.9 cents a pound, Mexican arsenic continued to be imported and sold to the exclusion of domestic production.

Conditions in the industry have entirely changed since the tariff act of 1922. Consumption of white arsenic in this country has more than doubled and the increased amount has been supplied by foreign producers whose imports have increased 1,000 per cent. Production costs have remained stationary while prices have declined from 7½ cents a pound in 1922 to 2.9 cents in 1926, and an average price for the past three years of 3½ cents.

It is vitally important to the United States that its large arsenical deposits be developed and made available to meet present and future demand. While there is sufficient arsenic to meet the present demand, it is from a limited and precarious source, and any suspension or curtailment of operations by one or two of the few producing companies would cause a scarcity of arsenic that would send the price to high levels. This has happened in the past and will surely happen again if conditions are not changed.

With the imposition of a 2-cent duty, the price of arsenic would be raised little if any, and there should not be any increased cost to agriculturists. In asking for a 2-cent duty our purpose is not to raise the price but to prevent the dumping and selling of arsenic in this country at prices that preclude the sale of domestic arsenic.

H. C. BACORN,  
*General Manager, Jardine Mining Co., Jardine, Mont.*

JULY 12, 1929.

STATE OF MONTANA,  
*County of Park, ss:*

H. C. Bacorn, being duly sworn, says that he is the general manager of the Jardine Mining Co.; that he has read the foregoing brief of the Jardine Mining Co. and knows the contents thereof; that the same is true of his own knowledge except as to those matters therein stated on information and belief, and as to those matters he believes them to be true.

H. C. BACORN.

Subscribed and sworn to before me this 12th day of July, 1929.

[SEAL.]

M. E. SHERLOCK, *Notary Public.*

My commission expires July 13, 1931.

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## AMERICAN GOODS RETURNED FROM ABROAD

[Par. 1615]

STATEMENT OF DUANE HALL, NEW YORK CITY, REPRESENTING  
THE TEXTILE BAG MANUFACTURERS' ASSOCIATION

[Jute bags]

(The witness was duly sworn by the chairman of the subcommittee.)

Senator BINGHAM. Mr. Hall, you wish to be heard in regard to paragraph 1615?

Mr. HALL. Yes, sir.

Senator GEORGE. What is that, Mr. Hall?

Mr. HALL. That is with reference to the reimportation of jute bags that may come back to this country filled with some foreign product. You will find that on page 121 of the House bill, (H. R. 2667).

Senator BINGHAM. That is on page 285 of the print of the bill before us. You are referring to the phrase, "but the exemption of bags from duty shall apply only to such domestic bags as may be imported by the exporter thereof"?

Mr. HALL. Yes, sir. The way that paragraph reads now it discriminates against American bag manufacturers in the export of those bags, and attached to our brief you will find two suggestions, indicating the way in which we would like to have that paragraph read.

We also think that perhaps it would simplify matters if we take that paragraph, 1615, just as it is, and make this addition to it:

And provided still further that this paragraph shall not prevent bags when used as containers of imported merchandise from coming in free of duty as containers, even though they may have been manufactured or produced in the United States and drawback paid upon them when exported.

To explain this situation a little bit, it is like this: When the burlap comes into this country it pays a duty of 1 cent per pound, and our Government, in order to foster and encourage our foreign trade relations, when we take that burlap and convert it into bags and export it, gives us what is called a drawback, which we get from the Government. In other words, the duty is paid back to us.

That duty that is paid back to us, in order to compete with foreign bag manufacturers in Canada, Europe, and elsewhere, we deduct the drawback paid to us from the price we quote to the customer.

On bags going to Chile, and used for nitrates, the duty amounts to about \$7 per thousand bags. In making our quotation to the customer, we give the customer the benefit of this drawback to put us on an even keel with the foreign manufacturers.

For instance, if a man in Chile wanted to buy jute bags in Canada, he has no duty added to the cost of his bags there, because Canada does not place any duty on burlap coming into Canada from India, because it comes from another British possession in that case.

So, for us to be on an even basis with our Canadian friends or our European friends, the Government allows this drawback, which we give to the customer.

According to that paragraph, if a shipper of nitrates in Chile should send some of his nitrates back to this country, which they are now doing, in a bag bought of us, when the nitrate landed here our Government would then charge a reimport duty on the bags because the drawback was paid to us.

Senator GEORGE. Is that true if this nitrate is on the free list?

Mr. HALL. I have no idea whether nitrate is paying a duty.

Senator GEORGE. Nitrate of soda does not pay any duty; it is on the free list. Would they collect a duty on the bags or the containers?

Mr. HALL. On the containers, according to this paragraph, and that is what we are trying to rectify.

The shipper of nitrates from Chile, if he buys his bags in Canada or in Europe, when those bags came into this country carrying that nitrate, there would be no duty on them.

Senator GEORGE. Why not?

Mr. HALL. Because they did not come from this country. They would simply come in as the containers of the nitrate.

But, on the other hand, if the nitrate came into this country in bags of our manufacture there would be a duty on them because the Government had paid us the drawback when the bags were exported. So you can see how the United States bag manufacturer would be discriminated against in favor of European or Canadian manufacturers.

Senator SACKETT. It seems to me that these duties ought to be put on the bags from other countries the same as on ours.

Senator Bingham. He is referring to bags made in America.

Senator SACKETT. I know; if they are exported there is a rebate, and they are subject to a reimport duty. The bags that come from other countries are containers, and on everything that is shipped from abroad a value is placed not only upon the article but the container as well. If you buy a trunk and ship anything home in it, you have to pay on the trunk. It seems to me we ought to arrange some way to pay the duty upon the containers that come in there.

Senator GEORGE. If you make them out of cotton, you would not have to pay any import duty then.

Mr. HALL. I wish to say we did make up some shipments of our special bags and sent them to Chile, made out of cotton, but unfortunately they would not answer the requirements of the trade. They were too expensive and they would not stand the wear and tear to which they are subjected. So we had to go back to jute bags.

Senator SIMMONS. You send them jute bags to put the nitrate in?

Mr. HALL. Yes, Senator. When we sell them jute bags down there in competition with the European and Canadian manufacturers, we get this drawback from the Government, which is a refund of the duties paid on the cloth when it comes in as cloth, and it is deducted in our selling cost to the user of the bags. We do that in the case of those bags that we sell them because the Government pays us back a drawback. Then when the nitrate comes in the Government says, "You can not bring those bags in unless you pay a duty on them." But when the shipper bought his bags in Canada or in Europe, he would not have any duty to pay on them.

Senator GEORGE. I do not understand that. The Canadian bags are dutiable, are they not?

Mr. HALL. I beg pardon?

Senator GEORGE. Burlap bags coming in from Canada or Europe would be subject to duty?



Mr. HALL. As empty bags, yes, sir.

Senator GEORGE. As empty bags they would be?

Mr. HALL. As empty bags they would be, yes. But we are not discussing the subject of empty bags.

Senator BINGHAM. But if the nitrate comes in a bag of Canadian manufacture there is no duty paid on the bag?

Mr. HALL. In that case there is no duty paid on the bag, but if the bag comes into this country filled with nitrate, a bag that we furnished, and on which we collected a drawback from the Government when those bags were exported to Chile, then there is a duty paid.

Senator SIMMONS. Where is the section in this bill that makes that monstrous discrimination? That ought to be stricken out.

Senator BINGHAM. Where is that provision in the bill? I can not find it.

Mr. HALL. It is right here [indicating].

Senator SACKETT. In section 1615?

Mr. HALL. Yes, sir.

Senator BINGHAM. It is the proviso near the end, on page 286, line 14, reading as follows:

*Provided, That this paragraph shall not apply to any article upon which an allowance or drawback has been made, the reimportation of which is hereby prohibited except upon payment of duties equal to the drawbacks allowed.*

Senator GEORGE. If you struck that out, it would be all right, would it not?

Mr. HALL. If you strike that out it will make everything clear and satisfactory to us.

Senator SIMMONS. If we allow that drawback by the Government it is because it is in the interest of trade?

Mr. HALL. That is it exactly.

Senator SIMMONS. Now, you have exercised your right, the Government has accomplished its purpose, and that burlag ought to be a free article of commerce?

Mr. HALL. Absolutely, Senator.

Senator SIMMONS. Without any discrimination against it?

Mr. HALL. Right.

Senator GEORGE. Otherwise, you have a sales resistance in a neutral market that you can not overcome?

Mr. HALL. Absolutely, Senator.

Senator SACKETT. Why should not this same duty apply to the containers coming in from other countries?

Senator BINGHAM. As I understand it, there is no duty on containers that bring in duty-free goods.

Senator SIMMONS. I think not; you would complicate the situation.

Senator BINGHAM. As the situation now stands, you are at a disadvantage with foreign manufacturers of bags in attempting to sell bags to foreign shippers of such articles as nitrates?

Mr. HALL. That is it. It would be the same in the case of anything else if it came back to this country.

(Mr. Hall submitted the following brief:)

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

GENTLEMEN: A meeting of the tariff committee of the Textile Bag Manufacturers Association of the United States was held at New York on July 5 to consider paragraph 1514, tariff act 1922, H. R. 2667, paragraph 1615.

The membership of the above-mentioned association together with the location of their various plants are shown on Exhibit A herewith.

The tariff committee of the association is made up as per Exhibit B.

At the meeting referred to, this committee prepared a brief, Exhibit C, a copy of which has been mailed to every member of your committee, and two further copies have been mailed to the clerk of your committee. Two additional copies are tendered herewith.

All of which is respectfully submitted.

Yours truly,

DUANE HALL,

*Secretary of the Tariff Committee of the Textile Bag  
Manufacturers Association of the United States of America.*

(Room 1822, 250 West Fifty-seventh Street, New York City.)

#### EXHIBIT A

#### Members of the Textile Bag Manufacturers Association of the United States of America

	Location of factories
Ames, Harris, Neville Co.....	San Francisco, Calif.; Portland, Oreg.
Arkell and Smiths.....	Canajoharie, N. Y.
Bemis Bros. Bag Co.....	St. Louis, Mo.; Seattle, Wash.; San Francisco, Calif.; Omaha, Nebr.; New Orleans, La.; Minneapolis, Minn.; Kansas City, Mo.; Indianapolis, Ind.; Memphis, Tenn.; Houston, Tex.; Buffalo, N. Y.; Brooklyn, N. Y.; Wichita, Kans.; Ware Shoals, S. C.; Peoria, Ill.
Chase Bag Co.....	St. Louis, Mo.; Minneapolis, Minn.; Memphis, Tenn.; Dallas, Tex.; Buffalo, N. Y.; Kansas City, Mo.; New Orleans, La.; Toledo, Ohio; Milwaukee, Wis.
Central Bag & Burlap Co.....	Chicago, Ill.
Crystal Springs Bleachery Co.....	Chickamauga, Ga.
Fulton Bag & Cotton Mills.....	Atlanta, Ga.; St. Louis, Mo.; Brooklyn, N. Y.; New Orleans, La.; Minneapolis, Minn.; Dallas, Tex.; Kansas City, Mo.
Hutchinson Bag Co.....	Hutchinson, Kans.
John C. Griffin Co.....	Baltimore, Md.
Millhiser Bag Co.....	Richmond, Va.
M. J. Neahr & Co.....	Chicago, Ill.
Percy Kent Bag Co.....	Buffalo, N. Y.; Kansas City, Mo.; Norfolk, Va.
Philadelphia Bag Co.....	Philadelphia, Pa.
Richardson-Garrett Bag Co.....	Jersey City, N. J.
Sterling Bag Co.....	Brooklyn, N. Y.
Werthan-Morgan-Hamilton Bag Co.....	Nashville, Tenn.; New Orleans, La.

Respectfully submitted by Duane Hall, secretary of the Tariff Committee of the Textile Bag Manufacturers Association of the United States of America, room 1822, 250 West Fifty-seventh Street, New York City.

#### EXHIBIT B

Members of the tariff committee appointed by the Textile Bag Manufacturers Association of the United States of America. Mr. L. W. Harris, chairman, vice president Ames-Harris-Neville Co., San Francisco, Calif.; Mr. Duane Hall, secretary, secretary Chase Bag Co. (Inc.), New York City; Mr. Adolph Elsas, vice president Fulton Bag & Cotton Mills, Brooklyn, N. Y.; Mr. F. M. Ewer, treasurer Bemis Bro. Bag Co., Boston, Mass.

Respectfully submitted by Duane Hall, secretary, room 1822, 250 West Fifty-seventh Street, New York City.

## EXHIBIT C-1

BRIEF OF THE TARIFF COMMITTEE OF THE TEXTILE BAG MANUFACTURERS ASSOCIATION OF THE UNITED STATES TO THE FINANCE COMMITTEE OF THE SENATE, WASHINGTON, D. C.

1. *Paragraphs in which interested.*—Paragraph 1514, tariff act 1922; H. R. 2667, paragraph 1615.

2. *Importance of industry.*—According to figures received from the Bureau of Census for 1927 there are 181 establishments actually engaged in the manufacture of bags other than paper, and located in the following States: New York, 33; Illinois, 16; Missouri, 12; Pennsylvania, 12; Ohio, 11; Texas, 9; Virginia, 9; California, 8; New Jersey, 7; Louisiana, 6; Maryland, 6; Tennessee, 6; 19 other States, 41; total, 181.

3. There is approximately \$70,000,000 of capital invested in the textile bag manufacturing industry.

4. The industry gives employment to approximately 11,000 people.

5. The annual wages are approximately \$9,500,000.

6. The combined volume of business is about \$163,000,000.

7. The textile bag manufacturers are very large manufacturers of jute bags.

8. There are approximately 350,000,000 jute bags manufactured annually in the United States.

9. Jute cloth for bags, otherwise known as burlaps, is not manufactured in the United States. It is imported, mostly from India, England, Germany, Belgium, Holland, Italy, and other countries of Europe.

10. The present rate of duty on jute cloth is 1 cent per pound, specific.

11. We attach copy of letter addressed to Hon. Willis C. Hawley, chairman Committee on Ways and Means, addressed to him March 22, 1929, by Bemis Bros. Bag Co., wherein a change is requested in paragraph 1514 but none were made for paragraph 1615, H. R. 2667, is practically the same as in the act of 1922.

BEMIS BROS. BAG Co.,  
Boston, Mass., March 22, 1929.

Hon. WILLIS C. HAWLEY,  
*Chairman Committee on Ways and Means,*  
Washington, D. C.

(Paragraph 1514 of the tariff act of 1922)

DEAR SIR: In so far as this paragraph applies to bags, and condensing it in a few words, it reads practically as follows:

"Bags manufactured in the United States which are exported empty, and then returned as containers of foreign products, come in free provided no allowance for drawback was made when exported empty, in which event, however, they would be dutiable to the extent of the drawback paid upon them when exported."

We find nevertheless that this provision under paragraph 1514 is contained in almost identical language in the tariff acts of 1897-1909 and 1913, although burlaps out of which jute bags are manufactured in the United States were free under the act of 1913.

This provision discriminates against bags manufactured in the United States in favor of foreign-made bags, and we question whether it was the real intent of Congress to impose these restrictions upon American manufacturers.

One example of this is American-made bags for a binder twine plant located in Canada. The binder twine comes into the United States free of duty, but if the bags are of American manufacture they are subject to duty to the extent of the drawback that was paid upon them at the time they were exported empty to Canada, whereas if this twine is imported from Canada in Canadian-made bags, the bags are not then dutiable.

We will appreciate it if your committee will consider this feature when the free list is having attention in the new tariff bill under consideration.

We are not making any suggestion as to how to change the phraseology in paragraph 1514 to cover this point, inasmuch as this paragraph is already more or less complicated so far as it refers to bags.

We would further mention that since early in 1928 there has been no duty on burlaps in Canada when imported directly from India or other British possessions.

Yours truly,

BEMIS BROS. BAG Co.

## EXHIBIT C-2

It is clear that bags manufactured in the United States are discriminated against in favor of foreign-made bags because of the fact that foreign-made bags used as containers for merchandise or produce imported into the United States come in duty free, whereas if the bags were exported from the United States and drawback paid, these bags containing similar merchandise or produce imported into the United States would then be subject, as containers, to United States duties to the extent of the drawback refunded on them when exported.

In so far as this paragraph applies to bats, and condensing it in a few words, it reads practically as follows:

"Bags manufactured in the United States which are exported empty, and then returned as containers of foreign products, come in free provided no allowance for drawback was made when exported empty, in which event however, they would be dutiable to the extent of the drawback paid upon them when exported."

This provision discriminates against bags manufactured in the United States in favor of foreign-made bags, and we question whether it was the real intent of Congress to impose these restrictions upon American manufacturers.

Attached we offer two suggestions regarding changes we desire made in the present reading of paragraph 1514, the adoption of either by your committee being acceptable to us.

All of which is respectfully submitted.

Yours truly,

DUANE HALL,

*Secretary of the Tariff Committee of the  
Textile Bag Manufacturers Association of the United States.*

(Room 1822, 250 West Fifty-seventh Street, New York City).

## SUGGESTED CHANGE, PARAGRAPH 1514

PAR. 1514. Articles the growth, produce, or manufacture of the United States, when returned after having been exported, without having been advanced in value or improved in condition by any process of manufacture or other means if imported by or for the account of the person who exported them from the United States; steel boxes, casks, barrels, carboys, bags, and other containers, or coverings of American manufacture exported filled with American products, including shooks and staves when returned as barrels or boxes; also quicksilver flasks or bottles, iron or steel drums of either domestic or foreign manufacture, used for the shipment of acids, or other chemicals, which shall have been actually exported from the United States; but proof of the identity of such articles shall be made, under general regulations to be prescribed by the Secretary of the Treasury, but the exemption of empty bags from duty shall apply only to such domestic bags as may be imported by the exporter thereof, and if any such articles are subject to internal-revenue tax at the time of exportation, such tax shall be proved to have been paid before exportation and not refunded; photographic dry plates and films of American manufacture (except moving-picture films) exposed abroad, whether developed or not, and photographic films light struck or otherwise damaged, or worn out, so as to be unsuitable for any other purpose than the recovery of the constituent materials, provided the basic films are of American manufacture, but proof of the identity of such articles shall be made under general regulations to be prescribed by the Secretary of the Treasury; articles exported from the United States for repairs may be returned upon payment of a duty upon the value of the repairs at the rate at which the article itself would be subject if imported, under conditions and regulations to be prescribed by the Secretary of the Treasury: *Provided*, That this paragraph shall not apply to any article upon which an allowance of drawback has been made, the reimposition of which is hereby prohibited except upon payment of duties equal to the drawbacks allowed, except bags when used as containers for other imports; or to any article manufactured in bonded warehouse and exported under any provision of law: *Provided further*, That when manufactured tobacco which has been exported without payment of internal-revenue tax shall be reimposed it shall be retained in the custody of the collector of customs until internal-revenue stamps in payment of the legal duties shall be placed thereon: *And provided further*, That the provisions of this paragraph shall not apply to animals made dutiable under provisions of paragraph 1506.

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**STATEMENT OF T. M. RUSSELL, REPRESENTING RUSSELL MANUFACTURING CO., MIDDLETON, CONN.**

[Brake lining]

(The witness was duly sworn by the chairman of the committee.)

Senator BINGHAM. Whom do you represent?

Mr. RUSSELL. Russell Manufacturing Co., of Middletown, Conn.

Senator WALSH of Massachusetts. He just wants to file a brief.

What is it about, Mr. Russell?

Mr. RUSSELL. It asks for the amendment of paragraph 1615.

Senator SMOOT. 1615?

Mr. RUSSELL. Yes; as to articles exported from the United States for repairs and articles partly manufactured in the United States.

We request a modification of that so that there will be no duty on that part of the article which was exported and returned into the United States, provided the repairs or additions do not exceed 50 per cent.

I would like to file this brief, and with it a sample of brake lining, as an illustration.

Senator SMOOT. They may be filed.

(Mr. Russell submitted the following brief:)

**BRIEF OF THE RUSSELL MANUFACTURING CO., MIDDLETOWN, CONN.**

Hon. REED SMOOT,

*Chairman and Members of the Senate Finance Committee.*

GENTLEMEN: My name is T. M. Russell. I am president of and appear before you to represent the Russell Manufacturing Co., of Middletown, Conn., engaged in the manufacture of asbestos brake lining for automobiles. Our main plant is located at Middletown, and we also own and operate a branch finishing plant of equal capacity at St. Johns, Province of Quebec.

Under paragraph 1514 of the present tariff act articles exported from the United States for repairs may be returned upon payment of a duty upon the value of the repairs at the rate at which the article itself would be subject if imported, under conditions and regulations to be prescribed by the Secretary of the Treasury.

We understand it is the practice of the department to restrict the application of this provision of the law to cases where the value of the repairs does not exceed the total value of the article.

The same provision, without change, is carried into paragraph 1615 of H. R. 2667, at page 286, lines 10 to 14, inclusive, thereof.

There is, however, no such provision in favor of articles partly manufactured in the United States, of domestic material, when sent abroad for processing or finishing and subsequent return to this country without having entered into the commerce of the foreign country to any further extent than a partial manufacturing or finishing process. Under the current tariff act and, we understand, under all previous tariff acts such articles upon their return to the United States are and have been assessed for duty on their total value, regardless of whether their value was increased 1 per cent or 100 per cent in the foreign country.

We have the honor to request, therefore, for economic reasons hereinafter shown, and which are believed to be in the interests of both American industry and American labor, that paragraph 1615, H. R. 2667, be amended by striking out the provision therein relating to articles sent abroad for repairs (p. 286, lines 10 to 14) and substituting in lieu thereof language as follows:

"articles exported from the United States for repairs and articles partly manufactured in the United States and sent abroad for additional processing, manufacturing or finishing, may be returned upon payment of a duty upon the value of the repairs or the value of the additional processing, manufacturing or finishing at the rate at which the article itself would be subject if imported, provided the value of

such repairs or the value of such additional processing, manufacturing or finishing shall not exceed 50 per cent. of the total value of the article returned, all under conditions and regulations to be prescribed by the Secretary of the Treasury."

The purpose and effect of this proposed amendment, if adopted, is and will be to make such reimported articles subject to duty only upon the value added abroad, and to leave that part of the article exported from the United States free of duty upon reimportation, under the conditions specified.

All our brake lining or tape is woven at the Middletown plant and part of this is shipped to the Canadian plant where it is finished and sold through the Canadian and certain export markets.

Our equipment at our main plant is ample for weaving all material which can be processed and finished at both the main plant and the Canadian plant. Production from this weaving equipment is flexible and can be increased or reduced in large or small amounts as may be necessary. The production of material from the finishing equipment is almost a fixed quantity and can not be economically reduced or increased because the character of the equipment is such as to require fixed hourly production without stops or interruptions for continuous 24 hour runs.

The requirements of our business in the United States are now somewhat in excess of the possible production of our present equipment at our main plant but not sufficient to warrant the installation of duplicate equipment. This duplicate equipment would be materially in excess of our requirements and would entail an increase in both overhead charges and operating expense which would be prohibitive for the relatively small increase in production over and above our present capacity which we now require.

Could we ship an additional amount of untreated material to our Canadian plant, process it there and return it to the United States, paying duty only on the added value given it in Canada, we could dispose of it in the United States at a price which would not show us a loss, although the profit would be materially less than we would derive from the product entirely manufactured and processed at our main plant.

We can not carry out this program under the tariff law as now written, because the 30 per cent duty on the whole value of the material returned to the United States would bring our costs considerably above the market price.

Unless this relief is granted us we will have to restrict our manufacture of asbestos tape to the quantity which we can process and finish at our main plant plus what we ship to the Canadian plant upon which the demands are not sufficient to warrant full-time operation.

If we do get this relief we can immediately increase production in our weaving department and increase our sales in the United States and also reduce the cost of manufacture in our Canadian plant through the increased production which they will achieve.

Three-fourths to four-fifths of the value of finished brake lining is in the asbestos tape as we manufacture it at the main plant and one-fourth to one-fifth is in the processing as done at the main plant or the Canadian plant, the value varying somewhat with the character and sizes of the lining.

The labor cost of weaving is approximately 50 per cent of the cost of the raw tape, whereas the labor cost of treating represents only 10 per cent. This would figure out approximately as follows: \$100,000 of raw material manufactured in this country, of which \$50,000 would be for labor and the other \$50,000 for material and overhead; \$25,000 for treatment and finishing, of which \$2,500 would be for labor and \$22,500 for material and overhead.

Under the present law, if we exported this \$100,000 worth of tape to Canada and added \$25,000 of value there and reimported it at 30 per cent duty it would cost us \$162,500 as against our main plant cost of \$125,000, which is a prohibitive duty. Under our proposed plan, we would export the \$100,000 worth of tape and add the \$25,000 of value in Canada and reimport it, paying a duty of 30 per cent of the \$25,000 added value only, which would give it a cost of \$132,500, which would be safely over our own manufactured cost, but still within a range where we could sell it without loss, and the cost would be less to us than if we installed duplicate equipment at our main plant and could not operate it at full capacity. No. 1501, House sundry schedule, 40 per cent proposed instead of 30 per cent, No. 1401, Senate.

The labor part works out roughly that we would be enabled to pay \$50,000 for additional labor in the United States by paying \$2,500 to Canadian labor, but that if we can not be granted relief from paying duty on the full value we simply have to forego this increased production or spend a large amount of money for additional equipment and then produce at higher cost and part-time production which is equally unsatisfactory to both employer and employee.

Our expectation is that this business will grow if given the opportunity, so that we can materially increase our weaving production where labor is the chief component part of the cost, and ultimately this increase will warrant increased finishing facilities at our main plant. Without the relief which we seek, we anticipate being confronted with a serious problem in our manufacturing costs if we attempt to take care of the increased volume of business which is coming to us.

We believe that there are a few other industries in the United States which might find it desirable from an economical standpoint, and in cases of emergency similar to the conditions existing in our own plant, to perform a small portion of their manufacturing or finishing processes abroad, possibly for the most part in Canada, because of the additional expense of shipping to Europe for that purpose, and which probably would utilize such a provision of the law as we are urging herein to facilitate operations and also in the interest of both labor and capital, as shown above in our particular case.

It has come to our attention that information has been developed at the hearings before this committee indicating a tendency on the part of a few manufacturers in certain industries to transfer their entire manufacturing operations abroad. It is readily understandable why such procedure might well be carried out by manufacturers under the present state of the law, for the reason that they are required to pay no more duty upon the completed article manufactured in its entirety abroad than they are required to pay at the present time when any portion thereof whether great or small is of American production.

We have no knowledge of any particular industry engaged in such a practice. If the same be true, however, we believe that the tendency in that direction would be materially checked, at least the necessity therefor entirely obviated, by the enactment of the proposed amendment.

All of which is respectfully submitted.

RUSSELL MANUFACTURING CO.  
By T. M. RUSSELL, *President*.

Subscribed and sworn to before me this 18th day of July, A. D. 1929.

[SEAL.]

CHARLES J. CRUMP, *Notary Public*.

My commission expires January 28, 1933.

### BRIEF OF HON. DUNCAN U. FLETCHER, UNITED STATES SENATOR FROM THE STATE OF FLORIDA

Amendment intended to be proposed by Mr. Fletcher to the bill (H. R. 2667) to provide revenue, to regulate commerce with foreign countries, to encourage the industries of the United States, to protect American labor, and for other purposes, viz:

On page 216, line 2, insert the following after "United States;": "*Provided*, That articles the growth, produce, or manufacture of the United States, when returned after having been exported, advanced in value or improved in condition by any process of manufacture or other means, if imported by or for the account of the person who exported them from the United States, shall be dutiable only on the advanced value or improved condition after deducting the value of the articles the growth, produce, or manufacture of the United States, under such regulations as the Secretary of the Treasury may prescribe;".

The reasons for this amendment are as follows:

It is understood that this paragraph 1514 of the tariff act of 1922 now appears as paragraph 1615 of the proposed new act, and that there is no provision in the new act to assist the American producer in marketing his goods abroad against the goods from other countries even when such goods of American origin are returned to America.

It is submitted that with the increasing duties there should be some inducement held out to the foreign customer to purchase American products raw or partly manufactured and when returned to America at least to allow the American part of the product to come in free.

Unless something along these lines is done why may not the foreign manufacturer of certain cotton goods purchase the cotton elsewhere than America, but with this slight concession he is induced to favor the American cotton, and makes his product not only for the American market, but for elsewhere as well. More American cotton is taken, and this is true of other American products as well.

Regulations by the Treasury Department can be made to follow the American product when intended for return.

## BRIEF OF THE NATIONAL COUNCIL OF AMERICAN IMPORTERS AND TRADERS (INC.)

Hon. REED SMOOT,

*Chairman Committee on Finance, Washington, D. C.:*

We believe that articles of growth, produce, or manufacture of the United States, when returned to this country, after being exported without having been advanced in value or improved in condition by any process of manufacture or other means, should be entitled to free entry, irrespective of whether or not such articles are brought back to the United States by or for the account of the person who exported them from this country.

This provision, limiting free entry of American goods to such as were brought back to this country by the person who exported them, was inserted in the act of 1922 for a special reason. Immense quantities of American goods, which constituted part of the supplies for the American expeditionary forces, were sold at very low prices abroad by our Government at the close of the war. It was to prevent the return of these articles, without the payment of duty, by persons who might acquire them abroad, at nominal prices, and their introduction into the commerce of the United States at prices far below the selling prices of the domestic manufacturers who had originally produced the articles in question, that the restrictive provision was inserted in the act of 1922.

The necessity for such a provision is now past, and it is submitted that an article which is of American manufacture, and which has been sold abroad at what the exporter believed to be a fair price, should not be assessed with duty upon its return to this country for any cause, whether such return be by the party who originally exported it or by anyone who may have acquired ownership.

It is, therefore, requested that the following words be omitted from paragraph 1615 (lines 1 and 2, page 216, H. R. 2607): "If imported by or for the account of the person who exported them from the United States."

Respectfully,

NATIONAL COUNCIL OF AMERICAN IMPORTERS AND TRADERS (INC.),  
 PETER FLETCHER, *President*.  
 FRANK VAN LEEB, Jr., *Executive Secretary*.  
 O. GIX, *Member Customs Commission*.

NEW YORK, N. Y., July 12, 1929.

Sworn to before me, July 15, 1929.

CARL W. STEVENS,  
*Notary Public*.

## WASTE BAGGING

[Par. 1617]

### BRIEF OF AMERICAN MANUFACTURERS OF HIGH GRADE JUTE PAPERS

Senator WALSH of Massachusetts. Mr. Chairman, Mr. Dean Wheatley, of Boston, Mass., is present representing the Warren Manufacturing Co., of New York City; the Hollingsworth & Vose Co., of Boston, Mass.; the American Writing Paper Co., of Holyoke, Mass.; the Adams Bag Co., of Chagrin Falls, Ohio; the Ashuelot Paper Co., of Hinsdale, N. H.; the Coy Paper Co., of Claremont, N. H.; and the Baeder-Adamson Co., of Philadelphia, Pa., all of whom are in opposition to any change in the present law contained in paragraphs 1516, 1582, and 1651 (act of 1922).

These companies very strongly urge that waste bagging, waste sugar sack cloth, and jute butts remain on the free list. All these commodities are used in the manufacture of high grade jute paper which is one of the most important paper commodities being produced by them.

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They state that there is no satisfactory substitute for jute fiber in the manufacture of these particular papers and that the major portion of waste jute is imported. To make these waste products dutiable would be ruinous to this important industry.

These companies employ more than 3,950 persons and together they have a capital investment of more than \$27,500,000, with approximate annual gross sales totaling \$28,300,000.

I request in their behalf that they be permitted to file a brief as they are desirous of saving the time of the committee and simply wish to call our attention to their plight should legislation be enacted without proper consideration of the high grade jute paper manufacturers.

The CHAIRMAN. He may do so.

(Mr. Wheatley subsequently submitted the following brief:)

**BRIEF OF AMERICAN MANUFACTURERS OF HIGH-GRADE JUTE PAPER**

**COMMITTEE ON FINANCE OF UNITED STATES SENATE:**

This brief is being submitted in the interest of the undersigned companies who represent an important part of the high-grade jute paper manufacturers in this country. These companies have a combined invested capital in excess of \$27,500,000, their gross sales total in excess of \$28,300,000, and they employ more than 3,950 people.

The paragraphs above specified are important to them in so far as they relate to waste bagging, waste sugar sack cloth, and jute butts.

We ask that these materials remain on the free list for the following reasons:

First. There is no other fiber known which will satisfactorily replace jute in the particular papers in which it is now used.

Second. Any increased cost imposed upon these waste materials would completely destroy this important industry.

Third. These are waste materials and have served their primary purposes.

We therefore submit that, regardless of what legislation be enacted in the interest of the cotton farmer, that our position may be fully protected without affecting in any way any other American industry if an exception of our case be made and waste bagging, waste sugar sack cloth, and jute butts be allowed to remain on the free list as heretofore for conversion into paper only.

A detailed brief filed before the Ways and Means Committee of the House of Representatives appears in their records, page 9140, volume 15, Schedule 15, of Tariff Readjustment, 1929.

Respectfully submitted.

The Warren Manufacturing Co., New York City; The Hollingsworth & Vose Co., Boston, Mass.; American Writing Paper Co., Holyoke, Mass.; Adams Bag Co., Chagrin Falls, Ohio; The Ashuelot Paper Co., Hinsdale, N. H.; The Coy Paper Co., Claremont, N. H.; Baeder-Adamson Co., Philadelphia, Pa.

**BANANAS**

[Par. 1618]

**STATEMENT OF C. E. DURST, CHICAGO, ILL., REPRESENTING THE NATIONAL HORTICULTURAL COUNCIL**

Mr. DURST. Gentlemen, just briefly with reference to this banana question; that is a very serious question to the fruit growers of the United States. Attempts have been made to place it in the class of a joke, but it certainly is not a joke with the growers in this country.

I want you to consider, just briefly, the returns that some of these fruit growers are getting. One of the best cost accounting studies that has ever been made of the fruit industry has been made by Cor-

nell University. New York is one of our leading fruit States. The number of farms studied has varied from 81 to 202 in the different years. The average investment per farm has been \$16,968. After allowing the owner \$299 per year for his management and labor there was an average return of \$408.94, making a total income of \$707.94. No allowance was made for the work of the other members of the family. That means that the growers have been receiving for their management and labor \$299 a year, or a total of \$707 a year with which to rear a family and pay the interest, taxes, repairs, and upkeep.

In California, according to the crop yields of the Department of Agriculture, the deciduous fruit growers of that State lost \$15,439,-141.80 in 1927 and \$20,184,484 in 1928. Those are just two instances. I could give you a number of others of similar effect.

The wastage in the fruit industry in normal crop seasons is very great.

Senator BARKLEY. What part of that loss do you charge to bananas?

Mr. DURST. We believe a very large part of it is due to the banana importations.

Senator BARKLEY. Is there any way to estimate the amount of it?

Mr. DURST. You could compare the imports and the displacements of American fruits by imports.

Senator BARKLEY. Is there any way to predict how many apples a man would eat if he could not get bananas?

Mr. DURST. I did not hear you?

Senator BARKLEY. Is there any way to predict how many apples a man would eat if he could not get bananas?

Mr. DURST. I do not think there is any way directly to predict that; but in the advertising and publicity used in connection with bananas, the banana has been promoted as a fruit.

Senator BARKLEY. Is it a comparable fruit?

Mr. DURST. It is a fruit.

Senator BARKLEY. Is it a comparable fruit, I said, with any fruit produced in this country?

Mr. DURST. The claim is made that it is; but it is not.

Senator BARKLEY. It is really not a comparable fruit.

Mr. DURST. No, sir; it is not a fruit that is equal to the American fruits in health value or food value either.

Senator BINGHAM. Are you speaking under oath now?

Mr. DURST. Yes, sir.

Senator BINGHAM. You say it is not comparable in food value with any American fruit?

Mr. DURST. I will have to qualify that. Some fruits will furnish calory value cheaper than bananas.

Senator BINGHAM. You did not say anything about the costs.

Mr. DURST. What is that?

Senator BINGHAM. You did not say anything about the cost.

Mr. DURST. Well, it was a play on words.

Senator BINGHAM. I just thought you did not want to let the record stand that way.

Mr. DURST. Thank you very much.

Senator SHORTRIDGE. I would like to make the observation that witnesses are sworn, but necessarily, they address themselves to facts as they understand them, and then we invite their expression of opinion. The witness, I take it, has the liberty of expressing his opinion without running counter to his oath.

Senator BINGHAM. I did not know that he expressed his opinion. He stated, Mr. Chairman, that the banana was inferior in food value to American fruits.

Mr. DURST. It is.

Senator BINGHAM. I did not think that he wanted that to stand in that form, because if it is true I would like to know it; but that is not my personal opinion. However, that is neither here nor there.

Mr. DURST. Generally speaking, in comparison with American fruits, that would be true; but if you want to consider calory value alone, you can buy calory value a little cheaper in bananas than in some American fruits, but not in all of them.

Senator WALSH. Can we not do something to expedite these hearings?

The CHAIRMAN. I am doing everything I can to expedite them.

Senator SHORTRIDGE. You are right; they should be expedited.

Mr. DURST. We think that the conditions in the fruit industry are due very largely to the imports of bananas. The bananas are grown under low standards, tropical conditions, labor is very cheap, and the production conditions in general are very cheap. Naturally, the bananas grown under those conditions force American fruit growers, and farmers, and laborers in general—or tend to—down to the same level of conditions.

The CHAIRMAN. Mr. Durst, you are going into a long paper on the banana question, and re-covering the matter you presented before the House committee. I would not repeat it; it is there; it has already been stated; and it has been printed. It does not add any weight to take the time of this whole committee here to listen to a thing when we have already got the record of it before us.

Senator WALSH. There are many others on the calendar who want to be heard.

Mr. DURST. With your permission, then, I will withdraw. I will ask that you give the most serious consideration to the brief I have presented before the House and to the brief that we would like to present here with your permission. Thank you.

(Mr. Durst submitted the following brief:)

**BRIEF OF CHARLES E. DURST, SECRETARY, NATIONAL HORTICULTURAL COUNCIL  
AND EDITOR OF FRUITS AND GARDENS**

Our organization represents 45 horticultural societies and cooperative associations scattered over the entire country. We believe it is the largest unit that has ever represented the horticultural interests before a committee of Congress. The list of representation is given at the close of this brief.

During the last five years there has been much discussion about the conditions among general farmers, but not so much has been said about the conditions in the fruit industry. Perhaps the opinion may prevail among some people that there is no economic problem in the fruit industry. Let us examine the facts briefly.

**ECONOMIC CONDITIONS IN THE FRUIT INDUSTRY**

New York is one of our leading fruit States. The Department of Farm Economics of Cornell University is one of the best of its kind in the country. Drs. G. F. Warren and F. A. Pearson of that department have been studying conditions for many years on large numbers of fruit farms in Niagara County, N. Y. The number of farms has varied from 81 to 202 in the different years. The average investment per farm has been \$16,968. After allowing the owner \$299 per year for his management and labor, there was an average return of

\$408.94, making a total income of \$707.94. No payment was allowed for the work of the other members of the family. Such returns are entirely inadequate for maintaining a family and for paying interest, taxes, repairs and upkeep. This country has no right to ask its fruit growers, who represent one of the most highly specialized branches of agriculture, to exist under such conditions.

Washington is another important fruit State. A summary of a survey made by the agricultural experiment station of that State not long ago shows that returns of Washington fruit growers are below the cost of production in many seasons, that properties are deteriorating through lack of proper care, that many banks are unwilling to assist in further financing, and that sales of orchard lands are practically at a standstill.

An analysis of the fruit industry in California shows that deciduous fruit growers of that State lost \$15,439,141.80 in 1927 and \$20,184,484 in 1928. These figures are based on the crop yields reported by the State department of agriculture and upon very reasonable cost of production figures. For instance, only \$14 was allowed per acre for interest, and since the average investment in orchards is considerably in excess of \$500 per acre in California, it can be seen that very reasonable figures were employed in computing these results.

A special report of the New York College of Agriculture shows that between 1922 and 1926, growers in Niagara County, N. Y., on Dunkirk soils made 6 cents per bushel on apples and that growers on Clyde soils lost 4 cents per bushel. These figures do not include costs of packages, storage, or commission. Allowing for these expenses, the growers on both types of soil suffered losses.

The market News Service of the United States Department of Agriculture, in a publication entitled "The Pacific Northwest Apple Deal of 1925-26," shows that growers in the Wenatchee district of Washington suffered an average loss of 11.8 cents per bushel in 1925. The average loss on apples between 1912-1925 in the Wenatchee-Okanogan district was 23 cents per bushel.

These results and others which might be given should convince anyone that conditions in the fruit industry are serious. The depression in this industry did not come as quickly after the war as in general farming. However, the depression had to come and is now in full force the same as in general farming.

#### EFFECT OF THE ECONOMIC CONDITIONS

The economic conditions above mentioned are having a pronounced effect on the industry as a whole. The apple is the leading American fruit and is recognized generally by medical authorities as one of the most healthful fruits in existence. The number of apple trees in the country has been declining steadily during the last 30 years, both bearing and nonbearing. Peach trees declined in number between 1909-1919 but increased slightly between 1919-1924. In the latter case, the number per capita showed no gain. Prof. T. H. McHatton, head of the Department of Horticulture in the Georgia State College of Agriculture, stated in a speech last winter that 700,000 peach trees were removed in Georgia in 1927-28 and that probably 500,000 more would be taken out in the winter of 1928-1929. Large acreages of grapes are going out of production in California. The acreage in the Great Lakes region appears to be decreasing.

The Yearbook of the Department of Agriculture states that the following amounts of grapes remained unharvested for lack of a market in California: In 1925, 138,000 tons; in 1926, 15,000 tons; and in 1927, 142,000 tons. Losses have also been occurring in other States. The agricultural Yearbook for 1927 shows that 1,462,000 bushels of peaches were unharvested in six Eastern States for lack of a market in 1926 and that 2,708,000 bushels were not harvested in California in 1927. Large losses also take place frequently in strawberries, apples, and other fruits.

The conditions are having an effect in decreasing the per capita consumption of American fruits. Apple consumption has declined about 34 pounds per capita or about 32 per cent in the last two years. Peach production has declined about 2½ pounds or 10 per cent since 1928. Pears have increased about 3¼ pounds per capita since 1908. Grapes declined in per capita production between 1909-1919, but since 1919 have shown a gain of about 3 pounds per capita due to the increased demand for juices. Raisin and currant consumption have increased a little over a pound per capita since 1909. Lemon and cranberry consumption, notwithstanding extensive advertising and publicity, have remained practically stationary in per capita consumption. Only oranges of our leading fruits have shown any consistent increase in consumption. Their consumption increased about 13 pounds per capita between 1900 and 1925. This increase is due to large organizations which have exercised strong control over the product.

## THE FRUIT INDUSTRY

There are about 3,000,000 people involved as owners and regular workmen in the fruit industry of this country. Probably another million are engaged in handling the product. There are about 6,000,000 acres of fruit in the country. The average investment ranges from about \$500 to \$1,900 per acre. The investments in orchards are at least \$3,000,000,000 and the investments in improvements and equipment are easily \$2,000,000,000 more. The fruit farms of the country have been built up through long years of patient work and great financial risk. They have been developed in the expectation that the returns would justify the labor and investments. Unless Congress applies the principles of our protective tariff system to the fruit industry, the conditions can not be materially improved, in our opinion.

## CAUSE OF THE DEPRESSION

We believe that the large and steadily increasing imports of duty-free bananas are responsible for the greater part of the depression in the fruit industry. If bananas came into the country under conditions that gave American growers a fair competitive opportunity under our protective tariff system, no complaint could be made, but they do not come into the country under these conditions. They come in without a cent of duty. Fresh bananas are the only fruit in the world that is allowed to come into our ports without duty. Even dried bananas and banana flour pay duty. The absence of a duty on bananas, coupled with the tremendous size and the rapid increases of the imports, are compelling American fruit growers to compete directly with the low-grade peon labor and the cheap production conditions in Central America and the West Indies.

## IMPORTS OF BANANAS

The banana imports in the United States have developed very largely in the last 30 years. In 1898, about 12,680,000 bunches were imported. In 1929, 64,298,000 bunches were imported. The increases have averaged about 8 to 10 per cent a year in the last four or five years.

The imports of bananas now exceed the carlot shipments of each of our native fruits. As Americans, we have often pointed with pride to the apple as the "King of American fruits." That expression is not true any more. The banana is the king of American fruits. We have allowed this foreign fruit, grown by some of the lowest-grade labor and under the cheapest production conditions in the world, to come into our country duty free and take the leading position away from one of our own fruits. The imports of bananas in 1927 amounted to about 138,858 cars. The carlot shipments of apples were 102,517 cars in 1927, and the average shipments for the 10 years 1918 to 1927 were 107,154 cars. Under present conditions, these figures will rapidly be widened in favor of the banana.

## BANANAS CREATE A SERIOUS SURPLUS PROBLEM

The banana is a direct competitor of all fruits grown in the United States. The car-lot shipments of all fresh and dried fruits during the eight years, 1920 to 1927, were 2,964,058 cars and the shipments of bananas were 878,262 cars. The banana imports during this period were equal to 29.2 per cent of our total car-lot shipments of all fresh and dried fruits. I am sure the committee members will realize what a surplus of this kind means to the industry, especially when the surplus is allowed to come into the country duty free from countries of low-grade labor and cheap production conditions.

The seriousness of the banana imports from the surplus standpoint is further shown by a comparison of imports and exports of fruit. The imports of bananas were 2,050,471,250 pounds in 1927, while the imports of all other fruits totaled only 48,051,119 pounds. The fresh banana imports alone constituted 92½ per cent of the total imports of fruit. The imports of bananas alone exceeded our total exports of all fruits by 1,060,777,613 pounds.

It is thus clear that were it not for the imports of bananas, we would have an export balance in the fruit industry. We are being forced into an export position in the American fruit industry in order to make a place for the imports of bananas. There would be no surplus problem in the American fruit industry were it not for the banana imports.

We do not mean to suggest by this that Congress should apply a prohibitive tariff to bananas. We realize that some people want bananas and we do not wish to refuse the product to them. However, we feel that the product should come into the country under conditions that give American growers a fair opportunity under our protective tariff system. If tariff is right for other groups of people, we believe it is right for the fruit growers of America also. It the people of the United States are to be asked to pay tariffs on other articles, we believe it fair to ask them to pay a tariff on imported fruits also.

#### THE BANANA AS A FRUIT

The opposition to a duty on bananas has been of peculiar nature. No member of the banana industry appeared in person before the Ways and Means Committee of the House to give the committee an opportunity to ask questions. Two short briefs were presented, but these were not accompanied by personal appearances of the authors. In contrast to this, the organizations favoring a tariff on bananas had their representatives appear before the Ways and Means Committee and they are now appearing before this committee.

No attempt is being made by the opposition to meet the situation on the basis of fact. They are basing their entire case on sentiment and prejudice. They can not meet the issue on the basis of fact.

The claim is being made that the banana is a wonderful fruit and that it would be detrimental to the American people to place a duty on it. This contention is not borne out by the facts. Numerous medical authorities have expressed doubt as to the health value of bananas and many of them have emphasized that bananas are fit for consumption only when fully ripe.

Even the publicity used in connection with bananas almost invariably modifies the claim that the banana is a valuable food by adding the words "when fully ripe." Apparently, these qualifications are made to prevent possible criticism. By fully ripe is meant when the bananas are showing brown spots on the skin. Few people wait until they reach this stage. This means that practically all the bananas are eaten before they reach the proper stage for consumption.

The following statements are taken from a health course recently published by Dr. Dwight I. Roush of the Roush Sanitarium, Springfield, Ohio:

"The banana, unlike other fruits, should be used very sparingly, if used at all. In the tropics where it ripens on the plant, it is a wholesome food. But to be used in this country, it must be cut very green before the tannic acid returns to the plant. This fact, together with its unnatural ripening, renders our banana unwholesome as a food. At its best, it contains less than half of the mineral elements and vitamins of the strawberry.

"If eaten at all, the entire meal should be made of bananas, for they do not combine well with any other food. When eaten, they should be so ripe that they are brown, or speckled with brown, and yet solid. They should never be eaten between meals.

"The banana is one food that can not be recommended for this purpose. It contains too much starch and sugar, and these are of inferior quality."

Some authorities are reluctant to recommend bananas to children. Bananas have a constipating effect on some people and a laxative effect on others. Bananas contain relatively small quantities of fruit juice. They are not particularly good sources of vitamins. They are rated as a "good" source of vitamin C only and this vitamin is one of the most common of the vitamins. Some of our American fruits are richer in all three of vitamins A, B, and C than fresh bananas, and many are richer in vitamins A and B.

#### THE BANANA AS A FOOD

The advertising and publicity used in connection with bananas have also given the impression to American people that the banana is a valuable and a cheap food. The facts do not bear out this contention. It is true that bananas quoted at 25 to 35 cents per dozen or 8 to 10 cents per pound sound cheap, but a comparison of values shows otherwise. Our people have been led to think they are getting a good and a cheap food in the banana, but they are not.

In the first place, the large wastage in bananas must be taken into account. The skins constitute 35 per cent of the weight. No American fruit shows such large wastage. Lemons show 30 per cent; oranges, 27 per cent; apples 25 per cent; and other American fruits less.

In comparing foods, the basis most commonly used is calor'ic value. Other factors must be considered, especially in comparing fruits. As already indicated, such a comparison shows American fruits to be superior. The accompanying table shows the number of calories which can be purchased for 5 cents in bananas and in a large number of common American foods. The prices used were obtained from the reports of the Bureau of Labor Statistics in so far as these were available. Prices for the remaining commodities were obtained from the Superintendent of Center Market, Washington, D. C. The analyses are based on the figures in Chemistry of Foods and Nutrition, by H. C. Sherman, 1928.

TABLE 1. *Calories purchasable for 5 cents in bananas and in common American foods*

Product (as purchased)	Retail price per pound (cents)	Calories in 1 pound	Calories purchasable for 5 cents
Bananas.....	8.3	290	175
Bread, white.....	9.0	1,182	657
Flour, wheat.....	5.1	1,640	1,608
Cornmeal.....	5.3	1,620	1,529
Rolled oats.....	8.9	1,850	1,039
Rice.....	9.9	1,591	804
Milk, whole.....	7.1	314	221
Butter.....	59.3	3,491	205
Lard.....	18.7	4,080	1,491
Sugar.....	6.7	1,815	1,355
Potatoes, white.....	2.2	392	697
Potatoes, Sweet.....	8.3	447	269
Onions.....	7.1	199	140
Cabbage.....	4.7	121	129
Beans, dried.....	12.8	1,565	611
Apples.....	7.5	214	142
Cherries.....	10.0	337	169
Grapes.....	8.3	323	193
Pears.....	10.0	256	128
Prunes, fresh.....	10.0	335	163
Prunes, dried.....	14.1	1,160	412
Raisins.....	11.8	1,407	596

This table shows that only 175 calories can be purchased in bananas for 5 cents. Several times this quantity can be purchased in flour, cornmeal, oatmeal, lard, sugar, etc. A number of fruits will furnish calor'ic value cheaper than bananas and all of them are practically as cheap from the standpoint of calor'ic value.

With energy and heat values being purchasable in many American foods at lower cost than in bananas, and with various fruits and vegetables offering greater values from a health standpoint, there is no foundation for the theory that bananas are a cheap food. People who need to economize can purchase their food much more cheaply in other products if they desire. People who seek health should use American fruits. The bananas is a plain ordinary carbohydrate food. It has a pleasant taste to many people, but from the standpoint of food value, it is in about the same class as the potato. It is a fat producing and a heat producing product. Carbohydrates are the most common food nutrient, and as a people we are now consuming more carbohydrates in proportion to other food nutrients than we should for our best health.

The placing of a duty on bananas would not be a detriment to our people from any standpoint. A duty would encourage greater consumption of American foods and fruits and this would be an advantage to the people from the standpoint of both health and economy.

#### BANANAS ARE DIRECTLY COMPETITIVE WITH OTHER FRUITS

The claim is being made that bananas do not compete with American fruits, that when people want bananas they do not want other fruits, and that the use of bananas does not decrease the use of American fruits. This contention also is not borne out by the facts.

In recent years, much stress has been placed by medical authorities and dieticians on the vitamin value of foods. Fruits are regarded as particularly valuable from this standpoint and also because of their fruit juices and their effect in

creating an alkaline reserve in the body. The advertising and publicity used in connection with bananas have emphasized the banana as a fruit and have given the impression that the banana is a superior fruit. As an example, many of the banana cars carry the phrase "Bananas, the food fruit" in bold letters.

Such methods of advertising and publicity have caused many people to regard the banana as a valuable fruit and to believe that it takes the place of other fruits. Most people feel that they ought to eat some fruit every day. When they eat bananas, they feel this need has been supplied, and they decrease the consumption of American fruits in corresponding quantities.

When people eat bananas for breakfast, they do not eat other fruits. When they eat bananas for dessert, they do not eat strawberries, oranges, cherries, raspberries, or apple pie. When a mother gives her child a banana during its play, she does not give it a peach or an apple.

People are not eating more than they formerly did, according to the dieticians. In fact, they are eating less; especially is this true of women. The human stomach holds about a quart. When it is partly filled by bananas, this space will not be filled by other foods or fruits.

As already stated, the imports of bananas in 1898 were about 12,690,000 bunches, and in 1928, 62,298,000 bunches. Thus, the imports of bananas have increased about 500 per cent in the last 30 years. In that same time, our population increased only about 60 per cent. There can be no question but that other foods and fruits are being displaced by bananas.

Bananas are displayed for sale everywhere. In the fruit stands and stores they are offered to the public directly in competition with American fruits. Every time a consumer buys fruit, the question arises as to whether he shall buy bananas or American fruits.

A study of fruit consumption as a whole, including bananas, shows that people are eating about the same quantities of fruit per capita as they consumed 30 years ago. Since bananas have shown a decided increase in consumption during that time, it is quite evident that this increase has taken place at the expense of American fruits.

#### THE QUESTION OF TARIFF POLICY

The opponents to this duty raise the question of tariff policy. They claim it is against our tariff principles to place a duty on a product not grown in the United States. The argument does not fully apply to bananas, for we do grow considerable of them in our territory. We produce them in Florida, Porto Rico, Virgin Islands, Canal Zone, Hawaii, and the Philippines. According to a bulletin of the Hawaii Experiment Station, there are large possibilities for expansion of the industry in Hawaii. About 250,000 bunches are being shipped per year now from Hawaii to the United States.

Under the circumstances, we feel it is appropriate to advance the argument that a duty should be applied to encourage and protect the infant industry in these places, which argument has frequently been used by industry. A tariff on bananas would undoubtedly encourage production in our possessions. As between the two, we take the position that it is far better national policy to encourage the production of bananas in our territory by means of a tariff than to encourage it in foreign countries by absence of a tariff. Labor and production standards are higher in our own possessions than in the foreign banana producing countries and American growers would not be damaged by this production to the same extent as they are now being damaged by the banana imports.

The opponents to a tariff on bananas incorrectly assume that it is our tariff policy to admit free of duty products we do not produce. We have tariffs on numerous products we do not produce in the United States. Among these are spices, silk and silk products, cork and cork bark, Brazil nuts, coconuts, coconut oil, vanilla, cacao butter, chocolate, and many other articles. We produce pineapples in only limited quantities on the mainland of the United States and yet we have a liberal tariff on them. We grow lemons, dates, and several other products in only limited sections of the country and yet we have tariffs on them. We grow only about one-sixth of our sugar needs, but we have had a tariff on sugar for many years and are now about to increase the same.

On the other hand, we are allowing some products to enter the country free of duty which we produce in large quantities. Among these are petroleum and petroleum products, gold, silver, coal, and other commodities. We have no consistent tariff policy in regard to these matters, and we shall not be creating any new precedents or violating any established ones by placing a tariff on bananas. A tariff is needed on this product for the welfare of an important



American industry and this is the principle that the committee should bear in mind in considering this matter.

#### THE QUESTION OF SUBSTITUTE PRODUCTS

We believe that an important principle is involved in this connection from the standpoint of the national agricultural policy we are now trying to develop. In a general sense, all food products are competitive with each other, for they all supply food nutrients. These consist of proteids, carbohydrates, fats, minerals and caloric value. Appetite is simply the result of a demand of the body for food nutrients and caloric value. Taste may influence the selection of foods, but the body is not greatly concerned over what foods furnish these nutrients. The body requires rather definite amounts of nutrients and caloric value every day, and it makes no difference what foods supply them.

In a larger sense, agricultural products are competitive from the standpoint of acreage displacement. Any foreign product which comes into the country displaces a certain acreage of American products or forces the production of that acreage onto the world market. For the proper protection of American agriculture, there must be a duty on such products no matter whether they are produced in this country or not. Unless Congress takes this principle into account in the new tariff law and places appropriate duties on substitute agricultural products, the door will be left wide open for breaking down any agricultural program we may attempt to develop. If we are to develop a workable agricultural program in this country, we must not allow substitute products to come into the country free of duty.

In the past few years many substitute products have been developed. The banana imports have grown almost entirely in the last 30 years. Copra or coconut oil has developed since we placed a duty on soybean oil a few years ago. The publications of the Department of Agriculture show that there are numerous plants in foreign countries from which products can be obtained for American consumption. Rapid advancements are being made in the handling and processing of such products.

Investments of capital in foreign countries are increasing rapidly. Before the war, \$1,000,000,000 of American money was invested in Latin America. At the close of 1928, there were \$5,500,000,000 invested. This capital is developing the resources as rapidly as possible and these resources are largely agricultural in character. Every effort is made to bring them into the United States under the best tariff rates possible. If we follow the principle that there should be a duty only on products we produce in quantity, then there will be a mad scramble for the production of products we do not produce in quantities in this country. The result will be a breakdown of any agricultural program we may work out.

For the proper protection of agriculture, duties must be placed on bananas and all other substitute agricultural products, because all such products compete directly with the American products on the basis of food nutrients and acreage displacement.

#### TRADE RELATIONS WITH THE BANANA PRODUCING COUNTRIES

The nature of our trade with the banana producing countries has a relation to this matter. The export and import trade of the United States with these countries during 1925, 1926, and 1927 are shown in Table 2. These figures show that the imports as a whole exceed our exports to these countries by large margins. It is evident that even if a tariff on bananas should tend to retard shipments somewhat, there could be no material damaging effect on our export trade with these countries. In fact, the banana imports could be greatly reduced without hampering trade relations. No such trade reductions are asked by American fruit growers; they simply ask that a tariff be placed on bananas in order to give them a fair competitive opportunity.

If the imports of bananas were compensated for by increased shipments of American fruits to the banana-producing countries, no serious concern would be felt. In 1925, 1926, and 1927, the total exports of all American fruits to the banana-producing countries averaged about \$2,700,000 in value. This is a very small amount. The exports of American fruits to the banana-producing countries is less than one-tenth the value of the imports of bananas from those countries, and in addition other fruits are also imported.

It is thus clear that the increased export trade with the banana-producing countries made possible by the banana imports is not proving an advantage to

the fruit growers of America. The banana imports are damaging the fruit growers of America by increasing the supplies of fruit in this country and depressing prices in consequence. On the other hand, the benefits from the increased export trade are going to other groups in this country or to foreign countries.

TABLE 2.—Trade in fruits with banana-producing countries

Country	1925		1926		1927	
	Exports from United States	Imports to United States	Exports from United States	Imports to United States	Exports from United States	Imports to United States
Mexico.....	\$140,860,000	\$178,835,000	\$131,059,000	\$169,300,000	\$105,028,000	\$137,815,000
British Honduras.....	2,151,000	2,831,000	2,364,000	2,843,000	2,050,000	3,749,000
Costa Rica.....	6,738,000	4,702,000	6,264,000	7,053,000	7,241,000	6,035,000
Guatemala.....	9,239,000	11,538,000	10,958,000	14,491,000	10,506,000	10,179,000
Honduras.....	9,481,000	8,719,000	7,428,000	8,720,000	8,392,000	9,511,000
Nicaragua.....	7,328,000	6,188,000	6,159,000	5,076,000	6,874,000	4,227,000
Panama.....	28,023,000	6,431,000	31,704,000	5,549,000	33,816,000	5,384,000
British West Indies.....	22,942,000	18,584,000	23,855,000	22,418,000	25,449,000	22,617,000
Cuba.....	192,513,000	261,673,000	156,450,000	250,600,000	151,127,000	276,789,000
Dominican Republic.....	17,395,000	7,258,000	14,151,000	8,131,000	18,327,000	11,026,000
Colombia.....	40,470,000	63,376,000	48,495,000	60,232,000	48,058,000	87,803,000
Venezuela.....	24,987,000	19,564,000	39,500,000	23,316,000	34,537,000	28,598,000
Total.....	502,187,000	589,592,000	478,337,000	608,649,000	452,335,000	583,560,000

## ACREAGE DISPLACEMENTS OF AMERICAN PRODUCTS BY BANANAS

In view of the importance of the surplus problem in developing a solution of the agricultural problem in the United States, it is pertinent to consider the banana importations from the standpoint of acreage displacements of important American crops.

Probably the most logical basis for such comparison is the caloric basis. The accompanying table gives such a comparison. The average yields for apples, pears, and grapes are based on the 5-year average for 1923-1927. The figures of the other crops are based on the average yield of 1927. All figures are based on the reports of the United States Department of Agriculture. The figures for bananas are based on the average weight of 4.27 pounds per dozen (Phillips, *The Banana*, p. 114) and 100 bananas per bunch. The caloric values are based on Bulletin 28 of the Office of Experiment Stations.

TABLE 3.—Acreage displacements of American crops by bananas

	Yield per acre	Calories per acre	Acres displaced by banana imports
Apples:			
Total crop.....	71.0	669,980	671,000
Commercial crop.....	150.0	1,343,000	454,000
Pears.....	126.0	1,965,000	331,000
Grapes.....	6.019	3,035,730	215,000
Potatoes.....	111.4	2,133,420	305,000
Tomatoes.....	120.5	761,460	855,000
Sweet potatoes.....	93.5	2,322,540	280,000
Corn.....	28.2	2,542,512	280,000
Wheat.....	13.9	1,407,450	435,000
Oats.....	28.3	1,675,000	389,000

## PROMISE OF EXPANSION

As already stated, the banana industry has developed largely in the last 30 years and the imports have increased 8 to 10 per cent on the average in recent years. The investments of capital in tropical American countries have been growing with great rapidity. Increasing acreages have been reported from Ja-

maize, Mexico and several Central American countries. Consular reports from various countries mention the excellent opportunities for growing fruits of all kinds, including bananas, for exportation to the United States.

The reports of the banana-producing corporations show that these companies have very large acreages of unimproved land and that this is being developed rapidly. There is every indication that the banana imports will increase rapidly under present tariff conditions.

#### COSTS AND PRODUCTION CONDITIONS FOR BANANAS

We have been unable to obtain definite data in regard to the costs of producing bananas. Apparently, the land is quite cheap. The report of the United Fruit Co. for 1926 shows that this company valued its undeveloped land at \$9.54 per acre.

The land for bananas is not cleared in advance of planting as in the case of American fruits. The undergrowth of the tropical jungle is cut down but is left on the ground. Lining and staking then take place and the rhizomes or rootstocks are set in the soil. After the crop is planted, the trees are felled but are not removed. The tropical climate causes the logs to rot in a couple of years. Until the bananas reach some size, the weed growth is cut by hand labor, but the shade of the growth soon discourages weeds and undergrowth. After the logs rot, the areas are cultivated with tractors and disks. The chief item of expense is the development of sanitary conditions. These expenses compare with the building of American cities, railroads, terminal facilities, hospitals, drainage systems, etc. They should not be charged to the cost of banana growing any more than the building of a city in the United States should be charged to the cost of business operation.

Bananas come into bearing in about a year and continue to bear for about 10 years. A stalk bears one bunch of bananas, then it is cut down at the base. Sprouts from the roots develop new stalks. The banana plants require no fertilizing in most cases. Except in a few localities, no irrigation is employed. The banana is comparatively free from insects and disease, and little or no money is spent, as in the United States, on expensive spraying methods. Bananas are very productive. The production varies from 125 to 150 bunches per acre in Central America and from 200 to 250 bunches in Jamaica. A bunch weighs a little more than a bushel of apples, peaches or pears, on the average, and therefore the bushel production in the United States is a fair basis of comparison. American orchards on the average bear fewer bushels to the acre than there are bunches of bananas produced per acre in the tropics.

In growing bananas, the peon labor of the tropics is employed. This labor is extremely low grade. The peons go about with little clothing and live in small huts without windows, screens, or floors. The labor is usually obtained by the producing companies on a contract basis through local contractors.

The import value of bananas has ranged from about 30 to 50 cents per bunch in different years. According to our understanding, the bananas are often purchased from independent growers in the tropics at lower figures than this.

#### COST OF FRUIT PRODUCTION IN THE UNITED STATES

The costs of production in the United States constitute a decided contrast to the costs involved in producing bananas. The land must be cleared in advance of planting. It takes from 8 to 12 years for apples to reach bearing; 3 to 5 years for plums and peaches; 3 years for grapes; 2 years for strawberries; 2 years for cane and bush fruits; 6 to 8 years for pears, etc. Operating expenses are heavy. Most orchards must be fertilized. Irrigation is necessary in western sections. Pruning is an annual and expensive task in all tree, bush cane and fruit plantations, and expensive equipment is necessary in the handling of the products. Storage and processing are necessary for some of the American fruits.

According to a survey reported in Minnesota Experiment Station Bulletin 207, the cost of bringing an apple orchard into bearing ranges from about \$500 to \$1,925 per acre in the different sections of the country.

A survey of the peach industry made cooperatively by the Department of Agriculture and various state institutions shows that it costs from \$140 to \$333 to bring peaches to 3 years of age. The costs involved during the bearing life of peaches varies from \$1,200 to \$2,200 per acre in the different states.

The costs of producing apples in various states summarized in the following table are taken from authoritative sources:

TABLE 4.—Costs of producing apples

Section	Years in which data were secured	Number of orchards involved	Average yield per acre	Cost of production per unit
Frederick County, Va.....	1916-1920	48	Bushels 132	\$0.06
Niagara County, N. Y.:				
Dunkirk soils.....	1922-1926	75	141	.69
Clyde soils.....	1922-1926	54	99	.71
Wenatchee district, Wash.....	1925	.....	345	1.468
Minnesota.....	1916-1920	64	150	.84
West Virginia.....	1910-1912	.....	121	.42
New York.....	1910-1915	.....	252	.47
Payette Valley, Idaho.....	1910-1914	.....	337	.71
Wenatchee Valley, Wash.....	1909-1914	.....	593	.79
Yakima Valley, Wash.....	1910-1914	.....	432	.80
Western Colorado.....	1910-1914	.....	284	.84
Hood River, Oreg.....	1910-1914	.....	222	1.02

<sup>1</sup> Boxes

#### COMPARISON OF COSTS

As already stated, bananas are valued at 30 to 50 cents per bunch. This is the value at the place of shipment, according to our understanding. A bunch of bananas and a bushel of American fruits weigh practically the same. As shown in Table 4 the average cost of producing apples in the United States has ranged from about 70 cents to \$1.50 per bushel in recent years. These prices represent the cost at the orchard and not in the markets. The cost of handling and transporting American fruits is on the average considerable higher than the cost of handling and transporting bananas to American ports.

According to reports of the Department of Commerce, the banana imports in 1927 were valued at 1.1 cents per pound as compared with an average of 8 cents for all other imported fruits. In all probability the bananas did not cost over 2 cents per pound delivered to the markets. Our own fruit exports averaged 6 cents per pound at our ports. Thus, the bananas were probably delivered to our large markets at about one-third the price our fruit could be placed there. These figures show the margin of difference under which the banana-producing companies are able to operate in competition with American fruit growers. It is to be expected that they will handle this margin to protect the banana interests.

Thus, the difference in costs of placing American fruits and bananas on our eastern markets is about 4 cents per pound. We ask that the committee place a duty of 1½ cents per pound on bananas as imported. This will amount to about 75 cents per bunch. This duty will not equalize the differences in the costs of placing bananas and American fruits on our markets, but it will, nevertheless, be a decided help to American fruit growers. The amount of the duty we are asking compares very favorably with the duties which now exist or are being asked on other fruits.

#### BANANAS ATTACKED BY MEDITERRANEAN FRUIT FLY

In recent months, we have heard a great deal about the Mediterranean fruit fly in Florida. No one knows how the fruit fly entered the United States. We raise the question as to whether it may have entered in bananas. The banana is one of about 80 plants that are attacked by the fruit fly. Our imports of fruits are mainly bananas. In fact, our other fruit imports are small in comparison. We import about 26 per cent of our bananas from Jamaica, and that island is infested with the fruit fly. The fly is said not to attack bananas until they begin to ripen, but I have watched the unloading of bananas at New Orleans, our largest receiving port, and many ripe bananas are present in the bunches when they are unloaded. Even if no ripe bananas come into this country, the chances are excellent that some of the insects could be secreted in the green bunches, the same as the spider tarantula is often secreted. Such insects, ar-

ripping in a climate like that of Florida, Louisiana, or Texas, would quickly multiply.

With this situation in mind, we take the view that bananas should not only be placed under a duty, but that their importation should be positively barred from Jamaica, the Bermuda Islands, and other places infested with the fly.

Down in Florida our officials are taking no chances in their campaign to eliminate the fly. If there is any chance of a tree or a plant being a source of infestation, it comes out. This is the attitude the whole country is taking in this matter, and it is the spirit in which Congress appropriated four and a quarter million dollars to fight the fly. It is altogether inconsistent for us to impose such exacting conditions on our people in this country and then take such a big chance in allowing the fly to enter with the huge quantities of duty free bananas from Jamaica and other fly-infested countries.

#### A TARIFF ON BANANAS WILL WORK

In recent years there has been a great deal of discussion of the practicability of applying the tariff to agricultural products in the same way as applied to industrial products. I think it is generally recognized that the tariff will not work, as now applied, on products of which we produce a surplus. That is why some of our agricultural organizations have proposed the equalization fee and the debenture plan, and I presume it is the reason that the Senate favored the debenture idea in connection with the farm bill.

However, in the fruit industry we have a case in which a tariff can be made to work in the manner we have been applying it. The banana constitutes our surplus problem in the American fruit industry, as shown. Ninety-two and a half per cent of our imported fruits are bananas. The banana imports alone exceed our total exports of all fresh, dried, and canned fruits by over 1,000,000,000 pounds a year.

Therefore, if we apply a tariff to bananas and bring this product under our protective tariff system, we shall be giving American growers needed protection against the commodity which is chiefly responsible for their difficulties. Such a tariff would protect American growers against the low-grade peon labor and the cheap production conditions of the Tropics and give them a fair competitive opportunity.

Without a duty on bananas, the economic problems of the fruit industry can not be materially improved, in our opinion. Neither will it be possible to give material relief to the fruit industry by means of the farm bill or in any other way if bananas continue to come into the country duty free.

#### IN LINE WITH POLITICAL PROMISES

We believe our request for a tariff on bananas is in line with the principles of both major parties in the recent campaign. The Democratic Party repeatedly stated that the principles of the tariff should be applied to American agriculture. Various Republican leaders agreed that the tariff should be made effective for agriculture. President Hoover gave special attention to the subject in his speeches. In his acceptance speech he made the following statements:

"An adequate tariff is the foundation of farm relief. Foreign products raised under lower standards of living are to-day competing in our home markets. I would use my office to give the farmer the full benefit of our historic tariff policy."

At St. Louis he made the following statements:

"Many factors enter into a solution of this whole problem. One is by the tariff to reserve to the farmer the American market; to safeguard him from the competition of imports of farm products from countries of lower standards of living.

"Adequate tariff is essential if we would assure relief to the farm. The first and most complete necessity is that the American farmer have the American market. That can be assured to him only through the protective tariff."

There is nothing in President Hoover's statements which indicates that he is opposed to a tariff on bananas and other substitute products. We do not see how his statements can be interpreted otherwise than as being broad enough to include products like bananas. There can be no question of their coming from countries of lower living standards, and there can also be no question of their competition with American foods and fruits on the basis of food nutrients and acreage displacement. Thus, they fulfill the two requirements named by the President, and we therefore believe Congress is justified in bringing bananas under the protective tariff system.

## CONCLUSIONS

We feel that a duty of 1½ cents per pound on bananas is justified for the following reasons:

1. A duty on bananas is necessary to place the American fruit industry in a position of economic equality with other industries in this country and to protect American growers against the low-grade peon labor and cheap production conditions of the Tropics.

Fresh bananas are the only fruit in existence which are allowed to enter the country duty free. All other fruits and fruit products, including dried bananas and banana flour, pay duty.

The banana imports constitute 92½ per cent of our fruit imports and exceed our total fruit exports by over 1,000,000,000 pounds a year. The banana imports exceed our car-lot shipments of each leading American fruit. They equal 29 per cent of our car-lot shipments of all fresh and dried fruits. These conditions are forcing American growers to export steadily increasing quantities of fruits.

The money raised by a duty on bananas will reduce Federal taxation. Since most Federal taxes are raised through the income tax, city people will reap the benefits from any taxation decrease which may take place.

A duty on bananas will increase the buying power of the fruit industry, and industry and business will benefit by the same. A duty on bananas will improve conditions among American fruit growers and enable them to increase their efficiency. Thus, they will be able to create more wealth, and this will be of benefit to the entire country.

The banana is not a cheap or a valuable food or fruit. Food nutrients and caloric value can be purchased much cheaper in many American foods; even some fruits will furnish caloric value cheaper than bananas. In addition, American fruits as a class are far superior to bananas from the standpoint of vitamins, fruit juices, and general effect on health. The banana is a questionable source of food in the opinion of many medical authorities, especially in the condition in which most bananas are consumed in this country. Congress will benefit the American people both in health and pocketbook by placing a tariff on bananas, and at the same time an important American industry will be given the benefits of our protective tariff system.

## REPRESENTATION OF THE NATIONAL HORTICULTURAL COUNCIL

New York State Horticultural Society.  
 New York State Farm Bureau Federation.  
 New York State Vegetable Growers Association.  
 South Shore Cooperative Association, Silver Creek, N. Y.  
 State Horticultural Association of Pennsylvania.  
 Erie County Agricultural Extension Association, North Girard, Pa.  
 Erie County Horticultural Association, North Girard, Pa.  
 Keystone Cooperative Grape Association, North East, Pa.  
 New Jersey State Horticultural Society.  
 Peninsula Horticultural Society (of Delaware, Maryland, and Virginia).  
 Virginia State Horticultural Society.  
 Georgia Peach Growers Exchange.  
 Tennessee State Horticultural Society.  
 Kentucky State Horticultural Society.  
 Iowa State Horticultural Society.  
 Ohio State Horticultural Society.  
 Indiana State Horticultural Society.  
 Indiana Fruit Growers, (Inc.).  
 Wisconsin State Horticultural Society.  
 Illinois State Horticultural Society.  
 Illinois Fruit Growers Exchange.  
 Peoria Market Gardeners and Fruit Growers Association, Peoria, Ill.  
 Anna Growers Association, Anna, Ill.  
 Missouri State Horticultural Society.  
 Nebraska State Horticultural Society.  
 Louisiana Farm Bureau Truck Growers Association.  
 Delta Potato Growers Association, Delta, Colo.  
 Idaho State Horticultural Society.  
 Pacific Coast Horticultural Tariff Conference.  
 California Pear Growers' Association.  
 Jackson County Fruit Growers Association, Medford, Oreg.

Apple Growers Association, Hood River, Oreg.  
 Hood River Traffic Association, Hood River, Oreg.  
 Washington State Horticultural Society.  
 Yakima Fruit Growers Association.  
 Yakima Valley Traffic and Credit Association.  
 Washington Berry Growers Association.  
 Wenatchee-Okanagan Cooperative Federation.  
 Skookum Packers Association.  
 Peshastin Fruit Growers Association.  
 Cashmere Grange No. 380, Cashmere, Wash.  
 Beacon Hill Grange No. 389, Wenatchee, Wash.  
 Chelan County Pomona Grange, Chelan, Wash.  
 Individual grower members in various States.  
 Respectfully submitted.

NATIONAL HORTICULTURAL COUNCIL,  
 By CHARLES E. DURST, *Secretary*.

**BRIEF OF HENRY M. DUNLAP, SAVOY, ILL., REPRESENTING ILLINOIS STATE HORTICULTURAL SOCIETY AND THE ILLINOIS COMMERCIAL APPLE GROWERS' ASSOCIATION**

Hon. REED SMOOT, *Chairman Senate Finance Committee.*

MR. CHAIRMAN AND MEMBERS OF COMMITTEE: The fruit growers of Illinois whom I have been appointed to represent, are deeply concerned in what is taking place in Washington with reference to tariff charges on imported products affecting their interests. While tariffs imposed on all products affecting grains, livestock, etc., are of great interest to the farmer and greatly concern the future of agriculture in the United States and must be carefully considered, we as fruit growers in Illinois can not help but feel that those matters affecting horticulture may be overlooked.

While we heartily agree that an adequate protective tariff should be imposed on citrons and all other semitropical fruits, we are especially concerned in the imposition of a tariff on the banana. The banana probably will never be produced in this country successfully, and a so-called protective tariff would not increase its production here; it probably has no just claim as an "infant industry" demanding protection.

As fruit growers of the Middle West and especially those of Illinois, for whom we are authorized to speak, we are asking that a tariff of 2 cents per pound be levied on all bananas imported into this country. Bananas now admitted free come directly into competition with apples and other fruits. Grown by the cheapest labor in the world, by persons wearing neither pants, shirts, coats, shoes, nor headgear and living upon the cheapest foods of the Tropics, the product of their labor comes into direct competition with our fruit in the markets of this country which have been built up by a tariff on manufactured products which the fruit growers and farmers have had to buy.

Without paying a cent toward the expense of Government or in any way contributing to our national defense, this product, the banana, has come into this country free of duty; had the advantage of the best markets in the world, and has displaced, by the enormous amount of its importation, just that amount of American-grown fruit to the great disadvantage of the fruit-growing interests of this country.

It is a self-evident fact that when one is eating a banana he is not eating an apple or an orange. That if his system is filled upon the banana and his appetite satisfied he has no room for other fruits.

The writer can well remember when the banana was unknown in this country, and it was not until he was a grown man that he ate his first banana. Since then the banana has increased in the markets from a small beginning until finally it has come under the supervision and domination of unlimited capital and the banana at present is coming close to domination of the fruit markets.

According to the United States Government statistics, in 1927, the commercial movement of all fruits in the United States amounted to 375,409 cars, while that same year 135,576 cars of bananas were imported into the United States duty free. In 1918 there were imported into the United States 71,665 carloads of bananas, while in 1928, 10 years later, the importations had increased to 142,833 cars. The banana in 1927 equaled 36 per cent of the American fruit

production. In 1928 the importation of bananas equaled the commercial production of apples in this country.

According to medical authorities, the banana when ripe, and that is when the skin is black, is a wholesome food, but as commonly eaten, when skin is yellow, it is more or less indigestible. It is in no wise better as a food than the apple or the orange, while both the apple and orange possess other properties not possessed by the banana that are much more health conserving.

A great deal of propaganda has been given out, the origin of which can be traced to those interested in the free importation of the banana, that to impose a duty on the banana is to tax the "poor man's food." Nothing has been said about the poor fruit grower who is being put out of business by the free importation of bananas sold in competition with the fruit for which he has paid high-priced labor and bought costly chemicals and fertilizers to produce.

When it comes to a tariff on manufactured articles, or even on sugar, may I ask this committee if there is any great amount of consideration given the consumer. On a banana tariff the question hinges on whether this committee is giving the United Fruit Co., which practically controls the growing, transportation, distribution, and sale of the banana grown by the cheapest labor in the world the entrée to our markets when they can be sold just enough lower than native fruit, free of any duty, or contribution to the expense of maintaining our Government, or whether it is going to give the fruit growers of our Nation protection to which they are entitled by the imposition of a tariff duty on bananas.

The fruit growers of the Middle West have lost money during the past eight years, taken as a whole, and we attribute this to the increased importation and consequent competition of bananas during that period and the increased cost of what the fruit grower has had to buy; to the high cost of labor and to the increased number of insects and fruit diseases with which he has had to contend.

The manufacturer has his articles of manufacture protected against cheap foreign labor and sells his surplus in foreign markets at a lowered price.

The railroads are protected by high rates of transportation both in passenger and freight tariffs and were never so prosperous as now, and, if I may say it, largely at the expense of the farmers and fruit growers. I could cite you to numerous instances where the freight rates on fruits have been two-thirds the cost of the product to the consumer, in some instances the freights are prohibitive.

Labor has its protection in restricted immigration. The price of skilled labor now and the most of common labor is above what it cost during the World War.

We trust your committee will find it possible to do something at this time that will put fruit growing in Illinois, and the whole country as well on a permanent basis of propriety. We sincerely believe that a tariff of 2 cents per pound on bananas will be of more benefit to apple growers than any other tariff duty that could be imposed.

We are asking you to act favorably upon this modest request from the fruit growers of Illinois, and believe, if granted, that it will benefit all growers of fruit in the United States.

Respectfully submitted.

HENRY M. DUNLAP,  
*Chairman Legislative Committee Illinois State Horticultural Society,  
Illinois Commercial Apple Growers' Association.*

THE AMERICAN FRUIT GROWER *v.* THE BANANA

By J. E. Bergtholdt

Bananas, admitted duty free, and imported in larger volume than our domestic apple movement, are putting more fresh fruit growers on the rocks than any other competitive factor.

In 1918 there were imported 71,665 carloads of bananas; in 1928, 142,883 cars—an increase of 100 per cent within the 10-year period.

In 1927 the commercial movement of apples, oranges, grapefruit, lemons, peaches, pears, grapes, cherries, plums, and strawberries totaled 375,409 cars, while there were imported duty free 135,576 cars of bananas. Or, in other words, the banana importation for 1927 equaled 36 per cent of the American fruit production and equaled 26 per cent of the entire American fresh-fruit consumption.

The progressive encroachment of the banana upon domestic fruit production is limited only by the capacity of the American consumer to eat bananas, and to the degree that the banana consumption progressively increases, to that same degree the American fruit grower is submerged and effaced in bankruptcy.



The potential increase of banana production in the Tropics is limited only by the ability of the world to consume bananas, it being reported that but 25 per cent of the acreage that can produce bananas is now employed in their production.

Every annual increase of banana importations accomplishes the bankruptcy of thousands of American fruit growers, aside from the economic loss to the communities where they reside and operate.

This result is inevitable under the present free importation and low cost of bananas.

The banana is a staple food and wholesome, but no more so than the apple, the peach, the pear, the orange, the grape, and other standard fruit varieties.

The banana is grown by the cheapest labor on the face of the globe and in soil more fertile and under climatic and cultural conditions more favorable than any other commercial fruit.

The banana is the only commercial fruit that is harvested throughout the 12 months' period.

The banana is grown, harvested, and distributed at a lesser per unit cost than any other fruit, and as a result can be delivered at every jobbing market at from one-third to one-half the delivered cost of the home-grown fruit product.

The banana trade is principally under the control of the United Fruit Co. and the organizations that are engaged in the importation and distribution of bananas in any volume can be counted upon the fingers of your right hand.

While the loss to the American fruit grower in displaced consumption (38 per cent of the American fresh-fruit production) is enormous by comparison, yet this is a small factor compared to the total loss imposed on American producers. For in addition, there results a demoralization and depreciation of values, occasioned by the difference between the cost of American-grown fruit and the cost of the banana laid down at American tidewater.

The American producer can endure and adjust himself to the displaced consumption, but he can not endure the demoralization and depreciation of the value of his product imposed upon him by the banana.

The American fresh-fruit grower at the present moment is in poorer economic status than any other branch of agriculture. The one big cause is the banana.

On the other hand, the banana trust is making immense profits by exploiting American consumption, aided by its control of shipping engaged in the traffic to and from banana-producing countries—with resulting advantages in trade and finance.

Covering an 18-year period, the average declared valuation of bananas imported was 43.7 cents per bunch. The average declared valuation of the 1928 importation was 55 cents per bunch.

(All the calculations herein made are based on United States Department of Commerce statistics.)

The cost of transportation from the tropics to American-tidewater is 15 cents to 25 cents per bunch, or an average of 20 cents making a total cost of 75 cents per bunch at American tidewater, or \$337.50 per car.

The average cost of a carload of fruit on the rails at point of shipment to the American producer will vary as between one locality and another and one variety and another but will safely approximate \$800 per car.

The market value of the American product is not determined at point of shipment, but on nearly all perishable fruit is determined at the primary markets of New York, Boston, and Philadelphia—mainly New York, which is the recognized clearing house in the determination of fruit values for the United States and Canada.

The comparative basis of cost therefore between the banana and the home-grown fruit, must be determined by the cost of these products delivered at New York.

The cost of a car of bananas at New York for 1928 was \$337.50. The average cost at point of shipment of a car of fruit to the American producer is \$800. To this should be added transportation to New York.

As the majority of fruit consumed on New York market is from points as distant as Georgia, Florida, California, and the Pacific Northwest, it is safe to calculate that the average cost of transportation of the fruit offered for sale in the New York market from the various shipping points of the United States is \$400 per car, or a total cost to the American fruit producer of \$1,200 per car, delivered at New York.

A depreciation of \$100 to \$200 per car in the market value of any fruit at New York immediately and automatically is reflected to a like degree in the value of that product in every North American market.

The difference therefore, between the cost of a car of bananas at New York (\$337.50) as against the \$1,200 per car of the home-grown product, gives to the banana a stupendous competitive advantage that no producing or marketing ingenuity can overcome without legislative assistance. A like advantage exists throughout every market of the United States, giving to the banana a stranglehold on the American fruit market.

Added to the burdens imposed on American fruit growers, is the fact that the banana movement is heavy at the very peak of fresh-fruit marketing. During the 1928 peak movement (July and August) of the Cotton Belt peach; of strawberries from the Ozarks and Ohio River States; of the cantaloupe, peach, plum, and Bartlett pear from the Pacific coast—when every market was receiving its greatest supply of these domestic fruits—there were imported 29,486 carloads of bananas!

During this period the market value of these home-grown products was dependent on a very close balance, and was with great difficulty maintained even at cost or less than cost of production; in some instances, in fact, at less than cost of transportation.

You can readily appreciate how the daily arrival of 400 to 500 carloads of bananas at American tidewater, particularly when concentrated at the clearing-house market of New York, would demoralize and enormously depreciate the value at New York of the American product, entailing a loss upon every carload of American fruit moving in interstate commerce.

And inasmuch as the same comparison applies to the peak movement of apples, oranges, and other fruit products, the losses in value of the American production annually aggregate at least a hundred million dollars.

This unequal competitive advantage of the banana over the American grown fruit products spells "Waterloo," to the American grower.

The American producer will be the victim of this situation as long as the banana is imported free—a handicap that can not be overcome by any effort to increase his efficiency in orchard practice, to improve quality and distribution, or to organize cooperative marketing.

Will we perpetuate this condition that is wrecking the lives and fortunes of thousands of fruit growers in every horticultural State of the Union, together with the economic loss entailed upon the business, industry and finance of the commonwealths where they reside? Will we continue to sacrifice an industry which represents the very "backbone" of the Nation, to the sole profit and advantage of these limited organizations engaged in the enormously profitable banana traffic?

The American fruit grower does not oppose the importation of the banana and is willing to submit to the loss of displaced consumption that a normal importation of bananas on an even competitive basis would entail; but the American fruit grower is entitled to and asks a measure of relief from the present insurmountable competitive advantage held by the banana, that will enable him to maintain fruit values at least high enough to permit his continued existence.

A duty of 2 cents per pound on the banana would, in a measure, ameliorate the present condition and would still leave to the banana the advantage of a cost of \$787.50 per car at New York tidewater as against the American producers' cost of \$1200—a difference of \$412.50.

The cost of the 1928 importation of bananas at Atlantic tidewater was an approximate 1½ cents per pound.

Department of Commerce statistics show an average price to the jobber of 4 to 5 cents per pound, a profit of an approximate 150 per cent—a margin that can absorb a duty of 2 cents per pound without any or at least very little increased cost to the consumer.

The Nation has always granted to American industry and organized labor tariff protection, which the producer has always supported by his ballot.

And the Government now grants to railroads and other public-service corporations rates that assure a net income upon investment.

The slogan that "the banana is the poor man's fruit" insidiously broadcast and that its cost must not be increased is pure bunk in light of the fact that tariff protection to organized labor and organized industry should have increased (but did not) the poor man's cost of every industrial product—the clothes he wears to keep him warm and the innumerable industrial appliances that comprise his household necessities, not to speak of the net income assured by statute to the public-service corporation that supplies his transportation, heat and light.

To-day the fresh-fruit grower, thousands of whom in many States are bankrupt and the majority of whom are on the verge of bankruptcy and suffering economic privation, asks and is entitled to a measure of tariff protection on the banana that will enable him to survive in the pursuit of his vocation.

On account of wide crop diversification and the scattering of production in many States, the fresh-fruit grower is not prepared to carry on an organized effort for tariff protection as are other branches of agriculture.

In his plea for protection against the banana, the fruit grower is opposed by powerful financial factors and by the activity of a powerful aggregation of fruit jobbers and commission merchants.

Nevertheless, the plea of the American fruit grower in asking protection from the free importation of bananas is based on equity, fair dealing and justice and on the true and tried American policy of protection to American industry. Our fruit growers face the greatest crisis of their history. They must not appeal in vain.

## BREAD

[Par. 1623]

### STATEMENT OF H. M. AUSMAN, SARATOGA SPRINGS, N. Y., REPRESENTING THE BAKERS AND ALLIED INTERESTS OF NORTHERN NEW YORK

(The witness was duly sworn by the chairman of the subcommittee.)

Senator WATSON. Whom do you represent?

Mr. AUSMAN. The bakers and allied interests of northern New York.

Senator WATSON. Northern New York?

Mr. AUSMAN. Yes, sir. We have filed a brief in this matter which went before the subcommittee considering wheat and agricultural products. That was filed on June 25. This statement is in addition and supplemental to that. It brings up some new matters, and I will try not to go over the old matters that were touched upon.

We find no opposition to bread being removed from the free list, but we do find that in some instances it has been characterized as a local situation.

Senator HARRISON. I don't know just what it is—bread from the free list.

Mr. AUSMAN. Yes; we are trying to have bread removed from the free list. We are meeting intense Canadian competition, cheaper prices, cheaper flour, cheaper labor, and what we want is to have bread as an article of commerce placed upon the same parity as wheat, flour, and other products.

Senator SHORTRIDGE. Where is your home town?

Mr. AUSMAN. Saratoga Springs.

Senator SHORTRIDGE. That is in northern New York?

Mr. AUSMAN. Yes, sir.

Senator SHORTRIDGE. And your industry is in competition—

Mr. AUSMAN. With the Canadian industry.

Senator HARRISON. To a certain extent it is true that there is no competition except along the border?

Mr. AUSMAN. Yes, sir. But in my brief I mentioned the fact that bread is now becoming an easily transportable article of commerce. They are now going down through the border to a depth of 40 and 50 miles, and they will go further just as soon as they can develop profitable routes.

I would like to clear up, first, the point of characterizing this as local.

Senator WATSON. As what?

Mr. AUSMAN. As local.

Senator HARRISON. Do they sell bread for higher prices in the United States than they do over there?

Mr. AUSMAN. They sell for a higher wholesale price but not a higher retail price. The only ones profiting by this are the retail groceries, who are pushing this Canadian product for the benefit of their own pockets. No consumer is getting the benefit of the cheap Canadian bread.

The point I want to make about this being local is that it has only just started. Everything is local at the beginning, every movement, whether it is for good or for evil. This is spreading. We have a border 3,000 miles long with large cities along the border, and it would be very easy for Canadian bakers to establish their plants near the border, with their lower manufacturing costs, particularly their lower labor costs, which are nearly half of what the wage scale is in the United States.

Senator SHORTRIDGE. Does this brief set out the wage scale?

Mr. AUSMAN. No, sir. This was brought up so suddenly that we had no chance to file a brief with the Ways and Means Committee of the House, and we were still working on this when we received a wire from Mr. Stuart to appear here yesterday.

Senator HARRISON. I noticed in the summary of the Tariff Commission that 68 per cent and more of the importations of bread come from Sweden.

Mr. AUSMAN. I want to say that the Swedish rye bread manufacturers of this country were represented, and that bread, which is an infinitesimal part of the bread used in this country, was taken off of the free list and put upon the same basis as crackers and other products like that.

Senator WATSON. I think you are wrong about that, according to the House report, paragraph 1623, bread. It is to remain on the free list provided that no article shall be exempted from duty as bread unless yeast was the leavening substance used in its preparation.

Mr. AUSMAN. But they reclassified it as a cracker.

Senator WATSON. I am informed by the experts that that may have been a customs decision, but it was not done by the Ways and Means Committee.

Mr. AUSMAN. It was not?

Senator WATSON. No, sir.

Senator HARRISON. The whole importation from Canada is about 10 per cent, is it not?

Mr. AUSMAN. But that is the big point that we want to stress. While it is local in character now, it is spreading, and the opportunity exists for intense competition with the Canadian bakers, with their lower costs.

Senator SHORTRIDGE. In what form is it brought in?

Mr. AUSMAN. In the form of bread. It is wrapped, the same as our New York State law compels us to wrap bread. So, of course, they have to wrap the bread before it is sold.

Senator SHORTRIDGE. It keeps?

Mr. AUSMAN. Yes.

Senator SHORTRIDGE. Do you use that term?

Mr. AUSMAN. Yes. It has keeping qualities, and the keeping qualities of our own American manufactured bread.

Senator SHORTRIDGE. It could be shipped anywhere throughout the United States?

Mr. AUSMAN. No; not anywhere within the United States, but it can be shipped to a distance of 100 or 200 miles south of the border, which would take in considerable territory.

Senator WATSON. The Tariff Commission says the exports from Canada are mainly of ordinary white bread.

Mr. AUSMAN. That is correct.

Senator WATSON. And of minor importance the imports of Swedish bread, called unsweetened crackers. Swedish bread is used for similar purposes as these products, and resembles some of them.

Mr. AUSMAN. Yes; but the bread we are asking to have put upon a dutiable basis is entirely leavened with yeast.

Senator WATSON. What duty do you think you should have on bread?

Mr. AUSMAN. About the same as Canada imposes—20 per cent.

Senator WATSON. Canada imposes 20 per cent on our bread going to that country?

Mr. AUSMAN. You can not take two loaves of bread into that country.

Senator SHORTRIDGE. That is something I wish a lot of people would bear in mind, what you have just said. That is a fact, is it?

Mr. AUSMAN. Yes.

Senator SHORTRIDGE. That Canada imposes a tariff on bread?

Mr. AUSMAN. Yes.

Senator WATSON. Is that bread, or crackers, or what?

Mr. AUSMAN. That is bread. I don't know anything about the crackers. I know the cracker manufacturers can take care of themselves.

We are a comparatively small industry up there and we are being harrassed by this competition. I don't think we export much bread for the reason that the Canadian duty is prohibitive. It is practically an embargo.

To digress just a moment, the Senator spoke a little bit ago of the customs in Canada and about the restrictions, Mr. Munson, of Clint County, N. Y., at my request wrote to Senator Smoot asking for a tariff on bread. At the same time he told me that the day before he had been over into Canada for the purpose of buying some cattle. He is a large dairy farmer. Inadvertently he told them he was on business. They made him leave his car at the border and hire a Canadian taxicab by which to do the business. You can go over there for pleasure, if you want to spend money for booze, but you can not go in for business without being hedged around by almost intolerable restrictions.

Senator SHORTRIDGE. It appears we have not exported into Canada any considerable quantity of bread.

Mr. AUSMAN. That is right.

Senator SHORTRIDGE. But that may be for the reason that they impose a tariff on it.

Mr. AUSMAN. We cannot do it. If we could, we would retaliate. That is set forth in my brief. If we could retaliate we would, but we can not do it.

Senator WATSON. Except by a tariff.

Mr. AUSMAN. I mean we can not retaliate in a competitive way.

Senator WATSON. You may file your brief, if you like.

Mr. AUSMAN. The brief has been filed.

Senator WATSON. Have you concluded your statement?

Mr. AUSMAN. I just wanted to make a statement about this Swedish bread. They were represented, and they secured what they asked for, I believe.

Mr. JUVE. Swedish bread was not put on the free list.

Mr. AUSMAN. It was not?

Mr. JUVE. No.

Senator WATSON. All right, Mr. Ausman. We are very much obliged to you.

Mr. AUSMAN. I believe you gentlemen, upon consideration, will agree that this is a matter which should be taken care of.

Senator SHORTRIDGE. What rate did you ask in your brief?

Mr. AUSMAN. 20 per cent. I did not ask it in the brief. We thought it could take the same duty as crackers. And that is the duty on crackers, isn't it?

Senator WATSON. When you say Canada imposes a 20 per cent duty on bread, you are asking for that, are you not?

Mr. AUSMAN. Yes.

Senator WATSON. I am told our duty on crackers is 30 per cent.

Mr. AUSMAN. Twenty per cent would be satisfactory.

(Mr. Ausman submitted the following brief:)

#### BRIEF OF THE BREAD BAKERS AND CORRELATED INDUSTRIES OF NORTHERN NEW YORK

The Fordney Act of 1922, paragraph 1522, exempts bread entirely leavened with yeast, whether made with milk or not, from duty. In the pending tariff bill as sent to the Senate, this product—bread—retained on the free list.

In as brief a manner as is possible, and yet present the salient points of our case, we offer this, our protest against this discrimination, which adversely affects the interests that join in filing this appeal.

We can find no substantial reason for bread having been exempted from duty in the Fordney Act of 1922, and have, therefore, concluded that it was a sentimental gesture, born of the idea that a direct tax on bread would be objectionable from a political viewpoint. When the Fordney bill was enacted this gesture harmed no one, nor did anyone benefit thereby.

Since that date (1922), however, the quality of bakers bread has greatly improved. In particular through improved formulae and methods, bread now retains the quality of freshness and appetite appeal over a number of days.

Seven years ago it was not possible to ship or deliver bread over a very wide radius; today, coincident with the improved quality of bread and the great advance in motor transport, bread has come to a greater increased importance as an article of commerce.

In the various border towns of northern New York bread baking has grown to be an important industry, employing at substantial wages both skilled and unskilled labor, and a large body of American citizens are dependent upon this industry for their livelihood. Through the energy and industry of these bakers, and, through the investment of considerable capital, a reliable delivery service to the smaller centers in this section has been maintained. Summer and winter, in good season and in bad, their trucks have made regular deliveries to their customers. At times these deliveries have been made over almost impassable roads.

Northern New York enjoys a greatly augmented population during the summer months. Were it not for this seasonable increase in population, and the added business this increase brings, it would be impossible for our bakers to profitably maintain plants of their present capacity; neither would it be possible for them to bear the expense of maintaining their winter deliveries in their present efficient manner.

During the summer of 1928 Canadian bread made its appearance in several of the border towns of northern New York. It was assumed at this time that

this was being smuggled into the State, and an appeal for protection was made to our customs authorities. It was at this time that we first learned that bread was on the free list and could be brought into this country, in any quantity, without let or hindrance.

Because of lower flour costs in Canada and much cheaper labor, these Canadian bakers sell their bread at a price which would be unprofitable for our bakers to meet. A loaf weighing 20 ounces, when baked, was, and still is, being sold to retailers at 7 cents per loaf. Our bakers, with their added costs for material and labor, and the overhead charges incident to maintaining a strict sanitary condition in their shops, must get 8 cents for a loaf approximately this weight in order to make a fair margin of profit.

So far the only beneficiaries of this cheaper Canadian bread have been the retailers on this side of the line. The consumer has not benefited thereby, as the retailers have maintained a price of 10 cents per loaf to their trade. With a natural desire to further his own interests, the retailer pushes the sale of Canadian bread, thus increasing his profits on this product 50 per cent. When business declines in the winter months, and the trucks of our bakers are battling snowdrifts and breaking out roads so that their trade may be served, these Canadian bakers withdraw from the field and await the advent of spring, when, because of their lower prices, they again begin to reap the benefit of the increased business, leaving the unprofitable winter deliveries to our bakers.

The increase in the consumption of Canadian bread in this State in 1929, over the amount consumed in 1928, is considerable. In 1928, on the border from Rouses Point, N. Y., to Malone, N. Y., a distance of about 50 miles, there were two Canadian bakers operating. So far this year there have been four bakers from north of the border, making regular deliveries in these same New York State towns and villages. They have penetrated as far south as Keeseville, N. Y., 40 miles from the international border, and, we understand, that they contemplate establishing routes which will take them much farther south.

The damage to our bakers and related interests, in the section affected, is now considerable; but the potential damage to our wheat growers, our flour millers, and our bakers, and labor employed in all of these industries, is enormous, if this condition is not corrected immediately. With Canada staggering under an immense surplus of wheat, this condition will not be confined to this locality; but will inevitably spread along the entire length of the international border, and will penetrate southerly into the States, as far as bread can be trucked or shipped profitably.

Bread entirely leavened with yeast is the only product of wheat which does not enjoy protection. The Fordney Act takes cognizance of the fact that biscuits and cakes can readily be shipped, and these products of wheat are protected. It is as easy to ship or transport bread to-day as it was biscuits and cakes in 1922, and therefore it is manifestly unfair to continue bread on the free list. As flour is the principal product of wheat, so is bread the principal product of flour. If our wheat growers, to say nothing of the other interests involved, are to enjoy adequate protection, bread must be made to carry a duty commensurate with the duty now imposed upon wheat and other lesser wheat products. It would seem unthinkable that while we are venturing into untried fields to aid our American farmer, that so simple and obvious an aid, as striking bread from the free list, thus removing a serious menace to his prosperity, should go unapplied.

We feel that we are asking nothing unreasonable, nor out of line with the policies upon which our national prosperity has been based, when we ask that bread, the principal product of wheat, bear the same relative duty, as do the principal ingredients from which it is made. Milk is another important component of good bread, and thus our dairy farmers are adversely affected by allowing bread free entry.

We would not think of requesting you to go as far as has Canada in protecting their agricultural interests and their bakers. They do not allow our bread to enter their country duty free, be the quantity ever so small. All we ask is that bread, as an article of commerce, be placed upon a parity with other wheat products.

We would suggest that paragraph 1522 of the Fordney Act, be amended to read, "Bread entirely leavened with yeast, whether made with milk or not, when intended for the personal consumption of the importer, shall be admitted duty free." With this paragraph so amended, bread could not be then brought in for resale, and the present unjust discrimination against all the interrelated American interests, removed. This would remove the menace of Canadian wheat pouring over our border in the form of bread, which would greatly hamper our

program for farm relief; and by exempting bread for personal use of the importer, would preserve the sentimental gesture of the Fordney Act.

H. M. AUSMAN  
(For the Bakers and Flour Dealers of Northern New York).

## BOOKS, ETC., PRINTED IN FOREIGN LANGUAGES

[Par. 1630]

**BRIEF OF FREDERICK PUSTET CO. (INC.), B. HERDER BOOK CO.,  
SEIZ BROS., THE C. WILDERMANN CO., AND BENZIGER BROS.**

### STATEMENT

This is a petition in behalf of Frederick Pustet Co. (Inc.), B. Herder Book Co., Seiz Bros., C. Wildermann Co., and Benziger Bros., importers of religious books printed in foreign languages, for the reenactment of paragraph 1529 of the act of 1922, which provides in part for the free entry of books printed in languages other than English.

Paragraph 1529 of the act of 1922 appears in the tariff bill of 1929 as passed by the House of Representatives (H. R. 2667), as paragraph 1630. The language of the latter paragraph is identical with that of the corresponding paragraph (1529) of the act of 1922. H. R. 2667 has been passed by the House of Representatives and is now before the United States Senate.

While we are confident that your committee will make no material change in paragraph 1630 as approved by the House, we nevertheless feel, in view of certain representations made before the Ways and Means Committee, that we should place before you the facts on which our confidence is predicated.

In the hearings before the Committee on Ways and Means of the House of Representatives in connection with the proposed new tariff act we find in Volume XV, Schedule 15, free list, at page 8212, a statement by one Nathan Droscher, representing a New York typographical union, in which an appeal was made to the said committee for the imposition of a duty on books printed in foreign languages. Notwithstanding, as above indicated, that the House bill did not adopt the suggestion of the witness who appeared before the said committee, we believe if any change is made by your committee in the consideration of paragraph 1630 of the proposed new act, that in any event, such religious books as are printed wholly or chiefly in languages other than English should under no circumstances, be placed in the dutiable list.

### FACTS

We are concerned solely with books and pamphlets printed wholly or chiefly in languages other than English that are used or intended to be used in connection with religious ceremonies or in association with religious festivals, either by the clergy or by the laity, or are used or intended to be used in religious educational institutions. The particular classes of books in which we are interested are such foreign-language books as are used in connection with the Roman Catholic Church by its clergy and laity in the United States, and while we feel that no distinction should be made in this connection between the Roman Catholic and other Christian or non-Christian churches, nevertheless, for the purpose of this petition, it seems proper to set forth the particular classes of foreign language books in which we are interested:

- (1) Prayer books used by the Roman Catholic clergy and laity.
- (2) Religious educational books used by students for the priesthood in Roman Catholic seminaries, schools, colleges, and academies.
- (3) Books used on the altar during the celebration of the mass and other religious ceremonies in the Roman Catholic Church.
- (4) Books of religious character used by the Roman Catholic clergy in connection with their duties, such as theology, philosophy, history, canon law, sermons, etc.

Books in foreign languages have been provided for in the free list for more than 40 years, and it is respectfully submitted that there is no good reason for changing this long-continued practice at the present time. It may furthermore be noted that for as many years Bibles comprising the books of the Old or



New Testament, whether bound or unbound, have been admitted free of duty and that the present bill, as passed by the House (H. R. 2067), provides in paragraph 1621 for the continued free entry of books of this character, without any limitation as to the language in which they are printed nor the religion or sect for which they are imported. For the information of your committee, we beg to state that the statistics of the sect known as Roman Catholic disclose the following: 20,112,758 regular members of the Roman Catholic Church; 26,333 regularly ordained Roman Catholic priests; 14,686 students for the priesthood in Roman Catholic seminaries.

Statistics also indicate that the average value of the annual imports of the books herein specifically referred to, extending over a period of 10 years, do not exceed the following:

Prayer books.....	\$50,000
Religious educational books used by students for the priesthood.....	150,000
Books used on the altar during religious ceremonies.....	100,000
Books of a religious character used by the priesthood and laity.....	50,000

Approximate total annual value not in excess of..... 350,000

So far as we have been able to ascertain, none of the above-mentioned books printed in foreign languages are published in this country, but if there are any such published the quantity must be so small that there is nothing by way of protection which would counterbalance the religious and moral advantage of free importation and consequently lower prices.

#### ARGUMENT

We have seen that there are over 20,000,000 regular members of the Catholic Church in the United States and approximately 40,000 ordained priests and students for the priesthood. In many obscure communities throughout the United States the difference in the price of religious foreign-language books used by the laity and by the clergy is a serious factor in religious life, and a very powerful reason should be advanced before the privilege of free importation is discontinued and the practice of over 40 years changed.

The several paragraphs of the free list of the act of 1922, in so far as they might be compared by virtue of their purpose with the articles covered by paragraph 1630 in the proposed new act, have been approved by the House of Representatives (H. R. 2067), practically in the form in which they appeared in previous tariff acts, to wit:

Paragraph 1628: Books, engravings, etc., for the use of the United States or for the Library of Congress.

Paragraph 1629: Hydrographic charts and publications issued by scientific or literary associations, etc. Books, maps, music, engravings, etc., which have been printed more than 20 years.

Paragraph 1631: Books, etc., for the use of religious, philosophical, and other institutions when such books, etc., are not for sale.

Paragraph 1722: Newspapers and periodicals.

Paragraph 1763: Statuary and casts of sculpture; church regalia, etc.

Paragraph 1769: Altars, pulpits, communion tables, baptismal fonts, shrines or parts thereof.

Paragraphs 1802, 1803, 1804, 1805, 1806: Works of art of various kinds and within certain limitations.

The importance of the encouragement of religion and education by eliminating customs duties on articles which are imported and used for such elevating purposes can not be questioned, particularly when as a matter of revenue, it is obvious that the amount involved by the imposition of a customs duty is comparatively negligible and there is no domestic industry to be protected.

In view of the fact that for more than 40 years books of the kind herein referred to have been admitted free of duty, we had no reason to believe it necessary to appear before the Ways and Means Committee in charge of the present tariff act to urge a continuance of the existing provisions for free entry of such religious books. Nor do we feel that your committee will make any change in paragraph 1630 as adopted by the House. We believe, however, that in view of the statements made before the committee of the House (Vol. XV, Schedule 15, free list, p. 18212, supra) that we are warranted in pointing

out to your committee our reasons for requesting the approval by your committee of the material provisions of the House bill.  
All of which is respectfully submitted.

MARLOW & HINES,  
*New York, Attorneys for Petitioners.*  
FREDERICK PUSTET Co. (INC.),  
*New York and Cincinnati, Ohio.*

B. HERDER BOOK Co.,  
*St. Louis, Mo.*

SEIZ BROS.,  
*New York.*

THE C. WILDERMANN Co.,  
*New York.*

BENZIGER BROS.,  
*New York.*

## SILVER BULLION

[Par. 1638]

### BRIEF OF HON. KEY PITTMAN, UNITED STATES SENATOR FROM THE STATE OF NEVADA

FINANCE COMMITTEE,  
*United States Senate:*

I have the honor to submit for your consideration the following brief in support of my proposed amendment to the 1929 tariff act, providing a duty of 30 cents per fine ounce upon the importation of silver, which proposed amendment was introduced in the Senate and referred to your committee. A copy of such proposed amendment is hereto attached.

#### CONDITION OF SILVER-PRODUCING INDUSTRY IN UNITED STATES

1913. Average wholesale price of silver per fine ounce, 61 cents.

1928. Average wholesale price of silver per fine ounce, 57 cents.

1929. Average wholesale price of silver per fine ounce, as of date of this brief, 54 cents.

For substantiation of these figures I refer you to page 119 of the annual report of the Director of the United States Mints for fiscal year ended June 30, 1928 (last report available), and current market quotations.

Attention is invited to the fact that the price of silver is 12 per cent below the pre-war price, whilst the average wholesale price of all other commodities is 38.7 per cent above the pre-war price of 1913.

I again refer to the said report wherein the Director of the mint, at page 8, says:

"Silver of domestic production during 1927 totaled 60,434,441 ounces, valued at \$31,260,328; this compares with 62,718,746 ounces, valued at \$39,136,497, for 1926, and with the record production of 1915, 74,061,075 fine ounces, valued at \$37,397,300."

The decrease in the production of mines in the United States, the principal value of whose ores is silver, is even greater than is indicated by the above figures. In some mines the production of silver has increased by reason of increased production of copper, but the decrease in those mines known as silver mines has been very great. In support of this assertion I again quote from the said report, at page 29, wherein the Director of the Mint says:

"Individual States' material differences in silver production as compared with the prior year include decreases of approximately 1,000,000 ounces each in Arizona, Colorado, and Nevada, and an increase of over 1,300,000 ounces in Idaho."

The increase in the production of silver in Idaho was due to the increase in the production of lead and copper mines in that State where silver was produced as a by-product. Taking the total production of the States of Arizona, Colorado, and Nevada for 1927 it will be ascertained from such statement of the Director of the mint that the decrease in those States represents the following percentages:

Arizona, 14 per cent; Colorado, 20 per cent; and Nevada, 20 per cent.

The States of Arizona, Colorado, and Nevada, which show such enormous decrease in the production of silver, chiefly contain those mines known as "silver mines," the chief value of whose ores is in silver. Many of the "silver mines" in the United States have closed down by reason of the low price of the metal, the high cost of mining, and the large importation of silver from Latin American countries where standards of living are low and labor is cheap. Whilst the production of "silver mines" in the United States has decreased, the production of "silver mines" in Latin American countries has greatly increased.

The chief production of silver in the United States at the present time is derived from the mining of mixed ores such as copper, lead, and zinc ores in the Western States where the silver occurs as a by-product. While such by-product is comparatively small in value by comparison with the value of the other metals in such ores and does not pay its proportionate part of the cost of the mining and reduction of such ores, it is mixed with the other metals in the ores and therefore must be mined and separated.

*Domestic production, consumption, imports*

	Fine ounces
1927. United States production.....	60,434,441
1927. United States consumption.....	50,035,383
1927. United States importation.....	103,941,485

(See pp. 8, 9, 41, 46, 47, 78, and 79, Director of the mint's report before referred to.)

*Source of silver imports*

	Ounces
Mexico.....	60,007,578
South America.....	17,498,903
Canada.....	8,015,890
Other countries.....	8,819,114
<b>Total.....</b>	<b>103,941,485</b>

(See pp. 78 and 79 of said mint report.)

**COST OF PRODUCTION OF SILVER IN THE UNITED STATES AND IN FOREIGN COUNTRIES FROM WHICH WE IMPORT SILVER**

Average wages paid for labor in the leading mines producing silver in the United States, as shown on page 1 of Bulletin No. 394 of United States Bureau of Labor Statistics for 1924, is 59.9 cents per hour, or for an 8-hour day \$4.79. This is the latest report gotten out, and it is well known that wages of miners in the western States where the metalliferous mines exist were recently increased by reason of the rise in the price of copper, and therefore it is safe to say that the average wage is nearer \$5 per day than \$4.79, which existed in 1924.

Average wages paid for labor in the leading mines producing silver in other countries exporting to the United States, other than Canada, \$1.21 per day.

I have been unable to obtain the average wage paid miners in Canada, but do not consider it material, as only a small portion of our imports of silver come from Canada.

Take, for instance, the average wage of mine laborers in Mexico, which is approximately the wage paid such labor in other Latin American countries. I quote from the special report obtained by the Engineering and Mining Journal on January 14, 1928:

"Northern Sonora, 5.27 pesos daily; Chihuahua, 4; Coahuila, 2.85; Lower California, 3.45; Guanajuato, 1.66; Jalisco, 2.07; Zacatecas, 2.88; Hidalgo, 3.00; Oaxaca, 1.68; Michoacan, 2.10; Guerrero, 1.64, and State of Mexico, 1.65."

These figures are given in the pesos. The pesos is the standard silver money of Mexico. Its price varies in accordance with the price of silver. At the present time it is worth in our money 41 cents. The highest daily wage paid miners in Mexico is in Sonora, which is 5.27 pesos, which is equal to \$2.15 a day in our money. The average wage paid the miners in Mexico according to the above report, in our money, would be \$1.21.

The only report that I have been able to obtain, as prepared by the Ministry of Industry, Commerce and Labor, Mexico, dealing with the wages of miners in Mexico, relates only to the States of Hidalgo and Guanajuato. This report states that the wages paid to miners (peons), based on an 8-hour day and measured in our money is: State of Hidalgo, \$1.50; State of Guanajuato, \$1.48.

It is hardly probable that a government department of Mexico, who is seeking to maintain her exports to the United States, would underestimate the wages paid to miners. It would give more credence to the report by a special investigator of the Engineering and Mining Journal, which is so conservative and accurate in its statements.

It is not very material, however, which figures we adopt, as the fact remains that the average wages paid in the mines that produce silver in the United States are at least three times the wages paid in smaller mines in Mexico. The 8-hour law is not universally adopted in the mines of Mexico as it is in the mines which are the chief producers of silver in the United States. In many cases, and, in fact, in most cases, the day's labor is 10 hours and longer.

I presume that the cost of materials used in mining in the respective countries is similar by comparison to the costs of labor in such countries. This presumption is sustained by the evidence given before the Ways and Means Committee of the House of Representatives in the hearings held upon the 1929 tariff act.

#### COMPARATIVE ECONOMIC CONDITION OF SILVER MINING INDUSTRY

I ask your consideration of the comparative economic condition of the silver mining industry with industries producing other commodities. Taking the wholesale prices of all commodities in 1913 as the basis for determining the increase or decrease of such prices since that date and until the present time we will assume that the price for the product in 1913 was 100 per cent. In other words, the Department of Commerce in making its index figures to determine the average increase or decrease in the wholesale price of a product since 1913 takes the figures of 100. What are the results of the compilation by the Department of Commerce relative to the increase or decrease in the wholesale price of commodities as of date April, 1929? They are as follows:

1913 average of all commodities.....	100
1929 average of all commodities.....	138.7
1913 average of farm products.....	100
1929 average of farm products.....	146.7
1913 average of all foods.....	100
1929 average of all foods.....	152.2
1913 average of textile products.....	100
1929 average of textile products.....	166.7
1913 average of building products.....	100
1929 average of building products.....	172.7
1913 average price fine silver per ounce.....	100
1929 average price fine silver per ounce.....	88.5

I attach hereto letter from the Department of Commerce transmitting to me index number of wholesale prices by major commodity groups upon which the percentages above set out are taken.

So the prices of all products have risen above the 1913 pre-war prices from 38.7 per cent for an average of all commodities to 72.7 per cent for building products, except silver, and that commodity has decreased in price since 1913, 12 per cent.

The tariff bill of 1929, to a certain extent, has provided a tariff duty upon certain raw products that have heretofore been upon the free list, and has slightly increased the tariff duty upon other raw products.

For instance, the following duty is provided on the following metals:

Iron in pigs and iron kenledge, \$1.12½ per ton.

Manganese ore or concentrates containing in excess of 30 per centum of metallic manganese, 1 cent per pound on the metallic manganese contained therein.

Tungsten ore or concentrates, 50 cents per pound on the metallic tungsten contained therein.

Silicon aluminum, aluminum silicon, alshmin, ferrosilicon aluminum, and ferroaluminum silicon, 5 cents per pound.

Aluminum, aluminum scrap, and alloys in which aluminum is the component material of chief value, in crude form, 5 cents per pound.

Lead-bearing ores, flue dust, and mattes of all kinds,  $1\frac{1}{2}$  cents per pound on the lead contained therein.

Lead bullion or base bullion, lead in pigs and bars, lead dross, reclaimed lead, scrap lead, antimonial lead, antimonial scrap lead, type metal, Babbitt metal, solder, all alloys or combinations of lead not specially provided for,  $2\frac{1}{2}$  cents per pound on the lead contained therein.

On zinc there is a rising schedule of duties provided.

The manufacture of silver articles and wares is protected. Paragraph 308 provides:

"Articles or wares not specially provided for, if composed wholly or in chief value of platinum, gold, or silver, and articles or wares plated with platinum, gold, or silver, or colored with gold lacquer, whether partly or wholly manufactured, 65 per centum ad valorem; if composed wholly or in chief value of iron, steel, lead, copper, brass, nickel, pewter, zinc, aluminum, or other metal, but not plated with platinum, gold, or silver, or colored with gold lacquer, whether partly or wholly manufactured, 50 per centum ad valorem."

The manufacture of articles or wares made of or containing silver are in competition chiefly with such articles and wares made in such countries as Germany, England, France, and Italy. The average wages paid to laborers in such manufacturing industry in the countries coming in competition with the manufacture of articles and wares containing silver in the United States are not nearly so low by comparison with the American wage in such industry as the wages of miners in Mexico and other Latin American countries are by comparison with the wages paid in the mines in the United States producing silver.

The value of the silver contained in most of the articles and wares protected in paragraph 308 is only a very small percentage of the total value of such articles and wares.

If silver were placed on an economic equality with the average of all commodities, then the pre-war price of 61 cents per fine ounce would have to be increased 38.7 per cent. If the pre-war price of silver of 61 cents per ounce were increased 38.7 per cent that would mean 23.4 cents, which, added to the pre-war price of 61 cents, would give a price of 84.4 cents per ounce. The difference between the present price of silver of 54 cents and the equalized price of 84 cents would be 30 cents.

If silver were placed upon an economic equality with the average price of all farm products the pre-war price would have to be raised 40.7 per cent, which would mean that the price would be raised 28.4 cents. Twenty-eight and four-tenths cents added to the pre-war price of 61 cents would give 89.4 cents that the price of silver at present would have to be at to be on an economic equality with the average wholesale price of all farm products.

Deducting the present price of silver of 54 cents from 89.4 cents, we have 35.4 cents, the price that would have to be added to the present price of silver to place it upon an economic equality with the average wholesale price of farm products.

It is the desire of the administration and, in fact, the expressed desire of both great political parties, to raise the average wholesale price of farm products to an economic equality with the wholesale price of other more favored products. If the average wholesale price of farm products is raised, then the wholesale price of silver would have to be raised more than 35.4 cents per ounce to be maintained upon an economic equality with the average wholesale price of farm products.

It is evident, therefore, that a duty of 30 cents an ounce is justified under the pledges of both parties to maintain an economic equality as between the various industries.

If the duty on silver is based on the difference in cost of production in the countries from which silver is imported and the cost of production in the United States, then the duty should be more than 100 per cent ad valorem, or over 54 cents an ounce.

I respectfully contend that this request for a duty of 30 cents an ounce is well within the promises made in the platforms of both the Republican and Democratic parties relative to duties upon imports.

Silver is a valuable product of our country and is used throughout the world as money in the form of coins. Silver is used almost exclusively as the measure of values and the medium of exchange in China and India. As China becomes pacified and develops, our trade with China should increase, and at least be equal to that of any other country in the world. A large production of silver at that time will be of great value to our whole country.

The closing down of our silver mines throughout the West has affected every industry in that section of our country. It has particularly injured the farmers by depriving them of their most valuable market, the local market.

I unhesitatingly say that the silver-producing industry has not only been the most neglected but has been the most outrageously treated industry of any in the United States. Our own Government buys foreign silver at as cheap a price as it can obtain and then manufactures it into dimes, quarters, and halves and sells such dimes, quarters, and halves to banks and to commerce at a value of \$1.38 an ounce. During the fiscal year 1928, as the report of the director of the mint shows, the Treasury Department purchased several million ounces of foreign silver at an average of 57 cents an ounce, and disposed of such silver at a valuation of \$1.38 an ounce in the form of subsidiary coin.

More should be done for the silver-mining industry than is sought in this amendment, but I hope to get immediate action and therefore have made a minimum request.

Respectfully submitted.

KEY PITTMAN.

DEPARTMENT OF COMMERCE,  
BUREAU OF FOREIGN AND DOMESTIC COMMERCE,  
Washington, May 28, 1929.

Hon. KEY PITTMAN,  
United States Senate, Washington, D. C.

MY DEAR SENATOR: Receipt is acknowledged of your letter of May 24 requesting index numbers showing commodity prices on a 1913 base.

The old series of index numbers of the Bureau of Labor Statistics, shown in Table 333 of the Statistical Abstract of the United States for 1928, has been discontinued. The Bureau of Labor Statistics is now issuing regularly a series of index numbers on a 1926 base, but has carried this new series back as far as 1913. For your convenience I am sending you, inclosed, a table showing this new series of index numbers converted to a 1913 base. Data are shown by groups for each year since 1913 and for each month since January, 1928.

I trust that these index numbers will be satisfactory for your purpose.

Very truly yours,

O. P. HOPKINS,  
Acting Director.

*Index numbers of wholesale prices, by major commodity groups*

[1913=100]

Year or month	All commodities	Farm products	Foods	Hides and leather products	Textile products	Fuel and lighting	Metals and metal products	Building products	Chemicals and drugs	House-furnishings goods	Miscellaneous
1913.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1914.....	97.6	99.6	100.8	104.1	95.3	92.3	88.3	92.0	101.5	100.9	96.6
1915.....	99.0	100.0	101.0	110.9	94.4	84.5	95.0	94.4	139.7	99.5	93.3
1916.....	122.5	118.0	117.9	137.2	122.9	121.2	128.3	119.2	200.4	109.1	108.1
1917.....	168.3	180.4	162.8	181.8	172.3	171.9	165.9	155.6	205.7	131.8	131.1
1918.....	188.1	207.0	185.5	184.6	239.4	178.1	160.3	173.9	227.3	165.7	144.4
1919.....	198.0	220.4	201.7	255.7	236.1	170.1	144.2	203.9	195.8	188.1	149.4
1920.....	221.2	210.8	214.0	231.5	287.6	267.0	164.5	204.7	205.4	251.0	178.9
1921.....	139.8	123.6	141.1	160.4	104.9	157.0	129.4	171.8	143.4	200.7	117.3
1922.....	139.5	131.2	136.4	153.6	174.9	175.0	113.3	171.6	125.1	183.8	92.7
1923.....	144.1	137.0	144.4	153.0	194.2	158.7	120.4	191.7	126.1	193.4	106.1
1924.....	140.5	139.9	141.7	148.9	186.2	159.1	117.1	180.4	123.3	180.3	102.3
1925.....	148.3	153.6	156.1	154.8	189.0	157.4	113.7	179.4	124.9	183.1	122.3
1926.....	143.3	139.9	155.8	146.8	174.5	163.1	110.1	176.4	124.7	177.6	107.2
1927.....	136.7	139.0	150.3	158.4	167.0	141.1	108.1	164.6	120.4	174.4	96.6
1928.....	140.0	148.1	157.3	178.7	168.1	135.1	109.9	165.3	119.1	173.0	89.2

## Index numbers of wholesale prices, by major commodity groups—Continued

Year or month	All commodities	Farm products	Foods	Hides and leather products	Textile products	Fuel and lighting	Metals and metal products	Building products	Chemicals and drugs	House-furnishing goods	Miscellaneous
1923											
January.....	138.0	148.4	153.4	177.7	168.8	131.8	108.0	160.1	120.1	175.1	95.6
February.....	138.1	146.2	153.7	182.2	168.6	132.5	108.3	160.5	119.5	174.8	93.8
March.....	137.5	144.8	152.6	182.1	168.4	131.8	108.4	160.5	119.2	174.6	93.2
April.....	139.5	150.5	155.0	186.1	168.4	131.8	108.4	163.1	119.4	173.9	91.2
May.....	141.3	153.6	157.6	185.5	168.6	133.4	108.6	164.9	118.8	173.7	91.4
June.....	139.8	149.2	156.2	181.6	168.1	133.9	108.7	165.6	118.3	172.3	88.3
July.....	140.8	149.8	159.3	182.4	168.9	135.1	108.6	166.5	117.8	172.1	86.8
August.....	141.7	149.7	162.1	177.7	168.1	138.0	110.6	166.8	118.1	172.6	85.2
September.....	143.4	152.2	166.5	177.2	166.8	138.8	110.7	167.0	118.6	172.6	85.6
October.....	140.1	144.8	159.3	172.5	167.7	136.5	111.2	167.6	119.2	171.4	86.3
November.....	138.5	142.1	155.9	169.9	167.7	137.7	112.0	169.3	119.7	171.2	83.9
December.....	138.5	144.9	152.6	169.9	167.7	136.2	113.3	170.7	119.8	171.2	86.0
1929											
January.....	139.3	148.1	153.9	166.8	168.2	134.6	114.1	170.4	119.6	171.6	86.5
February.....	138.5	147.4	152.8	160.1	167.7	132.6	115.0	172.0	119.8	171.6	86.4
March.....	139.7	149.8	152.8	159.0	167.7	131.5	117.2	172.5	119.2	171.4	85.9
April.....	138.7	146.7	152.2	158.4	166.7	131.5	117.2	172.7	118.3	171.8	85.1

[H. R. 2607, Seventy-first Congress, first session]

Amendment intended to be proposed by Mr. Pittman to the bill (H. R. 2607) to provide revenue, to regulate commerce with foreign countries, to encourage the industries of the United States, to protect American labor, and for other purposes, viz: At the proper place insert three additional paragraphs, as follows, to wit:

PAR. —. Silver-bearing ores and mattes of all kinds, 30 cents per ounce on the silver contained therein: *Provided*, That on all importations of silver-bearing ores and mattes of all kinds the duties shall be estimated at the port of entry and a bond given in double the amount of such estimated duties for the transportation of the ores or mattes by common carriers bonded for the transportation of appraised or unappraised merchandise to properly equipped sampling or smelting establishments, whether designated as bonded warehouses or otherwise. On the arrival of the ores or mattes at such establishments they shall be sampled according to commercial methods under the supervision of Government officers, who shall be stationed at such establishments, and who shall submit the samples thus obtained to a Government assayer, designated by the Secretary of the Treasury, who shall make a proper assay of the sample and report the result to the proper customs officers, and the import entries shall be liquidated thereon. And the Secretary of the Treasury is authorized to make all necessary regulations to enforce the provisions of this paragraph.

PAR. —. Silver bullion or base bullion, silver dross, reclaimed silver, scrap silver, all alloys or combinations of silver not specially provided for, 30 cents per ounce on the silver contained therein.

PAR. —. Silver-bearing ores, mattes, base bullion, silver dross, reclaimed silver, scrap silver, and all alloys or combinations of silver imported into the United States for the purpose of processing or refining for export to a foreign country and not for use, sale, or disposition within the United States or any of its possessions, may be imported for such purpose free of duty upon the execution of a bond given in double the amount of the estimated duties that would be charged upon such silver contents so imported if for use, sale, or disposition in the United States, conditioned that such silver contents will not be used, sold, or otherwise disposed of in the United States prior to export therefrom, and upon further compliance with such regulations and guaranties as the Secretary of the Treasury may by regulations require.

**CRUDE CHALK**

[Par. 1644]

**BRIEF OF MANUFACTURERS OF WHITING AND PARIS WHITE**

[Including cliff stone, par. 1770]

COMMITTEE ON FINANCE,  
*United States Senate, Washington, D. C.*

The undersigned are manufacturers of whiting and paris white, obtained by the mechanical reduction of crude or raw chalk and crude or raw cliffstone.

The whiting or paris white industry in the United States is dependent for its raw material upon imported chalk and cliffstone, coming principally from England and France.

These articles have always been duty free and it is urged that they remain on the free list in the new bill.

The imported chalk and cliffstone is amorphous in character which is necessary and required by the many varied industries which use whiting and paris white in their product and there are no amorphous chalk or any cliffstone deposits in the United States. If any duty is placed upon the raw material used by the manufacturers of whiting and paris white, it will eliminate the industry in the United States.

The importance of the industry is recognized by the United States Tariff Commission in their recent investigation, known as Docket 65.

Respectfully submitted,

THE SOUTHWARK MANUFACTURING CO.,  
*Camden, N. J.*  
THE TAINTOR COMPANY, *Bayonne, N. J.*  
STICKNEY, TERRELL & CO., *Boston, Mass.*  
THE PHILADELPHIA WHITING WORKS,  
*Philadelphia, Pa.*

JULY 8, 1929.

**CREOSOTE OIL**

[Par. 1650]

**STATEMENT OF E. B. FULKS, REPRESENTING THE AMERICAN CREOSOTING CO., LOUISVILLE, KY.**

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. FULKS. Gentlemen, I am vice president of the American Creosoting Co., whom I am representing here to-day. Our main office is in Louisville, Ky. We own and operate plants at Kansas City and Springfield, Mo.; Hugo, Okla.; Marion, Ill.; Indianapolis and Bloomington, Ind.; Russell, Ky.; New Haven, Conn.; Livingston Manor and Rome, N. Y.; Toledo, Ohio; Paterson and Constable Hook and Manville, N. J.; Shreveport, Chalmette, De Ridder, and Bogalusa, La.; and Brunswick, Ga.

I want to apologize for appearing here at all to-day—

Senator SMOOT. Do you want any change from the existing law?

Mr. FULKS. No, sir. We want creosote—

Senator SMOOT. You want free creosote?

Mr. FULKS. Yes, sir; just as it always has been.

Senator EDGE. Has there been any proposition or proposal made to the House committee or the Senate committee to transfer it from the free list?



Mr. FULKS. Yes, sir. That is the reason that I decided to appear here to-day. While satisfied with the situation as it was——

Senator SMOOT. Nobody has appeared before this committee.

Mr. FULKS. This bulletin shows that——

Senator SMOOT. It has not been filed.

Senator KING. You are not asking to be put on the dutiable list?

Mr. FULKS. No, sir. I am asking that it be not put on the dutiable list.

Senator EDGE. I am trying to find out who did ask that it be put on the dutiable list.

Mr. FULKS. In the House hearings the Barrett Manufacturing Co., the American Tar Products Co., and the International Engineering Corporation, or whatever their name is, filed briefs asking, not that a tariff be put on it, but stating that it was not specifically necessary now, but they thought that within a few years it would be necessary, and they asked that the President be given authority, if and when such a situation should arise, to impose such a tariff. So, we did not appear at that time, but we did file a brief with the House committee.

Senator SMOOT. You filed a brief?

Mr. FULKS. We filed a brief, and it has been printed.

Senator REED. Tell me, in a word, why you think there ought not to be a duty on it.

Mr. FULKS. In the first place, there is not enough creosote manufactured in the United States to supply the demand, by approximately 50 per cent.

Senator REED. About half the demand is imported and half is produced here?

Mr. FULKS. Yes.

Senator REED. And the domestic production is increasing fast.

Mr. FULKS. It is increasing rapidly, and the consumption is increasing rapidly. We contend that if there is an ample supply of creosote at a reasonable price, the consumption will continue to increase practically as rapidly.

This is an enormous business—that is, it is an enormously growing business, which is just really getting going well. I mean by that that the benefits resulting from the conservation and treatment of timber to prevent decay are just beginning to become apparent and to be realized by people generally. Railroads were the first to realize that. They have been following that practice for the past 15 or 20 years, and they are now reaping enormous benefits from the fact that they have been treating their ties for such a long time. They are now realizing the effect. The tie renewals per mile have been greatly reduced. The telephone companies within the past 5 or 6 years have realized the same thing, and they are going into the treatment of poles on an enormous scale. Its effect on the lumber industry generally, in connection with fence posts, bridge timbers, silos, and everything like that, is just beginning to be noticeable. We treat millions of fence posts, but there are a great many more millions that will be treated later, because the people are just beginning to realize the benefit of it.

That has come about largely, too, from the fact that there has been a practical exhaustion of the long-life timber, such as white oak, and things like that, that people were accustomed to use in the old days, which lasted 8 or 10 years, and did not cost very much.

Those timbers are all gone. The only timbers that can be used are the so-called inferior woods, the minor oaks, red oaks, maple, beech, and things like that, which decay rapidly in contact with the ground. Three or four years is the life of any of them. Without some means of preservation against decay that is a very expensive business, but it has been discovered that by treating them with creosote the life of those timbers can be increased to 20, 25, or 30 years.

Senator EDGE. Just to keep the record straight, the question was asked as to who did appear. Mr. Batson, and others, appeared before our subcommittee.

Mr. FULKS. I did not want to say anything, but that was the reason for my appearing to-day. We had no intention of coming here. We were satisfied with it as it stood.

## COFFEE

[Par. 1653]

### STATEMENT OF ABRAHAM LINCOLN LOUISSON, HONOLULU, HAWAII, REPRESENTING THE HAWAIIAN COFFEE INDUSTRY

(The witness was duly sworn by the chairman of the subcommittee.)

Senator WATSON. Whom do you represent?

Mr. LOUISSON. For 26 years I have been interested in coffee. I have quite an interest in the coffee industry.

I am not going to ask you for something. I am going to offer you a suggestion, because at this time the interests here on the mainland see some menace in similar products of the Philippines, and they would like to restrict these products, and I have a suggestion to offer. I am not asking for anything. So I prepared a paper which I would like to read. I am handling this subjeet from an entirely different angle. May I read the paper?

Senator WATSON. Yes.

Senator SHORTRIDGE. It is with relation to coffee?

Mr. LOUISSON. Yes; sir; it is with relation to coffee. But it also has relation to the great controversial subject now taking place regarding the restriction of Philippine products. This is an idea of mine. I have had this idea in mind for more than 25 years, because of the very situation that has arisen now, and I foresaw it 20 or 25 years ago.

I am from Hawaii, and I have not come before this esteemed committee to ask for something, but rather to suggest an idea which at this time seems opportune and ripe for consideration.

It appears that some of the mainland industries are opposed to, and do not relish, unrestricted competition of like products from Philippine sources, and their leaders have become obsessed with an imagination, real or problematical, that a steady and continuous expansion means ruinous and disastrous competition at some future period. However correct or unfounded this viewpoint may be, would it not be a good idea—sound, logical, and even tangible—for the Congress of the United States to aid the development of a non-competitive product in the Philippines, and in all of our other tropical regions overseas, and to which they are well adapted without exception?

Having had 29 years' practical experience in the growing of coffee in Hawaii, under various situations and conditions, I can state positively that if the Congress of the United States would impose a reason-

able tariff against coffee grown in foreign lands, not subject to our political, fiscal, and commercial jurisdiction, a vigorous and rapid development would ensue under our flag. In this way an earnest and sincere interest in its growth and development would follow. It seems to me, and I so believe, that you can consider this a legitimate and worthy suggestion.

I shall not take up any of your valuable time for an extended presentation, but I would like to submit—for record with your committee—my brief that was filed with the Committee on Ways and Means, and would kindly ask you to peruse its contents. It contains data and statistics in abundance on this subject matter, as to what relates as regards areas and possibilities in all of our tropical dominions.

You may judge whether or not my plea in its behalf warrants the Congress of the United States to bestow upon it, at least some of the milk of human kindness so as to insure its future growth and steady forward development. The well-being of a multitude of farmers—now and in the future, whose existence is under our flag, and who will be contributing factors and builders of their respective commonwealths—is herewith involved. In passing, I should like to emphasize that the growing of coffee is an orchard industry, or, in other words, the industry of the small man.

To reiterate, I will affirm that inasmuch as all of our tropical and subtropical dominions, namely, the Philippines, Porto Rico, Hawaii, and the Virgin Islands, are well adapted to its culture; we have in this industry, the coffee industry—the basic foundation for the growth of a product that does not come in conflict with any commodity produced in the continental United States, and therefore offers no menace to mainland farmers from a competitive standpoint. Without some guarantee of stability in our home markets, as against the product grown by very cheap labor in foreign lands, it never can or ever will make steady and continued progress.

In the past, its history has been a most precarious, doubtful venture and undertaking; consequently the inhabitants in these various tropical regions have been afraid to engage in it, as they should have done.

Naturally, as a consequence of such a condition and of such a fact, capital and enterprise in all our overseas dominions will flow only into such channels and industries that have protection in our mainland markets.

I stand ready to answer any questions you may wish to ask.

Senator WATSON. How much do you raise in the Hawaiian Islands?

Mr. LOUISON. About 7,000,000 pounds per year.

Senator WATSON. Your imports to the United States have increased from 2,070,000 in 1923 to 5,423,000 in 1927. You import practically four-fifths of all your production to the United States. How much more could you produce if you had a protection such as you suggest.

Mr. LOUISON. How much more could we produce?

Senator WATSON. Yes.

Mr. LOUISON. My brief deals with the statement made by Federal officials. I have not taken my own figures. I think we have 250,000 to 300,000 acres of land available for coffee in the island; perhaps more. It all depends upon how much of a tariff we get, as to how fast we grow.

Senator WATSON. And I am asking if you had an adequate tariff.

Mr. LOUISSON. How much we could produce in the islands?

Senator WATSON. Yes.

Mr. LOUISSON. We could produce about a million and a half to two million bags.

Senator WATSON. I don't know what that means. How many pounds is that?

Mr. LOUISSON. That would be probably 150,000,000 to 200,000,000 pounds.

Senator WATSON. How long a time would it take you to do that?

Mr. LOUISSON. Probably 15 to 20 years.

Senator WATSON. Do you think you could produce in the United States at any time, no matter what the protection, a sufficient quantity to supply the American demand?

Mr. LOUISSON. Yes, sir. The island of Minandoa, the most southerly of the group, has millions of acres suitable for coffee. That island alone could raise the coffee for the world. My statements are in my brief.

Senator WATSON. We consumed last year 1,456,000,000 pounds.

Mr. LOUISSON. Yes; 1,500,000,000 pounds imported into the United States.

Senator WATSON. How about Porto Rico? Doesn't it produce a good deal of coffee?

Mr. LOUISSON. Yes, sir. They can produce it. They had a hurricane there, and they produced 35,000,000 to 40,000,000 pounds. Their output in 1897, at the time of annexation by the United States, was about 59,000,000 pounds. And that official statement at that time said they could produce three or four times as much as the 60,000,000 pounds.

Senator WATSON. You can send to the United States right now all that you produce, can you not?

Mr. LOUISSON. Yes.

Senator WATSON. And for a long time to come all that you produce?

Mr. LOUISSON. Forever, provided we can continue to live in the industry.

Senator WATSON. You are increasing slightly all the time?

Mr. LOUISSON. Yes, sir. Of late years it has been a little bit.

Senator WATSON. And we get about 70 to 75 per cent of all our coffee from Brazil.

Mr. LOUISSON. Yes, sir.

Senator CONNALLY. Would the tariff on coffee drive people to tea?

Mr. LOUISSON. I don't know. Coffee is the popular drink, but it is very unpopular with politicians when it comes to talking about putting a tax on it.

Senator WATSON. Of course, you understand the action as to coffee by Brazil has put the price of coffee up?

Mr. LOUISSON. Yes.

Senator WATSON. And helped you and everybody else?

Mr. LOUISSON. Yes. But they are facing a big overproduction. I think it may be too heavy, and if they get too much stuff on hand it will break. The farm relief is a similar proposition. They do not dump it all on to the market at once; that is the program. But if it gets top-heavy and grows it will be different. It looks as though it is getting that way now.

**STATEMENT OF HON. FELIX CORDOVA DAVILA, RESIDENT COMMISSIONER FROM PORTO RICO**

Senator WATSON. Mr. Delegate, have you anything to offer on any subject that you have not already discussed with this committee?

Mr. DAVILA. Yes, sir; I have something new to say.

Senator WATSON. When you were before us previously you testified as to coffee.

Mr. DAVILA. Yes, sir; but the matter I am going to put in now for the consideration of the committee—

Senator WATSON. We do not want to hear anything we heard before.

Mr. DAVILA. No; I am not going to do that.

Senator WATSON. Proceed.

Mr. DAVILA. It is my purpose to suggest a duty on coffee imported into Porto Rico.

Senator HARRISON. Coffee?

Mr. DAVILA. Yes, on coffee imported into Porto Rico from foreign countries. Before the House Ways and Means Committee I asked for a duty of 5 cents a pound on coffee imported into the United States. There should be a duty on coffee imported in Porto Rico, so that our industry will be protected. I will explain my view on that a little later.

Before I approach this subject I want to make a short reply—

Senator HARRISON. Do you produce much coffee in Porto Rico?

Mr. DAVILA. Yes. Prior to the hurricane of last September the crop was estimated to be 40,000,000 pounds. In 1928 we only produced around 8,000,000 pounds, but that was due to the hurricane of 1926. The effect of this hurricane was felt in 1927 and 1928.

Senator HARRISON. What is the consumption of coffee in Porto Rico?

Mr. DAVILA. I have not the figures, but we export almost all of it.

Senator HARRISON. You produce more than you consume?

Mr. DAVILA. Yes, sir.

Senator HARRISON. And you export most of it to the United States?

Mr. DAVILA. No.

Senator WATSON. How much coffee is imported into Porto Rico from other places?

Mr. DAVILA. It appears to be about 800,000 pounds,

SENATOR WATSON. Eight hundred thousand pounds?

Mr. DAVILA. Yes, sir.

Senator WATSON. Where does it come from? Is it imported from the United States?

Mr. DAVILA. It is imported from the United States, but it is not United States coffee.

Senator WATSON. Where does the coffee that goes into Porto Rico come from?

Mr. DAVILA. It may come from Colombia or other South American countries. It comes to the United States and from the United States is imported into Porto Rico. The exact figure is 854,236 pounds, according to the report of the governor.

Senator SHORTRIDGE. There is a very easy way to get at this. You raise coffee in Porto Rico, do you not?

Mr. DAVILA. Yes, sir.

Senator SHORTRIDGE. Coffee is brought into Porto Rico?

Mr. DAVILA. Yes, sir.

Senator SHORTRIDGE. From where?

Mr. DAVILA. From the United States.

Senator SHORTRIDGE. Is coffee sent from here to Porto Rico?

Mr. DAVILA. Yes, sir; it is imported—

Senator SHORTRIDGE. Never mind. Coffee comes here from different countries and then is sent from here to Porto Rico?

Mr. DAVILA. Yes, sir.

Senator SHORTRIDGE. Is that the fact?

Mr. DAVILA. Yes, sir.

Senator SHORTRIDGE. What do you want now?

Mr. DAVILA. What we want is a duty on coffee imported into Porto Rico.

Senator SHORTRIDGE. Not from the United States, of course, do you?

Mr. DAVILA. Well, let me say—

Senator SHORTRIDGE. Wait a moment. I have tried a great many cases and there is a way to get at a fact and the way is to ask a question.

Mr. DAVILA. I can not answer that question unless I have an opportunity to explain it.

Senator SHORTRIDGE. You want a tariff on coffee which is taken into Porto Rico, no matter where it comes from?

Mr. DAVILA. Yes, sir; because it is not American coffee.

Senator SHORTRIDGE. I understand that. It might be coffee coming first to the United States and then shipped on to Porto Rico?

Mr. DAVILA. Yes, sir.

Senator SHORTRIDGE. Now, you want a tariff thrown around Porto Rico, as far as coffee is concerned?

Mr. DAVILA. Yes, sir. This duty on coffee imported directly into Porto Rico from foreign countries would be of no effect if coffee can be imported free of duty through the United States.

Senator SHORTRIDGE. You want a tariff of a certain rate in order to develop your coffee industry in Porto Rico, is that the idea?

Mr. DAVILA. Yes, sir. But this is not new. When the organic act was passed by Congress for Porto Rico in 1900, Senator Foraker proposed a duty of 5 cents per pound on every pound of coffee imported into Porto Rico. That was enacted into law.

Senator SHORTRIDGE. What rate do you ask now?

Mr. DAVILA. Ten cents. It was 5 cents before.

The reasons advanced for the recommendation of this duty by the Senate committee in charge of Porto Rico were explained by Senator Foraker, chairman of the committee, in a speech delivered in the Senate on April 30, 1900. Senator Foraker said in part:

The committee also found that the coffee grown in Porto Rico is of the highest grade and quality, and that it has always been protected by a tariff duty high enough to keep out of Porto Rico the cheap and low grades of coffee grown in Central and South America. We do not grow coffee, and therefore we admit it into the United States free of duty.

Senator Foraker further said:

We decided that we would protect their coffee, which constitutes their chief industry and amounts to more than two-thirds of their exports, from injurious competition of levying a duty of 5 cents a pound on all coffee into Porto Rico.

Senator SHORTRIDGE. Here is the thing that is a little embarrassing: We take everything from Porto Rico and allow it to come into the United States free. You realize that, do you not?

Mr. DAVILA. Yes, sir; and that is perfectly all right.

Senator SHORTRIDGE. We have received everything thus far from Porto Rico free of duty.

Mr. DAVILA. Yes, sir.

Senator SHORTRIDGE. You are asking now that on coffee, for instance, that goes from the United States, coming from some other quarter of the world, pay a duty when it goes into Porto Rico?

Mr. DAVILA. As it was in the former law and it was eventually repealed. It was repealed by implication. We are not asking a duty on an American product. We are asking a duty on a commodity coming through the United States into Porto Rico.

Senator HARRISON. Is that coffee that you produce in Porto Rico as good as the Brazilian coffee?

Mr. DAVILA. It is better.

Senator HARRISON. It is a high quality of coffee?

Mr. DAVILA. It is a high quality of coffee. This is not an American product. This is a foreign product and we desire a duty on it to protect us.

Senator SHORTRIDGE. That is your position?

Mr. DAVILA. Yes.

Senator HARRISON. When did they take the duty off of that Porto Rican coffee?

Mr. DAVILA. In 1909.

Senator HARRISON. How long had they a tariff on that coffee?

Mr. DAVILA. About nine years; from 1900 to 1909.

Senator HARRISON. Do you remember why they took it off?

Mr. DAVILA. I understand there was not any reason given. Probably they did not know they were taking it off or that they were repealing that portion of it.

Senator HARRISON. You file your brief and we will go into that.

Mr. DAVILA. This legislation is approved and asked for by the Governor of Porto Rico, the legislature of the island, the chamber of commerce, the coffee producers, and the Farmers' Association of Porto Rico. It also has the approval of the War Department. A bill to this effect was introduced by me and was passed by the House of Representatives during the first session of the last Congress. It was referred to the Senate Committee on Territories and Insular Possessions and was favorably reported by the committee, but on motion of Senator Reed, of Pennsylvania, on the floor of the Senate, the bill was recommitted to the Committee on Finance, but no action was taken.

The Porto Rican coffee is exported principally to Spain, Cuba, Germany, and the Netherlands. The Porto Rican coffee growers are continually apprehensive that coffee introduced into Porto Rico free of duty will be exported as Porto Rican coffee, thus injuring the reputation of Porto Rican coffee in its present market.

There is likewise the feeling that the Porto Rican coffee grower should be protected in his home market from the introduction of cheap coffee. This duty of 10 cents will protect the local market and

prevent fraud. It will not injure the United States and will benefit Porto Rico.

In view of the aforementioned facts, I hope that this committee will do us justice recommending the imposition of the duty asked to protect our coffee.

I believe I should make a very short reply to Mr. Gray regarding Porto Rico—

Senator WATSON. No, we do not care anything about that.

Mr. DAVILA. There was something said before this committee that I have a right to deny.

Senator WATSON. What was his remark?

Mr. DAVILA. He asked for a duty on sugar coming from Porto Rico and on all products coming from Porto Rico to the United States.

Senator WATSON. You have already gone into that. We are perfectly familiar with that phase. You can not come in here and deny everything that somebody may say.

Mr. DAVILA. I am satisfied that the Senate of the United States and the people of the United States will never discriminate against my country, but I am representing 1,500,000 people and they would not understand my silence in the presence of this attempted discrimination against my country.

Senator HARRISON. You presented that matter very forcibly and fully before, and we believe this committee understands your view on it thoroughly.

Mr. DAVILA. Have you read my brief?

Senator HARRISON. Yes. We have looked into that. Personally I am thoroughly in sympathy with your views.

Mr. DAVILA. If that is the case, I am satisfied.

Senator SHORTRIDGE. I understand your position.

Mr. DAVILA. I do not think you ought to discriminate against a country that is under the American flag and who has showed its loyalty in a national emergency as Porto Rico has done. They are second in that regard to no State in the Union.

Senator WATSON. We understand your position. You have presented it very well, and everybody, I believe, understands it.

## COTTON

[Par. 1661]

### STATEMENT OF HON. HENRY F. LIPPITT, PROVIDENCE, R. I., REPRESENTING DOMESTIC COTTON MANUFACTURERS

(The witnesses were duly sworn by the chairman of the subcommittee.)

Mr. LIPPITT. Mr. Chairman, I am here as a representative of the American users of long staple cotton to oppose a proposed duty on cotton. At a hearing before the Ways and Means Committee I presented a brief prepared in conjunction with those users which covered our views. I do not want to take the time of this committee to repeat that testimony. I have copies of it printed in convenient form for the use of such members of this committee as care to examine it.



Since that hearing, and in consequence of it, the position of the proponents of this duty has materially changed. I want, therefore, to discuss the condition as it now exists.

Before the Ways and Means Committee, representatives of the cotton growers asked for a series of duties on cotton, covering all varieties and running from a minimum of 7 cents per pound on ordinary lengths by successive steps to 24 cents per pound for the longest staples.

Senator SIMMONS. You speak in reference to raw cotton?

Mr. LIPPITT. In reference to raw cotton, Senator; yes.

It was shown in the testimony, however, that as concerned all but a small percentage of the cotton grown in the United States, no duty could possibly be of benefit to anybody, as substantially 50 per cent of the cotton crop was exported, and therefore the price was necessarily fixed by the world market and not by the American market alone. As a result of the testimony given on both sides, the House decided not to put a duty on cotton.

As a result of this, there was presented at a hearing before the Subcommittee on Agriculture a revised schedule of duties which was supported by Representative L. W. Douglas, of Arizona, and Representative W. M. Whittington, of Mississippi.

Their proposed duties are much lower than the original demand. They do not agree, however, as to what the duty should be. Mr. Whittington asked for a duty of 7 cents a pound on all cotton of  $1\frac{1}{2}$  inches or longer. He particularly represents the growers of the so-called Delta cotton of the Mississippi Valley, with a staple running from  $1\frac{1}{2}$  to  $1\frac{1}{4}$  inches, with a small amount of  $1\frac{3}{4}$  inches. He is, therefore, particularly interested in those varieties.

On the other hand, Mr. Douglas, coming from the State of Arizona, is more particularly interested in the so-called Pima cotton of Arizona and California, with a staple of  $1\frac{3}{4}$  inches and above. Instead of the straight duty of 7 cents per pound he proposed a duty of 3 cents per pound for cotton from  $1\frac{1}{2}$  to  $1\frac{3}{4}$  inches, and 7 cents per pound on cotton  $1\frac{3}{4}$  inches and above, giving as a reason for limiting the duty to 3 cents on the shorter lengths that he did not want to advocate anything except what "he believed he could defend" and what he thought "was fair and reasonable."

A third proposition was proposed to the Ways and Means Committee by the California-Arizona-New Mexico Cotton Association of Los Angeles (p. 7632). I presume it is an acknowledged representative of the Pima cotton growers. They proposed a duty of 3 cents on cotton from  $1\frac{1}{2}$  to  $1\frac{1}{4}$  inches, and 5 cents per pound on cotton longer than  $1\frac{1}{4}$  inches.

We have, therefore, these authorities, all of them familiar with the cotton situation, very much opposed to each other as to their ideas of what is necessary. Mr. Douglas is perhaps influenced in his views by the fact that the cost of growing  $1\frac{1}{2}$ -inch cotton is about 3 cents per pound more than the cost of ordinary staples, so that his proposed duty would be equivalent to 100 per cent of this increased cost, whereas, Mr. Whittington's duty of 7 cents would amount to 233 per cent of that same cost.

There is probably something over 800,000 bales of cotton grown in America that these proposed duties would apply to, which is about 5 per cent of the American crop. The other 95 per cent of the American crop will not be affected in any way.

The duties would apply to about 200,000 bales of imported cotton, equivalent to less than 1½ per cent of the total American crop.

There are two distinct varieties of cotton affected by these proposals. The first is the Delta cotton of 1½ to 1¾ inches in length. The crop is from 800,000 to 1,000,000 bales. As regards length of staple, it corresponds to Egyptian Uppers, of which about 165,000 bales were imported from the last crop.

Senator SIMMONS. Will you permit me to ask you a question right there?

Mr. LIPPITT. Yes, sir.

Senator SIMMONS. What is the difference in the world market, I will say, in Liverpool—that is, in the prices in Liverpool?

Mr. LIPPITT. I will come to that a little later, if I may be allowed to.

Senator SIMMONS. All right.

These were principally used for tire fabric, but also in varying quantities, depending upon the changes in fashion, by yarn and weaving mills. The same difference in the character of staple exists between the American and Egyptian cotton of these lengths as in the longer staples. The Egyptian cotton is substantially different, and for some purposes it is much preferred by the manufacturers.

The other is the Pima cotton of Arizona, of which there were 28,000 bales grown last year, about 15,000 of which were used in this country and 13,000 exported, which corresponds in lengths of staple to the Sakellarides cotton of Egypt. While these cottons are comparable in length of staple, they are quite different in other respects. Both have their uses, but for many purposes they are not interchangeable. The Egyptian cotton is a much smoother, more silky fiber. There were about 35,000 bales of Saks imported. The principal users of it are emphatic in their statements that they can not produce proper results by substituting the American cotton. Even Mr. Whittington testified that he thought it was a fair statement that the American mills needed 50,000 bales annually of this cotton.

The Arizona Pima cotton that is exported is principally used by the lace makers of France. They are willing to pay and do pay a premium for this cotton over the price of Egyptian Saks.

The Pima that is used in this country, which is a very small amount anyway, is used for a variety of specialty fabrics, mostly made with fine yarns.

There is not enough of this Pima cotton grown to-day to supply the users of America and of Europe. The best Pima sells at a higher price than the best Saks. The crop last year was all taken by these two markets for it, but it has needed a foreign demand, as well as the domestic demand, to bring about this situation.

Therefore, as we see it, all of these American-grown cottons depend to a controlling extent upon the European as well as the domestic markets, and we can not see how putting a duty on the very small amount of Saks cotton that is used in this country can possibly help the Pima situation.

These three varieties, therefore, the ordinary, the Delta, and the Pima staple, are all on the same basis. A material part of each is exported.

Senator SIMMONS. You say a material part of each is exported?

Mr. LIPPITT. Of all varieties.

Senator SIMMONS. I suppose you export it because there is no demand for it in the American market, or the American market is not equal to the supply.

Mr. LIPPITT. I did not catch your question.

Senator SIMMONS. You say that a part of this long staple cotton grown on this country is exported. Is that because there is not a sufficient American demand to absorb the total output?

Mr. LIPPITT. Yes, sir.

Senator BINGHAM. As I understand it, it sells for a higher price than any other grade of cotton.

Mr. LIPPITT. The Arizona Pima sells for a higher price than any other cotton.

Senator BINGHAM. In the world?

Mr. LIPPITT. In the world.

I was talking about the fact——

Senator SIMMONS. Right at that point, I would like to develop the thought I had in mind a little while ago.

My understanding from your statement, and from my information of a general character, is that the long staple grown here for special uses is not regarded by the trade as being equal to the Egyptian cotton. What is the difference in the staple that makes the Egyptian cotton more desirable?

Mr. LIPPITT. Senator, the Egyptian cotton has a much finer fiber.

Senator SIMMONS. They are both long staple?

Mr. LIPPITT. I am talking now about long staples. The Egyptian cotton has a much finer fiber. Each individual fiber is not so thick as the fibers of the American cotton; in every pound of the Egyptian cotton there are more fibers than in a pound of the American cotton. That seems to produce a cotton that is softer and silkier, and will make a smoother thread than you can make with the American cotton.

I am not for a moment saying anything, or criticising any of these different kinds of cotton. They all have their uses in the markets of the world, but there is a difference, and we will bring that out later.

Senator SIMMONS. There is a difference in the fineness of the fiber?

Mr. LIPPITT. Yes.

Senator SIMMONS. And the count of the fiber, as I understand it.

Mr. LIPPITT. Yes.

Senator SIMMONS. Is it necessary to have that finer quality?

Mr. LIPPETT. Oh, yes.

Senator SIMMONS. In making certain very fine goods that you make up in New England chiefly, and that we are beginning to make some of down South, is it so much better for that purpose than the long staple cotton here that you prefer it to the long staple here?

Mr. LIPPITT. Yes, that is so. There are, perhaps, with the Egyptian cotton——

Senator SIMMONS. I wish you would make that as clear as you can, because that is one of the essential questions involved in that matter.

Mr. LIPPITT. I think you will find that I will go into that more minutely later, and that some of the testimony I am going to give you will answer the question.

The tire-fabric people, in a very complete brief before the Ways and Means Committee, declared that "Exhaustive tests by tire manufacturers over a period of years have demonstrated that Egyptian Uppers have certain qualities of fineness and uniformity that American staples of the same length do not possess. Because of this fact, the tire manufacturers have paid an average of 3 to 4 cents per pound more for the Egyptian Uppers than for American staples of the same or slightly longer length. For 1927-28 this premium amounted to \$3,000,000."

The production of the Delta cotton—that is, the 1¼-inch is materially more than the American demand for it. At least 300,000 bales are exported. Even if a tariff high enough to exclude Egyptian Uppers were put in force so that none of it was imported, and the American mills used an equivalent amount of Delta cotton in place of what is now imported, there would still be a very material amount of this Delta cotton that would have to find a foreign market.

The situation, therefore, would be similar to the admitted situation in regard to ordinary staples. The price that could be obtained for this exportable surplus would fix the American price, and this exportable surplus would have to compete not merely with the proportion of Egyptian cotton that is now used abroad, but with an Egyptian crop augmented by the 165,000 bales or so excluded from this country.

We believe, therefore, that the growers of Delta cotton would obtain no benefit from the proposed duty. On the other hand, it would be a definite injury to the cotton manufacturers. If it was effective in reducing imports, they would be deprived of an essential raw material. If it was ineffective in excluding Egyptian cotton, it could certainly be of no benefit to the grower, but would definitely increase the cost of such proportion of the present Egyptian supply as could be used here.

Mr. Whittington, in the course of his testimony, makes several statements to which I wish to call attention. He seems to think it helpful to his case to show that the American cotton manufacturers—who, after all, are his customers—are unduly benefited. Both in his testimony before the Senate subcommittee and in a speech he made in the House of Representatives, he asserts several times that the schedule in the House bill is the highest duty on cotton goods known in history. We think he is very much in error in this matter.

The average ad valorem equivalent rate of duty collected on countable cotton cloths is as follows:

McKinley bill, 1898 to 1919, 39.50 per cent; Aldrich bill, 1910 to 1914, 42.30 per cent; Underwood bill, 1914 to 1922, 21.56 per cent; and the present bill, 1922 to 1927, 28.56 per cent.

The schedule as proposed by the Ways and Means Committee will add not to exceed 4 per cent to the present rates on countable cloths, which would make them 32.56 per cent.

In some cases it will materially reduce the existing rates, notably in the case of thread made out of the finest of yarns, where the duty has been reduced from 35 per cent to about 25 per cent, and on tire fabrics, where the duty has been reduced from 25 per cent to from 10 to 17 per cent.

Senator SACKETT. What do those duties refer to? Do they refer simply to cotton cloths?

Mr. LIPPETT. That is the average of countable cloths.

Senator SACKETT. It does not take in the yarns?

Mr. LIPPITT. It does not take in any of the specialties.

Senator SIMMONS. It does take in the yarns, does it not?

Mr. LIPPITT. No; this simply refers to countable cotton cloths alone. But the yarns are on an identical basis.

Senator SIMMONS. You mean that yarns are at the same rates that have been maintained throughout?

Mr. LIPPITT. This is relative to the duties on cloth. The item in the cotton schedule, which includes by far a majority of all cotton manufactures, refers to countable cotton cloths.

Senator SIMMONS. Let me see if I understand you. You say that the rates proposed in the House bill—that is, the pending bill—are only 4 per cent higher than the rates—I mean the average rates—carried in the present bill?

Mr. LIPPITT. Yes.

Senator SIMMONS. Where is the 4 per cent increase? Is it an increase upon some specific part of cotton goods, or is it an increase that spreads out over the whole volume of cotton goods?

Mr. LIPPITT. The cotton schedule, Senator, first deals with what are called countable cotton cloths; that is, the ordinary cloths as you see them coming from the mills. Any man with a glass can count the number of threads to the square inch; so those goods are called countable goods. There is one item in the schedule that covers those countable goods.

Then there is a variety of items covering specialties. The great bulk of cotton manufactures are included under the countable cloths, so when I compare the duties on these countable cloths I am comparing, I should say, 75 per cent of the entire cotton manufactures.

Senator SIMMONS. What I was trying to get at was this: Is there just one special kind of cotton goods that gets the benefit of this 4 per cent increase?

Mr. LIPPITT. Oh, no; sir.

Senator SIMMONS. Or do all cotton goods participate, relatively, in the increase?

Mr. LIPPITT. At least 75 per cent, and probably more, are covered by that particular cloth.

Senator SIMMONS. There is no discrimination, so far as that increase is concerned, in favor of one specific kind of cloth?

Mr. LIPPITT. I think it is fair to say it does not do that; no.

Senator SACKETT. Does that mean 75 per cent of cotton cloths, or 75 per cent of all cotton imports?

Mr. LIPPITT. Cotton cloths.

Senator SACKETT. What proportion of the total cotton imports are the cotton cloths you are referring to?

Mr. LIPPITT. You have, Senator, all those figures before you. The imports, as I remember the figures—I do not know that I carry that very distinctly in my mind—I think the total imports are about \$77,000,000 of cotton fabrics of all kinds. That includes a great many specialties. It includes laces and other things.

Senator SACKETT. And yarns?

Mr. LIPPITT. It includes yarns.

Senator SACKETT. Practically everything?

Mr. LIPPITT. It includes everything. I am simply relying on my memory, but I think the imports of countable cotton cloth were in the neighborhood of \$17,000,000, and there are a number of specialties.

There are very large imports of plush and a variety of things that go to make up the other items.

Senator SACKETT. I thought those figures were very interesting to show the relative height of these duties, and I wanted to see just what it was on.

Senator SIMMONS. I understood you to say that you referred to the average of the 1913 act as 21 per cent.

Mr. LIPPITT. Yes; the Underwood bill.

Senator SIMMONS. Then in reference to the 1922 act, what was the average for that act?

Mr. LIPPITT. The average under the Underwood bill was 21.5 per cent, and under the present bill, so far—

Senator SIMMONS. The 1922 bill, I mean.

Mr. LIPPITT. Yes, the 1922 bill.

Senator SIMMONS. What was that?

Mr. LIPPITT. 28.5 per cent. The present bill increases the duties 4 per cent.

Senator BINGHAM. What was it under the McKinley bill?

Mr. LIPPITT. It was 39.5 per cent.

Senator BINGHAM. That was higher than the proposed House bill?

Mr. LIPPITT. The proposed House bill will make it about 32 per cent.

Senator BINGHAM. And under the McKinley bill it was 39.5 per cent?

Mr. LIPPITT. Under the Aldrich bill it was 42.3 per cent.

The facts, therefore, are that, instead of this being the highest tariff in history, with the exception of the Underwood bill and the bill now in force, it is the lowest tariff in the last 30 years.

Mr. Whittington states again, to show the importance of the industry he represents, that millions are engaged in cotton growing where hundreds are engaged in cotton manufacturing. The facts are that there are approximately 500,000 people directly engaged in cotton manufacturing, so that, if his statement is true, there must be 5,000,000 people engaged in the cotton fields.

Again Mr. Whittington testified that it is substantially undisputed that "American cotton can be substituted for all the Egyptian cotton imported." Before the Ways and Means Committee there was ample testimony by the users of these long staple cottons that just the opposite was the fact—that there were many uses for which it could not be substituted on account of the fundamental difference in the character of the two cottons.

Included in the cotton imports that would become dutiable are some 23,000 bales of Peruvian cotton. Mr. Whittington, in his testimony before the Ways and Means Committee, said that this was used for tire fabrics and threads. We think he is in error here, as this cotton is mostly used in the manufacture of some kinds of woollens. Nobody claims that it competes with any grade of American cotton. The only possible result of putting a duty upon it would be to increase the cost to the consumer without benefiting a single American citizen.

Mr. Douglas testified that in the year 1920 there were 485,000 bales of Egyptian cotton imported; and that the next year, when the emergency tariff put a duty of 7 cents per pound on the long staple Egyptian cotton, there were only 85,167 bales imported; but

that for the next year, when the tariff was taken off, the imports jumped up to 233,729 bales.

He made a great point of this, and in reply to a question of Senator Shortridge he stated that this proved that when the tariff was on, the manufacturers "secured their cotton from the American producers."

The facts are that the 485,000 bales imported in 1920 were by far the largest imports of Egyptian cotton in any recent year. For the two years preceding 1920 the imports were only 135,000 and 285,000 bales annually. In the year after the emergency tariff went off, the imports were about 250,000 bales.

The fact about these imports of 1920 is that it was the height of the war boom. Cotton textile products were bringing enormous prices. Users of these long staple cottons were afraid that they could not get an ample supply. The price of staple cotton went up to nearly \$1 per pound, and the American users bought every bale of staple cotton they could find anywhere.

The next year, 1921, which happened to correspond with the Emergency Tariff, there was a great business crash. These purchases had to be liquidated at an enormous loss. The reason there were so few importations in 1921 was because of the enormous oversupply in 1920 and the combined importations for the two years 1920-21 of 570,000 bales average just about the same number of bales that we have been in the habit of importing since that time. These imports, therefore, furnish no information at all as to what might or might not have been the case if Egyptian cotton was barred from the country.

Senator GEORGE. Before you leave that point, let me ask you this question. I believe you said that after the Emergency Tariff had been taken off that the imports increased in 1922 to 233,000 bales.

Mr. LIPPITT. That is the normal amount of Egyptian cotton that is used. If you will go on to the other years you will see that it corresponds.

Senator GEORGE. When the tariff was laid it fell to about 87,000 bales.

Mr. LIPPITT. Yes, because there were over 500,000 bales imported the previous year, which is twice the consumption of the country.

Senator SACKETT. It is perfectly possible to import cotton and hold it indefinitely, is it not?

Mr. LIPPITT. If you have money enough to pay the charges.

Senator SACKETT. It keeps its form?

Mr. LIPPITT. It keeps its form, yes, sir.

Senator SACKETT. So you could import a large amount one year and feed it out the following year?

Mr. LIPPITT. Yes. I might say here, since the Senator has brought that question up, that the proponents of this duty on Pima, before the subcommittee—I do not know whether it was this subcommittee, Mr. Chairman, or the Agricultural subcommittee—

Senator BINGHAM. It was the subcommittee on Agriculture.

Mr. LIPPITT. They made a great point of this fact, that so much cotton had been brought in that year, and then when the tariff was on there was a very small amount being brought in, and the next year there was a very substantial amount.

They attempted to prove that that showed that the instant the tariff was on the American manufacturers were substituting Pima cotton for the other cottons that had been brought in.

There are two answers to that, one of which I have made, and the other is that there was not Pima cotton enough grown in the country to make up the deficit.

Senator SIMMONS. Was it not a fact that the cotton industry saw that Congress was going to pass an emergency tariff putting a duty on and took advantage of the opportunity and brought in a considerable supply?

Mr. LIPPITT. That was done.

Senator SIMMONS. In anticipation of this duty?

Mr. LIPPITT. That was done, Senator, to some extent, but the duty did not go on until May 27. The duties did not correspond with the calendar year. They called it the duty of 1921, but the duty went on in May, 1921, and these figures about the imports are for the calendar year.

There was a very considerable amount of cotton brought in in that way, and there has been a very considerable amount of cotton brought in to-day, anticipating that you gentlemen are going to put a duty on it.

Senator SIMMONS. Then you say, if the conditions of 1920 had continued the importations would not have been more than sufficient to supply the demand; but because of the changed conditions there was not such a demand in the next year?

Mr. LIPPITT. There was not so much of a demand, and there was also a supply of cotton equal to the full volume. In the first year, they imported double their consumption.

It was pointed out before the Ways and Means Committee that there was a considerable amount—estimated at 100,000 bales—of Egyptian cotton imported into this country in the form of merchandise; and that this merchandise was a class which competes most severely with the American cotton manufacturers.

It was also testified that many of these fabrics could be made only of Egyptian cotton, for which there was no equivalent substitutes grown in the United States or anywhere else in the world, and that, therefore, if a duty was put on Egyptian cotton, a compensatory duty would have to be put on goods containing Egyptian cotton; other wise the imports would be undoubtedly materially increased, and this would be disastrous to the large number of mills now engaged in making these fine fabrics.

Mr. Whittington brushes this situation aside as a matter of no account and as something the committee may safely ignore. We earnestly protest against such an assumption, and, as has been pointed out in the House testimony, if a cotton duty is passed, there should be a compensatory duty of 40 per cent greater than the duty on the raw cotton, to again put the manufacturer on an equitable basis; that is, if there is a duty of 7 cents per pound on cotton, there should be a compensatory duty of 9.8 cents on the manufactured cloth.

It is evident that a duty which permits manufactured articles to be imported would be injurious not only to the manufacturers but to the cotton growers as well, as they can not expect to sell their cotton to run American spindles if the product of those spindles has been replaced by imported goods.

We can not imagine any more welcome news that could come to Lancashire than to hear that the United States had put a duty on Egyptian cotton without putting a compensatory duty on the yarns and fabrics made out of it.

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Let us say here that while we have no desire to discredit or minimize the difficulties of agriculture or the importance of Government assistance to the farmers, we think we are justified in calling to the attention of this committee the fact that there has been no industry, either agricultural or otherwise, that has recently worked at so small a profit and had had such hard work to keep its head above water as the cotton manufacturers.

Much might be said about it, but as a striking bit of testimony, I have here a clipping from a recent Boston newspaper giving a list of nine corporations in New Bedford, the market price for whose stock is less than the actual value per share of their quick assets, saying nothing about the amount of money that is invested in land, machinery, buildings, etc.

This would be equivalent to a farmer who wanted to dispose of his farm having not merely to give the farm and all his equipment to the buyer but who would also have to pay some amount of ready cash to consummate the sale.

I ask permission, Mr Chairman, to have printed as a part of my statement the clipping to which I have referred:

Senator BINGHAM. Very well.

(The clipping referred to is as follows:)

BOSTON NEWS BUREAU,  
June 25, 1929.

NEW BEDFORD MILLS FOR NOTHING

SHARES OF MANY COMPANIES SELLING FOR LESS THAN NET QUICK ASSETS

Boston—The spectacle of New England mill stocks selling at considerably less than the amount of the net quick assets per share is not unfamiliar. At this time, when a certain amount of liquidation talk is in the air, and outside interests are seeking to effect a merger involving some New Bedford mills, it is of more than passing interest that many New Bedford textile stocks are selling at much less than their "net quick" per share—in other words, the plants are given a valuation of less than nothing.

The following table compares the present selling price of several New Bedford mill stocks with the amount of net quick assets behind each share: (In some cases cash holdings per share are greater than the selling price).

	Net quick per share	Current market
Aenshnet Mills.....	\$50	\$35
Bristol Manufacturing Co.....	67	48
City Manufacturing Corporation.....	53	38
Kilbarn Mills.....	96	56
Greenell Manufacturing Corporation.....	39	46
Hathaway Manufacturing Co.....	69	49
Pierce Manufacturing Corporation.....	304	260
Potomska Mills.....	53	30
Quisset Mills common.....	92	65

Senator SIMMONS. Let me ask you a question or two. What is the price of Egyptian cotton in the American market?

Mr. LIPPITT. You mean the comparative price or the actual price?

Senator SIMMONS. The actual price at which Egyptian cotton is bought in this market.

Mr. LIPPITT. The actual price for this year—there are two staples in Egyptian cotton, one a very long staple, and the long staple price runs from 33 cents a pound to about 50 cents.

<sup>1</sup> After allowing for preferred at par.

Senator SIMMONS. What is the price in the American market for this Delta cotton and the Pima cotton?

Mr. LIPPITT. The Pima cotton sells higher than the Sakellarides.

Senator SIMMONS. Give us the prices.

Senator BINGHAM. In the Summary of Tariff Information furnished us by the Tariff Commission, on page 2306, price quotations are given as of February 26, 1929, on five different grades of Egyptian cotton, varying from 25.50 cents up to 42.65 cents, and giving the price of American-Egyptian, or Pima, cotton, as 43 cents.

Senator SIMMONS. In the American market?

Senator BINGHAM. That is in the Boston market.

Senator SIMMONS. I would like to get his figures.

Mr. LIPPITT. I answered the first question.

Senator SIMMONS. You answered the question in reference to the price of Egyptian cotton in the American market. Now I am asking you what is the price of long staple cotton grown in the same market, the Delta and Pima cotton?

Mr. LIPPITT. Senator, I do not think that I could tell you those prices. They are varying all the time. But I happen to have that information about Egyptian cotton on this schedule.

Senator SIMMONS. Are you speaking of the present day, when you speak of the price of Egyptian cotton?

Mr. McDEVITT. The price of the Egyptian cotton we are talking about is 43 cents.

Senator SIMMONS. In the American market?

Mr. McDEVITT. In the American market. There is not any; that is the reason it is so high. Egyptian cotton of comparable quality is about 35 or 36 cents.

The Senator asked the price of the American-Egyptian or Pima cotton. To-day it is about 43 cents for the spot variety.

Senator SIMMONS. That is raw?

Mr. McDEVITT. That is the raw cotton, against a price of about 35 or 36 cents for good Egyptian spot cotton.

Senator SIMMONS. Can either you or Senator Lippitt give the price of Egyptian cotton in the Liverpool market and the price of this Pima or Delta cotton in the Liverpool market?

Mr. LIPPITT. It is the same price, subject to the transportation charges.

Senator SIMMONS. That is what I assume; but I want to get at what it is.

Mr. LIPPITT. It is the same price, less the freight rate, and that also applies to the American cotton. It is the same price as it is in the United States, plus the freight rate.

Senator SACKETT. Senator Lippitt, I wanted to ask you if the duty were put on this long staple how far the compensatory duty would run to the cotton manufactures of this country. Would it go to all the cotton manufactures?

Mr. LIPPITT. No; the compensatory duty would be a duty on importations containing cotton of a certain length.

Senator SACKETT. What proportion of the cotton manufactures would that affect?

Mr. LIPPITT. This whole question, Senator Sackett, affects less than 5 per cent of the cotton growth in America. It really is a very small question. There has been a great deal of attention called to it; there

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has been a great deal of agitation about it; and there was a time when certain people in the South were representing to the planters that by having a tariff they were going to have the millennium come. It has already been demonstrated by the position they have taken themselves that any such thing is an impossibility.

All of these three kinds of cotton are on exactly the same basis. Of the medium staple cotton there is something like 33 per cent exported, and in this very long staple there is half of it exported. It is economically impossible to put an effective tariff on an article which has a very large foreign market.

Senator SIMMONS. Senator, I am somewhat puzzled about this thing. If the American cotton buyer regards the long staple cotton grown in the United States as worth more money than the Egyptian cotton, it must be because there are certain specific uses of the American cotton and certain specific uses of the Egyptian cotton, and we can not interchange these different cottons so as to make them equally valuable for those respective uses.

Mr. LIPPITT. I could not express it better myself, Senator, and I have tried very hard to do so. That is absolutely the state of the case.

Senator SIMMONS. You do not think the American cotton is better than the Egyptian cotton, but that it is better suited to some conditions?

Mr. LIPPITT. That is right; yes, sir.

Senator SIMMONS. You do not think the Egyptian cotton is less valuable than the American cotton, but it is not serviceable for certain specific uses. That is what puzzles me; why cotton should be higher for one use than like cotton that is just as valuable for another use.

Mr. LIPPITT. I think I can explain that by a little illustration. This Pima cotton, which is long-staple Arizona cotton, that is exported goes largely to France and Belgium to make lace. In lace they want very long and wiry threads.

Senator SIMMONS. It is better than the Egyptian for that purpose?

Mr. LIPPITT. It is better and they pay a higher price for it. Therefore, the quantity of Egyptian cotton imported into this country is largely used for making sewing thread where one thing that they want is a very smooth, pliable thread. These thread people contributed half a million dollars to have Pima cotton grown in Arizona when the thing first started. With that amount of capital invested in it, you can imagine that they quote a favorable condition to every kind of cotton that came out of that area. They are here to-day and will give illustrations to the effect that they can not use that Pima cotton to make the best thread. It is only a small amount. We are only talking about 25,000 or 35,000 bales.

Senator SIMMONS. That is a very significant fact in connection with it all, to my mind. Generally speaking, we say that the price of a product depends very largely upon the volume of that product. Now, may it not be that this difference in price grows out of the fact that the volume of Egyptian cotton as compared to the uses of it is greater than the volume of the American long staple as compared to the demand and uses of that?

Mr. LIPPITT. Yes; I think that is true.

Senator SIMMONS. If that is true, that would indicate that we are not producing enough of the Pima and the Delta——

Mr. LIPPITT. Delta is different.

Senator SIMMONS. There is somewhat of a scarcity in the world's supply of that product and not a scarcity in the world's supply of the Egyptian cotton, and that the matter of difference in volume as compared with the demand has something to do, probably, with making the price of one higher than the price of the other.

Mr. LIPPITT. I think you are absolutely correct.

Senator SIMMONS. I am asking you whether I am or not.

Mr. LIPPITT. I think you are; yes, sir.

Senator SIMMONS. I am speculating; I am not saying that

Senator BINGHAM. Senator, I hope you are not speculating.

Senator SIMMONS. No; I am not speculating in cotton; I am speculating in statistics; but I have discovered recently that a man has to be mighty particuler in the use of his language, otherwise he will be misconstrued.

Senator BINGHAM. Have you anything further, Senator Lippitt?

Mr. LIPPITT. Nothing, except that I would like to say this one thing: To use the gist of this whole matter is that here are three kinds of cotton. Of each of them there is a very substantial amount exported, and those exportations are such that they will control the price. That is, the price must be made by the wool market and not by the American market alone.

Senator BINGHAM. I understand also that unless a duty is put upon Egyptian cotton, a compensatory duty placed upon all articles manufactured thereof, you will be placed at a disadvantage with the foreign manufacturer?

Mr. LIPPITT. Most emphatically so. It will be a great injustice.

Senator SIMMONS. Would it be possible to ascertain the amount of Egyptian cotton in certain yarns that might be imported into this country?

Mr. LIPPITT. You mean the character of the Egyptian?

Senator SIMMONS. Yes.

Mr. LIPPITT. I think it would be very difficult. It would be easier in yarns than it would be in fabrics.

Senator SIMMONS. It will be necessary then to place a compensatory duty on all fabrics into which Egyptian cotton has entered?

Mr. LIPPITT. Yes.

Senator SIMMONS. How would you determine whether Egyptian cotton did enter and whether it was the chief component of value?

Mr. LIPPITT. The duty would not be described as Egyptian cotton. The nomenclature of the clause would be that there was such and such a duty on fabrics containing staple cotton of more than an inch and a quarter in length. Then they would have to break it apart and discover whether the fabrics in that article were an inch and a quarter long, or whatever it was.

Senator SIMMONS. Do you think that they could discover it in that way?

Mr. LIPPITT. It could be done in yarns. Well, it could be done in all ordinary pieces of goods, but when you come to a garment, for instance, made out of cloth having Egyptian long staple, the only way you could find out would be to cut some of the cloth out and take the individual threads apart. In justice a compensatory duty is essential, but in practical operation it will be quite difficult.

Senator SIMMONS. Would you want a compensatory duty without regard to the amount of Egyptian cotton that was used in proportion to other kinds, or would you want it only in case the Egyptian cotton was the element of chief value?

Mr. LIPPITT. I should think that on account of the difficulties of determining the long-staple cotton you would have to put it on anything containing long-staple cotton.

Senator SIMMONS. It would not make any difference how small the quantity is?

Mr. LIPPITT. It would not make any difference how small the quantity is, but nothing would be brought in; it is only a small amount.

Senator SACKETT. But we are talking about the trouble in getting up a schedule.

Mr. LIPPITT. I ended my testimony by saying that it was a very stormy field for Congress to enter upon and they had better let it alone.

Mr. Chairman, may I discuss another branch of the cotton manufacture?

Senator GEORGE. Before you do that, Senator Lippitt, there is something that I want to call your attention to. I have been reading the testimony of Congressman Douglas, of Arizona, and Congressman Whittington, of Mississippi, given before the agricultural subcommittee, and I want to direct your attention to this fact: It is claimed by Mr. Whittington particularly that the compensatory duty has been allowed, and the statement that he makes in that connection, which you have already noted, is that all the fine fabrics have the highest tariff in history. In the figures which you submitted to us you were dealing with the average tariff on cotton fabrics in the various tariff acts. He points out that while the average is, as you state, nevertheless, the duty on the fine fabrics is very much higher than that, and he takes the position that those very high duties which were increased in the House bill really proved adequate compensatory duties, even if a tariff of 7 cents a pound should be given on this long staple.

Mr. LIPPITT. Senator, one of the duties, the duty on thread, made out of No. 90's yarn and above, was reduced from about 35 cents a pound to 25 cents. The duty on tire fabrics—well, that is not a fine fabric, and I will not talk about that. You want a broad answer, do you not?

Senator GEORGE. Yes. On the tire fabrics we are familiar with the fact that the duty was reduced from 25 to about 17 per cent.

Mr. LIPPITT. I was going to talk about that. Mr. Whittington is in error about those duties. He has made this declaration about this being the highest tariff in history.

Senator GEORGE. I wanted to call your attention to the fact that he says it is the highest on these fine fabrics.

Mr. LIPPITT. I emphatically deny it, and the figures that I have given are correct.

Senator GEORGE. But I wanted to ask you if you had not given us figures that deal with the general average of the tariff on cotton fabrics and not on the fine fabric, which, of course, is made out of the finer grade Egyptian cottons.

Mr. LIPPITT. They deal with both.

Senator GEORGE. I understand you have considered both, but you have given the average.

Mr. LIPPITT. The figures that I have given are the average.

Senator GEORGE. But I am calling your attention to the fact that he points out in his testimony before the agricultural subcommittee of the Finance Committee that the fine fabrics do now carry the highest duty in the history of our tariff. I do not know whether he is correct or not.

Mr. LIPPITT. He is not only incorrect, but the duty on the fine fabrics under the proposed tariff is the lowest duty that has been on cotton fabrics, with the exception of the Underwood bill and the bill now in force, for the last 30 years and I think for the last 60 years. That statement is not correct.

Senator GEORGE. Well, I think it is an important matter here. Just let me read you this sentence:

The tariff on textiles manufactured from staples has been raised materially. Inasmuch as the tariff on finer yarns has been raised materially, it must follow that while the average duty on all tire fabrics may be 17 per cent ad valorem where it is now 25 per cent, it will be much more than 25 per cent on the tire fabrics using staple cotton. The tariff, therefore, upon fine threads, fine yarns, and the better grade tire fabrics, has been increased. It has been denied on the raw cotton. As shown by page 8502 of the hearings before the Ways and Means Committee, the tire industry uses about 700,000 bales of cotton annually, of which only about 30 per cent is staple cotton. The remainder is shorter than 1½ inch cotton.

Here is what he has to say about a compensatory duty:

Ordinarily, a tariff on the raw product should provide for a compensatory duty. The House bill has anticipated compensatory duties. Senator Lippitt, on page 8476, and again on page 8484, said that there should be at least 40 per cent more duty on the products than the duty levied on cotton. Careful estimates have been made. An increase of 7 cents per pound on staple cotton means an increase in the cost of thread per spool of fifty-eight thousandths of a cent. It means an increase of from 6 to 10 cents on an automobile tire.

His contention is that those compensatory duties have actually been allowed. Let me call your attention to the summary of the duties and a comparison of duties in the House bill and in the present act made by the Tariff Commission. I do not know that you have had an opportunity to see that, but from a study of that I think you will see that there has been an increase in the duty on the fine fabrics, although the general average of this tariff on cotton fabrics may be below the general average carried in some of the previous acts.

Mr. LIPPITT. May I answer that?

Senator GEORGE. Yes. I am calling your attention to it because I would like to hear your answer.

Mr. LIPPITT. Mr. Whittington says there that because there has been a duty on fine fabrics that, therefore, there is an increased duty on tires because they use long-staple cotton. Well, he evidently is very much confused on that. Merely because long-staple cotton is sometimes used in fine fabrics, it does not, therefore, follow that anything that long-staple cotton is used in is a fine fabric. The facts of the case are that the tire fabric of to-day is made out of No. 23 yarn whether they use common cotton or Egyptian cotton or some other kind of cotton, and the duties on yarn vary according to their fineness and not according to whether they are made out of this kind of cotton or that kind of cotton. Mr. Whittington, if I may be excused for using an impolite phrase, shows a nonumental ignorance of the whole situation there. The fact is that the duty on every

class of tire has been reduced from 25 per cent to at least 17 per cent and possibly in some cases as low as 10 per cent.

Senator GEORGE. Are you going to discuss that other question later?

Mr. LIPPITT. Very briefly, yes. But Mr. Whittington is not correct about those assertions at all.

Senator GEORGE. I am merely calling your attention to his statement and to his figures.

Mr. LIPPITT. There was one other statement there that I think I should answer, but, perhaps, it is of no importance unless you desire me to do so.

Senator GEORGE. I do not know just what you are referring to. He makes the general statement that all the fine fabrics have the highest duty.

Mr. LIPPITT. Yes; and that, therefore, they would not want a compensatory duty.

Senator GEORGE. And therefore you have, in effect, a compensatory duty.

Mr. LIPPITT. Yes; and that is a thing that I want to speak of. The answer to that is this, that the Ways and Means Committee fixed a tariff on cotton goods on the basis of there being no tax on cotton. They did increase the tariff on some cotton goods and on the finer yarns to a very small extent, the average of which is about 4 per cent. They manifestly were not putting this duty on as a compensatory duty for anything that had occurred to cotton; they were doing it because they thought the circumstances of the case justified that without regard to that duty there should be a small additional duty on cotton fabrics. Is there anything further, Senator?

Senator GEORGE. I wanted to ask you something about the reduction of that duty on automobile tires, but you said that you were going to deal with that.

Mr. LIPPITT. I only want to deal with it very briefly.

Senator BINGHAM. May I say just here that in the comparison of rates of duty in the pending tariff bill that the present law furnished us by the Tariff Commission shows that for paragraph 904, which includes tire fabrics at the present time, that having been taken out of paragraph 905, the average increase is 5.07, or a trifle more than the general average for the entire Schedule 9, which is increased from 40.26 to 43.58, or an increase of 3.32.

Mr. LIPPITT. Does that say that there has been an increase in the duty on tires?

Senator BINGHAM. No. The tires have been taken out of paragraph 905 and put in paragraph 904, and the average of all duties in paragraph 904 shows a figure a trifle over 5 per cent, so that it is practically what you said, that the increase is about 4 per cent, which is the general average.

Mr. LIPPITT. What I wanted to say about tires was this: They did have a special duty of 25 per cent. For some reason that none of the people interested in the industry knew about that special classification was removed and they were put in the general class which reduced the duty from 25 per cent to about 17 per cent if the tire is made out of No. 23 yarn. There was no evidence of any kind given

before the House committee. There was no reference to the duty on tires. Nobody asked to have it reduced. There was no testimony put in in regard to it and the people who are making the tires are a little chagrined about it.

Senator GEORGE. Do you have any idea why that was reduced? That is a question that I wanted to ask you.

Mr. LIPPITT. I can not tell you, but the rumor about it is that somebody in connection with the Ways and Means Committee telegraphed to some of the tire fabric makers—I think I will have to begin and answer that question again, Senator. The tire business is in an unusual situation. There are two distinct classes of producers of tire fabric. There is the independent producer who makes the fabric and sells to the tire maker. There is the tire maker himself who has his own mills and produces about a third of the total quantity produced. I have heard it said that there was a telegram sent to some one person of the tire makers asking him if he wanted that duty and he said he did not care about it. I do not know whether that is true or not.

Senator SACKETT. The effect of that would be that a tire maker could go to a foreign country and produce his material and send it into this country and make his tires cheaper here.

Mr. LIPPITT. And there are tire fabric plants in Canada.

Senator GEORGE. Yes; I know that and I heard the same rumor. It is so unusual that there should be this drastic reduction without any apparent reason for it.

Mr. LIPPITT. What I wanted to say about this tire fabric is that although it is made out of coarse yarns it is one of the most perfectly made fabrics in America. The inspections of the tire makers are very severe; they demand a very high standard of yarns; they have to be very smooth. They reject any imperfections. And I want you, Senators to bear in mind the great progress that has been made in automobile tires. If you will remember, it is only a few years ago when if we had a tire that would go 2,000 miles without a blow-out or a tire coming off or something like that we were very much pleased, whereas now a tire will go 10,000 or 20,000 and even 40,000 or 50,000 miles. All of that has not occurred just by accident. It has occurred by an enormous amount of protecting the article, both on the part of the tire maker and on the part of the manufacturer.

Frankly, gentlemen, I do not know what the duty should be in this case, but it is a thing in such a position that there is no chance of a tariff, however high, being an injury to the American people, because the instant the independent tire makers try to make too high a price the tire people themselves will put us out of business by building their own plants, which they are doing to a very great extent, but under great possibilities. We do not know what the tire of the future is going to be made out of. It has changed its construction many many times in this progress of perfection. We do not know what yarn it may be made out of five years from now. If they should make it out of 13's instead of 23's, then our protection instead of being 17 per cent would be 10 per cent, which would absolutely be too low, because very fine, carefully prepared and perfected yarn would have the same duty as the ordinary rough, common yarn of the country. So we feel that there can not be an injury to anybody and that w



should have that duty put back. I have stated the case as fairly as I know how to state it.

Senator BINGHAM. Have you anything further?

Mr. LIPPITT. No.

Senator BINGHAM. Thank you very much for your kindness. It is not often that we have before us a witness who knows as much about his subject as the former Senator from Rhode Island.

Mr. LIPPITT. I appreciate the compliment. Here is a sample of that modern tire fabric and here is the old fabric.

**STATEMENT OF F. O. McDEVITT, NEW BEDFORD, MASS., REPRESENTING THE PAGE MILLS**

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. McDEVITT. We have mills in Massachusetts, Connecticut, and South Carolina. I merely wish to confirm the testimony of Senator Lippitt, as I believe he has already amply covered the subject. I do wish to state, however, that some of our mills make cloths that require either Pima or Egyptian cotton, and we use sometimes one and sometimes the other.

I wish to correct the impression I gave you a short while ago with regard to the difference in the price between Sabel and Pima cotton. That is temporary, due to the fact that the supply of Pima cotton is exhausted for this year, but ordinarily there is a premium of 3 to 4 cents a pound on Pima over Egyptian.

The cloths that we make, either fine marquisettes and other fabrics, compete with those made in England of Egyptian cotton, and if a tariff were put on Egyptian cotton we would not be able to compete with the cloths that are imported into this country and made from those yarns.

Senator George spoke a few minutes ago in regard to the tariff being much higher on the finer yarns, and the reason for that is that labor enters into the finer yarns a great deal more than it does on the coarser yarns, and the purpose of the tariff, as I understand it, is to protect American labor. That is all, sir.

Senator BINGHAM. We thank you.

**STATEMENT OF R. C. KERR, REPRESENTING THE AMERICAN THREAD CO., NEW YORK CITY**

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. KERR. Mr. Chairman and gentlemen, I would like to say, in the first place, that I have had the opportunity of hearing and studying the brief presented by ex-Senator Lippitt, of Rhode Island, and I wish to say that I indorse every word that he has uttered here.

I want to have the opportunity of appearing before this committee in connection with the question of a duty on Egyptian cotton so that I might make a statement as to how our particular company, the American Thread Co., would be affected. We are quite a large company and are very large users of Egyptian cotton and, of course, we employ a great many thousand hands.

I do not know whether before proceeding to my specific statement it would be in order to enlarge upon two of the matters which came up in Senator Lippitt's testimony. Senator George referred to a state-

ment by Representative Douglas, of Arizona, regarding an increase on fine yarns. I do not know anything at all about the cloth business, but I do know about yarns. We have a mill in western Rhode Island which is exclusively devoted to the manufacture of single yarns. They go almost entirely to the tire trade.

It must be remembered that the difference between the proposed law and the law now in effect is that the House bill has eliminated, so far as yarns are concerned, all specific duties, so that as soon as we saw the rates, being interested as we are in 100-yarns, we made a comparison to see whether those rates were going to be beneficial or otherwise to our particular industry. As I said, the specific tares have been wiped to one side, so that the first thing for us to do was to get a quotation on 100-yarns from Manchester. We got a quotation of 66 cents and 63 cents. It makes a difference whether your basic price is 66 cents or 63 cents. We took the highest price and worked it out and compared it with the present rates and we found not an increase in the duty but a decrease in the duty. I think that is a very important point to bring out when the statement is made that the duties have already been reduced to such an extent on fine yarns. I think it is important to bring out the fact that in 100-yarns the rates of the House bill bring about a small decrease on a yarn costing 66 cents in Manchester. If the 63-cent yarn were applicable, then it would be 63 cents plus that duty.

Senator GEORGE. That statement does not appear in the testimony of Congressman Douglas, but in the testimony of Congressman Whittington.

Mr. KERR. Excuse me, sir. I am glad to be corrected.

The other point is a technical one. It is one raised by Senator Simmons. Actually you gentlemen are somewhat astonished by the quotations in Pima cotton as compared to the present quotation in Sakelaridis cotton. I think I can perhaps clear up that situation by explaining that the Pima cotton crop is nearly always a short crop. There is never enough of it to go round with the export and at present Nos. 1's and 2's, which are the highest quality of Pima cotton, are offered in quantities which are not commercial. It is true that transactions have taken place within the last few weeks in New Bedford at 43 cents a pound, but we have had quotations on Pima cotton and we can tell that that particular variety is almost unobtainable. I think we have got to take into account the normal difference between the price of Sakelearides cotton and Pima cotton. First, Pima is not what was stated. I think the testimony rather gave the impression that there was a tremendously wide difference between the average price of Pima cotton and western Sakelaridis. If you ask for a quotation you will get 43 cents, but the difference, as a rule, is not as great.

Senator BINGHAM. The figures that I quoted showed that the difference between the highest grade of Egyptian and Pima No. 2 was less than 1 cent.

Mr. KERR. That is more nearly correct than I thought.

Senator SIMMONS. I was very much astonished myself at the figures given the committee by the witness.

Mr. KERR. The figures are correct, sir.

Senator SIMMONS. You say they are correct, but with the qualifications that you make. As I understand it, they are not normal prices; they are exceptional prices.

Mr. KERR. Yes.

Senator SIMMONS. But the normal spread in the difference in prices between the Egyptian and Pima is about 1 per cent per pound.

Mr. KERR. Yes, sir. They run very close together. May I proceed with the statement on the part of the American Thread Co., Mr. Chairman?

Senator BINGHAM. Yes; you may proceed.

Mr. KERR. In the first place, I should like to say that I appeared before the subcommittee of the Senate on cotton threads and several of you gentlemen were present. We are asking for certain duties on the article which we manufacture. It may be that I am seeming to talk with two voices, but that is not so, because if I really believed that putting a duty on cotton in the long run would be beneficial and would be permanent and stable, I do not think I would oppose it, but I do not believe for one moment that it would in the end do them one bit of good, and I think I can perhaps make that point clear.

It is essential in dealing with this subject to take into account the history of the cotton business. Statements have been made by witnesses—I do not think I can name them—and the extent of Sea Island cotton has been introduced and deductions have been drawn that this Egyptian cotton resulted in wiping out the Sea Island crop. That is an absolute fallacy. The one thing that wiped out the Sea Island cotton was—

Senator GEORGE. The boll weevil.

Mr. KERR. Yes, sir; the boll weevil.

Senator GEORGE. We used to have the biggest inland sea island market in the world in southern Georgia.

Mr. KERR. Yes, sir. It is rather unfair to use as an argument that this long staple Egyptian cotton resulted in pushing the sea island off the map. I was shown maps in the Department of Agriculture—my son is employed there—showing the spread of the boll weevil each year. It was shaded off as the boll weevil spread eastward. I remember remarking, "What is going to happen when that shading creeps down across Georgia and Florida?" The man to whom I was talking just shrugged his shoulders. We know what happened. The crop disappeared in about one season.

Our company used in those days 10,000 bales annually on an average of sea island cottons. The sea island crop is about 100,000 bales. I should think that at least 50 per cent of it was exported. A very large percentage of it went to Manchester and some to France. Therefore, our consumption of 10,000 bales is a very large part of the available supply in this country, at least 50 per cent. We had to find a substitute for this cotton when it disappeared and fortunately for us this long staple Egyptian cotton made its appearance on the market. It was a cotton known as Yanowitz cotton which was the beginning of a long staple cotton in Egypt. It was succeeded by the Soudan. There was a great deal of the cotton raised in the Soudan.

To-day Egyptian cotton of the longest and highest qualities in Sakelaridis and the newer growths of Soudan are the only substitutes. Arizona Egyptian or Pima is the only American long staple cotton grown—I mean in three eighths inch and over—but it is lacking in the qualifications that tend to produce the strengths and qualities of finished thread yarns demanded by the high-powered factory sewing

machines and speed working conditions, and high premiums are paid for the best qualities to meet these trade demands.

The government statistics for July, 1928, bring out the fact that the total imports of these long staple Egyptian cottons was 33,752 bales, say 34,000 bales in round numbers. At the same time there were 15,000 bales of Arizona Egyptian cotton used in this market. I believe—I do not state this under oath and it is just my belief—that the export of Arizona for that period was about 10,000 bales, and these figures fit in pretty closely because the total crop was somewhere in the neighborhood of 34,000 or 35,000 bales.

These figures would indicate that the trade as a whole demands a considerable quantity of cotton better in quality than any produced in the United States and is willing to pay the full market price for same.

Although considerable is said in some quarters regarding the superiority of Pimas, this growth does not by any means produce a sewing cotton thread equal in strength to thread made from long staple imported Egyptian cotton.

If I might digress for just a moment, talking of this Pima cotton, when it first came out the American Thread Co. was very much interested in it. We thought that at last we had a cotton that we could use in place of this Egyptian cotton. We so much liked this cotton that we invested money in Arizona. Our company invested almost \$500,000 in trying to make a success of this Pima cotton. We built generators; we built an oil mill, and we advanced money to the farmers to finance their crops before they were grown. Finally, after spending all of this money, we found that this Pima cotton was not suitable for our thread purpose and we were fortunate enough to get out of it.

Senator GEORGE. It is not so good for thread purposes as the old sea island cotton, is it?

Mr. KERR. You mean the long staple Egyptian cotton?

Senator GEORGE. Yes.

Mr. KERR. I can not answer that in the affirmative.

Senator GEORGE. No; I mean the Pima cotton.

Mr. KERR. No, sir; quite right.

Senator SIMMONS. While it is not as good for your business it is very much better than the Egyptian cotton for some other business?

Mr. KERR. The Pima is better. The fact is there are 15,000 bales of Pima cotton consumed in this country and 10,000 or 12,000 bales consumed in France in making very fine yarns for the lace business, but the peculiarity about it is that when it is twisted into threads it does not give the same strength or take the same finish when we come to winding it in our finishing machines.

No matter what duty is put on Egyptian Sakellarides cotton the American Thread Co. will be forced to pay the duty and make the best of things. If we can get it back out of our customers we will do so; if not, we will do the next best thing.

I would like now to deal with the question of a duty on the Delta cotton. To begin with, the boll weevil was a very important factor in the lessening of the staple cotton grown in the Delta.

Senator BINGHAM. You are speaking of the Mississippi Delta?

Mr. KERR. Yes, sir.

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Senator GEORGE. You mean that it has lessened the length of the fiber?

Mr. KERR. Yes; and for the time being it killed the industry.

Senator SIMMONS. If a duty were placed on Egyptian cotton so high that you could not import it, what would you do in your industry? What would be the effect?

Mr. KERR. I can scarcely imagine it so high that we could not import it. We would have to import it. Senator Lippitt referred to the fact that during the period just after the war, when there was an apparent shortage of everything, Sakellarides cotton went to a dollar a pound. As a matter of fact, it went higher than that.

Senator SIMMONS. Suppose you could not import it at all. What would you do? You would buy Pima cotton, would you not?

Mr. KERR. Certainly.

Senator SIMMONS. What effect would that have upon your business?

Mr. KERR. You can not make a pair of shoes without fine thread. A very large part of this thread goes into the shoe industry. Years ago we used linen thread. If a bootmaker could not get thread made out of long Egyptian, Sudan, or Sakellarides, we would give him the best thing we could make. So the answer is we would take the next best article that we could find. I am assuming that Egyptian cotton is unobtainable. You can not imagine a case where we could not get it.

Senator SACKETT. Would you go back to linen thread in place of the Pima cotton?

Mr. KERR. No, sir; I do not think we would ever go back to it. Linen thread does not make as lasting a seam as cotton thread.

I would like to draw attention to the fact that our company were very large users at one time of  $1\frac{1}{4}$  to  $1\frac{1}{8}$  inch cotton. During an extended period, up to and including 1910, our annual purchases of American cotton, having a length of  $1\frac{1}{8}$  to  $1\frac{1}{4}$  inch staple, averaged fully 8,000 bales a year, and we were always able to obtain this cotton grown in the Mississippi Delta in sufficient quantities. During the same period, from the same territory, we bought in addition as high as 9,000 bales annually of a staple running from  $1\frac{1}{4}$  to  $1\frac{1}{8}$  inch in length. Since the advent of the boll weevil all of the above cottons are, practically speaking, nonexistent; that is to say, while from time to time we can find a few hundred bales made up of many small parcels, this is not a commercial quantity which can be considered in the light of our heavy requirements.

No one can remember better than the producers of this long staple Mississippi cotton what happened when the boll weevil first reached the Delta. In many cases farms were sold for little or nothing, cotton workers left the district, and a condition bordering on panic ensued. That is a matter for you to remember.

It is useless to say that the boll weevil conditions in the South have since been overcome. What has happened is that the planters there have followed the line of least resistance and confined themselves largely to planting a quick maturing staple crop known as "Delfos seed cotton," which rarely produces anything better than a full  $1\frac{1}{8}$ -inch staple. This cotton is known commercially as  $1\frac{1}{2}$  inch to  $1\frac{1}{8}$  inch. Those are very technical points but they mean an awful lot.

In corroboration of the above statement I would quote from a communication recently received from the Staple Cotton Cooperative Association, from whom we buy considerable cotton:

So far as our association is concerned, we have little interest in a tariff on cotton that is longer than  $1\frac{3}{16}$  inches to  $1\frac{1}{4}$  inches. As you know, the great bulk of cotton grown in the Delta is produced from Delfos seed, which produces a length of staple from  $1\frac{1}{8}$  to  $1\frac{3}{16}$  inches, inclusive.

I merely mention that to bear out my statement that these longer lengths are unobtainable in commercially large quantities.

This Delta seed cotton is of very great interest to our company, as possibly one-third of all the cotton we use is Delta seed cotton. So we do not belittle this cotton. In fact, we have a mill in Dalton, Ga., where we do not use anything except American cotton. There is no competition between this cotton and the Upper Egyptians, as the latter, in such grades as we use same, is in no sense interchangeable with the Delfos seed cotton. The Egyptian costs 3 cents a pound more than Delfos and we pay this premium for the very simple reason that it produces a stronger thread. I am talking of Upper Egyptian cotton and not the long staple Sudan. We have to make all varieties and where we have to use a better thread we use this Upper Egyptian.

The point that we desire to emphasize is that if this really long staple cotton (that is from full  $1\frac{1}{4}$  inch staple up to  $1\frac{3}{8}$  inch) were procurable in sizable quantities, we would use it as we did in the past, without any compulsion being put upon us, as we feel is now being attempted in the proposals to put a duty on our raw material.

There was no protective tariff on cotton during the early years of which we speak, and if it is possible for the Southern planters to overcome the disadvantages, which have resulted from the boll weevil, and produce a staple cotton such as we require for the manufacture of high-quality thread, we shall be only too glad to use it, and no duty will be necessary to have us do so, any more than was the case during the period above referred to.

Why, therefore, consider the imposition of a protective tariff on an Egyptian cotton when the price of same is already 3 cents higher than the American cotton with which it most nearly compares?

I would like in closing to refer to this quotation from the Bureau of the Census Bulletin No. 164 dealing with the consumption under the heading "Imports" of foreign cotton. This is what they say:

Imported cotton consumed in the United States during the five years ending July 31, 1928, was only 4.6 per cent of the aggregate quantity consumed, exclusive of linters. The largest annual ratio during this period was 5.8 in 1924 and the smallest 4.3 per cent in 1927. These comparatively small amounts are brought in for special purposes.

If the Government figures show that the consumption in America of these imported cottons is about 4.6 per cent, it means that this cotton amounts to perhaps  $2\frac{1}{4}$  per cent of the American cotton. It is a very small thing, compared to all the cotton grown here, but it is a very big thing in the interest of the American Thread Company, because we have to import two-thirds of all the cotton we use in making thread.

Senator BINGHAM. Have you anything further, Mr. Kerr?

Mr. KERR. I have nothing further.

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**STATEMENT OF G. BION ALLEN, REPRESENTING THE COATS  
THREAD CO., PAWTUCKET, R. I.**

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. ALLEN. The consumption of imported long staple cotton,  $1\frac{1}{8}$  inch and longer, in the United States is only about 36,000 bales out of a total of about 200,000 bales of imported cotton of all lengths. We wish to emphasize the fact that there is no substitute for the Sakel and Sudan cotton used in our product. The Sudan cotton is similar to the Sakel, but is grown in the Sudan district and is displacing the long staple Sakel crops.

The 28,000 bale crop of cotton grown in Arizona in the past year, which is known as "Pima," although equal, and sometimes longer than Sakellarides and Sudan staple, can not be used for the purposes for which we use Sakellarides and Sudan, as it has fewer fibres to the cross section, and is irregular and wastey, and does not have the elasticity necessary in the finished article. This statement is based on our experience and the experience of other thread manufacturers who were instrumental in aiding the Government to grow this cotton in Arizona, and who, we understand, at one time invested half a million dollars in that State, expending time and effort in trying to make this crop a successor to foreign grown cottons. They and we have conclusively proved to their and our own disappointment that "Pima" cotton can not be used for our purposes for which Sakellarides and Sudan are necessary.

We maintain that we will be obliged to continue purchasing Sakel and Sudan cotton for the purposes for which it is now used whether a duty is levied on it or not.

Representative Douglas's statement relative to the use of Sakellarides in place of sea island is erroneous, as sea island was not eliminated by the importation of Sakellarides, but was terminated by the ravages of the boll weevil and the deterioration of the growth, which resulted practically in the elimination of this cotton from the United States, as the growers insisted on planting varieties which would mature earlier and produce more lint per acre, even though the staple was shorter. At this time the American spinners were very eager to accept the long staple Sakellarides cotton, as they were unable to obtain sea-island cotton to meet their requirements. There was no difficulty encountered by the spinners in adopting Sakel cotton.

I remember in the earlier years that for the purposes for which we now use Sakel cotton, we used cotton grown in Georgia and Florida from sea-island seed and termed then sea-island cotton.

With reference to the statement that 7 cents a pound on cotton is only a small portion of the value of the finished product, it should be remembered that all these fine cottons are combed and a large amount of waste is removed, and 7 cents on the raw cotton is equivalent to about 10 cents per pound of the finished product. The finer the cotton, the greater the amount of waste.

We are familiar with the facts and arguments which Mr. Henry F. Lippitt is presenting to your committee in his brief. We agree absolutely with his statements in regard to the difference in quality between Egyptian and American cottons of both the Pima and Delta qualities.

We indorse his statements as regards the noninterchangeability of these cottons for many purposes, and we are convinced that a duty on foreign cotton would be an injury to the American cotton manufacturer, and would be of little, if any, benefit to the cotton grower.

This is submitted by—

Holmes Manufacturing Co., New Bedford, Mass.; Wamsutta Mills, New Bedford, Mass.; Page Manufacturing Co., New Bedford, Mass.; American Thread Co., New York; Nashawena Mills, New Bedford, Mass.; Nonquitt Spinning Co., New Bedford, Mass.; J. & P. Coats (R. I.), Inc., Pawtucket, R. I.; Gosnold Mills Co., New Bedford, Mass.; Max Pollack & Co., Groton, Conn.; Bay State Thread Works; C. E. Chaffin, Springfield, Mass.; Seamans & Cobb Co., Hopkinton, Mass.; Cranksa Thread Co., Worcester, Mass.; The Clark Thread Co., Newark, N. J.

Senator BINGHAM. Is that all?

Mr. ALLEN. That is all.

Senator BINGHAM. We thank you, Mr. Allen.

**STATEMENT OF ALLAN BARROWS, REPRESENTING THE GOSNOLD MILLS CO., NEW BEDFORD, MASS.**

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. BARROWS. Gentlemen, I do not think I have anything to add particularly to the testimony of Mr. Lippitt, Mr. Kerr, and Mr. Allen, other than, perhaps, from the Pima standpoint. We use Pimas as well as Sakels. Approximately half of the Pima crop is exported and in order to have our mills get the proper quality of Pima cotton, we have to go into the market exceedingly early in the year, as that crop matures in September.

Senator BINGHAM. What do you use it for? What do you make of it?

Mr. BARROWS. We make cloth from it.

Senator BINGHAM. What kind of cloth?

Mr. BARROWS. Fine cloth; marquisettes, broadcloths, and so forth, running into yarns up to 80's, 90's, and 100's.

Senator BINGHAM. I am curious to know what kind of cloth is specially adapted to the use of Pima cotton.

Mr. BARROWS. Well, for instance, marquisette, which is a very fine curtain cloth, a drapery, you might say, and, of course, broadcloth is a very fine cloth.

Senator BINGHAM. Is it used in mercerizing broadcloth?

Mr. BARROWS. Yes. I might say on that point, for the yarn manufacturers and thread manufacturers, the manufacturers of finer threads, that Sakel cotton carries a much higher luster in its mercerization than the Pima cottons. Pima cottons, of course, are much more irregular and not as strong and, of course, strength in certain manufactures, is a very important factor. When the yarns are twisted and go through a very fast moving sewing machine, strength, of course, is absolutely required, whereas in other manufactures it is only necessary to have strength enough to carry the yarn across the loom, you might say.

As I say, we have to get our Pima cotton early in the season in order to secure what we want as to quality. We must remember



that all of the Pima cotton raised is not adapted to the yarns we want. There are poor qualities of Pima cotton as well as poor qualities of Delta cottons. Out of 25,000 bales there are probably 5,000 bales of so-called immature Pima cotton, which has to go, of course, into lower manufactures.

I have really no more to add than that.

Senator BINGHAM. We thank you.

**STATEMENT OF C. E. CHAFFIN, REPRESENTING THE BAY STATE  
THREAD WORKS, SPRINGFIELD, MASS.**

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. CHAFFIN. Mr. Chairman and members of the Senate Finance Committee, I represent several large spinners of fine yarns located in other sections of the country than the New Bedford group. These mills are the Lawton Spinning Co., Woonsocket, R. I.; Shawmut Mills, Fall River, Mass.; New Hampshire Spinning Mills, Penacook, N. H.; Groves Mills, Gastonia, N. C.; Fitchburg Yarn Co., Fitchburg, Mass.; and the Lily Mill & Power Co., Shelby, N. C.

I also appear as a member of a committee representing over 30 thread manufacturers, most of whom purchase their yarn from the spinners. These spinners state that having tried to use Pima cotton to replace Sakellarides for thread purposes, the results have not been satisfactory, and they know that to maintain their present standard and satisfy their thread customers, it is necessary to use Sakellarides cotton. The real reason, to my mind, why we have to have Egyptian cottons is because of the peculiar character of the cotton. I want to read from a statement made by Representative Whittington on page 8447, where he states:

I say this: That  $1\frac{1}{2}$  cotton produced in Texas is not a real competitor of the  $1\frac{1}{2}$ -inch cotton raised in the Mississippi Delta; nor is the  $1\frac{1}{2}$  cotton raised in the hill section of Mississippi a competitor of the  $1\frac{1}{2}$ -inch cotton raised in the Delta. It depends very largely on the soil. Ours is an alluvial soil. The quality depends very largely on the soil.

In our trials we have found that the difference in soil between the Egyptian and the American section was shown in the quality of the cotton. I also want to refer to a statement which is found on page 8466, which refers to the thread manufacturers' brief, which was read by Mr. John C. Clark. It reads:

Consequently, because of the testimony of Mr. John C. Clark, to the effect that Delta staples are and can be used satisfactorily in lieu and are the equivalent of the Egyptian uppers and because, of the actual substitution effected within the last year, it is reasonable to conclude that Delta staples are substitutable for Egyptian cotton and that the domestic market should be preserved for the domestic production of Delta staples.

I think Representative Douglas was mistaken, so I will read the actual testimony given by Mr. Clark and found on page 8490. Mr. Clark states:

I did not say that the Delta staple could not be substituted. I say that the Delta staple would not make as good a product as Egyptian, and I say that the Pima cotton would not make nearly as good thread as Egyptian. Pima would make practically an unusable article when twisted into thread.

Our company, the Bay State Thread Works, of Springfield, Mass., tried to use Pima cotton when the emergency tariff was in effect.

We found a marked difference in the finished thread and in the operation of manufacture through our different processes. Our customers complained that the thread would not work as satisfactorily on their sewing machines and after thorough experiments and checking up our results with other thread manufacturers, we discontinued Pima yarns regardless of price differentials, and have used no Pima since. This group of thread manufacturers and spinners wish to go on record as stating that we know of no satisfactory substitute available to-day for Sakellarides and Sudan cotton for thread purposes.

Senator SIMMONS. You say that strength is required—that strength is an important thing?

Mr. CHAFFIN. For thread, you mean?

Senator SIMMONS. Yes.

Mr. CHAFFIN. No; it is a combination of the flexibility and the strength; it must have strength, but it must be pliable on account of going through the tension of the needle.

Senator SIMMONS. Where those two qualities are required, strength and flexibility, you say there is no substitute for the Egyptian cotton?

Mr. CHAFFIN. Yes, sir.

Senator BINGHAM. Is that all?

Mr. CHAFFIN. Yes.

Senator BINGHAM. We thank you.

#### **STATEMENT OF HON. WILL M. WHITTINGTON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MISSISSIPPI**

Mr. WHITTINGTON. Mr. Chairman and gentlemen of the committee, I shall not repeat any statements made by my colleague, Mr. Douglas, nor shall I repeat the statements I made before the Committee on Ways and Means, nor repeat anything in the brief I filed with said committee in behalf of the tariff on staple cotton. I will, with your permission, make a statement and then I will be glad to answer any questions I can. Probably I shall anticipate a good many of the questions that may occur to you.

I am representing the third district of Mississippi.

Staple cotton constitutes approximately 5 per cent of the domestic production. Last year there were produced in the United States 14,269,313 bales of cotton. Of this amount approximately 700,000 bales is what is known as staple cotton. I may say in this connection that until two years ago there were no Government statistics as to the domestic production of staple cotton, so that when the rate was fixed in the emergency tariff act of May 27, 1921, there were no Government statistics as to the production of domestic staple cotton.

I may also say when you refer to "The Summary" furnished you by the Tariff Commission you will find this statement, that there are probably more than a million bales of staple cotton exported from the United States, but it is supplemented by this observation, that there are no accurate records. I want to call your attention to and emphasize this fact, that the matter of the domestic production is more certain now than it has ever been because of a provision in the Agricultural appropriation bill two years ago, requiring the Bureau of Agricultural Economics to assemble information as to domestic production.

Senator HARRISON. Before you proceed, there is one thing that ought to be qualified. It has been stated in the emergency act that a greater duty went on one and one-eighth staple. It did not. It started with one and three-eighths.

Mr. WHITTINGTON. You are correct. The emergency tariff act provided—that was one of its defects—for a tariff of 7 cents per pound on one and three-eighths in staples and longer. The tariff was in effect from May 27, 1921, the date of the emergency act, until September 21, 1922. I maintain it was beneficial notwithstanding the inequality and notwithstanding the defects in that act; it ought to have provided a tariff on one and one-eighth and longer staple cotton, because you can see as a practical proposition it is difficult to differentiate between one and one-eighth and one and three-eighths. The longer might come in as the shorter and the shorter might come in as the longer.

To answer that question at this time as to the effect of the emergency tariff, let me call your attention to the statistics of the Tariff Commission. In 1921, from May, 1921, to January 1, 1922, there were imported 16,000 bales of Sakellarides cotton. That is the longer Egyptian cotton. That is the cotton that comes into competition with the Pima cotton of Arizona and the sea-island cotton of Florida, South Carolina, and Georgia. In 1922, to show you further that that tariff, inadequate as it was, was effective, there were imported, according to the statistics of the Tariff Commission, 31,000 bales of cotton.

Senator CONNALLY. Are those for the fiscal year?

Mr. WHITTINGTON. No; that was the calendar year.

Senator HARRISON. I am informed by the experts of the Tariff Commission that the 30,789 bales came in under the emergency act in 1922.

Mr. WHITTINGTON. I gave the figures. There is not very much difference between the 31,000 and the 30,789.

Mr. Chairman, there are two kinds of Egyptian cotton—what is known as the Egyptian uppers, produced in the upper Valley of the Nile and in the Sudan country, and what is known as the Sakellarides. We import approximately 250,000 bales of the Egyptian cotton annually of the two kinds.

There are imported into the United States approximately 150,000 to 200,000 bales of the uppers. That is the direct competitor of your Rio Grande cotton and the Delta staples and the California cotton. That cotton is used in the manufacture of tires, fine yarns, and fine threads.

Now, according to the Bureau of Agricultural Economics for the last calendar year, there were imported into the United States 50,000 bales of the Sakellarides cotton. I think the fair result and a fair conclusion of the testimony before the Ways and Means Committee is to the effect that the Delta staples, the California staples, the Arizona staples, the Texas staples, and other staples in this country can be substituted for the Egyptian uppers. I am frank to say, Mr. Chairman, that as the result of the ravages of the boll weevil and as a result of the difficulty of raising the longer staple cotton in the United States, where the cost of production is four times the amount of the cost of production on the Egyptian cotton, that the production of staple cotton is disappearing in the Delta of Mississippi, in Arizona,

in the Carolinas, and in Florida and in California. We are going to the short staples.

Senator WATSON. Is the long-staple cotton subject to the ravages of the boll weevil?

Mr. WHITTINGTON. Yes, sir; all cotton is subject to the ravages of the boll weevil, but they are more disastrous as to the long staples. The production per acre is less; the effect of the boll weevil and the shorter growing season is less pronounced in the case of the short cotton. The boll weevil has accentuated the distress of the producers of staple cotton, and unless some protection is given to the producer of long staple it will be but a short time until the great American public, the consumers of the country, as well as the manufacturers, will be utterly dependent upon foreign production for our longer staple cotton.

Senator SHORTRIDGE. Then they will fix the price?

Mr. WHITTINGTON. Yes, sir; absolutely.

Senator SHORTRIDGE. And we will be dependent upon them?

Mr. WHITTINGTON. Absolutely.

Senator WATSON. Is there any difference in the texture of the Sakellarides, for instance, or the uppers and the long-staple cotton that you produce, so that one can not be used for the other?

Mr. WHITTINGTON. That is a fair question. This matter was gone into very thoroughly before the Committee on Ways and Means. We undertook to answer objections that were urged against a tariff on staple cotton. I want to call your attention to this significant fact, that the Ways and Means Committee, with all deference to them, made absolutely no reference in their report to the matter of a tariff on staple cotton. We answered the objections and the committee made no reference to the request for a duty in their report. I think the fair conclusion now is, the fair statement of the automobile trade, the manufacturers of the finer yarns and of the finer textiles, that all of our domestic staples now produced, the production of which should be stimulated and encouraged, can be substituted for the Egyptian cottons, except around 50,000 bales of the Sakellarides annually. The situation shows that the cotton manufacturers require 50,000 bales of foreign cotton at the present time. We answer by saying that we ask for no embargo; we ask for no prohibitive tariff. We believe, and it is acknowledged and it is agreed in the record and in the hearings, that if we could go back to the production of sea-island cotton, finer than Egyptian Sakellarides, it could be substituted absolutely for the Egyptian Sakellarides cotton.

Senator CONNALLY. I do not understand that.

Mr. WHITTINGTON. If the United States could produce, with sufficient encouragement and protection, sea-island cotton to-day, it could be substituted absolutely for this 50,000 bales of the longest Egyptian cotton.

Senator CONNALLY. We are not doing that?

Mr. WHITTINGTON. There is always the conflict between manufacturer and the producer of the raw material.

Senator CONNALLY. I did not get clear your answer to the chairman as to this 50,000 bales and the finer quality of the Egyptian cotton. You seem to admit we can not substitute that.

Mr. WHITTINGTON. I think it is fair to say that the trade at the present time would require approximately 50,000 bales of this foreign cotton.

Senator CONNALLY. What does that go into?

Mr. WHITTINGTON. The finer yarns and into the threads.

Senator CONNALLY. Do we not produce any of that here at all?

Mr. WHITTINGTON. Yes, sir; we do. We produce it in Arizona, but the manufacturing conservatives maintain it is difficult to substitute absolutely and entirely our domestic cotton for that Sakellarides cotton. In an effort to be fair I think the trade generally admits it requires some 45,000 to 50,000 bales of that Sakellarides cotton.

Senator CONNALLY. Regardless of whether we have a tariff on it or not?

Mr. WHITTINGTON. I think for the present we would import that much until we got into a production of the longer cotton.

Senator SHORTRIDGE. We can produce it, though?

Mr. WHITTINGTON. Certainly. We have a tariff on wool and we import wool, a great deal more than we produce.

Senator SHORTRIDGE. Pardon me right there. This higher grade of Egyptian cotton, how does that compare with what you term the sea cotton?

Mr. WHITTINGTON. The sea-island cotton?

Senator SHORTRIDGE. The sea-island cotton.

Mr. WHITTINGTON. The thread manufacturers, Mr. Clark and others, were before the Committee on Ways and Means, and the statement was made, and it is uncontradicted, if we could produce the sea-island cotton to-day, and if they could get it, it could be substituted, and it is far better than the Egyptian sakellarides.

Senator SHORTRIDGE. Do they not raise that in Florida?

Mr. WHITTINGTON. They do raise it, but because of the inequalities in the cost of production, because of the ravages of the boll weevil, that has happened in Florida and it has happened in my district—while I represent that area in Mississippi between Vicksburg and Memphis, I am also a producer of staple cotton. I tell you we can not compete with the free labor of Egypt, and the staple cotton is disappearing in my district. The production of sea island and other long staples that can be substituted for sakellarides will be promoted by a tariff. Weevil has decreased the production, but my colleagues from Georgia and other Southern States say that with tariff protection, the production of sea island would be greatly promoted.

The importations of Egyptian cotton are increasing. In May, 1928, imports were 19,842 while in May, 1929, imports increased to 42,486. The imports for the 10 months ending May, 1928, were 182,708, while for May, 1929, the imports had increased to 265,590 bales.

One of the witnesses before the Ways and Means Committee testified that formerly he could buy 10,000 bales of inch and a quarter in my district. He can not get it to-day?

Why? Because of the depression in price and because of this important factor. You understand that the effect of the importation of staple cotton is to reduce the premiums that we receive on our staple cotton. Ordinarily the grower of the long-staple cotton must receive from 5 cents to 10 cents a pound more for that cotton than the grower of short cotton. You can not grow as much per acre, and the hazards are greater, and as a result of the importation of approximately 250,000 bales of staple cotton annually the prices on premiums for staple cotton have been depressed. So in California

and in the Delta we are getting from 2 to 3 cents for 1½-inch cotton more than we are getting for short cotton.

Senator WATSON. What is the difference between sea-island cotton and the kind you produce down in the valley?

Mr. WHITTINGTON. Sea-island cotton is the longest and finest cotton produced. It is from 1½ to 2 inches in length.

The boll weevil now covers the entire cotton area. It has resulted practically in the elimination of the sea-island cotton. I am somewhat familiar with that area down there, and I give it to you as my judgment that the production of sea-island cotton would be resumed in this country if they could get a sufficient price for their product; in other words, the farmer would take the hazard and would gamble with the weather, and so forth, and it could be substituted absolutely for the longest Egyptian cotton, which is the Sakellarides.

Senator WATSON. If you had the proper protection you think you could produce sea-island cotton yet in the United States?

Mr. WHITTINGTON. I think we could.

Senator WATSON. That would enable you to get a price?

Mr. WHITTINGTON. Yes, sir. The Government has given every aid and assistance it could give to the elimination of the boll weevil. I would produce a longer cotton personally if I could get a better price. But for the last two years I have been receiving 2 or 3 cents premium per pound where I should be getting 5 cents to 8 cents a pound.

Let me say that staple cotton is used pretty generally in automobile tires and fine yarns and threads.

Senator WATSON. What tariff do you want?

Mr. WHITTINGTON. I suggest a fair, equitable tariff would be 7 cents a pound at least on staples 1½ inches and longer.

If you will examine the records of sales, which you can get from the Bureau of Commerce as well as from the Tariff Commission, you will find the difference in prices between upper and Delta staples to be the same as the difference between Sakellarides and Pima.

The difference in price between the Pima, American, Egyptian, and Sakellarides is substantially the difference in price between Delta staples and the Egyptian upper staples.

The American textile industry gets the average grades of Egyptian uppers. They buy the best grades of Delta staples, you understand. In this country pretty largely they buy the better grades, while England buys the lower grades, but I maintain that the cost of production of the 1½-inch is substantially the same as the cost of production of 1¾-inch. That is an essential factor.

I have emphasized the importance of the industry and the size of it. Cotton is the greatest factor in the export trade of the United States. Generally the cotton exports constitute one-fifth of the volume of the export trade of the United States.

And while we are talking about grades and staples, keep in mind that we have not perfected altogether our Government standards in the matter of grades or staples.

You will find that the statement is sometimes made that we export approximately a million bales of staple cotton. The 1½-inch staple of Texas is not the same as the one and one-eighth staple of Arizona or the same as the one and one-eighth staple of the Mississippi Delta.

Senator WATSON. Why isn't it?

Mr. WHITTINGTON. That is the opinion of the trade, sir. That is the commercial term. The trade will prefer the Delta staples and the staples of the valley to the ordinary staples of other sections.

Senator WATSON. Is there a difference in the texture?

Mr. WHITTINGTON. I think so. And it is perfectly natural for me to say that, growing Delta staples as I do.

Senator CONNALLY. The color has something to do with it?

Mr. WHITTINGTON. Yes; it does.

Senator SHORTRIDGE. Whether the Delta, or we will say, the Mississippi, or the Texas, or the California, or the Arizona is the better or the inferior, we are all standing on the same general proposition.

Mr. WHITTINGTON. Absolutely. In other words, we believe the proposition we have advanced here is economically sound, that if the manufacturer is to be encouraged, if he is to be protected, there is no reason why the producer of the raw material should not be encouraged and protected.

I may say in this connection that the House bill has given to the manufacturers of staple cotton the highest tariff in the history of tariff legislation.

And I call attention to this significant fact: Approximately 700,000 bales of cotton are used in the manufacture of automobile tires. Seventy per cent of that amount is less than 1½ inches in length.

A fair statement is that the Delta staples, the inch and one-eighth and the inch and three-eighths, can be substituted for practically all of the staple cotton one inch and an eighth and longer used in the manufacture of tires.

If it be sound that the American market ought to be preserved to the American manufacturer, it certainly ought to be preserved to the American producer.

The thread trade, the automobiles-tire trade, and the finer textile representatives appeared before the Ways and Means Committee and they objected to a tariff on staple cotton. They assigned these reasons:

They said if this Egyptian cotton does not come in in the form of raw material it will come in in the manufactured product.

The answer is that the manufactured product is protected.

Secondly, it was suggested if we put a tariff on Egyptian cotton it would encourage Great Britain in her efforts to produce staple cotton.

The answer is that for half a century Great Britain has undertaken to develop the production of cotton in all of her provinces and dependencies. It has been extended to the Sudan the past five years. The only reason Great Britain, the great competitor of the United States, does not produce staple cotton and all other cotton she needs is because they do not have the climate and the soil.

In the third place, it is suggested—and our textile friends manifest an unusual interest in the cotton producer—that the Federal Government ought to solve this problem, the Federal Government ought to eliminate the boll weevil. It will be suggested that the duty on tire fabrics has been decreased, but this applies only to tires made of short cotton, while, because of longer counts, the tariff on the tire fabrics made of staple cotton has been increased.

I have no fault to find with your Government and mine. They have done nobly in this matter. The boll weevil has infested the entire area. They have done their best to eliminate it. Our friends of the textile industry beg the question when they say that.

They say we should prohibit the exportation of American cottonseed to Egypt. They say we should standardize seed.

Senator SHORTRIDGE. I do not happen to be a citizen of your State, but I have been through the cotton fields from Sacramento down through the San Joaquin and Imperial Valleys and across Arizona and New Mexico into El Paso. You standardize your seed in California. You have anticipated our opponents. We have standardized seed. We must have exportation. Cotton is a world product. I must change the seed on my farm every four or five years. And you do the same thing in Texas. And you have answered these arguments which have been advanced against the tariff.

I have already stated that there is a difference, and I want to quote from the report of the consul at Alexandria, Egypt, as to the cost of the production of the cotton of our competitor.

The Egyptian Government makes loans to its cotton growers. The British Government aids and assists cotton production in every manner possible.

Senator WATSON. They do not subsidize it directly from the Treasury, do they?

Mr. WHITTINGTON. I think not. They do make loans over there. And I say that that affects the price of the product, by the way. That is exactly what they do.

Senator WATSON. I know about that.

Mr. WHITTINGTON. Absolutely.

It costs, according to the report of the consul at Alexandria, from 7½ cents to 25 cents a day to pick Egyptian cotton. That is not my statement.

It costs in Arizona, California, Mississippi, and Texas from \$1 to \$3 a day. They pay men from 30 cents to 50 cents a day in Egypt, and women and children are paid from 15 cents to 25 cents a day.

Senator WATSON. That is American money?

Mr. WHITTINGTON. Yes; that is the equivalent of American money.

The costs in the delta of the Mississippi and in the Southwest are from \$1.25 to \$2 per day and more, I understand, in some areas.

Is that a difference in the cost of production?

I quoted in a statement I made a short time ago from the American consul at Alexandria the fact that in Egypt the overseers drive with a lash the children who pick the cotton. The laborers in the cotton fields of the South and West must compete with this cheap labor.

I want to say, Mr. Chairman, that in this audience at the present are cotton growers and representatives of growers from the State of Mississippi; the director and commissioner of agriculture, Mr. J. C. Holton; Mr. H. S. Stoncil, a grower of the delta section of the Mississippi; Mr. J. M. Aldrich, a grower; Mr. Edgar Wilson; and Mr. P. H. Sanders, assistant commissioner of agriculture.

Senator WATSON. Their testimony is not essentially different from yours?

Mr. WHITTINGTON. They would probably state it much better than I can, but it is substantially the same.



Senator WATSON. I don't know about it, unless they, too, request to be heard.

Senator HARRISON. If they want to be heard we want to hear it.

Senator WATSON. I mean if they are simply going to repeat what Congressman Whittington said, and they would have to do it very well if they were to make a statement equal to his, there is no use hearing them; it would take up time.

Mr. WHITTINGTON. I will conclude with this statement, Mr. Chairman. The aim of agricultural legislation has been to encourage cooperative marketing. The two most successful cotton cooperatives in the United States are the cooperatives who handle the product of domestic staple cotton, the California-Arizona-New Mexico Association, covering the production of cotton from El Paso to Sacramento, and they favor this tariff. Those men are producers.

The Delta Cotton Cooperative Association handles probably one-third of the Delta staples. Our average annual production is around 500,000 bales.

Senator WATSON. Is cotton in Egypt raised on Government land or on privately owned estates?

Mr. WHITTINGTON. I am unable to answer that question, and being unable to answer it accurately I prefer not to answer it.

So I say, Mr. Chairman, that having taken advantage of the cooperatives and of the cooperative laws, we have been authorized by the growers of the Delta staples and of the Pima cotton and American-Egyptian cotton to say that they have studied their problem—and they are the men of large experience. And they need a reasonable tariff on domestic staples to compete with their competitors.

And I concluded my statement before the Ways and Means Committee as I conclude it here, by saying that I believe when you consider the differences in the costs of production that a tariff on staple cotton of at least 7 cents per pound for  $1\frac{1}{8}$  inches and longer would be fair and reasonable.

Senator CONNALLY. You would not make any difference between the  $1\frac{1}{8}$  and others?

Mr. WHITTINGTON. That is my statement, although, personally, I think the tariff on longer than  $1\frac{3}{8}$  should be somewhat more.

Senator CONNALLY. You would not agree to 7 and 9, say, or anything like that?

Mr. WHITTINGTON. I have no objection to that. It does seem to me there might be some differential.

Senator WATSON. Congressman, I congratulate you. You have made one of the best protective tariff speeches I have heard in a long time.

Mr. WHITTINGTON. Now, I would like to leave with you some facts and statistics that I have in a supplemental statement, which is as follows:

**BRIEF ON BEHALF OF A TARIFF ON STAPLE COTTON, BY WILL M. WHITTINGTON**

*Paragraph and item.*—Cotton is on the free list in paragraph 1661 of H. R. 2667. It was contained in paragraph 1560 of the tariff act of 1922.

The staple-cotton growers ask that cotton be transferred from the free list to the dutiable list. It might be included in Schedule 7 by the insertion of a new paragraph under "Agricultural products and provisions," or it might be more properly inserted as a new paragraph in Schedule 9, where the title might be changed from "Cotton manufactures" to "Cotton and manufacturers of."

*Hearings before Committee on Ways and Means.*—The staple-cotton growers are well organized and are largely represented by two cooperative associations. Both of these associations filed briefs with the Committee on Ways and Means. The Staple Cotton Cooperative Association, representing Delta staples, filed a brief, and it can be found in Volume XV, page 8453. The California-Arizona-New Mexico Association, representing cotton growers from El Paso to Sacramento, submitted an able brief, and it may be found on page 8469. I also submitted briefs and made a statement before the Ways and Means Committee, which may be found on pages 8438 to 8461, inclusive.

The staple-cotton growers operate the most successful cotton cooperative associations in the United States. These associations are familiar with the problems of the grower and they have taken the initiative in asking for the benefits of the tariff. Their request, however, was denied by the Committee on Ways and Means. Practically every objection to a tariff was answered by the growers. The Committee on Ways and Means made no reference to a tariff on cotton in their report and made no attempt to answer the arguments in behalf of a reasonable tariff on staple cotton.

*Importance.*—Domestic cotton is usually called upland cotton and is divided into long-staple cotton and short-staple cotton. Cotton having a staple of  $1\frac{1}{4}$  inches or more is called long cotton, and cotton under  $1\frac{1}{4}$  inches is classed as short cotton. There is a third class of staple cotton, known as American-Egyptian or Pima cotton, embracing approximately  $1\frac{1}{2}$  inches and over. There was formerly produced in the Southeast long staple cotton known as sea-island cotton, but in the past 10 years the production of sea-island cotton has practically disappeared, less than 200 bales having been produced last year.

The domestic production of staple cotton in 1928 was 14,269,313 bales. There was formerly great difficulty in estimating the domestic production of staple cotton. Congress provided, however, for these estimates for the first time some two years ago. According to the report of April 19, 1929, by the Bureau of Agricultural Economics, the domestic production of staple cotton  $1\frac{1}{2}$  inches and longer in 1928, was 632,216 bales, while the production of American-Egyptian cotton was 28,310 bales.

The Department of Agriculture estimated that for the fiscal year ending July 31, 1928, the United States consumed 537,826 bales of American staple cotton  $1\frac{1}{2}$  inches and longer and 15,137 bales of American-Egyptian cotton. At the same time the United States consumed 217,584 bales of Egyptian cotton and 16,106 bales of Peruvian cotton. In other words, foreign growers are supplying the American market with practically one-third of its staple cotton.

*Imports.*—About 250,000 bales of Egyptian and Peruvian cotton are imported annually into the United States. The imports of Egyptian cotton for the year ending July 31, 1928, were 202,000 bales, while the imports of Peruvian cotton were 23,000 bales. They are increasing. The imports in May, 1928, were 19,842 bales, while in May, 1929, they were 42,486 bales. The imports for the 10 months ending May 31, 1928, were 182,708 bales, while for the same period ending May 31, 1929, they were 265,590 bales.

Peruvian cotton averages about  $1\frac{1}{10}$  inches in staple. Egyptian cotton ranges from  $1\frac{1}{8}$  inches to  $1\frac{1}{2}$  inches and over. It is divided into two classes, uppers, which is  $1\frac{1}{8}$  inches in length and shorter, and Sakellarides, which is  $1\frac{1}{10}$  inches in length and longer.

I am advised by the Bureau of Foreign and Domestic Commerce in a letter to me dated February 19, 1929, that Egyptian exports statistics indicate that only about 30 per cent of the cotton exported from Egypt to the United States is  $1\frac{1}{8}$  inches in length and over; 70 per cent of Egyptian imports is  $1\frac{1}{8}$  to  $1\frac{1}{2}$  inches.

The Bureau of Agricultural Economics shows for the fiscal year ending July 21, 1928, imports of 47,000 bales of Sakellarides cotton.

In other words, there is, according to the Bureau of Agricultural Economics, a consumption of approximately 800,000 bales of staple cotton and a domestic production of approximately 700,000 bales. As matters now stand, the United States imports, as I have stated, one-third of the staple cotton consumed, and exports about one-fourth of its production.

From one-half to two-thirds of the Egyptian cotton imported is used in the manufacture of tire fabrics. The longer cotton, or the Sakellarides, is used in fine yarns and threads.

Mr. John B. Clark, representing the Clark Thread Co., as shown by page 8490 of the hearings before the Ways and Means Committee, stated that Delta staples could be substituted for Egyptian uppers. The fair conclusion of all the testimony is that the American trade needs now about 50,000 bales of Sakellarides cotton.

It is substantially undisputed that domestic cotton can be substituted for practically all of the other Egyptian cotton imported.

We do not at the present time grow enough of the longest staples for domestic consumption, neither do we produce enough wool for domestic purposes. A reasonable tariff on staple cotton would promote its growth. We do not ask for an embargo. We believe that a reasonable tariff would foster domestic production and would protect the domestic producer in the difference in labor costs in the United States and Egyptian costs of production. It is generally conceded that foreign costs of labor are 40 per cent less than in the United States. The cost of labor in Egypt in the production of cotton is approximately one-fourth the cost of domestic production. A report from the American consul at Alexandria, Mr. Raymond Geist, dated December 22, 1928, stated that the daily wage rates of agricultural workers were from 30 to 50 cents for men and from 15 to 25 cents for women and children in Egypt. The wage rate in the staple areas of the South and the Southwest is from \$1.25 to \$2 a day. Cotton pickers in Egypt are paid from 7½ to 25 cents per day for picking cotton. They receive from \$1 to \$3 in the South and Southwest.

Labor is the major cost in any product. This applies to the raw, as well as the manufactured product.

*Delta staples and American-Egyptian.*—Longstaple cotton is composed of what is known as American-Egyptian and Delta staples. The average annual production of Delta staples is around 500,000 bales, and the production is largely confined to the alluvial sections of the Mississippi Valley in Arkansas, Mississippi, and Louisiana. Staple cotton is produced in Texas, Arizona, New Mexico, and California. American-Egyptian cotton is raised in the Salt River Valley of Arizona. Egyptian uppers is the direct competitor of Delta staples. Egyptian Sakellarides is the competitor of American-Egyptian cotton.

The Egyptian Government cooperates to promote the growth of Egyptian cotton. It makes loans to Egyptian cotton growers.

The growers of American Egyptian cotton in 1922 stated that if the benefits of the tariff were denied, the production of long-staple cotton would gradually decline in the United States. What has happened? In 1922, 32,284 bales of Pima cotton were produced. In 1927 24,223 bales were raised. In 1922, there were produced 5,125 bales of sea-island cotton. In 1927, only 179 bales were raised. I represent the Delta section of Mississippi. I know that the production of staple cotton has decreased. The odds are against the American producer. The boll weevil has decreased the production of all kinds of cotton.

There is no similar tariff question in the major part of the American cotton crop. We export 60 per cent of our short cotton. There is practically no competition. All cotton is grown in the United States, despite the boll weevil. It is more difficult, however, to grow staple cotton. The weather, the pests, and the labor costs are against the cotton grower.

*Manufactures.*—H. R. 2667, while denying a tariff to the growers of staple cotton, vastly increases the tariffs on cotton textiles. The manufactures of staple cotton are especially favored. The tariff on the fine yarns, which are made from staple cotton, has been vastly increased. It is rank injustice to increase the tariff on the manufactured product while denying a similar benefit to the grower.

It may be said that while automobile tires, tire fabrics, and automobiles are on the dutiable list H. R. 2667 has reduced the tariff on tire fabrics from 25 per cent to an average of 17 per cent ad valorem. I admit that the present bill carries a smaller tariff on tire fabrics generally.

I call attention to the fact that Senator Henry F. Lippitt, on page 8484 of the hearings, stated that long staples are combed and that they make very fine numbers, such as 100 or 150. All the fine fabrics have the highest tariff in history. The tariff on textiles manufactured from staples has been raised materially. Inasmuch as the tariff on the finer yarns has been raised materially, it must follow that while the average duty on all tire fabrics may be 17 per cent ad valorem, where it is now 25 per cent, it will be much more than 25 per cent on the tire fabrics using staple cotton. The tariff, therefore, upon fine threads, fine yarns, and the better grade tire fabrics, has been increased. It has been denied on the raw cotton. As shown by page 8502 of the hearings before the Ways and Means Committee, the tire industry uses about 700,000 bales of cotton annually, of which only about 30 per cent is staple cotton. The remainder is shorter than 1½-inch cotton.

*Compensatory duties.*—Ordinarily, a tariff on the raw product should provide for a compensatory duty. The House bill has anticipated compensatory duties. Senator Lippitt, on page 8476, and again on page 8484, said that there should be

at least 40 per cent more duty on the products than the duty levied on cotton. Careful estimates have been made. An increase of 7 cents per pound on staple cotton means an increase in the cost of thread per spool of fifty-eight-thousandths of a cent.

It means an increase of from 6 to 10 cents on an automobile tire.

*Alleged arguments against tariff on staple cotton.*—It has been argued that compensatory duties would be difficult. This begs the question. If compensatory duties can be written on the products of wool and other raw products, they can certainly be written on the manufactures of cotton. I have already quoted Senator Lippitt as to the amount of compensatory duties. It would certainly be no more difficult to write compensatory duties on cotton than on cotton manufactures.

The manufacturers of textiles have manifested much solicitude about the growers of staple cotton. They admit that his case is different from the case of the grower of short cotton. They admit that he has a foreign competition. They admit that the Government should aid. Senator Lippitt suggests a bounty. Of course the country is opposed to direct bounties, and the Senator was safe in making the suggestion. It means no relief. The textile manufacturer opposed to a tariff on raw cotton has suggested that the Government aid in stamping out the boll weevil, that there be no exports of cottonseed, and that cotton planting seed be standardized. The suggestion betrays an ignorance of the subject. The Government has been engaged in efforts to eradicate the boll weevil for 20 years. Boll weevil now infests the entire cotton area. Cotton must be cultivated in spite of it. It has been largely responsible for the decrease of staple cotton, but a contributing factor has been the Egyptian competitor. Egypt has no boll weevil. It would be folly to prohibit the exportation of cottonseed. Cotton is a world product. There must be cooperation. Seed are being constantly changed. Marvelous progress has been made in standardizing seed. Cotton growers must encourage rather than oppose an interchange of seed. Cotton growers know that there must be a change in seed on the same lands every few years. When pressed for a solution and a method as to how the Government can eradicate the boll weevil, the representative of the textile industry frankly said he didn't know. These suggestions were thrown out as smoke screens by those opposed to a tariff on staple cotton.

It has been asserted that if Egyptian cotton does not enter the United States as raw material, it will still come in as the manufactured product. Foreign manufactures are being kept out. The tariffs on the manufactured products of staple cotton have been increased in the present bill to the highest point in history. They are really prohibitive. The tariff is fundamentally unreasonable, and unsound if its benefits can be extended to manufacturing while denied to agriculture.

It has again been suggested that a tariff on Egyptian cotton would induce the British Government to encourage and promote the growth of cotton in Egypt and in other British dependencies and colonies. Who is so childish as to think that the British Government does not now promote the cultivation of cotton, so that it can be grown in the United States? The British Government has for half a century encouraged the production of cotton in Egypt and its dominions and colonies. There is just one reason why the British Government does not raise enough cotton for its own requirements. They have neither the soil nor the climate. The United States, by using Egyptian cotton, is aiding and promoting the competitor of the United States.

*Tariff effective.*—The emergency tariff act carried a duty of 7 cents per pound on staple cotton, and it was in effect from May 7, 1921, to September 21, 1922. I refer to page 2304 of the Summary of the Tariff Commission. There were 16,000 bales of Sakellarides cotton imported during the emergency tariff in 1921, and there were 31,000 bales imported in 1922. The tariff will be beneficial. It has been tried and found effective.

*Premiums.*—The growers of staple cotton usually receive a premium of from \$10 to \$40 a bale. These premiums have been virtually eliminated in the past two years. There is distress among the growers of staple cotton. Millions are engaged in the cotton fields of the South, while hundreds are employed in the factories. The importations of Egyptian cotton have increased the carry-over and have materially reduced the premiums on staple cotton. Staple cotton is about 5 per cent of the American production. According to the Bureau of Agricultural Economics, for the fiscal year ending July 31, 1928, there was a carry-over of American and foreign staple cotton of 566,702 bales. The carry-over of the entire crop was 2,531,702 bales. In other words, the carry-over of staples, approximately 5 per cent of the American production, was 20 per cent of the total

carry-over. Is there any wonder that the Delta staples have for the past season brought but little more than 2½ or 3 cents more per pound than short cotton?

It takes an unusual soil, a longer growing season, and better cultivation to grow long-staple cotton than short. The yield is smaller per acre. It costs a good deal more per pound to raise staple cotton. The hazards on account of boll weevil and weather conditions are greater.

*A reasonable tariff.*—In conclusion, I submit that the importance, the development, future prospects, the number of laborers affected, the difference in domestic and foreign costs, and the best interests of the United States would be promoted by a reasonable tariff on cotton.

The difference in the cost of producing Delta staple cotton and its Egyptian competitor is substantially the difference in the costs of production between American-Egyptian or Pima cotton and its competitor, Egyptian Sakellarides. I believe that a tariff of at least 7 cents per pound on staple cotton 1½ inches and longer would be fair and reasonable. I first suggested to the Ways and Means Committee a higher tariff. I suggested the graduated tariff but, I stated to the committee that we only desired a reasonable tariff. We stated that we wanted no *ciabargo*. We opposed a prohibitive tariff. The hearings disclose that the differences in the costs of production in the United States and Egypt would justify a tariff of at least 7 cents per pound.

If the tariff can benefit any agricultural product, it will benefit staple cotton. If it be the policy to preserve to the American farmer the domestic market, there is no reason why a tariff to the domestic grower of staple cotton should be denied.

If agriculture is to be placed upon an equality with manufacturing, the Senate Finance Committee will include a reasonable tariff of at least 7 cents per pound on staple cotton 1½ inches and longer.

#### STATEMENT OF HON. LOUIS W. DOUGLAS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ARIZONA

Mr. DOUGLAS. I appear in advocacy of a reasonable tariff, a reasonable protection on certain types of cotton, namely the so-called long-staple cotton.

Senator WATSON. We put a tariff on that, did we not, in the emergency tariff?

Mr. DOUGLAS. There was a tariff of 7 cents a pound in the emergency tariff act of 1922.

Senator WATSON. Was that tariff sufficient?

Mr. DOUGLAS. I think that tariff was sufficient, yes, Senator. I am not advocating anything in excess of that tariff.

Senator SHORTRIDGE. That was 1¾?

Mr. DOUGLAS. One and one-eighth and over.

Senator SHORTRIDGE. One and one-eighth and over?

Mr. DOUGLAS. Yes, sir.

Senator SHORTRIDGE. Seven cents per pound?

Mr. DOUGLAS. Yes, sir.

Senator WATSON. How long did that remain on?

Mr. DOUGLAS. That remained on during the existence of the emergency tariff act. It was removed—

Senator WATSON. It was not in operation a sufficient length of time to test what it might do?

Mr. DOUGLAS. Yes, it was in the tariff a sufficient period of time to permit of certain deductions as a result of its operation.

Senator WATSON. Tell us what happened.

Mr. DOUGLAS. In the first place, if I may be permitted to give some figures, first of all may I say this, that so far as the staples of 1½ and less are concerned a tariff would be ineffective. We export a great surplus. We are the great producing nation of so-called short-staple cotton.

Senator WATSON. But we are talking about long staple.

Mr. DOUGLAS. So far as the long-staple cotton is concerned, there are two foreign competitors. One is the so-called Egyptian uppers, which competes with the Delta cotton.

Senator WATSON. Is that the Sakellarides?

Mr. DOUGLAS. No; the Sakellarides is the long staple.

Senator WATSON. I thought we were talking about the long staple?

Mr. DOUGLAS. There are really two classes, the fiber of one and one-eighth to one three-eighths and then the fiber one and three-eighths to one and five-eighths.

Senator WATSON. Are they the long staple?

Mr. DOUGLAS. They are both generally termed long staple, but the Egyptian upper is the competitor of the one and one-eighth to one and three-eighths, which is known as the Delta staple. The Egyptian Sakellarides, which is one and three-eighths and over, is the competitor of our one and three-eighths and over, commonly known as the Pima cotton.

With respect to both of those types or varieties of long-staple cotton we produce an amount which is just about equivalent to our domestic demand. If the American product is the equivalent of its foreign competitor, then the domestic production and domestic demand would just about balance, but to date with the exception of a period of nine to twelve months in which the 7 cents per pound tariff in the emergency act was in effect, with the exception of that period the foreign cotton has been sold in this country at a lower price than the domestic cotton.

With the exception of the few months in which the 7 cents per pound tariff, carried in the emergency act, was in effect, the foreign cotton, the Egyptian cotton of these long staples has been sold in the United States at a lower price than the domestic cotton, the result being, of course, that the manufacturers of textiles, thread, and of tires have naturally purchased the cheaper grade. During the period, however, in which the 7 cents emergency tariff was in operation the textile mills and the thread people and the tire people actually substituted for the cotton which they had previously been using, namely the Egyptian cotton, the domestic production; that is, cotton of one and one-eighth and over. In addition to that the tariff of 7 cents did not increase the price to the consumer or to the producer, rather, of the textiles, tires, and thread. It simply stabilized the price, and I may refer the members of this committee to the report of the Tariff Commission as to the effect of that.

Senator WATSON. I would like to ask some questions to get the thing clear in my mind. I remember when the emergency tariff was up. I made some study of it and had it in mind, but it has all passed away. There are two kinds produced in Egypt?

Mr. DOUGLAS. Yes, sir.

Senator WATSON. They both come in competition with what you produce in Arizona?

Mr. DOUGLAS. Yes, sir.

Senator WATSON. In the Salt River Valley?

Mr. DOUGLAS. Yes, sir.

Senator WATSON. Now, what competes with the commodity you produce?

Mr. DOUGLAS. We produce two varieties, one and one-eighth to one and three-eighths, and we produce one and three-eighths and over, but of our production most of it is the one and three-eighths and over.

Senator WATSON. They are both used for the same purpose?

Mr. DOUGLAS. Well, I can refer the Senator to the reports of the Department of Agriculture—

Senator WATSON. Please answer the question.

Mr. DOUGLAS. You mean both types?

Senator WATSON. Yes, sir.

Mr. DOUGLAS. Not so much; no.

Senator WATSON. Which is used in the manufacture of tires?

Mr. DOUGLAS. The shorter staple is now used in the manufacture of tires.

Senator WATSON. Not the longer?

Mr. DOUGLAS. And not the longer. That was not the case, however, when this question originally came up before the Senate in 1921.

Senator WATSON. Now, after the tariff was placed on long-staple cotton and the emergency tariff act, how much did you then produce as compared with what you had produced theretofore?

Mr. DOUGLAS. In 1920 we produced 91,000 bales of the Pima cotton. There was a large carry-over, and when the emergency tariff act went into effect that carry-over was absorbed. During that period our production has fluctuated from the maximum of 91,000 bales in 1920 to a minimum of 4,000 in 1924.

Senator WATSON. Now, while the tariff was on—

Mr. DOUGLAS. No; the tariff was not in 1924, but in 19—

Senator WATSON. Let me ask you these questions first. How much of this long-staple cotton were you producing before the 7-cent tariff was put on?

Mr. DOUGLAS. We produced 91,000 bales in 1920. Our normal production in Arizona can be approximated at 60,000 bales.

Senator WATSON. Sixty thousand bales?

Mr. DOUGLAS. Yes, sir.

Senator WATSON. Under the most favorable conditions?

Mr. DOUGLAS. No; under normal conditions. They have gone up to over 100,000 bales.

Senator WATSON. I mean the most favorable tariff conditions.

Mr. DOUGLAS. Yes; that would be a perfectly natural production for the State of Arizona—60,000 bales.

Senator WATSON. Before the tariff went on you were producing 90,000 bales?

Mr. DOUGLAS. Yes, sir; during that one year, which was a bumper year.

Senator WATSON. Then what effect did the tariff have?

Mr. DOUGLAS. Perhaps I can answer the Senator's question in another way. The object of the question is to find out what effect this had upon our production and the consumption of our cotton?

Senator WATSON. Yes, sir; that is right.

Mr. DOUGLAS. I can answer it by telling the Senator what effect the tariff had on imports.

Senator WATSON. Yes.

Mr. DOUGLAS. That would be just as indicative of the fact, would it not?

Senator WATSON. Absolutely, with normal consumption.

Mr. DOUGLAS. Yes. In 1920 there was imported into the United States of the one and one-eighth—one and three-eighths fiber, 485,004 bales. In 1921, when the emergency tariff was in operation, the importations fell to 87,000 bales—87,168.

Senator CONNALLY. For the whole year?

Mr. DOUGLAS. That is for the whole year.

Senator SHORTRIDGE. From 485,000?

Mr. DOUGLAS. From 485,000. Now, then, may I tell the Senator what happened in 1922?

Senator WATSON. Just what date did the emergency tariff go into effect?

Mr. DOUGLAS. It went on in 1921.

Senator WATSON. Do you remember the month?

Mr. DOUGLAS. I can not give you the exact date here.

Senator WATSON. You are giving the imports, and I was wondering if the entire year 1921 was under the 7-cent tariff?

Mr. DOUGLAS. No; not entirely.

Senator CONNALLY. Those bales imported were 500 pounds?

Mr. DOUGLAS. This is reduced to the 500-pound basis. In 1922, when the emergency tariff act was taken off, the importations jumped from 87,000 bales in 1921 to 233,729 bales. In 1923 the imports were 329,335 bales. I think that answers the Senator's question, does it not?

\* Senator WATSON. In part. Now, what effect did the increased imports have upon that production in Arizona?

Mr. DOUGLAS. The increased imports naturally drove the price down and it drove a great many of the producers out of business.

Senator WATSON. Are you producing now?

Mr. DOUGLAS. We produced last year 24,000 bales.

Senator WATSON. Twenty-four thousand bales. You think with a proper protection of 7 cents, for instance, that you can produce as much as 60,000 bales?

Mr. DOUGLAS. Yes, sir; I am certain there could be that production.

Senator WATSON. Of long-staple cotton?

Mr. DOUGLAS. Yes, sir.

Senator WATSON. How about the sea-island cotton?

Mr. DOUGLAS. The sea-island cotton is practically nonexistent.

Senator CONNALLY. That is a long-staple cotton?

Mr. DOUGLAS. Yes, sir; that is a long-staple cotton that was in common useage before the Egyptian Sakellarides was developed. When the Egyptian Sakellarides was developed the British Government had a lot of difficulty in persuading the textile people to use Sakellarides in place of the sea-island. Now, the Sakellarides is the equivalent or better than the sea-island.

Senator SHORTRIDGE. I want this clearly in the record. In 1920, when this price of cotton was on the free list, there was imported 485,000 plus bales?

Mr. DOUGLAS. That is right.

Senator SHORTRIDGE. In 1921 we put on a tariff and the imports dropped to 85,168 bales?

Mr. DOUGLAS. Yes, sir.



Senator CONNALLY. Are those figures for full years? The tariff did not go on on the 1st day of January and the act of 1922 did not go into effect until in September.

Mr. DOUGLAS. The emergency act went into effect on May 27.

Senator CONNALLY. Those figures may not be illustrative of the fact.

Senator SHORTRIDGE. That is what I was trying to get at. We ought to get those figures exact. But, taking it by the year as you gave, the imports dropped from 485,000 to 87,000 in 1921. Then when the duty was taken off the imports leaped up to 233,729 in 1922?

Mr. DOUGLAS. Yes, sir.

Senator WATSON. The emergency tariff went into effect on May 27, 1921.

Senator SHORTRIDGE. Then for 1923, for illustration, they were 329,000?

Mr. DOUGLAS. That is right.

Senator SHORTRIDGE. Your point is, if I grasp it, that when the tariff was on the imports were reduced and the purchasers of cotton, using it in different ways, secured their cotton from the American producer?

Mr. DOUGLAS. That is right.

Senator WATSON. Under the most favorable conditions you say you could produce at the extreme 100,000 bales?

Mr. DOUGLAS. One hundred thousand bales, approximately; yes, sir.

Senator WATSON. What is the American consumption of that cotton?

Mr. DOUGLAS. Of the one and three-eighths, 62,000.

Senator WATSON. And the other kind?

Mr. DOUGLAS. Five hundred and fifty-two thousand, but we produced 685,000 bales last year of the other kind.

Senator WATSON. Of the other kind?

Mr. DOUGLAS. Yes, sir; of the one and one-eighth to one and three-eighths.

Senator WATSON. Without the tariff?

Mr. DOUGLAS. Without the tariff; yes, sir. But there was imported into the United States 248,018 bales.

Senator SHORTRIDGE. Last year?

Mr. DOUGLAS. Last year—1928.

Senator WATSON. Is there a production of that anywhere else except in Arizona?

Mr. DOUGLAS. No, sir; not the so-called Pima cotton anywhere except in the Salt River Valley. There used to be a small amount in the Imperial Valley—

Senator SHORTRIDGE. We are producing, to speak generally, long staple not only in Imperial County but up in the Joaquin Valley—Kern, Madera, Fresno—all up through that section of the State and enlarging the acreage. We are raising that type of cotton and very deeply interested in it. It is raised in Texas, we know; they raise it in Mississippi.

Senator WATSON. Did this tariff raise the price to the consumer?

Mr. DOUGLAS. No; it stabilized the price.

Senator WATSON. It did not raise the price?

Mr. DOUGLAS. No.

Senator WATSON. So that the maker of tires had no more to pay for his product after the tariff was imposed than before?

Mr. DOUGLAS. No. Let me say this: I am asking for a 3-cent tariff on one and one-eighth to one and three-eighths and a 7-cent tariff on one and three-eighths and over because those two rates equalize the price. No one can tell what the relative costs of production are. One can tell from the market prices what the relative prices are. So I am only asking 3 cents on one and one-eighth to one and three-eighths because that is the difference between the price of the American product and the price of the Egyptian product.

Senator CONNALLY. Does that differential always remain the same?

Mr. DOUGLAS. Yes, sir; that is over a long period of time.

Senator CONNALLY. You raise both kinds of cotton in Arizona?

Mr. DOUGLAS. Yes. In connection with the Pima or long-staple cotton the difference in price is 7 cents. I am only asking for a rate which will equate the prices. The Senator asked me if those tariff rates actually are reflected equally in an increased price to the tire manufacturer and the textile manufacturer. The 3 cents would increase the cost of a tire 6 cents.

Senator WATSON. How much?

Mr. DOUGLAS. Six cents a tire. The 7 cents——

Senator SHORTRIDGE. If wholly passed on to the consumer?

Mr. DOUGLAS. If wholly passed on. If the experience of the emergency tariff act is worth anything, it indicates it will not be passed on; that the effect is solely to stabilize.

Senator WATSON. What proportion of the cotton that you produce is used in the manufacture of tires?

Mr. DOUGLAS. I can not tell you what our State production of one and one-eighth to one and three-eighths is because I do not think the Department of Agriculture has it completely by States.

Senator WATSON. Was it all used for tire purposes?

Mr. DOUGLAS. No. Some of it was used for thread purposes and some of it was used for coarser cloths.

Senator HARRISON. A large majority of it goes into tires?

Mr. DOUGLAS. Yes, sir; that is true.

Senator HARRISON. Let me ask you this question: Is there more uncertainty in the price of long-staple cotton than there is in the short-staple cotton? That is, the short-staple cotton is fixed on the exchange and you know exactly what it is and there is always a sale for it?

Mr. DOUGLAS. Yes, sir.

Senator HARRISON. But the other proposition you have to wait for a buyer?

Mr. DOUGLAS. It is a much more speculative crop. Let us assume that if the 7 cents is passed on to the consumer entirely, there would result an increased cost to the producer of 7 cents. The consumer, for example, on a spool of thread, would have to pay fifty-eight one-thousandths of a cent.

Senator WATSON. Do they make thread out of it?

Mr. DOUGLAS. Yes, sir. So that the question of a compensatory tariff, Senator is not presented as a result of the rate sought. For that reason I settled upon these rates because they are fair, they are moderate, they do not add anything to the cost.

Senator WATSON. What rate is it you are asking?

Mr. DOUGLAS. For 3 cents on one and one-eighth to one and three-eighths and 7 cents on one and three-eighths and over.

Senator WATSON. Any other questions?

Senator CONNALLY. You stated earlier in your testimony that the foreign long-staple cotton was sold for less than the American?

Mr. DOUGLAS. Yes, sir.

Senator CONNALLY. And consequently the manufacturers went to the foreign stuff?

Mr. DOUGLAS. Yes, sir.

Senator CONNALLY. And the production of yours—

Mr. DOUGLAS. Our production fell off.

Senator CONNALLY. But you sell what you produce?

Mr. DOUGLAS. Yes, sir.

Senator CONNALLY. What was your lowest production?

Mr. DOUGLAS. Four thousand seven hundred bales.

Senator CONNALLY. What year was that?

Mr. DOUGLAS. In 1925.

Senator CONNALLY. Don't they use this long staple in making the airplane fiber?

Mr. DOUGLAS. Yes, sir. It is susceptible of being used for that purpose.

Senator CONNALLY. And broadcloth?

Mr. DOUGLAS. Yes, sir.

Senator WATSON. You do not produce any of that in Texas?

Senator CONNALLY. Yes, sir.

Senator WATSON. Very much?

Senator CONNALLY. Quite an industry in two or three counties.

Senator HARRISON. What percentage of the production of one and one-eighth to one and three-eighths in Arizona to the whole amount of that class of cotton produced in the United States?

Mr. DOUGLAS. The Mississippi Delta produces the great bulk of the one and one-eighth to one and three-eighths. That is why it is called the Delta staple.

Senator WATSON. Anything else?

Senator HAYDEN. I wanted to develop and emphasize the idea that the rates asked for are merely the difference between the average market price on cotton and constitute a low hurdle, merely enough to stabilize the American market—that is the object—and not enough to be reflected in the cost of the manufactured article to make any difference.

Senator SHORTRIDGE. But what you are seeking and what others are seeking is to continue to raise that type of cotton and find an American market?

Senator HAYDEN. There is not any question but that there can be produced in the United States an adequate supply of both of these classes of long-staple cotton to completely care for the American market.

Senator WATSON. Do you really think that is so?

Senator HAYDEN. I do not think there is any doubt about it.

Mr. DOUGLAS. The figures are quite conclusive.

Senator WATSON. Of both kinds?

Senator HAYDEN. Of both kinds.

Mr. DOUGLAS. I would like to file a brief in this matter.

Senator WATSON. I do not know why you should not ask for a higher tariff.

Senator HARRISON. I might say that the letters I have received about this matter would indicate that they really wanted more than 3 cents on the one and one-eighth.

Mr. DOUGLAS. Yes. I might say there is a difference of opinion on that. Congressman Whittington is inclined to disagree with me and asks for 7 cents on everything over one and one-eighth. I discussed the matter with him, and I felt in order to be perfectly consistent and not to ask more than I felt my particular growers were entitled to have, I would stick to my original proposition.

Senator HAYDEN. The other reason is if you add more than that, then there comes perhaps a legitimate demand for a compensatory duty which is reflected all along the line.

Senator SHORTRIDGE. This is somewhat out of order in this hearing, as you know, but before we are through California will present the view that there should be 7 cents on one and one-eighth and over, and I have been advised that that will hold good as to Texas and also as to Mississippi.

Mr. DOUGLAS. That is right.

Senator SHORTRIDGE. I see you have advanced another view here.

Mr. DOUGLAS. Yes.

Senator SHORTRIDGE. But they are not necessarily in conflict.

Mr. DOUGLAS. No; they are not particularly in conflict.

Senator SHORTRIDGE. But I shall undertake to make it perfectly plain before we are through with the hearing that the American industry raising long-staple cotton is entitled, according to the true theory of developing that industry, to 7 cents on one and one-eighth and over.

Senator CONNALLY. It seems to me the rates 3 and 7 are out of proportion because the qualities of the cotton make a differential of 4 cents. It seems to me that would make a 4-cent difference on the tariff, which would throw the values out of proportion.

Senator SHORTRIDGE. I would think so.

Mr. DOUGLAS. It might possibly. I felt, for my own mind, I could justify the rate sought better than though I had made it a flat 7 cents, and I preferred to stick to something which I knew I could justify rather than to ask something else.

Senator SHORTRIDGE. There will be those who will argue it will stabilize the industry by making a uniform rate of 7 cents for one and one-eighth and over.

Senator CONNALLY. Three cents would be 10 per cent of 30 cents per pound; 7 cents would be 10 per cent of 70 cents, and yet there is only that difference between the two grades of less than that.

Senator WATSON. We will get the expert from the Tariff Commission here and get his view about all matters of that kind.

Mr. DOUGLAS. I went at it from the point of view of equating prices.

Senator SHORTRIDGE. Very well.

Mr. DOUGLAS. As a rough measure.

Senator HARRISON. Mr. Whittington is here.

Mr. DOUGLAS. I do not want to say anything, Senator, in the way of deterring a 7-cent rate all the way through if the committee feels that way about it.

**SUPPLEMENTAL STATEMENT OF CONGRESSMAN L. W. DOUGLAS, OF ARIZONA,  
IN SUPPORT OF A TARIFF ON LONG-STAPLE COTTON**

The question of a protective tariff for or stabilization of the price of cotton is a rather perplexing one to the person who attempts to analyze what facts are available, to discriminate between the various contentions made, and to arrive at a supportable conclusion.

That the domestic production of cotton of all classes is in excess of the domestic consumption can be conceded without fear of refutation. That a tariff on a commodity of which there is invariably an exportable surplus is ineffective at best, and possibly disadvantageous at worst, can likewise be conceded without fear of successful refutation.

The general proposition in its application to cotton is not, however, as clear as it might appear to be at first blush. There are various kinds of cotton; i. e., cotton with fibers of various lengths. If they be classed in two general categories—(1) Cotton of a fiber length less than 1½ inches, and (2) Cotton of a fiber length of 1½ inches and longer—the problem can be materially simplified.

Domestic cotton of a fiber shorter than 1½ inches is produced in quantities which exceed the domestic demand. There is, therefore, an exportable surplus of such cotton. Consequently its price is controlled largely by the world price. Except in so far as an indirect benefit, if any, may accrue to it as a resultant of a tariff on or stabilization of the longer staple cotton, it need not be considered in this argument. This discussion will therefore be confined to cotton of a staple of 1½ inches or longer.

In order that the problem may be further simplified staple cotton, for the purpose of this discussion, will be divided into two general classes—

1. Cotton of a fiber length of 1½ to 1¾ inches, commonly called Delta staple, the American product; Egyptian "uppers," the imported product; and
2. Cotton of a fiber length of 1¾ inches and over, commonly known as Pima cotton, the American product, and Sakellarides, the Egyptian cotton.

**PRODUCTION, CONSUMPTION, AND IMPORTS**

The Bureau of Agricultural Economics estimates the 1928 crop of staple cotton at 685,000 bales. There are no reliable data with respect to the amount exported.

The consumption of the domestic crop was 552,963 bales.

Imports of staple cotton—from Peru, 23,319 bales; Mexico, 22,843 bales; and Egypt, 201,856—totalled 248,018 bales. Of this imported cotton the United States consumed 233,690 bales. The total consumption of staple cotton was therefore 786,653 bales, or 102,000 bales in excess of the American production.

[Bureau of Agricultural Economics, 1928]

	Production	United States consumption domestic crop	Imports	Total United States consumption	Excess of domestic consumption over domestic production
Staple cotton <sup>1</sup> (bales).....	685,000	552,963	248,018	786,653	101,928
Cotton 1½ to 1¾ inches <sup>2</sup> .....	656,047	537,826	201,018	724,516	68,469
Cotton 1¾ inches and longer.....	28,678	15,137	47,000	62,137	43,459

<sup>1</sup> No accurate data available relative exports American staple cotton.

<sup>2</sup> Peruvian and Mexican cottons relatively negligible in amounts are included.

With respect to both classes of staple cotton it therefore can be concluded from the above figures that—

(1) The domestic demand for staple cotton exceeds the domestic production.

(2) If American staple cotton is the equivalent of and can be substituted for Egyptian staple cotton then there is no surplus of American staple cotton which must seek an outlet in a world market, and there is reason for granting a tariff on staple cotton.

The case therefore hinges on the substituteability of the American for the Egyptian staple cotton.

*Substituteability of 1½ to 1¾ inch American or Delta for Egyptian uppers.*—In answer to the following interrogation by Mr. Collier: "You stated in answer to Mr. Bacharach's question that this Delta staple and American Pima cotton

could not be substituted for Egyptian cotton in thread making." Mr. John C. Clark, of the Clark Thread Co., Newark, N. J., replied: "I did not say that the Delta staple could not be substituted. I say that it would make as good a substitute, and I say that the Pima cotton would not make nearly as good a substitute" (pp. 7657, committee print, *Tariff Readjustment, 1929*, hearings before Committee on Ways and Means, House of Representatives, 70th Cong., 2d sess., Schedule 15, free list).

In March, 1928, when the premiums on Egyptian uppers went above \$25 a bale, the tire manufacturers and textile manufacturers substituted the Delta staple cotton for the Egyptian.

Those representatives of the thread, tire, and textile industries who testified that there is no substitute for Egyptian cotton were and are refuted by the substitution which had already been effected. After a substitution has been made it is folly to contend that that substitution is impossible. The argument of the representatives of the textile industries reduced to its simplest terms can be stated therefore as follows: The substitution which has been made, can not be made; what is, is not.

*Tariff requested on cotton 1½ to 1¾ inch.*—Consequently, because of the testimony of Mr. John C. Clark to the effect that Delta staples are and can be used satisfactorily in lieu and are the equivalent of Egyptian uppers, and because of the actual substitution effected within the last year, it is reasonable to conclude that Delta staples are substitutable for Egyptian cotton and that the domestic market should be preserved for the domestic production of Delta staples.

The object can be accomplished, if not in whole at least in part, by a tariff. What that tariff should be is more difficult to state. There are no reliable figures with respect to the cost of production and delivery of Egyptian uppers. In the absence of any reliable data on the subject it can be assumed that Egyptian costs, because of cheap labor, are less than Delta or American costs. What that discrepancy may be, however, can not now be determined. In the absence of such information I suggest a tariff of 3 cents a pound on all cotton of a fiber length of between 1½ and 1¾ inches.

If such a tariff is imposed its effect may be expressed in one or more of three different ways:

- (1) Stabilization of price and market.
- (2) Increase in price.
- (3) Increase in consumption of domestic staples, reduction of imported cotton and relief from pressure to suppress price of shorter fiber cotton.

*Substitutability of Pima cotton for Sakellarides.*—On page 3, United States Department of Agriculture Bulletin No. 742, there is the following:

"Egyptian cotton is used principally for mercerizing and for other processes that give a high finish to cloth; in the manufacture, without dyeing, of balbriggan underwear and lace curtains in which the ecru shade is desired; for automobile tires; and the manufacture of sewing thread and other similar articles which require a long fiber of great strength."

"Egyptian cotton is used especially in the manufacture of goods in which strength or fineness or a combination of both qualities is desired. Some of the principal articles manufactured from this cotton are sewing thread, hosiery, automobile tire fabrics, and fine and fancy dress goods."

In United States Department of Agriculture Bulletin No. 1184, Utilization of Pima Cotton, November, 1923, there is to be found the following:

"Pima cotton has been manufactured successfully into tire yarns, tire fabrics, balloon cloth, and airplane fabrics, where strength and elasticity are the chief requisites.

"Pima cotton is being manufactured satisfactorily into fine yarns, fine shirtings, dimities, lawns, and voiles."

In the same document, on pages 24 and 25, there is to be found the following:

"Possibility of substitution for Sakellarides or Egyptian long staple cotton."

"\* \* \* Yarns made of Pima cotton when mercerized are as lustrous as Sakellarides \* \* \*"

"Pima cotton grown under suitable conditions and properly ginned and well handled is equal to \* \* \* Sakellarides cotton for the manufacture of fine yarns and sheer goods.

"Owing to the \* \* \* possible reduction in acreage of Sakellarides Egyptian, and the likelihood of the further deterioration of this variety, it will be advantageous to the growers and the manufacturers to encourage and promote the use of Pima cotton."

Based upon testimony of a Government agency the uses of Pima cotton are identical to the uses of Sakellarides, and with the one possible exception of the manufacturers of fine threads, Pima cotton is a good substitute for the Sakellarides.

In this connection, on page 17 of the emergency tariff act and Long Staple Cotton pamphlet issued by the United States Tariff Commission (Tariff Information Series, No. 27) there is the following:

"The amount of Pima used by the thread industry is small as compared with its consumption of Sakellarides, but has increased so markedly during the past eight months that its increasing substitution for Sakellarides is very evident. This substitution has been due in large measure to the very much lower price, relative to Sakellarides, at which Pima cotton could be sought since the passage of the emergency tariff act.

"The fine-cloth mills afford the most striking instance of the substitution of the cheaper Pima for the Sakellarides type during recent months. These mills when they use Egyptian require mainly Sakellarides, but their consumption of Egyptian cotton has decreased and their consumption of Pima greatly increased. It is said that Sakellarides is still required for cloths made of the finest yarns, but that Pima is being rapidly substituted for Sakellarides in cloths made of yarns not finer than 80s. Introduced because of its lower price, it is finding increased favor with the fine-cloth mills of New England, particularly those of New Bedford, for use in the manufacture of mercerized sateen linings as well as in voile and fine lawns."

Based upon the opinion of an impartial governmental agency and not upon the testimony of a partisan for or against a tariff on Pima cotton, the weight of the evidence indicates that Pima cotton can be very largely substituted for its Egyptian competitor.

Since the removal of the 7-cent tariff on cotton of 1 $\frac{1}{8}$ -inch fiber provided for in the tariff act of 1921, the price in Boston of Sakellarides has been less than the price of Pima. In 1926-27 Sakellarides commanded an average of 31 cents a pound while Pima sold for an average of 37.79 cents a pound. In 1927-28 Sakellarides brought 39.22 cents a pound while Pima sold for 46.39 cents a pound.

The motive of the textile manufacturers in opposing a tariff on Sakellarides and in claiming that Pima cotton is not the equal of its Egyptian competitor is quite obvious.

While the emergency tariff act of 1921 was in effect the imports of Egyptian cotton fell from 485,000 bales in 1920 to 87,000 bales in 1921.

The following gives imports from Egypt for the decade from 1919 to 1928:

#### IMPORTS OF EGYPTIAN COTTON FOR LAST 10 YEARS

Department of Commerce figures, in 500-pound bales, for fiscal year ending July 31:

	Total		Total
1928.....	201, 856	1922.....	233, 729
1927.....	231, 767	1921.....	87, 168
1926.....	238, 620	1920.....	485, 004
1925.....	190, 313	1919.....	100, 006
1924.....	164, 152		
1923.....	329, 335	Total.....	2, 261, 950

The marked decline in 1921 is significant. The marked increase since the removal of the emergency tariff is equally significant.

To translate all of the above information: The manufacturers reduce their consumption of Sakellarides when it commands a higher price than Pima cotton and conversely reduce their consumption of Pima when it commands a higher price than Sakellarides.

As in the case of Delta staples the manufacturers represent that a substitution that has been made can not be made; that what is is not.

*Effect of emergency tariff act.*—(1) To raise price of Sakellarides above that of Pima cotton.

- (2) To reduce consumption Sakellarides.
- (3) To stabilize price of and market for Pima.
- (4) To increase consumption of Pima.

*Possible production of Pima.*—The United States production of Pima cotton has fluctuated because of market conditions from 91,691 bales in 1920 to 4,374 bales in 1924 (United States Bureau of Agricultural Economics).

Though it would not be feasible to constantly produce 91,000 bales annually, nevertheless on the basis of historic production an annual amount of approximately 60,000 bales can be successfully grown provided the market is stabilized.

Stated in other terms, were the market for and price of Pima to be stabilized, domestic production would be adequate to supply the domestic demand.

(The above information is given in answer to Mr. Treadway's question with respect to quality and quantity of Pima cotton.)

*Tariff of 7 cents on cotton 1½ inches and longer.*—By referring to the average prices of Sakellarides (1926–27, 31 cents a pound; 1927–28, 39.22 cents a pound) and Pima (1926–27, 37.79 cents a pound; 1927–28, 46.39 cents a pound), a simple process of arithmetic indicates that Pima costs 7 cents more than Sakellarides. To equate the prices of these competitive cottons I submit for consideration the proposal that a 7-cent tariff be imposed on all cotton of 1½ inches and longer fiber.

#### GENERAL CONCLUSIONS

1. *Tariff proposal submitted and possible effect.*—Both with respect to the Delta staples and Pima cotton the evidence submitted indicates that both are largely substitutable for their respective foreign competitors; that the substitution as a matter of fact has been effected successfully; that a tariff of 3 cents and 7 cents, respectively, on 1¼ to 1½ inch and 1½ inch and longer fiber cotton will hasten the substitution, eliminate an exportable surplus, determine the price by domestic demand rather than world demand and so stabilize markets and prices.

2. *Effect on manufacturers.*—A 3-cent tariff on 1¼ to 1½ inch cotton would not lead to a compensatory duty. In the tire industry for example an increase of 3 cents in the price of cotton would mean an increase in the price of tires of approximately 6 cents a tire.

Nor would a 7-cent tariff on 1½-inch and longer result in a demand for a compensatory duty. The representatives of the thread manufacturers testified that a pound of cotton makes 120 spools of thread. An increase of 7 cents in price on 1½-inch or longer (it is doubtful whether the effect would be to increase price) translated into cost of production of thread means an increase in cost per spool of not more than \$0.00058 or fifty-eight one-hundred-thousandths of a dollar, or fifty-eight one-thousandths of a cent. Consequently it can not be contended that the tariffs herein suggested will, if granted, work to the disadvantage of the manufacturers.

To urge as a general principle a prohibitory tariff on the grounds of forcing the substitution of a domestic product for a foreign one would be questionable. For example, it would be nothing short of ridiculous to urge a prohibitory tariff on terrapin to compel the substitution for it of mud turtles. In the case of cotton, however, the general truths that Delta staples and Pima cotton are approximately the equivalent of their foreign competitors and that the tariffs herein suggested are not in any sense prohibitory are inescapable.

#### STATEMENT OF HON. SAMUEL M. SHORTRIDGE, UNITED STATES SENATOR FROM THE STATE OF CALIFORNIA

Senator SHORTRIDGE. I invite your attention to the hearings before the House Committee on Ways and Means, found in volume 15 at pages 8463 et seq., as to long-staple cotton and to the reasons given for placing a duty of 7 cents a pound on imported long-staple cotton; that is, cotton of 1½ inches and over.

In addition to what there appears I now submit for the record a letter addressed to me by J. G. Boswell, president, J. G. Boswell Co., Cotton Exchange Building, Los Angeles, Calif., together with a statement of facts bearing on the subject of a tariff on long-staple cotton; and also a sample telegram from J. M. Hansen, of Corcoran, Calif., a grower cultivating 1,000 acres of long-staple cotton.



(The communications referred to are as follows:)

J. G. BOSWELL Co.,  
Los Angeles, Calif., May 17, 1929.

HON. SAMUEL M. SHORTRIDGE,  
United States Senate, Washington, D. C.

MY DEAR SENATOR SHORTRIDGE: There is inclosed for your information copy of a brief, or résumé, bearing upon the subject of the tariff on staple cotton, which contains all of the pertinent facts and data to support the contention that such a tariff is essential.

As you are aware, cotton growing in California has become one of the major agricultural activities. The increasing importation of foreign cottons of similar lengths to California cotton, however, is having a general detrimental effect upon the entire industry, and it is earnestly hoped that your activities may result in according some measure of relief not alone to California cotton growers, but to sorely pressed agriculture as a whole.

The latest figures on importation of foreign-grown staples show that during the month of April America took from Egypt 69,533 bales and from Peru 1,335 bales, or over three times more than one month than the average per month during the preceding eight months; or in the last full month, over 28 per cent of the entire importation of staples up to April 30 of this cotton year.

Should you feel that you need any further information on this subject, I should be very glad of an opportunity of attempting to furnish it.

Yours very truly,

J. G. BOSWELL, *President.*

#### STAPLE COTTON TARIFF

Like the wheat growers of the Northwest, who now enjoy tariff protection on their quality wheat, the staple-cotton growers of the country ask that the 7-cent emergency tariff on their quality cotton, detrimentally removed in 1922, now be restored. Due to the slight shrinkage in the lengths of foreign cottons, we ask that this duty be placed on staples an inch and an eighth and longer.

According to the latest figures from the Department of Agriculture, mill consumption of the quality cotton is 786,653 bales, whereas production is 684,725 bales; hence there is no exportable surplus. Imports of this quality cotton are 225,175 bales. These imports, practically all consumed, can only add to the carry-over of domestic staples each year. At the beginning of the present season, this burdensome carry-over was 406,887 bales American. At the present monthly rate, importation of staples this year will be 268,492 bales, exceeding every year since 1920, except 1922 and 1923, the first years following the repeal of the emergency tariff of 1921. During 1921, with the tariff in force, imports were slightly over 100,000 bales.

With the enormous carry-over of staples, growers' premiums vanished, naturally. Cotton, like lumber, apples, and other commodities, is sold on quality. Thus, when the highest quality tumbled, it pressed down in proportion practically every bale of cotton grown in the United States, with the result that the cotton growers of the country, from Richmond to Sacramento, lost approximately \$150,000,000.

With the immense irrigation facilities projected in the Sudan, corporation owned and operated cotton plantations in Egypt will only make larger the foreign supply and under current conditions further aggravate the unhealthy state of our cotton farmers. While manufacturers can not be blamed for wanting to continue to use these foreign cottons, grown by corporations with very cheap labor, tests and experience have shown that these cottons are interchangeable, especially at reasonable price differentials.

As for tariff reprisals, all this class of imported cotton comes from Egypt and Peru, where tariffs are already in existence. The only argument against this requested tariff is such as could be used against any manufactured article or commodity, and the assertion that such a tariff will not benefit the farmer can be answered by the simple statement that since the removal of the 1921 7-cent tariff, the premium on staples has declined from 7 and 10 cents a pound to a point where they sold this season for one-tenth of 1 cent premium. Translated into dollars, this means from \$50 to 50 cents a bale.

This proposal offers an opportunity, which it is known Congress sincerely seeks, to grant relief to a large number of our farmers.

CORCORAN, CALIF., May 30, 1929.

Senator SAMUEL W. SHORTRIDGE,  
Washington, D. C.:

Have grown cotton here for five years and with brother and father growing thousand acres this year. Have studied tariff situation as applies cotton closely and know we are entitled to protection asked by staple growers. You will do California great service by getting this protection.

J. M. HANSEN,  
Member Republican Central Committee, Kings County.

Senator SHORTRIDGE. Also, letters and telegrams addressed to me from cotton growers, chambers of commerce, farm bureaus, newspapers, banks, and other organizations, merchants and other individuals in the cotton-growing districts of California, each and all urging protection for this kind of cotton.

I have here many telegrams from the following cotton growers:

George M. Dick, C. W. Fancher, H. Peterson, John Roland, A. P. Howe, E. R. McClellan, Forrest Howes, Leonard A. Dibble, J. H. Smith, E. W. Caddell, C. D. Clute, P. W. Howes, E. Jones, John Jones, E. E. Johnston, W. J. Hotchkiss, D. M. Biancucci, A. M. Lalloner, Ernest Northcote, R. C. Slaybaugh, J. M. Hansen, T. M. Boyd, C. F. Burns, A. R. Van Antwerp, Erwin E. Cooper, B. F. Gilbert, Henry Anderson, Ray G. Wallace, W. S. Allen, B. E. Lester, John Stone, Paul P. Butler, Bruce E. Deniels, G. McAbee, John Stevenson, J. N. Stark, and W. A. Swall.

I have here telegrams from the following chambers of commerce:

Corcoran Chamber of Commerce, Delano Chamber of Commerce, and Tulare Chamber of Commerce.

I have here telegrams from the following farm bureaus:

California Farm Bureau Federation (comprising Kern, Tulare, Kings, Fresno, and Madera Counties), Kern County Farm Bureau, Colusa County Farm Bureau, Kings County Farm Bureau, and Tulare County Farm Bureau.

I have here telegrams from the following newspapers:

The Journal, Corcoran, Calif.; the Daily Sentinel, Hanford, Calif.; the Times, Tulare, Calif.; the Advance Register, Tulare, Calif.

I have here telegrams from the following banks and other organizations:

First National Bank of Corcoran, American Legion Post of Firebaugh, Kings County Central Committee, Hanford Board of Trade, First National Bank of Hanford, and Tulare County Central Committee.

I have here letters and telegrams from the following merchants:

J. G. Boswell Co., California Cotton Mills Co., Corcoran drug store, Corcoran meat market, W. H. Wright, Corcoran department store, Haley & Haley, F. G. Cross Hardware Co., Bartlett & Macklin, Corcoran Hardware Co., G. W. Kelly Co., Ahren Motor Co., Corcoran Electric Co., Carden & Harrison, Ellett Gin Co., Lankin Clothing Co., Radin & Kamp (Inc.), McCourt Bros., L. J. Lafond, Rose Bros., Turner Nelson, and A. W. Wheeler.

I have here telegrams from the following citizens:

J. C. Stewart, Harry Osting, E. J. Harp, J. E. Capse, R. P. Williams, C. E. Beckett, Eugene Losey, E. D. Burns, M. D. Bailley, Judge D'bble, J. P. Telles, Sidney J. S. Sharp, G. M. Wilson, William Fults, S. L. Phillips, W. E. James, Elmer Chase, J. A. Patterson, Corral Swall, G. W. Linder, A. H. Schultz, L. Gregory, J. Shannon, William Swall, R. L. Culpepper, C. I. Shannon, and C. R. Shannon.

All these organizations and citizens, directly and indirectly interested in the cotton industry in California, are in full accord with Arizona, Texas, and Mississippi in their request for a tariff of 7 cents on 1½-inch long-staple cotton.

**STATEMENT OF J. C. HOLTON, JACKSON, MISS., COMMISSIONER OF AGRICULTURE OF MISSISSIPPI**

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. HOLTON. I am commissioner of agriculture, Jackson, Miss.

Mr. Chairman and gentlemen of the committee, I assure you I shall not detain you more than a moment. Being from a cotton-growing State, I am very much interested in a protective tariff on cotton particularly. There will be other phases of agriculture presented at some future date, but my few remarks and the brief I hope to file deal particularly with long-staple cotton.

Through the period of years the long-staple cotton in Mississippi, particularly, has grown to be one of our leading products, especially of the Delta section.

Due to the fact that the spread between the price of long-staple and short-staple cotton has been so small in the last few years, the long-staple cotton industry has not developed like it would have developed if that spread had been greater.

That section is particularly adapted to the growing of long-staple cotton.

Senator SMOOT. You would not think for a moment that you could export it, would you?

Mr. HOLTON. I beg your pardon.

Senator SMOOT. You do not think you could export the long-staple cotton?

Mr. HOLTON. No, sir; I do not.

Senator SMOOT. Then, the only way of creating a demand for it in this country would be to have it used here by our local manufacturers?

Mr. HOLTON. Yes, sir.

Senator SMOOT. Do you think that putting a duty on it will increase that use by American manufacturers? Will it increase the use of it by American manufacturers?

Mr. HOLTON. I don't know about the use of it, but if we can get a tariff of 7 cents, which is what we are asking for on long-staple cotton, it will enable those people down there to grow long staple instead of short staple, which, as has been explained to you by our very splendid Representative, Hon. Will Whittington, giving the reasons, why it costs more to produce long-staple cotton than short-staple cotton.

Our normal production of long-staple cotton is about 25,000 bales, and we consume in this country 700,000 or 800,000 bales. Therefore, if the Delta section of Mississippi and those other sections of Arizona, Texas, and New Mexico, and California could get this protection, we would enable to produce all of the cotton that is needed for production in this country.

Senator SMOOT. You think if it was 7 cents a pound on long-staple cotton there should be a compensatory duty on the goods manufactured from it?

Mr. HOLTON. I beg your pardon.

Senator SMOOT. If we placed 7 cents duty on long-staple cotton, then you think, if that is done, there ought to be a compensatory duty on goods manufactured from long-staple cotton?

Mr. HOLTON. Well, now I am not a tariff expert. I can not answer that. The manufacturer has always taken care of himself. I am representing the cotton industry of Mississippi.

Senator SMOOT. I just wanted to know how you felt about it.

Mr. HOLTON. The manufacturers have taken care of themselves. They already have the tariff. We are asking for a tariff on the raw product, for the man who produces it and brings it out of the soil.

Senator SMOOT. Yes, but they have a tariff based upon free cotton. They have had their 7 cents a pound. You would not object to giving them a compensatory duty, would you?

Mr. HOLTON. I can not answer that, Senator, because I am sure that the manufacturers will take care of themselves.

Senator SMOOT. If it was a dollar a pound they could not make any goods in this country, could they?

Mr. HOLTON. No, sir.

Senator SMOOT. You want the manufacturer here to be successful and use your long-staple cotton, don't you?

Mr. HOLTON. Yes.

Senator SMOOT. That is exactly what I wanted to know.

Mr. HOLTON. We simply want this, Mr. Chairman, a protection sufficient to take care of the cost of production, or that excess of cost of production in this country as compared with foreign countries.

Senator SMOOT. But I wanted to find out what your idea was.

Senator HARRISON. You only want cotton placed upon the same basis as wool and every other industry?

Mr. HOLTON. Absolutely.

Senator SHORTRIDGE. If that should call for what we may term a compensatory duty, of course you are willing that that be done?

Mr. HOLTON. Certainly.

Senator SHORTRIDGE. That is what the Senator meant.

Senator SMOOT. That is what I asked him.

Senator SHORTRIDGE. He probably did not understand the significance of the question.

Mr. HOLTON. I did not understand your question, Senator.

As this matter has been fully presented by Mr. Whittington and others, I shall not take up your time, but simply ask the privilege of submitting a brief.

Senator SMOOT. Very well.

Senator HARRISON. You do not make any difference in the rate on  $1\frac{1}{8}$  and  $1\frac{3}{8}$ ?

Mr. HOLTON. No, sir; we are asking for a flat rate on all long-staple cotton,  $1\frac{1}{8}$  and above.

In addition to representing the farmers in Mississippi I am also representing the farmers of the South, of the cotton-growing section, as a result of a meeting we had here the other day.

Senator SHORTRIDGE. I think you spoke of the cotton growers of California.

Mr. HOLTON. Yes; of the entire cotton-growing section.

I thank you. I will submit the brief.

(The brief referred to is as follows:)

BRIEF OF HON. J. C. HOLTON, COMMISSIONER OF AGRICULTURE OF THE STATE OF MISSISSIPPI, JACKSON, MISS., FOR A TARIFF ON STAPLE COTTON

Mr. Chairman and gentlemen of the committee, I appear in the interest of a readjustment of tariff duties that will equalize production costs on agricultural products such as now obtains on industrial products. I am particularly interested in inserting a new paragraph under Schedule 7 or Schedule 9, providing for a tariff on cotton having a staple of not less than  $1\frac{1}{2}$  inches, of 7 cents per pound. Paragraph 1661 of the free list may be so amended.

Because of birth, training, education, and the duties of the office I hold, I am vitally and personally concerned with the agricultural prosperity of the Southland. I was born and reared on a Mississippi cotton farm and am intimately acquainted with the difficulties under which the average cotton farmer labors; and while I frankly do not come before you, Mr. Chairman and gentlemen of the committee, as a tariff expert or as a long-staple cotton expert, I believe that because of my knowledge of general agricultural conditions in our section I can present to you the plain dirt farmer's conception of conditions bringing about the importance and the necessity of a tariff on long-staple cotton.

Because of a number of important contributing factors I am convinced that long-staple cotton presents an ideal field for the operation of the protective tariff, these being: Active and detrimental competition by foreign long-staple cotton on the American market; unequal costs of production which give to the foreign cotton growers advantages in price that render domestic production unprofitable to the extent of seriously diminishing the growing of certain staples and working a hardship in those sections where the growing of long-staple cotton is continued that will soon lead to further reduction in acreage at home and greater dependence on the foreign market; a home-grown product that can be substituted substantially if not completely for the foreign-grown product; and possibilities of price improvement that apply not only to long-staple cotton but also to short-staple cotton.

The production of all grades of American cotton has ranged in comparatively recent years from 12,000,000 to 18,000,000 bales, being influenced from year to year by conditions that increase or decrease production. Of this total production the amount of long-staple cotton has been estimated at figures ranging from 700,000 bales to 1,000,000 bales. Exact figures are obtainable which show the total production of cotton from year to year, but no degree of accuracy has obtained as regards that part of the total production which is long-staple cotton until 1928. On January 4, 1929, the Bureau of Agricultural Economics estimated that of the 12,561,618 bales of the 1928-29 crop ginned to December 8, 1928, there were 21,343 bales of American-Egyptian cotton, embracing staples  $1\frac{1}{2}$ ,  $1\frac{3}{4}$  and over; and 12,540,275 bales of upland cotton, embracing staples thirteen-sixteenths and under, to  $1\frac{1}{4}$  and over. The chief staple in the United States is seven-eighths inch, 42 per cent of the 1928 crop being of that length; 13 per cent being thirteen-sixteenths and under, 23 per cent being fifteen-sixteenths; 12 per cent being 1 and  $1\frac{1}{2}$ ; while there was 5 per cent of  $1\frac{1}{8}$  and  $1\frac{3}{8}$ . The estimated production of  $1\frac{1}{2}$  and  $1\frac{3}{2}$  was 413,117 bales; of  $1\frac{1}{8}$  and  $1\frac{3}{8}$  was 155,599 bales, while there were 27,692 bales with staple of  $1\frac{1}{4}$  and over. There was a production in 1928, therefore, of approximately 700,000 bales of long-staple cotton.

Imports of cotton from foreign countries into the United States during 1928 were as follows: From Egypt, 201,856 bales; from China, 62,888 bales; from Peru, 23,319 bales; from India, 25,663 bales; from Mexico, 22,843 bales; and from all other countries, 1,657 bales. Chinese cotton and Indian cotton are of short staple and inferior quality; the remaining importations during 1928, said to be approximately a representative year, were admitted duty free and sold in direct competition with American long-staple cotton. Egyptian cotton constitutes approximately two-thirds of the cotton imported, the importations averaging about 250,000 bales annually.

Egyptian cotton is produced at costs far below the costs of American cotton, and the Egyptian grower is thereby enabled to undersell the American grower on the American market and make money while the American grower loses money. The Egyptian laborer receives approximately 30 cents per day; the American hired laborer from \$1 to \$2 per day. Most of the American crop is produced by land-owning and home-building citizens, though much of it is produced under a system of tenancy which makes the tenant a partner of the landowner. In the case of hired labor, American costs are approximately five times as great

as in Egypt; and in the cases of land ownership and tenancy, production costs must include all the costs of the modern civilization we Americans enjoy. Thus in foreign cotton as in other foreign agricultural commodities, costs of production are so low that American farmers must meet foreign living conditions or he must be protected by an equalization of production costs.

To this greater expense of producing the general run of cotton in America, further and additional costs face the grower of our long-staple cotton. Long-staple cotton is slower in maturing, requiring a longer period of cultivation. It is more difficult to pick, and therefore more expensive. A smaller percentage of lint is obtained from the seed cotton requiring more pounds of seed cotton to yield a bale of lint; seed cotton is picked and ginned at stipulated costs per hundred pounds; therefore more pounds must be picked and ginned, and costs of picking and ginning are increased accordingly. Finally, and of paramount importance, long-staple cotton, because of its longer growing season, is more susceptible to insect pests. This means the boll weevil, and cotton growers make every effort to mature their cotton before weevils are sufficiently numerous to do irreparable damage. Practically all American cotton is made under boll-weevil conditions, and the grower of long-staple cotton faces a decided loss in that he can not mature his crop as early as can the grower of short staple, and is therefore subject to greater weevil damage.

For these reasons, costs of producing long-staple cotton are substantially more than costs of producing short-staple cotton; and long-staple cotton must sell at a rate per pound considerably higher than short-staple cotton or it will be unprofitable to the grower.

In the years preceding the World War, when short cotton sold at 10 cents to 12 cents per pound, the grower of long staple expected and generally received an extra price or premium ranging from 3 to 10 cents per pound; a premium ranging from 25 to 100 per cent. During the war period of high prices long-staple cotton sold at double the price of short-staple cotton, which is 100 per cent premium. During the year 1928 there were periods when there was no premium whatever on long-staple cotton, the entire season showing premiums ranging from nil to 1 or 2 cents per pound; that is, no premium at its worst and 10 per cent premium at its best.

These figures apply to the types of long-staple cotton customarily grown in the Mississippi Delta, amounting to approximately 500,000 bales per year. I am informed by Mr. J. E. Nichols, a representative cotton grower and buyer of Texas, that as regards long-staple cotton grown in the vicinity of Clarksville, Tex., production costs were still higher because of the greater length of staple. In that area, which formerly shipped 10,000 bales of long-staple cotton from Clarksville and now ships almost none, the farmer receives a 500-pound bale of cotton from 1,250 pounds of seed cotton when he gins short cotton; while for cotton having a staple of  $1\frac{1}{2}$  to  $1\frac{3}{4}$  inches, 1,700 pounds of seed cotton were required to gin out a 500-pound bale of lint cotton. I feel sure that still greater production costs obtain in the Pima-producing area of the Western States.

Extra production costs of American long-staple cotton being evident and the importation of large quantities of competitive cotton being unquestioned, what is the effect of the consequent low prices received by the American cotton grower? Clarksville, Tex., has almost completely withdrawn from the production of long-staple cotton. In 1916 American farmers produced 117,599 bales of sea-island cotton; in 1927 we grew 179 bales. Why? Production costs were too high, selling prices were too low, and boll weevils were too numerous. The remaining growers of long-staple cotton are truly in need of farm relief, and unless relieved a decline may be expected in the American acreage and production. Thus we as a Nation are becoming increasingly dependent upon foreign nations for necessary agricultural materials that could be grown at home, while American farmers are producing exportable surpluses of other commodities the export price of which has the effect of decreasing domestic prices.

Is this dependence upon foreign countries for required raw materials necessary? This is a debated question, both sides of which have been presented to you. Mr. Chairman and gentlemen of the committee. Generally it appears that Egyptian uppers competes with our Delta type long staple in the manufacture of automobile-tire fabrics, and that Egyptian Sakellaridis competes with the Pima cotton of California, New Mexico, and Arizona in the manufacture of thread, altogether there are numerous lesser uses, and in many manufacturing processes staples of varying lengths are intermingled. The first item requires approximately 500,000 bales per year, and the second item approximately

50,000 bales per year. According to the Staple Cotton Association of Mississippi, which successfully markets a very large percentage of the Delta staple cotton, "A tariff on Egyptian uppers would make it possible to consume in America practically the entire growth of 1 $\frac{1}{8}$  and longer staples. The tire trade for many years has been accustomed to use Egyptian cotton in the manufacture of their fabric, though it is an acknowledged fact among the best manufacturers that 1 $\frac{1}{8}$  to 1 $\frac{3}{8}$  inch staple grown in the Delta will under proper manufacturing conditions produce a tire fabric equally as satisfactory as the fabric manufactured from Egyptian cotton. If a sufficient tariff was imposed on Egyptian uppers the result would be that the Delta staples would be used in lieu of the cotton we are now importing from Egypt, and instead of having an annual carry-over and surplus of approximately 400,000 bales, this amount would be reduced to an annual carry-over not exceeding 100,000 bales. It has been this excess surplus of staple cotton which has resulted in practically no premium at all being paid for 1 $\frac{1}{8}$  to 1 $\frac{3}{8}$  inch staple cotton."

It being the manifest desire of the President and Congress to aid in farm relief by extending to farm products a degree of protection against foreign imports comparable with that extended to industry, it is our earnest desire that long-staple cotton be removed from the free list and adequately protected. We feel that in long-staple cotton we have an ideal subject for the application of the proposed agricultural tariff. It is our opinion that the tariff is an economic question and not a political one. It is an unfair tariff which protects one group of people and leaves another group defenseless. It is an unfair tariff which exacts its costs from all the people, yet extends its benefits to only a part of the people; and inasmuch as the tariff is an established institution in America, we contend that the farmers of this Nation should be given the same degree of protection that is now given other industries. We believe that the suggested tariff of 7 cents per pound on long-staple cotton 1 $\frac{1}{8}$  inches and longer is a direct application of the principles enunciated by leaders of both political parties, and that if and when included in the bill the proposed import duty will reflect lasting good.

Senator TRAMMELL. Mr. Chairman, I just want to say that we join with these other gentlemen in requesting this duty on long-staple cotton. It used to be a great industry in my State, but it has languished, very largely due to the fact that competition has helped to destroy the industry. And we would like to see the tariff placed on long-staple cotton.

Senator CONNALLY. Mr. Chairman, Mr. Nichols, of my State, Texas, is here, and I understand he just wants to indorse what was said.

Mr. J. E. NICHOLS. Yes. I indorse what he said. I am from Clarksville, Tex.

## BERYLLIUM

[Par. 1663]

### BRIEF OF THE YORK METAL & ALLOYS CO., NEW YORK CITY

To the FINANCE COMMITTEE,  
*United States Senate, Washington, D. C.*

SIRS: We ask that the words "and metals unwrought, whether capable of being wrought or not," be omitted. Under the present wording new metals which are in the process of development, both here and abroad, can be brought in free, and there is no incentive for an American manufacturer to develop their production and use. For example, take beryllium. This is a new metal which, if it can be manufactured cheaply enough, will probably revolutionize structural as well as motor designs for all aircraft. The metal is lighter than aluminum, tougher, has greater rigidity and has much more resistance to corrosion. It is ideal for this purpose except for the present high cost. What incentive is there for a manufacturer to spend large sums in learning to make

such a metal cheaply if the Europeans can export the same to this country without paying any duty.

Undoubtedly other metals will be developed by American ingenuity provided only the manufacturer knows he will be duly protected in his expense of research and development.

We therefore respectfully request that paragraph 1663 be modified to read as follows (matter omitted is inclosed in black brackets) :

"PAR. 1663. Metallic mineral substances in a crude state [and metals unwrought, whether capable of being wrought or not], not specially provided for." Respectfully submitted.

VAN RENSSELAER LANSINGH,  
*President York Metal & Alloys Co.*

Subscribed and sworn to before me this 27th day of June, 1929.

[SEAL.]

FLORENCE M. STEPHENSON, *Notary Public.*

My commission expires April 28, 1931.

### BRIEF OF GEORGE F. LAMB, NEW YORK CITY

SENATE FINANCE COMMITTEE,  
*Washington, D. C.*

GENTLEMEN: Paragraph 1663 in the House bill now before your committee reads as follows:

"PAR. 1663. Metallic mineral substances in a crude state, and metals unwrought, whether capable of being wrought or not, not specially provided for."

The history of this paragraph shows that it was provided for in paragraph 187 of the tariff act of 1897 at the rate of 20 per cent ad valorem. It was continued in paragraph 183 of the tariff act of 1909 at the same rate. Under the tariff act of 1913, paragraph 154, the rate was reduced to 10 per cent ad valorem. Under the tariff act of 1922, paragraph 1562, it was placed under the free list.

The phrase, "metals unwrought, whether capable of being wrought or not," constitutes such a vague and general classification that it is practically impossible to designate the kind of merchandise which may be included within its scope. In a tariff bill which is being drafted with the avowed purpose of encouraging the industries of the United States, it would seem highly important that in creating the free list only such language should be employed as would precisely describe the merchandise intended to be covered by the provision for free entry. The use of language in a tariff paragraph which does not clearly describe the merchandise intended to be covered therein only invites litigation in the Customs Courts with resulting uncertainty and danger to the domestic industry concerned. An illustration of the above statement is shown by the decision of the Treasury Department rendered on December 4, 1928 (T. D. 43066), concerning the classification of sodium calcium, lithium, barium, and potassium. All of these articles had been classified for years by the customs officials under paragraph 5 of the tariff act of 1922 as chemical elements dutiable at the rate of 25 per centum ad valorem. The department, however, in the above Treasury decision decided that these products should be admitted to entry free of duty as "metals unwrought, whether capable of being wrought or not, not specially provided for," under paragraph 1562 of the tariff act of 1922.

The decision of the department was a serious blow to the domestic industry which had been manufacturing metallic sodium in the United States for over 25 years and which, during that period, had steadily decreased the price. During that same period research work, involving the expenditure of large sums of money, had been carried on in this country to establish the manufacture of calcium, barium, and lithium; in fact, quite recently a small commercial production of lithium has been attained. The placing of these products on the free list will certainly tend to discourage further attempts at their manufacture in this country.

In connection with the decision of the Treasury Department mentioned above, it is interesting to note that in enacting the tariff bill of 1913 Congress, in paragraph 143, provided for barium, calcium, magnesium, sodium, and potassium by name at the rate of 25 per cent ad valorem. In paragraph 154 of the same tariff, Congress enacted the provision for—

"Par. 154. Metallic mineral substances in a crude state, and metals unwrought, whether capable of being wrought or not, not specially provided for in this section, 10 per cent ad valorem; \* \* \*."



This would seem to indicate the intention of Congress (which, after all, is the law) that barium, calcium, magnesium, sodium, and potassium should not be considered as coming within the same classification as "metals unwrought, whether capable of being wrought or not." In the House bill now before your committee, a duty of 25 per cent ad valorem is assessed on barium, calcium, sodium, and potassium, again showing the intent of Congress that these articles should not come in free of duty.

At the present time, large sums of money are being expended in research work in the United States for the purpose of making possible the manufacture of rare metals, particularly those which are of value in connection with the rapidly expanding aeronautical industry of the United States. The metal, beryllium, offers an illustration of a valuable new metal which urgently needs protection to become an established industry. It is only about four years since the mechanical merits of this very light metal were recognized. Since then, at considerable expense, an American research group devised methods of manufacture, and has begun production on a small scale. Very recently, the National Advisory Committee for Aeronautics has decided to institute extensive studies to test beryllium in connection with the manufacture of aeroplanes. From deposits in the United States of the raw material from which beryllium can be made, an ample supply will be produced if the domestic manufacturers can secure protection under this act.

It is quite certain that if beryllium is imported into the United States, it will be passed free of duty as a "metal unwrought, whether capable of being wrought or not, not specially provided for," and will speedily drive the domestic product out of the market. The same danger confronts any other rare metal which may be manufactured in the future. Because of this situation, it is suggested that paragraph 1663 be amended by striking out the words, "Metal unwrought, whether capable of being wrought or not," so that the paragraph will read, as amended:

"Par. 1663. Metallic mineral substances not specially provided for."

Respectfully,

GEORGE F. LAMB,  
25 Broadway, New York, N. Y.

Sworn to before me this 16th day of July, 1929.

[SEAL.]

Commission expires March 30, 1930.

MOLLIE F. DIXON, Notary Public.

## GARNET

[Par. 1671]

### STATEMENT OF FRANK C. HOOPER, REPRESENTING THE NORTH RIVER GARNET CO. AND THE BARTON MINES CORPORATION, NORTH CREEK, N. Y.

(The witness was duly sworn by the chairman of the subcommittee.)

Senator KING. What is your product?

Mr. HOOPER. Abrasives.

Senator REED. What is the paragraph of the House bill?

Mr. HOOPER. Paragraph 1415 of the old law; 1514 of the House bill.

The CHAIRMAN. It is paragraph 1671 of our book here—

Minerals, crude, or not advanced in value or condition by refining or grinding, or by other process of manufacture, not specially provided for.

Mr. HOOPER. That covers the artificial abrasives, does it?

The CHAIRMAN. Yes; that is "minerals, crude, or not advanced in value or condition by refining or grinding, or by other process of manufacture, not specially provided for."

Mr. HOOPER. I was given that as 1514. Under the old bill it was 1415.

Senator REED. We have found it anyway.

Mr. HOOPER. I have a prepared brief here, and a statement. I am not going to read them, gentlemen. I just want to stress one or two points. This was not presented before the Ways and Means Committee. Having been a pioneer in the mechanical preparation of

this material, I was selected to present the subject. When those hearings were going on before the House Committee I was too ill to appear. That is why I am here now.

Senator KING. You appear in connection with abrasive grains and emery?

Mr. HOOPER. That is the clause; yes.

Senator REED. That is in the sundries schedule. That is not on the free list at all.

Mr. HOOPER. Garnet is on the free list. Here is the paragraph, Senator.

Senator REED. Let me see if I can state this: At the present time garnet comes in free of duty under the crude-minerals section of the free list?

Mr. HOOPER. Yes.

Senator REED. You want it transferred to the old section 1415 in the sundries schedule, where emery, corundum, and artificial abrasives are subject to a 20 per cent tax?

Mr. HOOPER. Yes.

Senator REED. I think that is understood.

Mr. HOOPER. But I want a larger duty than 20 per cent, though.

Senator KING. It is not on the free list.

Mr. HOOPER. It is imported free to-day; yes.

Senator KING. I find in paragraph 1514 that it has a duty of 20 per cent ad valorem.

Mr. HOOPER. No; that is the garnet papers, artificial and natural abrasive papers—not the grains; not the crude mineral. That is a manufactured article.

Senator KING. The crude mineral is now on the free list?

Mr. HOOPER. Yes; the crude mineral and the grains.

Senator KING. It has been on the free list for a long time, has it?

Mr. HOOPER. Yes; always—35 or 40 years.

Senator KING. Now you want it transferred to the dutiable list?

Mr. HOOPER. Yes. We are up against a serious situation.

Senator REED. Mr. Hooper, it can not be a very serious situation, because the production in the United States was over 6,000 tons last year and the year before, while the importations were 2 tons in 1925, nothing in 1926, nothing in 1927, and 2 tons in 1928.

Mr. HOOPER. No; there were 400 tons imported in 1928. That is an error. The trouble is that in the ports, being an unusual product, it is not always classified right.

The CHAIRMAN. Do you mean to say that the customs division has not classified garnet right?

Mr. HOOPER. Absolutely. That is the trouble. I took it up with the head of the Bureau of Mines. I got actual figures from my customers.

The CHAIRMAN. All right; we will look it up and see.

Senator REED. I am told that the trouble was in the statistical division; that it was correctly classified on importations, and admitted duty free, but in the preparation of the statistics it was put in the wrong place.

The CHAIRMAN. That is correct.

Mr. HOOPER. We have not been affected by the importations up to within two years, for this reason: There is a new artificial abrasive, made in the electrical furnace, that has competed in certain lines with

garnet. This has cut down the production, so that now we feel these importations very much.

Senator KING. Your production has been increasing.

Mr. HOOPER. No; our production dropped 40 per cent last year, from about 7,000 tons in 1927 to about 4,000 tons last year.

Senator REED. What is that artificial abrasive?

Mr. HOOPER. It is called aloxite.

Senator REED. It is not a carborundum?

Mr. HOOPER. It is similar. It is an aluminum product.

Senator REED. Where is that being made?

Mr. HOOPER. It is made in this country and in Canada.

Senator REED. In Niagara Falls?

Mr. HOOPER. Yes; and the Norton people also make it.

The CHAIRMAN. In 1927 the production was 6,939 tons.

Mr. HOOPER. Yes. In 1928 the production was about 4,000 tons—last year.

Senator KING. But you said there were only 400 tons imported.

Mr. HOOPER. Last year.

Senator KING. So you could not attribute the difference to the use of the imported product.

Mr. HOOPER. Still, it is at a point where it does affect us by a low domestic market now.

The CHAIRMAN. But the imports in 1928 were only 2 tons.

Mr. HOOPER. No; they were 400 tons. That is an error.

The CHAIRMAN. That is what is stated here—2 tons—and in 1925 they were only 2 tons.

Senator REED. It is explained that that was the fault of the statistical division.

The CHAIRMAN. As to the 2 tons; but do you have any idea of what the amount was?

Mr. MINNICH. The merchandise might have been invoiced as a crude mineral, and so returned free of duty, instead of specifying that it consists of garnet.

The CHAIRMAN. What difference does its make? You have always had garnet, and you have always reported garnet in the Department here, as to the amount of importations.

Mr. MINNICH. The statistical bureau at the customhouse would report the invoice designation if it were not changed by the appraising office.

The CHAIRMAN. There was nothing there to indicate whether it was garnet or something else?

Senator KING. However, there were only 400 tons imported?

Mr. HOOPER. Yes; but there is going to be a good deal more.

Senator KING. Who manufactures it—you say the Aluminum Co. of America?

Mr. HOOPER. The artificial abrasives. The garnet is a natural mineral.

Senator KING. A natural mineral?

Mr. HOOPER. Yes, sir. This is a sample of the ore, and the product manufactured from it [producing samples].

Senator KING. You get the ore in the United States?

Mr. HOOPER. Yes. Nearly every State that has rock outcrops has this mineral.

Senator KING. All that you need to do is to take that rock and grind it?

Mr. HOOPER. Crush it; yes, sir. The plant for handling this material, an ordinary plant with an output of three or four thousand tons a year, costs about \$400,000.

The CHAIRMAN. How many companies are there in the United States?

Mr. HOOPER. There are three plants in New York State, one in New Hampshire, and one in North Carolina. It is a personal experience with other raw materials that brings me here. In 1914 I built a graphite plant. Our cost was 5 cents. In 1917 new sources were discovered abroad. I bought the product by the carload in 1916, 1917, and 1918 for 2 and 3 cents a pound. To-day, after the American plants—40 of them—were all wiped out, you can not buy that particular product for less than 6½ to 8 cents a pound. I have the quotations right here for this week.

I lost a great deal of money, and lost that plant. That set me to thinking that the geology of garnet and graphite were a good deal alike. I got letters from influential people and went abroad, and looked up foreign sources; and I discovered that these garnet deposits in the colonies of foreign countries are placer deposits, like the California gold. They do not require any plant at all. The garnet is washed down by the streams; and when lines of transportation go into these deposits you simply have to shovel it up and put it on the cars. I have been through this experience once, and I do not like to go through it again.

Senator KING. What is garnet used for?

Mr. HOOPER. For making sandpaper for finishing woodwork. That is the way it looks on paper [indicating].

Senator KING. It is just a silica?

Mr. HOOPER. No; it is a compound silica. It is the same mineral as the gem that you have, but these minerals are more full of flaws.

Senator REED. As I understand you, your trouble comes not so much from importation as from the development of this new abrasive which is artificially made at Niagara Falls?

Mr. HOOPER. Yes; that is our present trouble; but inside of two or three years we are going to be wiped out—the whole industry in this country—unless you give us protection.

Senator REED. Will you not be wiped out by this new abrasive?

Mr. HOOPER. No; that is limited in its uses. It is a new thing, and it has gone a little farther on the start than it is really adapted for. We are going to get back a fair production; we can bring it up; but I have investigated these foreign sources, gentlemen, and inside of two or three years, at least before Congress takes this up again, we are going to be wiped out.

Senator REED. Where are these deposits abroad that menace you?

Mr. HOOPER. In the foreign colonies—Africa, Madagascar, India.

Senator KING. Who is importing from India or from Madagascar?

Mr. HOOPER. They are not importing from there. The most of it has come from Spain; but I have been through this situation once in another mineral, and I hate to be wiped out again.

The CHAIRMAN. All right.

Mr. HOOPER. I have a statement and a brief here which I will file.

(The statement referred to is as follows:)

Though abrasive garnet and gem or jewel garnet are one and the same mineral, they are physically different. Garnet used for jewels has few if any flaws, while the abrasive mineral is full of flaws. The gem garnet usually occurs in small crystals up to 1 inch in diameter while crystals of the abrasive garnet though often less than 1 inch in diameter are found in American mines as large as 3 feet in diameter weighing over a ton. Garnet is found in nearly every State that has rock outcrops, and domestic deposits comprise an inexhaustible supply. [Samples of rock.]

The total production of garnet for gems in this country seldom exceeds \$1,000 or \$2,000, while the value of the abrasive production approximates \$500,000 yearly, the figures for 1925 being over \$700,000.

The largest use for this mineral is for smoothing and polishing wooden surfaces, the garnet being crushed and graded into different sizes and then glued to a tough paper or cloth. It largely replaces common flint or sand paper. [Samples of paper.] It is also used for polishing plate glass, finishing felt and silk hats, and in the rubber and leather industry. The oblong cards or pasteboards used by manicurists and dentists are usually coated with the reddish brown garnet on one side and with white flint on the other.

Its suitability for abrasive purposes was discovered about 1882, but until 1894 very few manufacturers of abrasive papers and cloth used the mineral as the supply of raw material was very uncertain, being obtained by knocking out the crystals with hand hammers after the garnet rock was blasted from the ledges. The production by these methods was uncertain as to quality and quantity.

In 1893 and 1894 the witness pioneered in developing mechanical methods of separating the garnet from the rock, which insured the trade a reliable supply of raw material. It is this industry—the quarrying, crushing, and mechanical preparation of abrasive garnet as a raw material and sold to abrasive manufacturers—that appeals for a protective duty.

#### WHY THE ABRASIVE GARNET INDUSTRY NEEDS PROTECTION

While abrasive garnet has been imported since 1907 it has not in the past seriously affected the domestic industry. Within the last two years, however, a new situation has arisen which has reduced the tonnage of garnet used from 30 to 40 per cent. This reduction is due to the replacement of certain lines of garnet products by a new artificial abrasive that is made in the electrical furnace by domestic manufacturers. The combined tonnage of imported garnet and the new artificial abrasive was sufficient not only to reduce consumption of domestic garnet from 7,000 tons in 1927 to 4,000 tons in 1928 but to seriously increase the production costs of domestic mineral. This places the industry at a great disadvantage in meeting foreign competition.

A comparison of operating conditions here and abroad will illuminate this situation. The American deposits of abrasive garnet consist of crystals of garnet from one-fourth inch up to 1 foot in diameter, scattered through a mass of hard rock, the garnet forming about 10 to 20 per cent of the mass. The rock has to be quarried, crushed, and mechanically separated from the rock. The mills and equipment cost from \$150,000 to \$300,000 and \$400,000. Similar deposits occur abroad but there are also many deposits of commercially pure garnet in the beds of streams—so-called placer deposits formed by the rivers cutting through the rock ledges during past ages and concentrating the garnet by natural processes such as produced the Californian and Alaskan gold placers. No plant is required, simply the cheap labor of remote districts to remove the garnet from the stream beds.

Fortunately for the American industry the richest and most extensive of these river deposits in foreign countries have lacked means of transportation to the sea coast. Transportation lines are now being advanced in the colonial possessions of several foreign nations which will make them accessible and in a year or two—at least before Congress again considers the tariff the American industry will be entirely eliminated. This argument is based on the results of an extensive investigation by the witness of scientific sources of information both in this country and abroad.

A tariff will not increase the local price of this mineral because of the abundant domestic deposits. If no duty is allowed the foreign mineral will only be sold at a much reduced figure just long enough to compel the closing of American plants.

when the price will be raised to or above the present price of the domestic mineral. This has been the record of small tonnage commodities in the past.

Garnet is the only high-grade abrasive, whether natural or artificial, that is not protected by a tariff. The producers of abrasive garnet request that they be included, and their attitude is indorsed by their customers—every abrasive manufacturer that makes garnet paper, cloth, and other garnet products—in a letter to your committee, a copy of which is attached to these notes.

The lowest American costs for the best grade of American garnet is 3½ cents a pound as compared with less than three-fourth cent a pound at foreign ports and 1 cent at domestic ports, allowing one-fourth cent ocean freight. The foreign cost figure of three-fourth of a cent per pound is taken from the Daily Consular and Trade Reports for March, 1914. These figures would indicate a difference in cost of at least 2½ cents per pound in favor of foreign garnet. While the foreign costs are not recently compiled they are the only figures available and as the deposits are located in remote districts their costs outside of ocean rates would be slightly increased, if any, since the war. Allowing one-half cent a pound or \$10 per ton for any possible increased cost, it requires a tariff of 2 cents a pound to place the domestic mineral on the same footing with the foreign mineral in the American market.

Attached to the brief and these notes that I am filing with this committee is the form of the amendment to paragraph 1514 that is desired.

(Mr. Hooper submitted the following brief:)

**BRIEF OF THE NORTH RIVER GARNET CO. AND THE BARTON MINES CORPORATION, NORTH CREEK, N. Y.**

**THE GARNET INDUSTRY**

(1) *Abrasive and gem garnet.*—Garnet is the name of a group of six minerals which are silicates of various combinations of iron, lime, alumina, and other elements.

Of the six minerals, pyrope and almandite have furnished the bulk of the supply of jewels and for abrasive purposes. While the jewel must possess a high degree of transparency and be free of flaws, the efficiency of the abrasive garnet depends only on hardness and the character of its fracture. Garnet will cut glass but is less hard than the diamond.

The principal source of the gem variety is Bohemia while beautiful gems of rhodolite garnet are found in North Carolina and pyrope gems in Utah and Arizona. The total domestic output of gems amounts to only a few thousand dollars.

The jewel garnet occurs in small crystals usually not over ¼ to 1 inch in diameter, while the crystals or large pockets of American abrasive garnet have been obtained as large as 3 feet in diameter and weighing 1½ tons. Good abrasive garnet does not occur in solid veins but as pockets or crystals scattered through a bed of rock and has the appearance of a large-size case of smallpox.

(2) *History of industry and uses.*—The abrasive garnet industry is inherently an American institution, the adaptation and high efficiency of this mineral for abrasive purposes being discovered in the early eighties by a Philadelphia abrasive manufacturer who secured his garnet from the Adirondack Mountains in New York. While it almost completely replaced the use of sand or flint papers for wood surfacing in America, only 4 or 5 per cent of the domestic tonnage is being used abroad after more than 40 years of domestic use of this mineral.

In the early days of the industry the garnet was mined by picking out the garnet crystals by hand after breaking down the rock in which the garnet occurs by blasting and hand sledging.

Production of garnet by machine methods—that is, crushing the rock and garnet and separating the garnet from the crushed rock by machinery—was first placed on a commercial basis in 1893.

From a few hundred tons the industry has grown to a market of 5,000 to 6,000 tons per year of pure garnet.

Sized or graded garnet both as a loose grain and as a coating for garnet paper and cloth is used in several industries—the largest amount in all lines of the woodworking industry where a smooth or polished surface is desired. It is also used in the rubber and leather industries, in finishing felt and silk hats, in polishing plate glass, and in dental work. The oblong cards used by dentists and manicurists are covered with reddish-brown garnet on one side and white quartz on the other.

(3) *Sources of supply.*—(A) *Domestic.*—Garnet is found in nearly every State that has outcrops of rock within its borders. Deposits of commercial quantity occur in these States: Maine, New Hampshire, Connecticut, New York, Pennsylvania, Maryland, Virginia, North Carolina, Georgia, South Dakota, Colorado, Montana, Nevada, Utah, Arizona, New Mexico, and California, also in Alaska. The wide range and extent of these deposits comprise an inexhaustible supply of this mineral.

(B) *Foreign.*—Large deposits have been located in Africa, Bohemia, Canada, Madagascar, Malay Peninsula, India, and Spain. (Reference, U. S. Bureau of Mines Bulletin, No. 256.)

(4) *Extent of garnet mining industry.*—The total capital invested by six companies in three States—New Hampshire, New York, and North Carolina—is \$1,300,000.

(5) *Production and imports.*—Production of domestic garnet for the seven years 1921–1927, inclusive, ranged from 3,048 tons in 1921 to 9,006 tons in 1923. The latest available figures are 6,939 tons for 1927.

From 1910 to 1916, inclusive, imports ranged from 547 tons to 1,343 tons yearly. Since the war the largest imports were in 1923, of 1,250 tons—the latest figures being 400 tons in 1928.

(6) *Domestic and foreign prices and costs.*—Pre-war prices for domestic garnet were \$35 and \$40 per ton of 2,000 pounds, while imports were valued at from \$14.77 to \$20 per long ton of 2,240 pounds.

Since the war increased costs have forced the domestic price to a little more than double pre-war figures. The Engineering and Mining Journal, New York, for April 6, 1929, quoted domestic at 4¼ cents per pound and foreign 3 cents per pound in car lots at shipping point and port of entry.

Domestic costs at present range from 3½ to 4 cents per pound. It is difficult to obtain foreign cost figures, and the only available data is from the Daily Consular and Trade Reports for March 13, 1914, for the cost of producing garnet from placer or stream washed deposits in Spain at \$7.75 a ton at the mines, and freight to seaboard \$6.65, total \$14.40 a ton, indicating a cost of less than 1 cent a pound at American ports.

The increased price of foreign mineral from less than 1 cent a pound during pre-war years to 3 cents a pound now is due to a policy of keeping prices within a certain range of the domestic figure and not to a trebling of production costs in remote districts where there is little or no market for labor.

(7) *Reasons for proposed duty.*—That the American market for abrasive garnet has not been completely eliminated by the foreign mineral is simply due to the lack of transportation for the mineral from several large commercially pure deposits, where the garnet occurs as placers along streams in commercial purity, requiring no mechanical preparation. Transportation lines for the development of mineral resources are now being advanced in colonial possessions of several foreign nations which will make accessible several of these rich deposits, with the probability that the American industry will be eliminated in a few years—at least before Congress will again legislate on the tariff.

Aside from the threat of the new sources of supply, the industry is under stress at present due to the replacement of certain market lines for garnet by artificial abrasives, resulting in the loss of an appreciable tonnage and consequent increase in overhead costs. The foreign producer requires no capital for plant as compared to individual domestic investments of \$300,000 to \$400,000. These considerations suggest the necessity of guaranteeing the domestic market to the domestic producer.

A tariff will not increase the local price of this mineral because of the abundant domestic deposits. If no duty is allowed the foreign mineral will be sold at a reduced figure just long enough to compel the closing of the American plants, when the price will be raised to or above present quotations for American mineral.

In support of this contention reference is made to the price of \$30 to \$60 per ton for imported graphite at the close of the war as compared to normal American costs of about \$100 per ton for No. 1 grade. When the American plants were eliminated the price was gradually raised until now the market price for foreign No. 1 grade is \$130 to \$140 per ton—figures more than acceptable to American producers. (Engineering and Mining Journal, April 6, 1929.) This price would be reduced, of course, the moment American production reached any appreciable tonnage.

Garnet on the free list will not mean lower market prices, but a duty on this mineral will guarantee the continuation of an American industry that has been established for over 40 years.

(8) *Proposed duty.*—The lowest American costs for best grade are  $3\frac{1}{2}$  cents a pound and the only known foreign costs for garnet at American ports of entry is 1 cent a pound. Making an allowance of one-half cent a pound for any possible increases in the production of foreign garnet, the difference of costs to be adjusted by a tariff is ( $3\frac{1}{2}$  cents minus  $1\frac{1}{2}$  cents) 2 cents a pound.

(9) *Proposed tariff clause on abrasive garnet.*—The following clause is suggested to provide for a duty on Abrasive Garnet: "Abrasive garnet, crude or refined, lump or grain, sized, unsized, or pulverized, 2 cents per pound."

It is suggested that this clause be made a part of paragraph 1514 so that it will read as follows, the new matter being underlined:

"Paragraph 1415. Emery, corundum and artificial abrasive grains and emery, corundum and artificial abrasives, ground, pulverized, refined, or manufactured, 1 cent per pound; *abrasive garnet, crude or refined, lump or grains, sized, unsized, or pulverized, 2 cents per pound*; emery wheels, emery files, and manufactures of which emery, corundum or artificial abrasives is the component material of chief value, not specially provided for; and all papers, cloths, and combinations of paper and cloth, wholly or partly coated with artificial or natural abrasives, or with a combination of natural and artificial abrasives; all the foregoing, 20 per centum ad valorem."

## ABRASIVES, N. S. P. F.

[Par. 167 ]

### BRIEF OF VAN RENSSELAER LANSINGH, REPRESENTING THE AMERICAN TUNGSTEN REFINERS

FINANCE COMMITTEE.

*United States Senate, Washington, D. C.*

SIRS: Paragraph 1514 provides for duties on certain abrasives, and is now unchanged from the tariff act of 1922. We have suggested, however, that new metal abrasives containing tungsten, vanadium, molybdenum, or chromium, should take the duty provided for similar metals in paragraph 352.

In order to avoid any possible confusion in the meaning of paragraph 1671, we suggest that the words "not specially provided for" be added, so that the paragraph as then amended will read as follows (new matter *is italics*):

Emery ore and corundum ore and crude artificial abrasives, *not specially provided for*.

Respectfully submitted for the American tungsten refiners.

VAN RENSSELAER LANSINGH,  
*President York Metal & Alloys Co.*

Sworn and subscribed before me a notary public in the District of Columbia, this 25th day of June, 1929.

[SEAL.]

CORNEAL J. MACK,  
*Notary Public.*

## NATURAL FLINTS

[Par. 1678]

### BRIEF OF NEW PROCESS METALS CORPORATION, NEWARK, N. J.

COMMITTEE ON FINANCE.

*United States Senate.*

GENTLEMEN: Paragraph 1577 of the tariff act of 1922 (free list) reads as follows:

"1577. Flint, flints, and flint stones, unground."

H. R. 2667, as passed by the House of Representatives, changed this paragraph so that it now reads:

"1678. Natural flint, natural flints, and natural flint stones, unground."

It will be observed that the only change in the paragraph was the insertion of the qualification "natural" before the substantives. This change was in accordance with the request made by the writer of this brief, representing the New Process Metals Corporation of Newark, N. J., a manufacturer of the alloy called ferrocerium. This alloy is a combination of the metals cerium



and iron and it is used for cigar lighters, gas lighters, miners' safety lamps, etc., as part of the mechanism which makes the spark. Upon testimony which was afterwards shown to be false, the United States Customs Court, in a decision reported as Treasury Decision 42686, found the merchandise to be commercially known as flints and held it free of duty under the provision for flints, although it had been classified and assessed for duty by the collector under the specific provision for ferrocerium in paragraph 302. A new trial was had and the case is now awaiting decision.

The purpose of the amendment is to forestall a repetition of this attempt to evade the law, and the effect is to limit the right of free entry to natural flint, and to this end it is requested that the paragraph as passed by the House be accepted without change by the Senate.

Respectfully submitted,

NEW PROCESS METALS CORPORATION OF NEWARK, N. J.,  
By THOMAS J. DOHERTY, *Attorney.*

JULY 15, 1920.

## JUTE AND JUTE BUTTS

[Par. 1683]

### STATEMENT OF HON. J. HARRY COVINGTON, WASHINGTON, D. C., REPRESENTING THE LUDLOW MANUFACTURING ASSOCIATES, LUDLOW, MASS.

Mr. COVINGTON. Mr. Chairman, I do not want to be heard, but I ask permission to file a sworn statement on behalf of Mr. Malcolm B. Stone, the Ludlow Manufacturing Associates, who did not ask for time because he did not feel he wanted to repeat the arguments that had been made heretofore. It is a condensation of the House hearings and the statements contained therein respecting the jute schedule.

Senator BINGHAM. And is in the form of an affidavit?

Mr. COVINGTON. Yes.

(The statement referred to is as follows:)

#### BRIEF OF THE LUDLOW MANUFACTURING ASSOCIATES, BOSTON, MASS.

COMMITTEE OF FINANCE,  
*United States Senate.*

GENTLEMEN: As manufacturers of the jute carpet yarns, jute twines, and jute bagging for covering raw cotton we earnestly submit that H. R. 2667, paragraph 1683 of Schedule 16, the free list, should remain unchanged. That paragraph reads as follows:

"PAR. 1683. Grasses and fibers: Henequen, sisal, manila, jute, jute butts, kapok, isle, tamipo fiber, New Zealand fiber, sunn, maguey, ramie or china grass, raffia, pulu, and all other textile grasses or fibrous vegetable substances, not dressed or manufactured in any manner, and not specially provided for."

This paragraph is substantially the same as paragraph 1582 of Schedule 15 of the 1922 act as construed by the Treasury Department.

"None of the fibers covered in this section are produced commercially in the United States, and imports of all of them are and have been since October 6, 1890, free of duty." (Tariff Information Survey, FL-16, p. 28.)

Certain cotton-spinning interests are advocating a duty of 3 cents per pound on jute and jute butts—the latter being the cuttings from the butt of the stalk of the jute plant. These duties are advocated not because jute is or can be grown in the United States, nor because the raw jute now imported into the United States competes with cotton, but because these interests believe that cotton can be substituted for burlap, the principal jute fabric used in the United States. The duty on raw jute is proposed as the corner stone of a tariff program which has for its aim the total exclusion of jute fiber and its products from the United States.

## REFERENCE TO PRIOR BRIEFS

In order not to encumber the record with repetitious material, we simply refer the committee to our prior brief on this paragraph before the Ways and Means Committee, Hearings, Volume XV, page 8542. See also brief before the subcommittee of the Senate Finance Committee on Schedule 10, manufactures of jute. Two points, however, may be stressed here.

"The jute and jute butts imported do not compete with any American product and constitute the raw material of an established American industry."

A little more than 20 per cent in weight of the jute and jute products imported consists of the unmanufactured fiber. This is manufactured chiefly into yarn and twine in about equal amounts by an American industry employing approximately 11,000 persons and having an investment of approximately \$65,000,000.

A duty of 3 cents a pound on raw jute would destroy the twine industry and cause substitution of sisal, henequen, manila, and istle. It would increase the cost of yarns by \$6,000,000 per annum and would not cause the use of a pound of cotton. See our former brief, House hearings, page 5861.

There is no serious contention that cotton can or would be substituted for the jute yarns and twines now manufactured from the raw jute imported into this country. The duty on the raw material is really advocated to prevent the manufacture of jute fabrics in this country, none of which are now manufactured here.

The proponents of these duties would destroy American jute yarn spinning industry as a mere incident in a policy of attempting to force the American public to use cotton as a coarse wrapping material instead of the cheaper jute.

"The adoption of the entire program of anti-jute duties would not substantially affect the consumption of cotton."

It was stated by the advocates of these duties before the Senate subcommittee on Schedule 10 that the proposed jute duties would lead to a use of 1,000,000 bales of cotton per annum, through the substitution of cotton fabrics for burlap. This is a patent absurdity, as a glance at the figures will indicate.

1. Average quantity of burlap and burlap bags imported annually under tariff act of 1922.....	pounds..	600,000,000
2. A substantial amount of burlap will admittedly continue to be imported for which there is no substitute. A most conservative estimate is 25 per cent of present imports of burlap.....	pounds..	145,000,000
3. Paper, waste materials, etc., would be used in part as substitutes certainly to the extent of 25 per cent of present imports of burlap.....	pounds..	145,000,000
4. Certain uses of wrappers would be discontinued on account of cost, i. e., a greater amount of agricultural produce would be shipped in bulk. This would shrink the consumption of burlap open to substitution by at least 10 per cent.....	pounds..	60,000,000
5. Remainder.....	do.....	250,000,000

Cotton fabrics and burlap would compete for the remaining 250,000,000 pounds. Since cotton is one-third heavier than jute a complete substitution of cotton for this amount of burlap would result in the use of only 334,000 bales of cotton. But obviously the disturbance of world prices of burlap by such a reduction in the world's principal market would so lower the price of burlap as to enable it to take a considerable share of this business.

Instead of an increased use of 1,000,000 bales of cotton in the United States, the duties might produce an increase of between 100,000 and 200,000 bales in this country. But this increase would be far more than offset by loss of exports. We export half of our cotton crop. If burlaps compete with cotton fabrics in this country, they also must compete in foreign markets to which the burlap manufacturers will have to turn.

The duties would cost at least \$62,000,000 per annum, of which \$42,420,000 would be borne by agriculture in increased cost of crop containers. (House hearings, pp. 5862, 5864.)

No American industry would be benefited; an established American industry would be destroyed; and consumers, principally agricultural consumers would be left with a heavy and useless burden.

Respectfully submitted.

LUDLOW MANUFACTURING ASSOCIATES,  
Boston, Mass.  
By MALCOLM B. STONE, Treasurer.

**STATE OF MASSACHUSETTS,**  
*County of Suffolk, ss:*

Malcolm B. Stone, being duly sworn, says that he is the Treasurer of Ludlow Manufacturing Associates and is authorized to verify the foregoing brief on their behalf; that he has read the same and that the statements of fact contained therein are true except such statements as are made upon information and belief and those statements he believes to be true.

MALCOLM B. STONE.

Subscribed and sworn to before me this 11th day of July, 1929.

[SEAL.]

CLARENCE G. CHAPIN, *Notary Public.*

**STATEMENT OF S. S. EVANS, PATERSON, N. J., REPRESENTING  
JUTE, TWINE, AND YARN MANUFACTURERS**

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. EVANS. Mr. Chairman, I represent 15 jute manufacturers who wish to present a brief asking for the retention of jute and jute butts on the free list. Our reasons are stated in this brief and are substantially the same reasons we presented to the Ways and Means Committee, and if you prefer I am willing to file this brief without reading it.

Senator BINGHAM. If it is the same argument you made before the Ways and Means Committee, I think it would be well for you to present your brief and we will receive it without having you read it.

(The brief referred to is as follows:)

Hon. REED SMOOT,

*Chairman Senate Finance Committee, Washington, D. C.*

DEAR SIR: We, the undersigned, jute yarn and twine manufacturers of the United States, herein present, for your favorable consideration, the retaining of jute and jute butts on the free list under paragraph 1683 of the tariff act of 1929 (H. R. 2667).

Jute and jute butts are fiber grown in some districts of India and, because of conditions noted below, said fiber can not be grown with commercial success in the United States:

1. The subtropical climate, together with the extended season of intensified humidity, is very favorable to the cultivation of jute.

2. The peculiar soil conditions containing certain soluble salts so necessary for the growth of jute fiber have not been found outside of India.

3. The part of India where jute is grown is penetrated by a number of rivers and streams and, during the months of March and April (which is the period for jute sowing) heavy seasonal rains cause the waters to rise and flood neighboring lands and in May, they experience very hot and dry weather, causing the waters to quickly recede, all of which is absolutely necessary for the successful growth of jute fiber.

No similar conditions have been found in the United States.

Jute fiber imported into this country is the raw material entering into the manufactured articles mentioned hereafter. It has been on the free list since 1890, resulting in a development of an industry in this country employing some 11,000 people and the use of invested capital amounting to \$65,000,000.

Eighty million pounds of jute fiber is made into yarn for the manufacture of medium and low-priced carpets and rugs; 5,000,000 pounds of jute fiber goes into the manufacture of yarn and rove used as insulating material for electrical cables; 100,000,000 pounds of jute fiber goes into the manufacture of twines for tying of packages and similar purposes; 10,000,000 pounds of jute fiber goes into the manufacture of packing, used for caulking of water pipes, etc. Total, 195,000,000 pounds.

It has been proposed by representatives of a number of cotton manufacturers to take from the free list jute and jute butts, which is a raw fiber imported from India, and to levy thereon a duty of 3 cents a pound for the sole purpose of increasing the consumption of cotton by supplementing the same for jute wherever it is now used. Such substitution is not practical, for the reason that cotton can not replace jute in articles previously enumerated.

## YARNS MADE OUT OF JUTE FIBER

Copies of letters from a number of prominent carpet manufacturers attached (marked "Exhibit A") prove, without question, that cotton yarn can not supplant jute yarn in certain grades of carpets and rugs. Consequently, a duty on jute fiber will result only in raising the cost of the yarn to the carpet manufacturers.

*Twines for tying of packages.*—Are made principally from the following fibers:

*Cotton.*—For fine twines.

*Jute.*—For some fine twines, but principally for course, strong twines which are sold at moderate prices.

*Sisal, hennequen, and istle.*—For coarse, strong twines, sold at slightly higher prices than jute twines.

Cotton for coarse twines, for the purpose of tying medium and heavy-weight packages, proves unsuitable because it stretches and does not hold the package tight. As a comparison, cotton stretches two or three times as much as jute.

A duty of 3 cents a pound on jute fiber would increase the cost of jute twines to such an extent that practically all demand for coarse twines would go to twines made of sisal, hennequen and istle. These fibers now come in duty free from Mexico, Africa, and Java.

From the foregoing, it is quite plain that cotton will not benefit by the elimination of jute fiber; therefore, a duty of 3 cents a pound on jute fiber will only result in putting the American Jute Twine industry practically out of business and the coarse twine business would be diverted to hard and semi-hard fiber manufacturers.

The industry of manufacturing Jute fiber into yarns and twines has been established in this country for over 75 years and has served the purpose of supplying its production at low prices, resulting in economical benefits to all its users.

We earnestly request that you retain raw jute fiber on the free list where it has been since 1890.

American Manufacturing Co., Brooklyn, N. Y.; Barbour Flax Spinning Co., Paterson, N. J.; Chelsea Fiber Mills, Brooklyn, N. Y.; Columbian Rope Co., Auburn, N. Y.; Dolphin Jute Mills, Paterson, N. J.; Ensign-Bickford Co., Simsbury, Conn.; Hanover Cordage Co., Hanover, Pa.; Hooven & Allison Co., Xenia, Ohio; Thos. Jackson & Son Co., Reading, Pa.; Ludlow Manufacturing Associates, Boston, Mass.; Morice Jute Mills, Philadelphia, Pa.; Revonah Spinning Mills, Hanover, Pa.; Schlichter Jute Cordage Co., Philadelphia, Pa.; Wall Rope Works, Beverly, N. J.; Wilmington Jute Mills, Wilmington, Del.

## EXHIBIT A, RELATING TO BRIEF DATED JULY 11, 1929

This exhibit contains copies of letters from several prominent carpet manufacturers outlining their position relative to jute yarns versus cotton yarns in the manufacture of medium and low priced carpets and rugs:

THE MAGEE CARPET Co.,  
Bloomsburg, Pa., February 8, 1929.

I have your letter of the 6th and the paragraph in your brief quoted in your letter about covers, all that can be said relative to jute backing for carpets.

The claim made by some of the witnesses before the Ways and Means Committee on Monday that cotton can be used wherever jute is used, is absurd.

The jute used in carpet is really the foundation on which the pile is built, and must be firm in order to keep the carpet in shape. Take, on the other hand, cotton could not be sized heavy enough to hold it in place and the carpets and rugs would become seasey, lose their shape, wrinkle up, and would not be worth 50 per cent of the value of a carpet and rug made with jute backing.

It is too bad that we did not have a practical carpet man who could in a very few words demonstrate to the committee just why cotton could not be used in floor coverings except as it is now, as a binder.

They may have lost sight that nearly all carpets, low grade and high grades, use two threads of cotton as a binder, and on some grades use a cotton filling. At the present time, of the yarns used in the various grades we make 12 per cent is cotton, 50 per cent is jute, and 38 per cent is wool.

If there is any other information required in regard to the above I will be very glad to supply it.

(Signed by) W. LAW, President.

**BIGELOW-HARTFORD CARPET CO.,**  
385 MADISON AVENUE,  
New York City, February 11, 1929.

Regarding the question of the proposed duty on raw jute would say, as you know, this is a vital product for carpet manufacturers in the United States, we ourselves using several million pounds annually.

This jute yarn is used very extensively in the production of carpets and rugs, especially in such types as Axminsters, velvets, and tapestries. Cotton yarn is not a substitute for this purpose, as in this class of goods it is very necessary to have a fiber in the back of the carpets and rugs which will make them lay flat, keep their shape, and readily absorb and retain a sizing.

We believe that a duty on raw jute would seem to accomplish nothing except unnecessarily increase the price of floor coverings to the consuming public.

(Signed) F. H. DEKNATEL, *Treasurer.*

**THE BEATTIE MANUFACTURING CO.,**  
295 FIFTH AVENUE,  
New York City, February 14, 1929.

Replying to your letter of the 12th instant, the writer was in communication with Mr. Paull, of the Carpet Institute, last week regarding the proposed 3 cents per pound duty on jute fiber.

Jute is an absolute necessity to us, and a 3 cents per pound duty would not result in our using one additional pound of cotton.

The proposed duty would be an additional severe handicap for us without in any way adding to the consumption of cotton.

(Signed by) HOWARD BEATTIE, *President.*

## FERTILIZERS

[Par. 1684]

### STATEMENT OF S. B. HASKELL, REPRESENTING THE SYNTHETIC NITROGEN PRODUCTS CORPORATION, NEW YORK CITY

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. HASKELL. I am representing the Synthetic Nitrogen Products Corporation, New York.

Mr. Chairman, I am appearing on two paragraphs—paragraph 1687 of H. R. 2667, and also paragraph 5 of the same House bill.

The CHAIRMAN. Paragraph 1684 is the one dealing with fertilizers.

Mr. HASKELL. I have the old bill. It is the so-called guano paragraph.

The CHAIRMAN. Go on, then.

Mr. HASKELL. The National Fertilizer Association, before the House Ways and Means Committee, made presentation to the effect that there should be a duty on all fertilizers carrying two or more plant-food elements. I wish to content myself on this paragraph simply with calling attention to the testimony which I presented before the House Ways and Means Committee. I will not repeat it, unless there are questions.

The CHAIRMAN. No; we have that.

Mr. HASKELL. Regarding paragraph 5, on sulphate of ammonia and other materials, there was presented, but not in public hearings, before the House Ways and Means Committee a brief from the By-Product Coke Producers' Association. In this brief there is one statement to which I shall have to take exception. It is found on page 310 of the House hearings, Volume I, Schedule 1, on chemicals,

oils, and paints—a statement to the effect that the importations of leunasalt-peter represent an evasion of the tariffs, respectively, on ammonium nitrate and ammonium sulphate.

That is not in accordance with the facts in the case. Leunasalt-peter is a different product. It is far different.

The CHAIRMAN. Do they not use it for fertilizer?

Mr. HASKELL. It is used for fertilizer.

The CHAIRMAN. That is all it is. Sulphate of ammonia and phosphate of ammonia, the two mixed, make leunasalt-peter.

Mr. HASKELL. It is admitted that the raw materials entering into leunasalt-peter are ammonium nitrate and ammonium sulphate. The resulting product, however, is not a physical mixture. It represents a chemical combination, a new salt, ammonium sulphate nitrate, a so-called double salt.

The CHAIRMAN. Give me the importations.

Mr. HASKELL. The importations were about 80,000 tons in the last two years, respectively.

Senator KING. They are important as a base for fertilizers?

Mr. HASKELL. They are used solely in mixed fertilizers.

The CHAIRMAN. You are correct, as I remember, about the amount of importations.

Mr. HASKELL. I am correct. It is about 80,000 tons.

The CHAIRMAN. What is your idea? Are you opposed to having the leunasalt-peter come in duty free?

Mr. HASKELL. No; I am here in support of its continuing to come in free, and opposed to the contention of the by-products coke producers that it be admitted under a duty.

The CHAIRMAN. The farmers want it to come in free. What is your attitude in relation to sulphate of ammonia and phosphate of ammonia?

Mr. HASKELL. Sulphate of ammonia I believe should come in free. We are importers. I have no expectation, however, that should it be free there will be any great change in the amount of the importations.

The CHAIRMAN. What about phosphate?

Mr. HASKELL. The phosphate of ammonia is in pretty nearly the same position.

The CHAIRMAN. You do not care whether it is free or not?

Mr. HASKELL. I think it should come in free; but at the present moment, even if it should be free, my own company could hardly import it in quantity, owing to the fact that the cost abroad is too high.

From the standpoint of the contention of the American Farm Bureau that all fertilizers should be admitted free, there is, I think, a very important point of public policy. I believe it is true; but as to any effect on my own company, an importer, I think there would be no such effect in any significant way. That is, I think the flow would not be significantly increased were it free.

The CHAIRMAN. One way or the other?

Mr. HASKELL. Yes.

Senator KING. What is the controversy, if there is any, between the Farm Bureau and the fertilizer organizations, the manufacturers of fertilizers in the United States?

Mr. HASKELL. There is no controversy between the Farm Bureau and the fertilizer manufacturers save on complete fertilizers. It is really a 3-party—not argument, exactly, but something akin to an argument. The by-products coke producers wish a maintenance of the present tariff on sulphate of ammonia, and likewise a tariff on the sulphate of ammonia constituent of leunasalt peter. The fertilizer manufacturers wish one of two things: Either fertilizer raw materials; as nitrate of soda, muriate and sulphate of potash, ammonium sulphate, and urea, on the free list, or protection on the completed product—a complete fertilizer containing three plant-food elements.

The American Farm Bureau takes the stand that all fertilizers; whether raw materials or in mixture as complete fertilizers containing the three plant foods, should be admitted free.

Senator KING. Is there not some effort made to divide or differentiate and to subject to a tariff importations that carry plant foods?

Mr. HASKELL. The National Fertilizer Association is making the effort to secure single-element carriers on the free list, and two or more elements on the dutiable list. It is against this contention that I appeared before the House Ways and Means Committee. That testimony is on record.

The CHAIRMAN. I was going to say that that testimony is on record.

Senator KING. What two elements, then, would come within the category of the products that are to be subjected to a duty, according to the contention of this other organization?

Mr. HASKELL. All fertilizers containing nitrogen and potash, or nitrogen and phosphoric acid, or potash and phosphoric acid, or all three. All carriers with a single element alone, under the contention of the National Fertilizer Association, would be admitted free.

The CHAIRMAN. In other words, Senator King, the amount of fertilizers imported into the United States, or any part thereof, that was dutiable in 1926 was 1 per cent of the total.

In 1925 it was 3 per cent.

In 1927 it was 2 per cent.

In 1928 it was 4 per cent out of the total importations.

Senator REED. Ninety-six per cent of the fertilizers imported come in duty free.

The CHAIRMAN. In 1928.

Senator REED. Under the 1922 law.

The CHAIRMAN. Under the 1922 law.

Senator REED. The House has gone further than that, and has put urea on the free list, which will reduce that percentage.

The CHAIRMAN. Of course you have no objection to that?

Mr. HASKELL. No. In fact, our own company, being an importer of urea, hopes it will be maintained on the free list.

The CHAIRMAN. That is what I thought.

Senator KING. Your point is, though, that sulphate of ammonia should be on the free list?

Mr. HASKELL. Well, may I explain that just a bit? My point is that the sulphate of ammonia constituents of leunasalt peter should not be made dutiable. I believe it would be against public policy.

My own company has taken no position as to sulphate of ammonia being on the free list or on the dutiable list, although it is an importer of sulphate of ammonia, with a chance to do almost no business on account of the fact that it is under a duty. Sulphate of ammonia

being a by-product, it is questionable if the situation would be changed to our advantage were it on the free list. I have to admit that.

The CHAIRMAN. I can plainly see your position here, of course, being an exporter.

Mr. HASKELL. We are an importer.

The CHAIRMAN. I mean an importer into this country; an exporter from Germany.

Mr. HASKELL. We are not exporters from Germany; excuse me.

The CHAIRMAN. I thought you were located in Germany.

Mr. HASKELL. No; I am located in New York. My company is purely an American company, an importer which purchases its products abroad.

The CHAIRMAN. That is what I meant. I meant the product itself. I did not mean the individual.

Senator KING. Where do you purchase it?

Mr. HASKELL. We purchase our products mainly in Germany, although in one case in Sweden.

The CHAIRMAN. Thank you.

Senator KING. I am not quite satisfied yet. What is the tariff now on sulphate of ammonia? Why should there be a tariff on that, since it is such an indispensable ingredient?

Mr. HASKELL. The present tariff is \$5 a ton. As to why there should be a tariff, I can not answer that. It seems to be not in accord with public policy. That, however, is a statement of opinion.

The CHAIRMAN. All right. We understand the situation.

(Mr. Haskell subsequently submitted the following memorandum:)

JULY 19, 1929.

Hon. REED SMOOT,

*Chairman Senate Finance Committee,  
Senate Office Building, Washington, D. C.*

MY DEAR SENATOR SMOOT: I find, in going over the transcript of the testimony which I presented last week before your committee, relative to proposed tariff on fertilizer, that I did not sufficiently explain the situation with reference to leunasalpeter. If I may, I wish to present the following for your committee:

1. Leunasalpeter is a double salt, called technically ammonium-sulfate-nitrate. It is produced by the chemical combination of molecular equivalents of ammonium nitrate and sulfate of ammonia, giving a final product containing 26 per cent of nitrogen, one-fourth in the nitrate form, and three-fourths in the ammonia form.

2. Statement made by the by-product coke producers, in testimony present before the House Ways and Means Committee, to the effect that leunasalpeter is used more or less interchangeably with sulfate of ammonia; that is, for the same purposes, is in error. Leunasalpeter is used in mixed fertilizers under those conditions where nitrate nitrogen is required, and not to replace sulfate of ammonia.

3. Leunasalpeter physically is a product differing absolutely from either sulfate of ammonia or ammonium nitrate. It also differs physically from a mere mechanical mixture of its two constituents. This from its chemical nature would be expected.

4. Since leunasalpeter is purchased primarily because of its carrying nitrate as well as ammonium nitrogen, it is in competition with Chilean nitrate of soda, which is on the free list.

The value to American agriculture of leunasalpeter lies in the fact that it supplies the combination of nitrate and ammonium nitrogen at a lower cost than any other product or mixture of products now on the market. It would, therefore, be of distinct harm to agricultural industry were this product placed on the dutiable list.

Thanking you for whatever attention your committee may give to these statements, I am,

Very truly yours,

S. B. HASKELL,  
*Vice President Synthetic Nitrogen Products Corporation.*



## GUM TRAGASOL

[Par. 1685]

## STATEMENT OF S. E. TYLEE, JR., REPRESENTING JACQUES WOLF &amp; CO., PASSAIC, N. J.

(Including locust beans and seeds, par. 1777.)

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. TYLEE. It will take me just about five minutes to read this brief.

Senator KING. What is it that you are interested in?

Mr. TYLEE. Gum tragasol. It is now on the free list. It has never been manufactured before in this country, and the importations have amounted to about \$80,000 a year. We are now manufacturing a product which will take the place of gum tragasol, and we are seeking a 30 per cent duty on it.

We have been importing from Europe gum carob and industrial gum, a sizing and finishing preparation for the textile industry, also used for food purposes. These two products are likewise known as tragasol. During the past year we have obtained a formula and process for manufacturing a preparation which answers all the purposes of gum tragasol, gum industrial, or gum carob. We are manufacturing and have placed this product on the market under the name of lupogum.

Lupogum is used in the textile industry for sizing, filling, and finishing of all textile fibers; but we are manufacturing this product chiefly for use in the food industry.

Lupogum and gum tragasol, as used by the textile industry in the sizing and finishing of all textile fibers, are employed principally by the textile plants engaged in making fabrics of high quality. Those plants manufacturing a medium-grade material find these two products too expensive.

Lupogum is also used as a thickener for printing pastes. It is likewise used in the leather and paper industries and in all other industries requiring the use of a thickener and binder.

We would particularly direct your attention to the fact that lupogum has never been manufactured in this country before, and is a noncompetitive article from an American manufacturing standpoint.

Senator KING. You call this lupogum?

Mr. TYLEE. Lupogum. That is just the name.

Senator KING. What do you make it out of?

Mr. TYLEE. It is made out of locust-bean seeds.

Senator KING. Tragasol is—

Mr. TYLEE. An imported article.

Senator KING. Tragasol is the seed of the carob tree?

Mr. TYLEE. That is the same thing. Carob and locust bean are the same types.

Senator KING. You have developed your process, knowing that tragasol was on the free list?

Mr. TYLEE. Absolutely.

Senator KING. And that there were importations, and that they were large. Were you seeking, rather, to make an edible product out of yours? You said you used it for food—that it had food value.

Mr. TYLEE. The development now has turned chiefly to food purposes.

Senator KING. Tragasol is not used for food purposes?

Mr. TYLEE. It has not been used heretofore. Wolf & Co., are the ones that have opened up that field.

Senator KING. One of its chief uses is in the tanning of leather.

Mr. TYLEE. No; it has been used in the textile field heretofore as a sizing.

Senator KING. I am reading from the tariff summary.

Senator REED. Where do you get your seeds?

Mr. TYLEE. From Europe, from the Mediterranean countries. This is the seed [exhibiting samples].

Senator REED. You can not use the seed of the domestic locust?

Mr. TYLEE. No; there is not enough of it produced in this country to manufacture it. The seeds come in at 8 cents a pound. The pod comes in at 10 cents. The manufactured product comes in from Europe free. It is all arranged exactly wrong as far as the American manufacturer is concerned. If we want to produce the gum tragasol, which will be known to us as lupogum, we will have to have the seeds on the free list, and get protection against tragasol, which we are seeking in this brief, of 30 per cent.

Senator KING. Why not have all of them on the free list—both the seeds and the product itself?

Mr. TYLEE. I will read the rest of this to you.

The development of lupogum has involved many costly experiments, installation of machinery, equipment, and increasing our manufacturing facilities; but we can not meet foreign competition unless we receive tariff protection in accordance with the following:

We are seeking to have the above-mentioned imported products—gum tragasol and gum carob, and under whatever other names known—which are manufactured in Europe, and to date have never been manufactured in this country, subject to a 30 per cent ad valorem duty to harmonize with our American manufacturing costs. This would make the duty approximately  $7\frac{1}{2}$  cents per pound on the basis of the European product costing 21 cents per pound laid down at New York.

Senator KING. I find here that the unit value of tragasol is 4 cents.

Mr. TYLEE. Not of gum tragasol. It costs 20 to 21 cents.

Senator KING. It is stated here that the value of tragasol per unit of quantity is 4 cents.

Mr. TYLEE. No; it absolutely costs 21 cents to lay it down here.

The CHAIRMAN. It seems to me that you are in a very much better position now than you were before. Before there was a duty of 8 cents on the seeds.

Mr. TYLEE. The duty still exists on the seeds.

Senator REED. The House bill takes it off.

The CHAIRMAN. It is free now; so you are in a very much better position with the free seeds than you have ever been. I do not think there is any intention whatever of putting a duty on the seeds; so all that you are stating here has no particular application, other than just for the record.

Mr. TYLEE. What I want to have is a 30 per cent ad valorem duty on the finished product.

The CHAIRMAN. As well as free seeds?

Mr. TYLEE. Free seeds.

The CHAIRMAN. You can say what you wish about that.

Mr. TYLEE. Suppose I submit some of these cost figures to you.

The cost of manufacturing lupogum is as follows:

It takes 2½ pounds of locust-bean seeds at 6 cents per pound. That is 15 cents. The duty was formerly 8 cents a pound. That is 20 cents. It has been wiped out by the House bill; but it is still 15 cents.

Senator REED. That is out.

Mr. TYLEE. The cost of manufacture is 5 cents. That is 20. It costs us to get from Europe this imported, finished product, 21 cents; so we are getting no protection from the Government at all as far as a protective tariff is concerned.

The CHAIRMAN. How have you been living and paying the duty on the seed?

Mr. TYLEE. We brought in the pods, which carried a 10 per cent duty, and we have separated the seeds from the pods at a very great expense to us.

The CHAIRMAN. But you do not have to do that any more. You can get your seed free.

Mr. TYLEE. But you can see that we will not be able to produce tragasol at 20 cents a pound and compete with the European product at the same price, because that is their selling price.

Senator REED. They get their bears cheaper than you do?

Mr. TYLEE. Absolutely.

Senator REED. And of course their labor is cheaper.

Mr. TYLEE. Absolutely.

Senator KING. Where do you get your beans?

Mr. TYLEE. From Europe; from the Mediterranean countries.

The CHAIRMAN. I do not see how you have been living in the past.

Mr. TYLEE. We have only been manufacturing since the 1st of the year.

The CHAIRMAN. Oh, this year?

Mr. TYLEE. Yes.

Senator KING. You started in knowing that this product was on the free list?

Mr. TYLEE. We started in under the assumption that if the finished material, tragasol, comes in free, the raw materials will likewise come in free. The House has seen fit to put the seeds on the free list, which is the bone of our contention. Now we have got to the point where we are manufacturing tragasol, and our lupogum costs us 20 cents a pound without a duty on the seeds, and the imported stuff also costs 21 cents a pound laid down, and this material sells for from 26 to 30 cents a pound to the consuming trade.

The CHAIRMAN. You have a pretty fair profit, then, between what it costs you and the price at which you sell it.

Senator KING. You started in this business knowing what the situation was; did you not?

Mr. TYLEE. We started in under the assumption that if the finished product comes in free, the raw materials will likewise come in free.

Senator KING. As I understand, the raw material is coming in free now.

Mr. TYLEE. It has not. It has only been before the House—accepted by the House.

The CHAIRMAN. If we agree to it, then it will not be in conference.

Mr. TYLEE. That is the fact.

Senator REED. Mr. Tylee, you are better off than most manufacturers, because you have 1 cent advantage over the laid-down cost of the importer; so, if he can sell at a profit, you certainly can.

The CHAIRMAN. And that is 5 per cent.

Mr. TYLEE. But that is his selling price in this country—21 cents—and our cost price in this country is 20 cents.

Senator REED. But you said that was the laid-down cost to the importer.

Mr. TYLEE. The laid-down cost from Europe is 21 cents, and our cost price is 20 cents. That is where the rub comes. I mean to say, we want to get the same protection that he will get, because he will sell his for 26 cents, and we want to be put on a parity with him.

Senator KING. He has got his selling expenses here, and his overhead.

Mr. TYLEE. But he has sold it at 21 cents in this country because he can manufacture that much cheaper abroad.

Senator KING. If you can manufacture as a beginner, just having started, at 21 cents, it seems to me that as you develop you can manufacture it much cheaper.

Mr. TYLEE. I doubt it very much.

Senator REED. Well, we will think it over, Mr. Tylee. You will leave your brief?

Mr. TYLEE. Yes.

(Mr. Tylee submitted the following briefs:)

BRIEF OF JACQUES WOLF & Co., PASSAIC, N. J.

SUBMITTING ARGUMENT IN SUPPORT OF A CHANGE IN CLASSIFICATION OF THE FOLLOWING ITEM, PARAGRAPH NO. 1685 (FORMERLY PAR. NO. 1584, TARIFF ACT OF 1922), SECTION, FREE LIST

1. Gum tragasol and gum carob, also known as industrial gum, neogum, tragon gum, janda gum, locust gum, lakoe A, gum gatto, tragagum under paragraph No. 1685, free of duty.

We have been importing from Europe gum carob and industrial gum, a sizing and finishing preparation for the textile industry, also used for food purposes. These two products are likewise known as tragasol. During the past year we have obtained a formula and process for manufacturing a preparation which answers all the purposes of gum tragasol, gum industrial, or gum carob. We are manufacturing and have placed this product on the market under the name of lupogum.

Lupogum is used in the textile industry for sizing, filling, and finishing of all textile fibers, but we are manufacturing this product chiefly for use in the food industry.

Lupogum and gum tragasol as used by the textile industry in the sizing and finishing of all textile fibers, are employed principally by the textile plants engaged in making fabrics of high quality; those plants manufacturing a medium-grade material find these two products too expensive.

Lupogum is also used as a thickener for printing pastes. It is likewise used in the leather and paper industries and in all other industries requiring the use of a thickener and binder.

We would particularly direct your attention to the fact that lupogum has never been manufactured in this country before and is a noncompetitive article from an American manufacturing standpoint.

The development of lupogum has involved many costly experiments, installation of machinery, equipment, and increasing our manufacturing facilities, but

we can not meet foreign competition unless we receive tariff protection in accordance with the following:

We are seeking to have the above-mentioned imported products, gum tragasol and gum carob and under whatever other names known, which are manufactured in Europe and to date have never been manufactured in this country, subject to a 30 per cent ad valorem duty to harmonize with our American manufacturing costs. This would make the duty approximately 7½ cents per pound on the basis of the European product costing 21 cents per pound laid down at New York. The cost of our manufacturing lupogum is as follows:

2½ pounds of locust-bean seeds at 6 cents per pound.....	Cents 15
Duty on 2½ pounds of locust-bean seeds at 8 cents per pound.....	20
(This duty of 8 cents per pound has now been eliminated, as the House of Representatives has placed locust-bean seeds on the free list under par. No. 1777.)	
Cost of manufacturing, per pound.....	5

40

making a total cost of 40 cents per pound for the finished product, which sells to the food and textile manufacturers at a price range from 26 to 30 cents per pound. It can readily be seen that a cost of 40 cents per pound will not permit us to compete with the imported product selling at 26-30 cents per pound laid down at New York.

We therefore suggest that a new paragraph under Schedule I be inserted, to read:

"Gum tragasol, or by whatever other name known, such as gum carob, industrial gum, neogum, tragon gum, locust gum, gum gatto, tragagum, janda, Lakoe A, 30 per cent ad valorem duty."

In support of the foregoing request, we quote the following reply from the Bureau of Foreign and Domestic Commerce, Washington, D. C., to our telegraphic inquiry, as per original telegram attached hereto and marked "Exhibit A":

"Reply your wire January 22, imports gum tragasol entered for consumption United States, calendar year 1927—1,495,806 pounds, \$54,197. Six months ending June 30, 1928—666,127 pounds, \$40,916. Gum locust and janda not separately enumerated in import statistics."

Taking into consideration the importations of gum tragasol for the six months ending June 30, 1928, were valued at \$40,916, the average for 1928 would approximate \$80,000. With a 30 per cent ad valorem duty on this commodity, the Government would derive a tariff revenue of approximately \$24,000 and accord protection to a new United States industry.

The levying of such duty would be in accordance with the spirit of the tariff act of 1922, which provides in its subtitle the tariff was made "to encourage the industries of the United States." The manufacture of the finished product, lupogum, would naturally be advantageous to United States industry and labor, but, as stated in the foregoing, in order to compete with foreign competition, it is necessary for us to have Government aid in the way of tariff protection.

Submitted by—

[SEAL.]

JACQUES WOLF & Co.,  
S. E. TYLER, JR.,  
Vice President.

WASHINGTON, D. C., January 23, 1929.

JACQUES WOLF & Co.,  
Passaic, N. J.:

Reply your wire January 20. Two imports gum tragasol entered for consumption, United States, calendar year 1927—Pounds, 1,495,806, \$54,197. Six months ending June 30, 1928—Pounds, 666,127, \$40,916. Gum locust and janda not separately enumerated in import statistics.

BUREAU FOREIGN AND DOMESTIC COMMERCE.

ADDITIONAL BRIEF OF JACQUES WOLF & Co., PASSAIC, N. J.

SUBMITTING ARGUMENT TO THE SENATE FINANCE COMMITTEE IN SUPPORT OF THE CLASSIFICATION OF THE FOLLOWING ITEMS: PARAGRAPH NO. 1777, FREE LIST (FORMERLY CLASSIFIED UNDER PARAGRAPH NO. 762 OF SCHEDULE NO. 7), AS FILED WITH THE WAYS AND MEANS COMMITTEE, HOUSE OF REPRESENTATIVES, AND ACCEPTED BY THEM

1. Seeds of locust beans or seeds of St. John's bread under paragraph No. 762 Schedule 7, tariff act of 1922, as "Tree and shrub seeds when used for planting or other purposes at 8 cents per pound."

2. Locust beans or St. John's bread classified under paragraph 1459, tariff act of 1922, at 10 per cent ad valorem (T. D. 40671).

3. Gum tragasol and gum carob, or by whatever other name known, such as industrial gum, neogum, tragon gum, janda gum, lakoe A, gum gatto, locust gum, tragagum, under paragraph No. 1584, tariff act of 1922, and G. A. Abstract 47877 as free of duty.

We have been importing from Europe a sizing and finishing preparation for the textile and food industries known as gum carob and industrial gum. This sizing and food preparation is made from the seeds of locust beans and is imported into this country free of duty under paragraph 1584 of the tariff act of 1922, in the form of a white powder under various names such as gum tragasol, neogum, tragon gum, gum gatto, tragagum.

While heretofore we imported the finished product, gum carob or industrial gum, during the past year we have obtained a formula and process and are now manufacturing a preparation which we have placed on the market under the name of "Lupogum."

Lupogum is used in the food industry and also in the textile industry for sizing, filling, and finishing of all textile fibers.

Lupogum can likewise be used as a thickener for printing pastes.

Lupogum is also employed in the leather and paper industries and in all other industries requiring the use of a thickener and binder.

Lupogum answers all the purposes of gum carob, industrial gum, or gum tragasol, and with the protection for which we are asking we can meet foreign competition. The development of this product involved many costly experiments, installation of machinery, equipment, and increasing our manufacturing facilities. For your information, we have placed an order in Europe for a large quantity of the seeds of locust beans subject to the material being placed on the duty free list. We have proceeded expecting to be able to import the raw product free of duty since the finished article is on the duty-free list.

The Treasury Department of the United States Customs Service at Boston in a letter addressed to the United States appraiser at New York, referring to the above situation, writes: "From the first it was the opinion of this office that an anomalous condition was produced by classifying the cruder products such as gum farinol, gum gatto, and neogum as dutiable, while the more finished articles, gum tragasol and gum carob, were free of duty. The decision, therefore, in Abstract 47877 was entirely in harmony with our views." Reference is made to this important point because it sustains our claim.

We have taken up this question with the United States Customs Department and received the reply that the seeds of locust beans come under paragraph No. 762, section "Tree and shrub seeds," Schedule 7, tariff act of 1922, which provides for a duty of 8 cents per pound.

An anomaly exists in this ruling because of the fact the fruit of the pod of locust beans contains an appreciable percentage of seeds, yet pays only 10 per cent ad valorem. This fact contradicts the spirit of the tariff act of 1922 which provides in its subtitle that the tariff was made: "To encourage the industries of the United States." From the foregoing it is apparent we can not carry on the manufacture of the finished product without Government aid in the way of tariff protection.

In the meantime, large quantities of the finished product are being imported daily from Europe free of duty.

Gum tragasol or gum carob which is imported from Europe and at present on the free-duty list, is produced from locust bean seeds. This naturally makes prohibitive the production in this country of lupogum made from locust bean seeds under the present duty of 8 cents per pound.

In view of the advantage which will accrue to United States industry and labor, we are seeking to have the crude material known as locust bean seeds

placed on the duty-free list; and to have the finished products which are manufactured in Europe and to date have never been manufactured in this country, namely, "Gum tragasol and gum carob, or by whatever other name known such as industrial gum, neogum, janda, tragon gum, locust gum, gum gatto, lakoe A, tragagum." subject to a 30 per cent ad valorem duty to harmonize with American manufacturing costs, making the duty approximately 7½ cents per pound.

The foregoing facts lead to this conclusion: The cost to Jacques Wolf & Co. of imported gum carob or industrial gum laid down at the factory is 21 cents per pound. With the proposed 30 per cent ad valorem, which equals 6.3 cents per pound, this product would cost the American importer 27.3 cents. The cost of manufacturing lupogum under the present duty of 8 cents per pound on locust bean seeds is as follows:

	Cents
2½ pounds of locust bean seeds, at 6 cents per pound.....	15
Duty on 2½ pounds locust bean seeds, at 8 cents per pound.....	20
(This duty of 8 cents per pound will be eliminated if the Senate concurs with the House of Representatives, which has placed locust bean seeds on the free list under par. No. 1777.)	
Cost of manufacturing per pound.....	5
	40

Making the total cost of 1 pound of the finished product 40 cents under the present duty charge of 8 cents per pound on locust bean seeds. This product sells to the United States food manufacturer and the textile consumer at a price range of 26 cents to 30 cents per pound. It therefore follows if the seeds of locust beans can be imported under the free-duty list, it will reduce our manufacturing costs 20 cents per pound, placing us in a position to compete with the foreign product.

We therefore suggest that the Senate concur with the House of Representatives in maintaining paragraph No. 1777 of the free list reading as follows:

"Locust or carob beans and pods and seeds thereof," and a new paragraph in Schedule I be inserted to read:

"Gum tragasol, or by whatever other name known, such as gum carob, industrial gum, neogum, tragon gum, locust gum, gum gatto, tragagum, janda, lakoe A, 30 per cent ad valorem duty."

For your further information we have checked in volume I, page 451, of the yearly book issued by the Bureau of Foreign Commerce and Navigation of the United States for the calendar year of 1927 that section which deals with all tree and shrub seeds carrying duty of 8 cents per pound, and in 1927, 77,626 pounds were imported, valued at \$57,799, from which the Government derived a duty of \$6,210.08.

For the first six months of 1928, 45,522 pounds were imported, having a value of \$35,788. We were not able to estimate the duty collected from these importations. The record does not give the amount of locust bean seeds. It merely bulks all seeds imported during the year. From these figures, however, it can be seen that a very small amount was imported, and the locust bean seeds which this company imported during 1927 were included in that amount. From this fact it is apparent that the Government has been deriving a very small duty from this classification.

From the foregoing figures, it is plain that the Government derived a very little revenue from tree and shrub seeds at 8 cents per pound. Further we add that seeds of locust beans have never been used for industrial purposes in this country. Gum tragasol, gum carob, and the other gums mentioned have produced no tariff at all for the Government, being imported under the free list, and in very large quantities. If the tariff is changed in accordance with the request outlined above, locust bean seeds will be imported in this country on the free list with little or no loss to the Government, and gum tragasol, gum carob, etc., which have been imported in large quantities in the past, will carry 30 per cent ad valorem, resulting in a large tariff for the Government.

We offer in support of the foregoing contentions the following quotation from a letter of the Bureau of Foreign and Domestic Commerce, Washington, D. C., dated January 19, 1929, the original of which is appended hereto:

"In reply to your favor of January 16, asking for imports of locust beans or St. John's bread for 1927-28, we regret very much indeed to advise that the information is not available. The quantity imported is so small that it is not classified separately in our statistics, but is simply thrown into a general classification of 'all other feeds.'"

Further we quote the following reply from the Bureau of Foreign and Domestic Commerce, Washington, D. C., to our telegraphic inquiry, the original telegram being attached hereto:

"Reply your wire January 22, imports gum tragasol entered our consumption United States, calendar year 1927—1,495,806 pounds, \$54,197. Six months ending June 30, 1928—866,127 pounds, \$40,916. Gum locust and janda not separately enumerated in import statistics."

Taking into consideration the imports of gum tragasol for the six months ending June 30, 1928, were valued at \$40,916, the average for 1928 would approximate \$80,000. With a 30 per cent ad valorem duty on this commodity, the Government would receive a tariff of approximately \$24,000 as against 8 cents per pound on locust bean seeds under paragraph No. 762 of the tariff act of 1922, under which the total revenue for 1927 for "Tree and shrub seeds" without classification only netted the Government, \$6,210.08.

Submitted by.

JACQUES WOLF & Co.,  
S. E. TYLEE, Jr., *Vice President.*

EXHIBIT A

[Telegram]

25N K 1211 P 64 Collect

WB WASHINGTON, D. C., *January 23, 1929.*

JACQUES WOLF & Co.,  
*Passaic, N. J.:*

Reply your wire January 22. Imports gum tragasol entered for consumption United States calendar year 1927; pounds, one, four, nine, five, eight, naught, six; dollars, five, four, one, nine, seven. Six months ending June 30, 1928; pounds, six, six, six, one, two, seven; dollars, four, naught, nine, sixteen. Gum locust and janda not separately enumerated in import statistics.

BUREAU FOREIGN DOMESTIC COMMERCE.

[Copy]

DEPARTMENT OF COMMERCE,  
BUREAU OF FOREIGN AND DOMESTIC COMMERCE,  
*Washington, January 19, 1929.*

JACQUES WOLF & Co.,  
*Passaic, N. J.*

(Attention Mr. F. G. Lobdell, purchasing agent):

DEAR SIR: In reply to your favor of January 16, asking for imports of locust beans, or St. Johns bread, for 1927-28, we regret very much indeed to advise that this information is not available. The quantity imported is so small that it is not classified separately in our statistics, but is simply thrown into a general classification of "all other feed."

Yours very truly,

(Signed.) THEO. D. HAMMATT,  
*In charge, Grain and Flour Section, Foodstuffs Division.*

(Copy. Original filed with House of Representatives.)

**COPPER IODIDE**

[Par. 1696]

**BRIEF OF E. R. SQUIBB & SONS, NEW YORK CITY**

SENATE FINANCE COMMITTEE,  
*Washington, D. C.*

GENTLEMEN: On February 16, 1929, we presented a brief to the Ways and Means Committee of the House of Representatives requesting that copper iodide be placed upon the free list of the tariff schedule. That committee placed copper iodide upon the free list.

Copper iodide is not manufactured by any company in the United States and it has no use as copper iodide, except as a crude form of iodine.



Our previous brief pointed out in full the importance of this product and the reasons why it should be included in the free list. We respectfully wish to call to your attention that no real or adequate objection has been or can be submitted to our recommendation that this product be admitted free of duty.

Respectfully submitted.

E. R. SQUIBB & SONS.

## WOOD PULP

[Par. 1713]

### STATEMENT OF ELISHA HANSON, WASHINGTON, D. C., REPRESENTING THE AMERICAN NEWSPAPER PUBLISHERS' ASSOCIATION

[Including standard newsprint paper, par. 1707]

(The witness was duly sworn by the chairman of the subcommittee.)  
Senator COUZENS. Please state whom you represent.

Mr. HANSON. I am attorney for the American Newspaper Publishers' Association.

Senator COUZENS. Where are they located?

Mr. HANSON. Their offices are in New York. The American Newspaper Publishers' Association is a membership corporation of the State of New York, the members of which are publishers of daily newspapers located throughout the United States.

I am appearing with respect to two paragraphs on the free list, one of which permits the free entry under the present law and in the bill as it passed the House of mechanically ground wood pulp, and the other of which permits free entry, both in the law and in the bill as it passed the House, of standard newsprint paper.

I do not want to take up much of the committee's time, but I do want to say that the publishers very much hope that the Senate Finance Committee can approve of the policy of the present law and of the phraseology of the bill that has passed the House and maintain these two items on the free list.

The policy was laid down some years ago; and in the report of Mr. Fordney, chairman of the Ways and Means Committee in 1922, I find this:

The paper schedule removes from the dutiable list wood pulp of all kinds and standard newsprint. The designation of standard newsprint is a new term, but thoroughly understood both in the trade and in the customs office. It is that form of printing paper upon which newspapers are printed. The consumption both of pulp and standard newsprint is greatly in excess of our production. It is therefore logical in the interest of conservation of stable supply that these articles should be on the free list.

When the bill came to the Senate Senator McCumber, for the Senate Committee on Finance, in reporting the measure, said:

Your committee has adopted the policy of the House bill in recommending the free entry of mechanical wood pulp and standard newsprint paper.

In 1922 the American Manufacturers of newsprint paper were manufacturing slightly more than 50 per cent of the requirements of the publishers of the country. In 1928 they were manufacturing about 39.1 per cent; so that the publishers were compelled in 1928 to obtain 60.9 per cent of their newsprint from other countries than the United States; and the record for a number of years past shows a diminishing supply of newsprint paper manufactured in the United

States and a diminishing supply of wood pulp available for the manufacture of newsprint; and it is on that basis that the publishers of the country hope that the policy which was laid down in 1922 and which has been approved by the House committee will in turn be approved by the Senate Finance Committee.

Senator COUZENS. In other words, the bill that is before us now is satisfactory to your association?

Mr. HANSON. Exactly so; yes, sir.

I think that is all I have to offer, unless there are any questions. I do not believe we even want to bother the committee with filing a brief unless they want me to go into detail.

**STATEMENT OF H. E. ATTERBURY, NEW YORK, N. Y., REPRESENTING THE ASSOCIATION OF AMERICAN WOOD PULP IMPORTERS**

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. ATTERBURY. I presume that you gentlemen have a copy of the brief that was presented to the House committee and which was forwarded, I know, to all of you gentlemen?

Senator COUZENS. Yes.

Mr. ATTERBURY. I do not suppose that there is anything more that you really want to ask me, sir, because I think that covers the situation very fully.

Senator COUZENS. We do not want any duplications. If you have anything new to say we would be glad to hear you.

Senator THOMAS. State briefly whom you represent.

Mr. ATTERBURY. The wood pulp importers acting on the part of the paper mills and the Paper Pulp Association.

Senator THOMAS. Give us some idea of what that organization consists of in its various units.

Mr. ATTERBURY. The Paper and Pulp Association is a national association of all the paper manufacturers and pulp manufacturers in the United States, and we are affiliated with that as a suborganization. We import wood pulp into this country, our association and the members of it.

Senator THOMAS. What does the bill propose to do with the interests which you represent?

Mr. ATTERBURY. So far it proposes to leave it as it is on the free list.

Senator THOMAS. What do you want done?

Mr. ATTERBURY. Left on the free list.

Senator WALSH. Is there anybody asking that it be removed from the free list?

Mr. ATTERBURY. There has been a brief presented to the House committee asking on the part of the Pacific coast manufacturers as to certain qualities of wood pulp for a duty, but I understand the bill as reported does not provide any duty. I came down here to answer any questions that you might desire to ask.

Senator COUZENS. Are there any other persons on the calendar who are interested in a duty on wood pulp?

Mr. ATTERBURY. I do not think so.

Senator COUZENS. So far as you know, there is no one appearing before the Senate Finance Committee?

Mr. ATTERBURY. No, sir.

## OTTER TRAWL FISHING NETS

[Par. 1721]

### STATEMENT OF W. WARREN BARBOUR, NEW YORK CITY, REPRESENTING THE LINEN THREAD CO.

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. BARBOUR. Mr. Chairman and gentlemen, yesterday the domestic netting manufacturers, in order to conserve time, were represented by one witness alone, Mr. MacInnis, but after Mr. MacInnis had testified a witness appeared opposing the petition that otter trawls be restored to the dutiable list. In view of the testimony of that witness I would like to take up only a few minutes of your time because of an impression that was made, which, in fairness to your committee and in fairness to the netting manufacturers, should be clarified.

It was stated that manila trawls have nothing whatsoever to do with trawls made from cotton. Prior to 1922 domestic manufacturers had a substantial part of the trawl business on cotton trawls, particularly in small and intermediate sizes. Fishermen liked the cotton trawl as it was easy to handle and to fish, but when manila trawls were put on the free list owners would not buy a cotton trawl when they could outfit their vessel with the cheaper imported net. Now the use of cotton trawls has dwindled to the vanishing point, although the use of trawl netting has vastly expanded and is growing by leaps and bounds, as a study of imports will show.

Another point—Dutch trawls operating in the North Sea are machine made. These trawls now are beginning to be imported into the American market in competition with handmade British trawls, and this fact substantiates the contention of the American manufacturers that a suitable trawl can be made from machine-made netting. All other netting used in America in commercial fisheries is machine made, and the reason there is no complaint about this netting is because the American industry is protected on all other types of netting and it can not be purchased cheaper elsewhere.

In conclusion, I wish to give to your committee a clear conception of the added cost to the trawling industry were otter trawls dutiable under paragraph 1006. According to the analysis made by the Atlantic Fisherman, which appears in our brief, 1½ per cent of the cost of outfitting a trawler is attributable to its netting and gear and in the operation of the trawler all replacements which would include netting constitute 2½ per cent of the outlay. Therefore the additional cost to a trawler, were trawls stricken from the free list, would not be of any great consequence and would be negligible as compared with the benefit asked for and received in the form of an increased duty on their product—fish.

Gentlemen, this is the last day for many a year that the American netting industry will have its day in court, and we earnestly express the hope that the present unfortunate predicament will be corrected

so that the American netting manufacturers can compete with what is now a foreign monopoly with netting knit by American wage earners from a twine produced by American cordage manufacturers.

Yesterday a witness referred to an affidavit made by one Chris Johanson to the effect that the American machine-made trawl was not satisfactory to the finishing industry.

Now, Mr. Chairman, I desire to insert in the body of my remarks what I certify under oath is a true copy of an affidavit made by Johanson in question and sworn to on the 5th day of March, 1929, in which the same Johanson states that the American manufacturer is in a position to furnish any size or any type of net which the fishermen desire or whatever kind of net "American fishermen want."

(The affidavit referred to is as follows:)

I, Chris Johanson, of 77 Centennial Avenue, Gloucester, Mass., on oath depose and state as follows:

For many years I have been engaged in different capacities in the fisheries, and particularly on vessels using the otter trawl method of fishing. I am familiar with the otter trawls used in the business, and for a time was employed in making these trawls in Rockland, Me. From July 2, 1928, to October 8, 1928, I was employed by the American Net & Twine Co. in their mill at Gloucester, Mass., as foreman of their otter trawl department, and while in that capacity I had oversight of the otter trawls which were made. The netting for these trawls was made by machine in the mill, and fashioned into otter trawls of different sizes and dimensions under my supervision. These otter trawls and sections of trawls were sold to vessels engaged in the otter trawl fishing out of Gloucester. I am familiar with the plans and specifications of otter trawls and know just what is needed so that a trawl will work. I made these trawls while I was employed by the American Net & Twine Co. to the best of my ability, and I know that the trawls have given satisfaction to the captains and crews of the vessels on which they were used. From the experience which I had in the mill of the American Net & Twine Co., I know that American manufacturers are equipped to furnish whatever American fishermen want in the way of otter trawl nets and sections of nets. They can make any size and any type which the fishermen desire.

CHRIS JOHANSON.

Mr. BARBOUR. This affidavit was properly sworn to under oath and witnessed by Guy F. Collins, of Gloucester, Mass. The original affidavit is now in the possession of Congressman Richard Aldrich, of Rhode Island, chairman of the House subcommittee on the free list.

Senator GEORGE. Let me ask you one question. The twine out of which this netting is made is manufactured in the textile mills cotton textile mills, in different parts of the country, is it not?

Mr. BARBOUR. You are referring to the manila twine?

Senator GEORGE. No; the twine out of which this otter trawl is made. It is spun in American mills, is it not?

Mr. BARBOUR. Yes; they do make manila twine in America.

Senator BINGHAM. It is not cotton.

Senator GEORGE. No; but it is actually made in the American mills?

Mr. BARBOUR. It is.

Senator GEORGE. And then it is sent to the netting mill and converted into a net, and you say that certain of these imported nets are also machine made?

Mr. BARBOUR. The Dutch nets are machine made.

Senator GEORGE. But the English nets—

Mr. BARBOUR. Are hand made.

Senator SIMMONS. Well, now, are the Dutch nets the nets that are imported, or the English nets?

Mr. BARBOUR. They are both imported, although the English nets greatly predominate.

Senator BINGHAM. The testimony yesterday was that 90 per cent were English.

Mr. BARBOUR. I do not know the percentage, but I know there are a great many more English nets. The others, however, are coming in.

Senator BINGHAM. The fact is that you can not make these manila otter trawl nets now—is that the fact?

Mr BARBOUR. Yes.

Senator BINGHAM. Because you have to pay a duty on the material out of which they are made, and that puts you at a disadvantage in competition with the people who import them free.

Mr. BARBOUR. Forty per cent on the twine.

Senator BINGHAM. If you could make, as you believe you can, a good machinemade net that would be satisfactory and would compete with the handmade nets imported from England, would it enable you to perform this function if we were to do for you what has been done in two or three other cases, permitting you, after paying your duty on the Manila twine and satisfactorily proving to the Treasury Department that you had used it in the manufacture of otter trawl nets, to get a rebate on what you had used in the manufacture of these nets?

Mr. BARBOUR. Of course, that would apply in the case of our imported twine. We would prefer to purchase the domestically manufactured twine.

Senator BINGHAM. Is there a duty on the imported fiber out of which the twine is made?

Mr. BARBOUR. I do not really know that.

Senator GEORGE. If so, that principle should be applied to that.

Mr. BARBOUR. I can not answer that question.

I am informed that there is no duty on the fiber.

Senator SIMMONS. What effect would it have upon the industry engaged in spinning this material if it were put on the free list?

Mr. BARBOUR. I did not get your question, Senator.

Senator SIMMONS. If the raw material, the manila product, were put on the free list, what effect would that have upon the industry in this country that is importing it and spinning it?

Mr. Barbour. I really do not feel that I can answer for the hard-fiber spinners. We do not engage in that business ourselves.

Senator BINGHAM. There is at present on cords and twines, tarred or untarred, single or plied, wholly or in chief value of manila, and so forth, a duty of 40 per cent ad valorem, and since practically none of that is used in the manufacture of otter trawls to-day, as I understand it—is that correct?

Mr. BARBOUR. Not very much of it, because the domestic netting manufacturers are unable to compete.

Senator BINGHAM. You can not sell them, so you do not use it for that purpose?

Mr. BARBOUR. Not very much.

Senator BINGHAM. So that virtually little or none of this material that comes in at 40 per cent ad valorem is used for that purpose. If we created another use for it and let you have a drawback on it when you could prove to the Treasury Department that you had used it for making these trawl nets, why would that not do two things, permit the fishermen to get their nets at the same cost they are getting

them now and permit you, with a good machinemade product, to compete with the handmade product or the machinemade product that comes in?

Mr. BARBOUR. I had not thought of anything of that kind. In that event, you would have to import your twine to get that advantage. You would be really debarred from purchasing a domestic twine.

Senator BINGHAM. We would not be hurting the domestic manufacturers, because we would not be destroying any of their present market.

Mr. BARBOUR. No, but you would be helping them very much if you put them in the position to make the trawls.

Senator BINGHAM. Then you would be hurting the fishermen.

Mr. BARBOUR. But very little.

Senator BINGHAM. That is a matter of opinion.

Mr. BARBOUR. Yes; I suppose it is.

Senator BINGHAM. It depends on which foot the shoe is.

Senator SIMMONS. What per cent on the twine that is manufactured out of this material goes into the making of these otter trawls?

Mr. BARBOUR. I do not believe I understand your question, Senator.

Senator SIMMONS. My question is directed to this: To what extent is this Manila product used by the American manufacturers for any other purpose than making these fishing nets? They import that material here in large quantities—we will say considerable quantities. Now, I am asking you what per cent of that material, after it is converted into twine, is used for other purposes?

Mr. BARBOUR. Most of it. There is very little that goes into the otter trawls.

Senator SIMMONS. That is what I had supposed.

Mr. BARBOUR. Because the domestic manufacturer of that can not manufacture that netting now; so, obviously, there is very little of the twine used for it.

Senator BINGHAM. If you could manufacture a net that was satisfactory to the fishermen, do you think that the use of that twine for that purpose would be largely increased?

Mr. BARBOUR. There is no question about it.

Senator SIMMONS. Now, if you had the duty rebated to you, how would that hurt or injure the domestic manufacturer of the twine? It would help you, but how would it hurt the manufacturer of the domestic twine? It would make a bigger market for him and he would sell it to you at the same price, with the duty added, but you would get that duty rebated.

Mr. BARBOUR. On the foreign twine?

Senator SIMMONS. Yes.

Mr. BARBOUR. That certainly would not help the domestic twine manufacturer, because you would not buy his twine.

Senator SIMMONS. It would not hurt him. His market would be enlarged and he would not get the benefit of the rebate, but you would.

Mr. BARBOUR. Yes, I see the point, but we would prefer to buy from the domestic manufacturer, generally speaking.

Senator SIMMONS. I understand you would buy from the domestic manufacturer, but he would have paid this duty on his raw material and he would manufacture it and sell it to you with that duty added and you would get the duty rebated. He would not be hurt, his market would be enlarged, and you would be helped—is not that so?

Mr. BARBOUR. I see your point, yes. I do not want to speak for the hard-fiber manufacturers.

Senator SIMMONS. I do not see what ground you would have to complain on at all.

Senator BINGHAM. Is that all?

Mr. BARBOUR. Yes.

Senator BINGHAM. Thank you.

**STATEMENT OF WILLIAM J. MACINNIS, BOSTON, MASS., REPRESENTING THE AMERICAN MANUFACTURERS OF FISH NETTING**

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. MACINNIS. Mr. Chairman and gentlemen of the committee, the next two speakers will not be heard, as they are practically willing to let me speak for the three of us, so as to conserve the time of the committee.

I am representing here to-day all of the American manufacturers of fish netting, with factories in five States of the Union. This industry gives employment to 5,000 American wage earners.

I appeared before the Ways and Means Committee and I filed a brief. I ask the permission of this committee to file a supplemental brief containing further facts substantiating our claim and correcting the unfortunate impression made upon the committee, which made it appear that the American manufacturers of fish netting were asking for a 90 per cent ad valorem duty. There already is a 40 per cent ad valorem duty on the twine, the raw material, which goes into these nets. Our thought was that the 40 per cent duty as applied to the netting would be based on the price of the twine, and the 50 per cent which we asked for was 50 per cent of the conversion cost, in order to equalize the costs of making netting abroad and in this country. What we intended to ask for was a 50 per cent duty, and that is what we ask for now.

Senator SIMMONS. Do I understand you want the 40 per cent on the raw materials to remain and then you want 50 per cent for the conversion of that raw material into the finished product?

Mr. MACINNIS. No; that was the impression that was left before the Ways and Means Committee. Now, paragraph 1006 says that the netting shall take the highest rate which applies to the thread, twine, or cord, and 10 per cent in addition. It happens to be that the rate of 40 per cent and the 10 per cent addition would make it 50 per cent, all applying to the netting, and that is all we ask for.

Senator SACKETT. Are you objecting to section 1721, under which nets are on the free list?

Mr. MACINNIS. Yes. We want to take it from the free list and put it in paragraph 1006 with other nets.

Senator BINGHAM. In other words, paragraph 1721 takes certain fish nets, called otter trawls, actually used for deep-sea fishing and not for otters at all, out of the general paragraph 1006, which is supposed to cover all fish nets?

Mr. MACINNIS. That is right.

Senator BINGHAM. And your contention is that since a large amount of fish nets are covered in that paragraph that the nets called otter trawl nets should be allowed to come under that paragraph?

Mr. MACINNIS. Yes.

Senator BINGHAM. You do not ask for any increase on what is now put on such fish nets?

Mr. MACINNIS. No, indeed.

Senator BINGHAM. Have they always been on the free list?

Mr. MACINNIS. No, sir.

Senator BINGHAM. When was the first time they were put on the free list?

Mr. MACINNIS. In 1922, after the Senate Committee hearings, on the floor of the Senate, an amendment was offered just making manila otter-trawl nets free and it was adopted. Previous to that they were dutiable.

Senator SACKETT. What was the effect on the business? Did it increase the imports?

Mr. MACINNIS. The increase of the business was this: In 1922, gentlemen, there were comparatively few of these nets used in the country. They were making small otter trawl nets, made from cotton, all of which the domestic manufacturers made. The industry was in the doldrums. The trawlers were not successful, and their product was a glut on the market. Well, the nets went on the free list. Following that came the discovery of the filleting method of fishing, taking the fish and slivering it and doing away with all the waste material. They just used the two pieces of the fish that had been cut off and then put the bones, the heads, and the tails into waste. Together with that came the advance and improvement of refrigeration, so that now fish can be sent to the remotest parts of our country. The result was a great demand for fish. The otter-trawl method of fishing is an economical method of fishing, so that the otter trawls grew and grew and otter-trawl nets were more and more in demand, and because of the difference in the price of the cotton nets and the imported trawl nets the manila imported trawl nets were preferred. Now, answering your question, Senator Sackett, in 1922, when it went on the free list, 65,000 pounds were imported. In 1927, 485,000 pounds; in 1928, 1,035,000 pounds—an increase of 1,500 per cent since the last tariff.

Senator SACKETT. Are they made in this country at all?

Mr. MACINNIS. The American manufacturers have been endeavoring to meet the demand occasioned by the change over from the cotton to the manila net and also because the larger trawlers claim they desire the manila net.

Now, according to what I have learned this seems to be the only case of this kind in our tariff. There is a 40 per cent duty on the raw material that goes into the nets, while the fish net comes in free, so that when we buy our twine from the cordage manufacturers the price is predicated on the 40 per cent duty, but when the netting comes into this country it comes in absolutely free. So the result is the foreign price is 42 cents per pound and the domestic price is 64 cents per pound, so it is only a friend here and there, or some man who believes in buying American products, or some one who is not familiar with the foreign price or does not care to wait long enough to get the foreign article, who will buy our goods. We have sold a considerable quantity of goods.

Senator BINGHAM. The nets that are imported are used largely in the cod and haddock fishing industry?

Mr. MACINNIS. And flounder fishing.



Senator BINGHAM. The nets are towed by steam vessels?

Mr. MACINNIS. Yes.

Senator BINGHAM. And these nets which are imported are largely, if not entirely, made by hand?

Mr. MACINNIS. The English nets are made by hand while the Dutch nets are made by machinery.

Senator BINGHAM. There is no handmade industry of that kind in this country?

Mr. MACINNIS. No, sir.

Senator BINGHAM. Your nets are made by machine?

Mr. MACINNIS. All made by machinery.

Senator BINGHAM. And are considered by the fishermen to be not so satisfactory when used in this rather difficult work of being towed at sea?

Mr. MACINNIS. That claim is made.

Senator SACKETT. Would you mind answering the question I asked as to what the domestic production has been since 1922?

Mr. MACINNIS. In 1922 the domestic manufacturers made of the smaller sizes, otter trawls, made of this material, of cotton, about 750,000 pounds; this last year they made about 250,000 pounds, so that they lost to the manila competition about a half million pounds.

Senator SACKETT. When you say they lost to the manila competition, do you mean they lost to the imported article?

Mr. MACINNIS. To the imported article; yes, sir.

Senator SACKETT. That is, from Belgium and England?

Mr. MACINNIS. From Holland and England.

Senator BINGHAM. The net you have there is made of cotton, is it?

Mr. MACINNIS. I was going to say, in answer to your question, Senator Bingham—

Senator BINGHAM. No; just a minute. I want to know if the net you have just shown Senator Sackett is made of cotton.

Mr. MACINNIS. Yes.

Senator BINGHAM. While the nets we are speaking of here are composed wholly or in chief value of manila or vegetable fiber?

Mr. MACINNIS. Yes, sir.

Senator SACKETT. I was asking whether you had that competition on this kind of a net?

Mr. MACINNIS. Yes, sir. Here is a sample of one of the nets, one section of a net, made in the factory of the American Net & Twine Co. at Gloucester, the twine being purchased from one of the leading cordage manufacturers of the country.

Senator SACKETT. What has been the history of the domestic production of that manila net?

Mr. MACINNIS. The history of the domestic production of the manila net is this, that with the foreign price at 42 cents a pound and our price at 64 cents a pound, we had absolutely no chance whatever of competing. The foreign manufacturers have been engaged in this industry for a great many years, and the American manufacturers were forced to take it up because of the great demand for it and the substitution for the cotton nets, but it was difficult for them to sell their product to customers because of the difference in price.

Senator SACKETT. I am asking you what was the amount of production since 1922 of this manila net?

Mr. MACINNIS. By American manufacturers?

Senator SACKETT. Yes.

Mr. MACINNIS. Take one year—for instance, last year; it was more than 15,000 pounds.

Senator SACKETT. What was it in 1922?

Mr. MACINNIS. Nothing in 1922 of the manila net.

Senator SACKETT. What was the duty on these nets before 1922?

Mr. MACINNIS. In the act immediately preceding 35 per cent, and in the act previous to that 45 per cent.

Senator SACKETT. On the nets?

Mr. MACINNIS. On the nets.

Senator SACKETT. A little more than it was on the thread or the twine? It was 40 per cent on the twine?

Mr. MACINNIS. I do not know what it was on the twine in those acts. Have I made myself clear, Senator?

Senator SACKETT. Perfectly clear.

Mr. MACINNIS. The failure to supply these nets as has been indicated by Senator Bingham, has been questioned but it seems significant to us that in the various ramifications of the netting industry, which is a very old industry in the country, that point has never been brought up, and we believe it is because the other netting has been sufficiently protected, so that the foreign manufacturers can not make a better price than we can, but in this case, where they can buy the netting at 50 per cent less, there would be no reason for buyers in this country to prefer our netting as against the imported netting. We feel we have a just claim inasmuch as the raw material has a 40 per cent duty and our product has no duty whatever.

Senator BINGHAM. Have you samples of the imported netting?

Mr. MACINNIS. I have not, sir. This netting, as it appears on the table, is in a sort of tumbled condition, as it has been in my bag for two or three days, but when it is put into use it will stretch and straighten right out.

Senator GEORGE. As I understand, the twine of which these nets are made is made in quite a number of factories in this country?

Mr. MACINNIS. Yes, sir.

Senator GEORGE. South and East?

Mr. MACINNIS. Yes, sir.

Senator GEORGE. Then the twine is shipped to the net makers, who use highly specialized machines to put it in good form?

Mr. MACINNIS. Yes.

Senator GEORGE. All your nets are machine-made nets?

Mr. MACINNIS. Yes, sir.

Senator GEORGE. Nets that are used in the same way, but for other kinds of fishing, are really made and sold by American manufacturers?

Mr. MACINNIS. Yes, sir.

Senator GEORGE. Practically all of them?

Mr. MACINNIS. Practically all; yes. However, the otter-trawl net is now being applied to other lines of fishing and can easily be applied. The only principle of the otter-trawl nets is the two doors to keep the net open.

Senator BINGHAM. But it has very rough handling?

Mr. MACINNIS. Yes, sir.

Senator BINGHAM. Being towed by a boat that costs \$200,000 or \$300,000?

Mr. MACINNIS. Some cost \$40,000. There are small boats and big ones, costing \$40,000, \$30,000, \$25,000, and some \$150,000.

Senator GEORGE. The principle of the otter-trawl net is now being applied to the netting of shrimp?

Mr. MACINNIS. Yes. There is an attempt now being made to adapt the otter trawl to shrimp fishing, and it simply means that if it is continued the manila net will be substituted for all others.

Senator BINGHAM. What is the material from which shrimp nets are now made?

Mr. MACINNIS. They are cotton nets. They are smaller ones like these here [indicating].

Senator BINGHAM. They are not towed over the same kind of bottom?

Mr. MACINNIS. Well, I do not know how the bottom would be. I think, however, that shrimp lie a little up above the bottom. These nets are not only fished on the bottom but they are weighed so that they will catch the fish that are not on the bottom.

Senator GEORGE. They are towed on the bottom, but I think shrimp will usually be found on smoother bottoms.

Senator BINGHAM. That is what I had in mind.

Mr. MACINNIS. I want to say, Mr. Chairman, that the cordage manufacturers of the country, the Cordage Institute, have written me a letter which I have left at my hotel, and I would like to have permission to include it in my verbal statement. They all support the position of the net manufacturers who use, of course, their finished product as raw material.

(Mr. MacInnis submitted the following brief:)

#### BRIEF OF NET MANUFACTURERS

To the COMMITTEE ON FINANCE,  
*United States Senate:*

#### PROPOSAL OF NET MANUFACTURERS

We, the undersigned net manufacturers of the United States, with factories in five States and an industry representing some 5,000 employees, respectfully submit for your consideration our brief in justification of our request that paragraph 1721 of Schedule 16, title 2, of H. R. 2667, now pending before your committee, and reading as follows:

"Nets or finished sections of nets for use in otter trawl fishing, if composed wholly or in chief value of manila or vegetable fiber,"

be eliminated, and that in lieu thereof paragraph 1006 of Schedule 10 of H. R. 2667 be made to read as follows:

"Par. 1006. Gill nets, nets, webs, and seines, and other nets for fishing, wholly or in chief value of flax, hemp, or ramie (or manila or other hard fibers), shall be subject to the same duty per pound as the highest rate imposed in this act upon any of the thread, twines, or cord of which the mesh is made, and in addition thereto, 10 per centum ad valorem."

#### A FOREIGN MONOPOLY

Under the tariff act of 1922 in connection with this industry there has arisen a foreign monopoly in the manufacture and sale of an article used in a vast American industry, which article has been and may again be manufactured by American industry if given adequate protection.

The facts concerning this monopoly and the injury done to one of the oldest American industries will, we believe, convince you of the justice of our petition for relief at this time.

In a broad sense, an otter trawl is an implement made of fish netting having as its distinguishing characteristic the shaping of the netting into a conical bag furnished with two heavy wooden doors, one at each side of the opening of the bag. The otter trawl is dragged behind a vessel, the effect of the motion through the water being to spread the doors as far apart as the netting will permit, thus making the opening to the net as big as possible for fish-catching purposes. The otter trawl net is made in sections, there being as many as 10 to 12 sections in a trawl. Any section becoming damaged in use can be removed from the net and a new section inserted. These trawls vary greatly in size, depending on the tonnage of the vessel.

Before the passage of the 1922 tariff act domestic manufacturers furnished practically all of the otter trawls used. This netting was made from a cotton twine. In only exceptional cases was a manila net used and such cases were confined only to trawls of the largest size as used by comparatively few vessels of the greatest tonnage having the most power. In such instances where the utmost strength was required an imported net was used knit from manila twine. What has happened since, when otter trawls were placed on the free list? The imported manila trawl rapidly displaced the domestic cotton trawl irrespective of its size. This extension of the use of manila is shown by a 1,500 per cent increase in imports—1922, 66,803 pounds; 1927, 499,767 pounds; 1928, 1,031,217 pounds.

#### DRIFT FROM COTTON

This drift away from the use of cotton is simply and solely because of the fact that the imported article is the cheaper. Importers of foreign trawls and trawling operators using imported netting now base their claim that trawls should be kept on the free list by contending that the domestic manufacturer can not furnish a trawl suited to their needs. This claim is a vicious falsehood and utterly ridiculous. Domestic manufacturers are thoroughly familiar with the art of making trawls through many years of experience in making this very type of net. It is significant that no like charge of incompetence is made in the case of any other type of net, be it knit from manila, flax, hemp or cotton where the domestic price does not suffer by comparison through competition with a foreign article on the free list.

Those who oppose our plea that paragraph 1624 of the tariff act of 1922 be stricken from the free list (1721 H. R. 2667) claim that the great increase in the use of trawls dates from 1922 and is due to the fact that at that time trawls were admitted free of duty. This, too, is utterly false. We attach and make a part of this brief a chart showing the distribution of fishing-vessel costs engaged in trawling. This shows that "net and gear" constitute 1½ per cent of the total costs. The same chart shows the distribution of these same vessels' operating costs. Here gear replacements of all kinds, including nets, constitute 2½ per cent of the operating cost. It is manifest that the advantage gained by the trawler by placing the manila trawl net on the free list in 1922 can not account for the enormous expansion of the trawl-fishing industry, for the reason that the item of netting is but a negligible and trivial part of the cost of trawl operation. The reason for the expansion must therefore be sought elsewhere.

The facts are these. Since 1922 instead of shipping whole fish to all points of the country, the filleting process was adopted. In this way two clear pieces of fish were sliced off, leaving the fish head, tail, fins, and bones to be disposed of as waste. Fish thus prepared were attractive to the consumer and ready for cooking. Fish fillets could be transported economically. Finally better methods of refrigeration were introduced and as a result the improved product, the filet, would reach any part of the United States in perfect condition ready for the oven. The huge catches of the otter trawls, instead of being a glut on the market, now met a ready demand, with the result that more and more trawlers were built.

#### AN UNENVIABLE POSITION

Operators of trawling vessels were protected by a 1 cent per pound duty on fish under the 1922 act. As stated, since that act, the use of filets has been developed. The producers asked the House for a duty of 2½ cents per pound on the filets and 3 cents per pound on the smoked filets. In the House bill, which is before you, this request was granted. With this the domestic net

manufacturers have no quarrel. The fact remains, however, that the producer's argument was based on higher production costs operating in the United States. That this is a fact can not be denied. But the producers and importers do not come into court with clean hands when they oppose a reasonable and logical plea of domestic manufacturers for consideration on like grounds.

The domestic net manufacturer is now in an unenviable position, indeed. In the 1922 act and in the act now under consideration imported manila trawls and sections thereof enter duty free, yet the manila twine from which such a net is knit is dutiable at 40 per cent ad valorem. Thus, while there is a 40 per cent ad valorem duty on the twine from which the nets are made, this same twine, when imported in the form of nets, comes in duty free. How can the domestic manufacturer compete?

In order that the American manufacturer can recover the cotton poundage that has been displaced by the cheaper manila in the lighter and intermediate sizes of otter trawls and in order that he can compete with the imported manila trawls in the heavier sizes, it is vital that paragraph 1721 of H. R. 2667 be eliminated from the free list and trawls restored to the dutiable list. The domestic manufacturer of trawl nets should be accorded a protective duty equalizing cost differences at least to the same degree as in the case of all other netting for the fisheries, such as pound nets, gill nets, fyke nets, trammel nets, smell bags, floating traps, etc.

#### DIFFERENCE IN COSTS

Herewith are set forth the comparative costs of twine necessary in the manufacture of otter trawl nets which the domestic and British and Dutch manufacturers have to pay:

In the United States, 32 cents per pound; in England, 20 per cent per pound; in Holland, 20 cents per pound.

At the very commencement of manufacturing, therefore, it is manifest there is a difference in favor of the foreign manufacturer of 12 cents per pound for the material out of which the otter trawl net is to be manufactured.

The price of the finished imported otter trawl net based upon market quotations in America is 42 cents per pound free of duty.

Domestic manufacturers to produce the same otter trawl net profitably would have to sell the domestic product at a price of 64 cents per pound.

Thus, there is in the finished product a differential of 22 cents per pound in favor of the foreign manufacturer, a difference which constitutes a complete barrier against the American manufacturer and creates a foreign monopoly that is invulnerable under the present tariff act.

The relief requested in our brief, if granted, will enable us to compete with foreign manufacturer for a business which was ours at one time and which should be ours at the present time. The desirability of permitting American industry to compete with foreign industry in this product is all the more important in view of the great expansion of the otter trawl principle in the conduct of the commercial fishing industry of America.

#### ADDED COSTS WOULD BE NEGLIGIBLE

The added cost to any given trawling vessel would be slight as compared with the total cost of operating such a vessel. In fact, the added cost would figure about one-third of the vessel's ice bill, which ice bill is only 3 per cent of the total cost of operating the vessel. Such an item of cost to the trawler is trivial when compared with the benefit secured through being accorded an increase of from 250 per cent to 300 per cent in duty on fish as set forth in the present act under consideration. In face of the fact that a trawler, according to the attached exhibit, prepared by the Atlantic Fisherman, 1928, a leading trade journal, should earn a net return of 16 per cent under the protection accorded under the 1922 act (see Exhibit A attached hereto, being p. 24 of *The Fishing Industry, A Mill that Never Stops Grinding Nor Buying*, published by Atlantic Fisherman (Inc.), 1928), we feel certain that if our opponents had any idea that their inconsistent stand might prejudice increases afforded them as recommended by the House, they would be the first to resent the extravagant claims and protestations made before the House and would be the first to incline a sympathetic ear to that which heretofore they so bitterly opposed.

We quote from the Atlantic Fisherman, May issue, pages 21 and 30, where editorially the charge that this journal was not active in advocating that trawls remain on the free list was answered as follows:

"\* \* \* The sensible way was to dope the question out in a quiet moment and follow the dictates of best judgment. Our best judgment was that much

more would be gained by the 'poor fisherman' by a duty on Canadian fish than by a continuation of free-list trawls, and it seemed reasonable to presume that the members of the Ways and Means Committee would find it difficult to reconcile agitation for a high tariff on fish one week and a request a few days later from the same men for no duty on an affiliated product. In other words, the Masthead-man thought, and still thinks, that committee members, not thoroughly acquainted as they are with fishery subjects, would decide that the representatives of fish producers appearing at the hearings were basing their arguments not on facts but on selfish motives," etc.

The heavy-duty knitting machines of domestic manufacturers are largely idle, as the situation now stands. Such machines now knit the same manila twine into trap netting which gives perfect satisfaction, due to the fact that a foreign article can not be bought more cheaply. We now manufacture a quantity of the manila trap netting for the Pacific coast, but, of course, under protection. These machines will produce a more even mesh than can be produced by the hand knitter. We submit samples of manila trawl netting of domestic manufacture, substantiating our contention that from the standpoint of quality it is fully equal to imported machine-made trawl netting and superior to imported netting when such netting is knit by hand. But this fact is conceded, and that is the domestic netting costs more to a buyer than would a like piece of netting of foreign manufacture now on the free list.

#### FIVE THOUSAND WAGE EARNERS

As stated, there are seven domestic net manufacturers with factories located in St. Louis, Chicago, Baltimore, Newark, Paterson, Jersey City, and Gloucester. The capacity of these domestic manufacturers is wholly adequate to meet the requirements of our fishing industry. Their employes for the most part have been engaged for many, many years in the exacting, specialized work required of them and if thrown out of employment through continued importation of Dutch and British nets would have difficulty in adjusting themselves to other industry. Such netting mills in turn depend upon yarn thread and twine mills located in various States of our country from Rhode Island to Alabama.

The manufacture of fish netting in this country gives employment to about 5,000 people. This is an industry which during the war was repeatedly impressed by the Federal and State Governments with the necessity of supplying more and more nets to increase the fish-food production.

The production of fish increased enormously and American netting manufacturers supplied all the netting required without resorting to importations of foreign manufacturers. This is the old American industry which is threatened by the policy of placing a duty of 40 per cent on the industry's raw material and no duty on its manufactured product in so far as this type of net is concerned, which character of net is assuming greater importance in the fishing industry year by year.

In face of the facts as hereinbefore set forth, we submit our case to your committee, confident that the justice of our position has been adequately set forth.

Respectfully submitted.

Ederer Net & Twine Co., Chicago, Ill.; Fish Net & Twine Co., Jersey City, N. J.; National Net & Twine Co., Paterson, N. J.; W. & J. Knox Net & Twine Co., Baltimore, Md.; Pauls Net & Twine Co., Chicago, Ill.; Adams Net & Twine Co., St. Louis, Mo.; American Net & Twine Co., Boston, Mass. By William J. MacInnis.

#### DISTRICT OF COLUMBIA, ss:

This day personally appeared before me William J. MacInnis, to me known to be the person who executed the foregoing statement, who, being duly sworn upon his oath, doth say that he is the properly authorized representative of the firm whose names are attached to the above statement, that the said firms subscribe in full to all statements made therein, and that all statements made therein are true and correct to his best knowledge and belief.

Subscribed and sworn to before me this 11th day of July, 1929.

[SEAL.]

JESSIE G. LANE,  
Notary Public, District of Columbia.

## EXHIBIT A

[From Atlantic Fisherman, 1928]

DISTRIBUTION OF FISHING VESSEL COSTS		Per cent
Builder.....	-----	28
Engine room.....	-----	40
Main engine.....	-----	22
Main auxiliaries.....	-----	3½
Stand-by auxiliaries.....	-----	1
Batteries.....	-----	2½
Oil tanks.....	-----	2½
Installation.....	-----	8½
Deck machinery and gear.....	-----	13½
Trawl winch.....	-----	5½
Bollards, etc.....	-----	2
Gallows frames.....	-----	1½
Nets and gear.....	-----	1½
Warp.....	-----	2
Deck.....	-----	½
Miscellaneous.....	-----	18½

DISTRIBUTION OF FISHING VESSEL STOCKS		
Joint expenses.....	-----	8
Fuel oil.....	-----	4
Lubricating oil.....	-----	1
Ice.....	-----	3
Vessel's share.....	-----	37
Skippership.....	-----	4
Insurance.....	-----	5
Depreciation.....	-----	5
Repairs.....	-----	4½
Replacements.....	-----	2½
Earnings.....	-----	10
Crew's share.....	-----	55
Groceries and provisions.....	-----	5
Miscellaneous.....	-----	3
Earnings.....	-----	47

## BRIEF OF THE CORDAGE MANUFACTURERS OF THE UNITED STATES

To the COMMITTEE ON FINANCE,  
*United States Senate:*

We, the undersigned cordage manufacturers of the United States, representing the entire domestic hard-fiber industry of the United States, in fairness to the net manufacturers, whose product is largely the product of twine manufactured by our industry, respectfully submit herewith our view that the request of the said net manufacturing interests of the United States is justified on the basis of the facts of this situation, and for the reasons hereinafter given we indorse the petition of the net manufacturers to wit: That paragraph 1721 of H. R. 2667, now pending before your committee, be eliminated from the bill, thereby removing other trawl nets from the free list, and—

That paragraph 1006 of H. R. 2667, now pending before your committee, be amended by the insertion after the word "ramie" in line 3 thereof, the words "or manila or other hard fiber."

The purpose of the amendment of paragraph 1006 is to make possible the inclusion of the otter trawl net within the same paragraph as all other nets used in the commercial fishing industry.

### REASONS FOR OUR POSITION

Our particular interest in the petition of the net manufacturers is found in certain charges made by importers of the foreign otter trawl nets in connection with the manufacture of said nets, it having been alleged that the domestic net

could not compare to the foreign-made product in quality. We desire to point out that the cordage manufacturers of the United States will provide, as they do now and have in the past, for these and other nets, the twine used in the manufacture of domestic otter trawl nets. Inasmuch as the quality of the twine used in the said manufacture is a large factor in the quality of the net itself, we respectfully represent that the domestic made twine does compare, as to quality, favorably with any twine for such purpose made anywhere in the world. We do not desire to let go unchallenged the intimation of inferiority of the domestic twine used in the manufacture of such trawl nets. We desire to point out that, at the present time, in the manufacture of Manila yacht rope and other articles which might be mentioned, the domestic article is superior to any other made anywhere in the world. There is nothing in the line of cordage and twines which can not be made by domestic manufacturers equal or superior to that made by any foreign manufacturer.

We further submit that we are in full accord with the position of the net manufacturers in their opposition to a situation which permits the foreign manufacturer of otter trawl nets to import said nets free of duty, although the twine out of which they are manufactured bears a duty of 40 per cent ad valorem under the act of 1922. We submit that we are in accord further with the view of the net manufacturers that, in addition to the compensatory duty upon the nets as indicated above, there is a justification in their request for a 10 per cent additional ad valorem duty to represent the difference in labor costs between the manufacture of said nets abroad and in the United States and, for the reasons herein set forth, we again submit to your committee our complete endorsement of the petition of the net manufacturers in re paragraph 1721 of H. R. 2667.

Respectfully submitted.

J. S. MCDANIEL,  
*Chairman, Cordage Institute.*

Representing:

American Manufacturing Co., Brooklyn, N. Y.

California Thorn Cordage (Inc.), Los Angeles, Calif.

Columbian Rope Co., Auburn, N. Y.

Cupples Co. Manufacturers (Inc.), Brooklyn, N. Y.

Edwin H. Fittler Co., Philadelphia, Pa.

Hooven & Allison Co., Xenia, Ohio.

R. A. Kelly Co., Xenia, Ohio.

New Bedford Cordage Co., New Bedford, Mass.

Peoria Cordage Co., Peoria, Ill.

Plymouth Cordage Co., North Plymouth, Mass.

Portland Cordage Co., Portland, Oreg.

Portland Cordage Co., Seattle, Wash.

John Rauschenberger Co., Milwaukee Wis.

Rineck Cordage Co., Easton, Pa.

E. T. Rugg Co., Newark, Ohio.

St. Louis Cordage Mills, St. Louis, Mo.

Tubbs Cordage Co., San Francisco, Calif.

Wall Rope Works (Inc.), Beverly, N. J.

Waterbury Co., New York, N. Y.

Western Cordage Co., Orange, Calif.

Whitlock Cordage Co., Jersey City, N. J.

CITY OF WASHINGTON,  
*District of Columbia:*

This day personally appeared before me J. S. McDaniel to me known to be the person who executed the foregoing statement and who being duly sworn upon his oath deposes and says that he is the chairman of the Cordage Institute, and as such is duly authorized to represent before the Finance Committee of the United States Senate the companies whose names are appended as represented by himself, and that the brief and statements of fact submitted herewith were prepared by him; that the facts stated therein are true, except those facts stated to be upon information and belief, and those facts he believes to be true.

Subscribed and sworn to before me this 12th day of July, 1929.

[SEAL.]

MARGUERITE H. COLLIERE,  
*Notary Public, D. C.*

My commission expires October 8, 1932.



**STATEMENT OF EDWARD H. COOLEY, BOSTON, MASS., REPRESENTING THE MANILA OTTER TRAWL FISHERMEN**

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. COOLEY. Mr. Chairman, I represent the manila otter trawl fishermen.

Senator BINGHAM. You represent the other side of this story?

Mr. COOLEY. Yes; I represent an industry which is notably silent because the men are, in the main, unable to come and talk to the crowd and tell their story.

My position is that of an executive of an association. I would like to put this sample in your hands or else demonstrate it, so that you may visualize what we are talking about.

Senator BINGHAM. That is just a miniature model?

Mr. COOLEY. Yes, of the otter trawl, which is dragged along the bottom of the ocean, and after we put it overboard it sinks and we can not tell what is going to happen until an hour and a half later when we pull it up. Then, perhaps, we will have fish and perhaps we will not. The boats that drag these trawls cost about \$300 per day to operate and the value of a boat will run from \$100,000; some of the smaller ones, say, \$60,000, but some of the larger ones, \$325,000.

Those are the boats that drag these nets along the bottom.

Senator BINGHAM. They are only able to drag one at a time?

Mr. COOLEY. Yes; one at a time.

Senator SIMMONS. What is the size of the ordinary net they drag?

Mr. COOLEY. About 100 feet. They vary in size from 50 feet up. It depends on the power of the engine in the boat. We buy them by the horsepower of the engine, in other words, one boat may tow a hundred horsepower net, that is, the fisherman designates it in that way.

Senator GEORGE. Are they dragged at any speed?

Mr. COOLEY. At about 3 miles per hour.

Senator BINGHAM. But the net has to correspond in strength to the horsepower of the boat?

Mr. COOLEY. Yes, sir. If we had a boat that could not drag the net a proper speed, the net would not catch the fish; they would swim out of the net or else the net would not hold them.

Senator SACKETT. Are these nets used for any other purpose except for fishing in that way?

Mr. COOLEY. None that I know of. The word "otter," I believe, comes from the two doors you find here [indicating].

Senator SACKETT. I want to know whether they could be substituted for any other use?

Mr. COOLEY. Not that I know of.

Senator SIMMONS. These nets are made out of what material?

Mr. COOLEY. Manila.

Senator SIMMONS. All of them?

Mr. COOLEY. Yes, and we are not saying a word about cotton.

Senator SIMMONS. You mean that the nets which are imported are made out of manila and the nets you make here are made out of manila?

Mr. COOLEY. We do not make any here.

Senator BINGHAM. Where are they made?

Mr. COOLEY. They are made mostly in Great Britain, as far as I know.

Senator BINGHAM. Are they made by hand?

Mr. COOLEY. They are handmade.

Senator SACKETT. Why are they not made here?

Mr. COOLEY. Because, as I see it, the manufacturers refuse to attempt a handmade article.

Senator BINGHAM. And it would make it too expensive?

Mr. COOLEY. It would make it too expensive. I said before the Ways and Means Committee that if the American manufacturers would put out a trawl that was satisfactory at a reasonable price, our fishermen would take it.

Senator SIMMONS. What do they put out as a substitute?

Mr. COOLEY. A machine-made article.

Senator SIMMONS. Made of what?

Mr. COOLEY. Made of manila, just the same, because the fishermen will not buy cotton. They can not use cotton.

Senator BINGHAM. Have you a sample of one of the full-sized nets used in towing?

Mr. COOLEY. No, I have not. I have samples of the American nets, which have been over in the House Office Building.

Senator BINGHAM. Are they any different from the samples you have just offered here?

Mr. COOLEY. They are practically the same thing. These two here are American articles, while this one here is an English article.

Senator BINGHAM. You have samples of the two different kinds?

Mr. COOLEY. Yes.

Senator SIMMONS. Is this a handmade net [indicating]?

Mr. COOLEY. Yes.

Senator BINGHAM. While this is machine made?

Mr. COOLEY. Yes. You will notice there is a difference in the two. When a net is made by hand the man making it takes the kinks out of the twine and there are no kinks in the twine, as you will notice in this finished article. You will notice it is tight and has no kinks in it. Now, our opponents say they have a stretching machine that will stretch all of this out, but some of these were purchased and tried and it was found that instead of remaining tight the kinks will loosen it.

Senator SIMMONS. Let me ask you this: The object of putting a duty, in your opinion, upon it is to force the fishermen of this country to use a machine-made product?

Mr. COOLEY. Nothing else.

Senator SIMMONS. That is all there is in it, in your judgment?

Mr. COOLEY. That is what it amounts to. The fishermen can not use it, no difference what duty you put on it.

Senator GEORGE. What is the real reason they cannot use it?

Mr. COOLEY. As this net is dragged along the ocean it may have 4 or 5 or more tons of fish down in this end, which we call the cod end. Logically, the only thing that is going to hold that load of fish is the strength of each individual twine. Each twine must take its portion of the load or it will break, with the result that once any one that is overloaded breaks an additional load is put on the next twine to it. Breaks, therefore, occur and trouble results. Now, if this net is machine made it is pieced up from sections which are cut from a big portion of manila netting. The operator will come along with shears, snippers, or whatever they use, cut out a piece of proper

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size and fashion it by hand selvage, dog-ears, or other needed pieces. This will not work so well as a net which is handmade because it is impossible to have the strain evenly distributed. The pull of the net is taken on these two corners right here [indicating]. As I have stated the fishing industry has tried these machine-made nets but they have been found not to work at all satisfactorily.

Now, I want to read to you some excerpts from the brief filed by our opponents.

Senator BINGHAM. As those briefs are in the record you might just refer to them.

Mr. COOLEY. Beginning on page 8843, you will find excerpts taken from the briefs which our opponents presented, and then on page 8844 you will find an affidavit from Kristian M. Johansen, who was hired by the Linen Thread Co., of Gloucester, and I shall tell you some more about that company a little later. They hired this man to come in and try to make their article fit the needs of the industry, but there is an affidavit here which tells that it would not be satisfactory according to his view. Then I have another one—

Senator BINGHAM. As you have made one page reference that will give us the place in the book and that will be all that is necessary on that.

Mr. COOLEY. Then we had one other boat which used nothing but the American trawl, and the captain said it was all right, it was a good trawl; but, gentlemen, the owner took that captain off the boat because he could not catch half a share of fish, and they put another captain on who said he understood the American trawl and could catch fish, but he has made a fizzle of it.

Senator GEORGE. There is a lot of difference in fishermen.

Senator SACKETT. I have made a fizzle of several kinds of fishing in my day.

Mr. COOLEY. Most of us have.

Senator SACKETT. So I do not think that negative argument goes very far.

Mr. COOLEY. The point I wish to emphasize is this, not one of these has been sufficient and we can not use them. I have noticed the opponents line up in the House brief and that out of seven companies signing, three companies have the same family name. I said before the House committee that our industry felt it was simply a monopolistic request. I went further into that and I want to give you this, that across the water there were two competing companies who manufactured these trawls; one company got practically all the business; the other company came to the United States and to-day the Linen Thread Co., by report from England and from reports from New York State, which I have secured, from New Jersey and others, is a subsidiary of the Linen Thread Co. of England. Now, if you erect a tariff wall it would be lovely for this crowd to automatically shut off their competitors across the water, but we can not use their articles regardless of the tariff that is put on. They will have to produce a better net or else we will continue to import the article.

Senator BINGHAM. What would be the increase in the cost of fishing?

Mr. COOLEY. In 1928 the total value of manila otter trawls used in the United States amounted to \$225,000. The duty as requested by the machine knitted people would increase the cost to \$450,000 or

three-tenths cent per pound of fish, or about 10 per cent of the landed value.

Senator BINGHAM. Do you mean to say it would increase the cost by 100 per cent?

Mr. COOLEY. That is what it amounts to, according to different interpretations that have been made. I have read their briefs repeatedly and I can get a different interpretation of a lot of things every time I read them. Every one of these is most interesting. The statement is made that this manila otter trawl industry is putting the cotton people out of business, that they have lost their trade. One of the arguments was that no longer do they fish to such an extent with cotton lines and hooks fastened to them, and yet, gentlemen, the Government statistics show that in Boston alone the average increase has been 5,000,000 pounds per year. What are they using to catch them with? They are all cotton lines.

Senator SACKETT. I do not see what that has to do with this fish-net matter.

Mr. COOLEY. Well, Senator, it is my duty to let you see the inside of this.

Senator SACKETT. But you want to continue to have these nets made of manila?

Mr. COOLEY. Yes.

Senator SACKETT. And you want them on the free list?

Mr. COOLEY. Yes, sir; just where they are to-day.

Senator SACKETT. And there is no argument against it except from people who would like to make them here and have a duty put on them?

Mr. COOLEY. That is true.

Senator SACKETT. And you say that if a duty were put on them they would make a machine article which you could not use?

Mr. COOLEY. That is right.

Senator SACKETT. That is the real argument, so what more is there to be said?

Mr. COOLEY. May I look over my notes to see if I have left out some points?

Senator GEORGE. How is a net sold, by the yard or pound?

Mr. COOLEY. By the pound.

Senator GEORGE. What does it usually sell for?

Mr. COOLEY. I do not know the pound price, but the net costs from \$80 to \$300, depending on the size.

Senator GEORGE. And I understand that the amount imported, in dollars, was something like a quarter of a million?

Mr. COOLEY. Yes; last year. This matter becomes of more importance because of the great increase in the fishing industry.

Senator BINGHAM. Is that due to the improved methods of refrigeration and shipping?

Mr. COOLEY. It is to a great extent. The fishing industry has been 300 years behind the times until the last 10 years. We have just begun to get on our feet, and we have done it ourselves. We have not had any help from anybody and now we do not want any hindrance from anybody. Give us a chance to do something with this big food industry.

Senator SIMMONS. I understood you to make the point that they have suggested the idea that if you would get rid of this manila net you might be forced to use the cotton net; is not that the idea?

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Mr. COOLEY. Their point is that they want us to use the cotton trawls or machine knitted manila trawls, but we could not use the cotton trawls if they gave them to us nor can we use machine knitted manila otter trawls.

Senator SIMMONS. But I understand you to say that the cotton nets can not possibly be used for this purpose because they have not sufficient strength?

Mr. COOLEY. That is the point exactly. We can not use cotton nets.

Senator GEORGE. The manila twine is produced in this country and the only point is whether a machinemade net can be used as well as a handmade net.

Mr. COOLEY. We can not use it. We do not feel there should be any duty on this article. As I have said before, no matter what duty you put on the manila otter trawls, we can not use the domestic product, and will be still required to purchase the imported hand-knitted article.

(Mr. Cooley submitted the following brief:)

#### BRIEF OF THE MASSACHUSETTS FISHERIES ASSOCIATION AND OTHERS

We, the users of the manila otter trawls, respectfully request that manila otter trawls shall remain on the free list.

Basic reasons for this are given in our brief which was presented to the House Ways and Means Committee and appears beginning on page 8847 of Volume XV, Schedule 15, Free List. We request a careful consideration of the facts contained therein.

We submit that the domestic otter trawl, which is machinemade, can not be successfully used in the fishing industry, since conclusive tests have proved that such a trawl pieced up from cut and shaped sections of machine-knitted manila netting can not be put together in such a way as to allow the net to hang or draw properly in the water. A satisfactory net must be hand knitted. By so doing, each individual thread or cord carries its proportion of the load of fish which many times amounts to tons. In the pieced up machine-knitted manila otter trawls it is impossible to secure the distributed strain which makes for successful fishing. As a result overloaded cords or twines break, or the area under excess tension has all its knots upset, meshes changed in size and the net is permanently put out of commission or requires extensive patching and readjustment.

The fishing industry will be required to use hand-knitted manila otter trawls, regardless of tariff duty. This clearly demonstrates that no benefit whatever could accrue to the cordage manufacturers or the net and twine companies of the United States, since the industry would neither buy twine to manufacture trawls nor buy the domestic trawls. We submit that any duty placed on the manila otter trawl or parts thereof will serve only to penalize this great food industry and be of value to no one.

Manila otter trawl experts testify that less than 100 (60 to 70) knitters would be required to knit all of the manila otter trawl needed each year in the United States fisheries. I all of these trawls were made in the United States that would be the measure of benefit which would accrue to the public. At the same time, the fishermen using these trawls at the increased prices, due to tariff, would be unable to operate their boats through the summer period when fish are sold (at auction) below the cost of production. For at least two months each year these vessels operate at a loss and their operation is continued to hold the crews together and supply a livelihood and food for their families.

If our opponents' request is granted, the increase in the cost of equipment will cause the boat owners to lay up more of their boats each year. It is fair to say that the livelihood will be taken from many many more families than would be provided to the comparatively few knitters who would be required to hand knit the manila otter trawls.

We therefore submit that a tariff on these trawls is economically unsound.

Our opponents, in their briefs and testimony, have endeavored to show that manila otter trawls have injured the cotton industry. Such is not the case. The decrease in cotton is due to facts fully explained in our brief, submitted to the

House Ways and Means Committee and referred to previously herein, and we submit that cotton has nothing to do with the manila otter trawl question.

By careful investigation we have been unable to find a single instance where a machine-knitted manila otter trawl has proved satisfactory. The *Evelyn G. Sears* fished with American-made manila otter trawls and although the captain of the vessel testified that these trawls were satisfactory, the managing owner, Antonio S. Mears, replaced this captain in an endeavor to put the boat on a paying basis. The affidavit of the owner relative to this boat appears on page 8852 of Volume XV, Tariff Readjustments, and conclusively states that these domestic trawls must be replaced.

To place the tariff on the manila otter trawl looks to the fishing industry to be a favor to large company or companies which are apparently very closely allied. From all testimony and briefs submitted by our opponents, it appears that the desire for this tariff is mainly on the part of the Linen Thread Co. This company and its subsidiaries appear in themselves to be a subsidiary to the Linen Thread Co., which is a British concern. Quoting from letters received from their English competitor:

"You will note the cablegram sent us some time ago and our reply to the effect that the Linen Thread is a British concern, the American section being a branch only. It is therefore peculiar for one British company to be applying for a duty in order to oppose another British firm, and we should think that point has been taken into consideration by the Ways and Means Committee.

"Yours truly,

"THE GREAT GRIMSBY COAL, SALT & TANNING CO. (LTD.),  
"W. E. WILSON."

From another letter received we quote:

"When we made our original inquiry regarding the Linen Thread Co., and their association with the British concern, we also mentioned to our status office the American Net & Twine Co., of Boston. We have only this morning received a report, but it contains interesting information.

"It is stated that the majority stock and controlling interest of the American Net & Twine Co. is vested in the Linen Thread Co., of New York City. Seeing that the latter are controlled by the Linen Thread Co., of Glasgow, it follows that this concern has a financial interest in the American Net & Twine Co.

"The president is Mr. Frederick K. Barbour and the vice president Mr. Robert C. Barbour. Our report states that in 1905 the Linen Thread Co. obtained control of the American Net & Twine Co., and that William Barbour served as president until his death in 1917.

"We are sorry that it was not possible to obtain this information in time for use at the recent Ways and Means Committee investigation. Perhaps it will be of service to you in your further discussions.

"Yours truly,

"THE GREAT GRIMSBY COAL, SALT & TANNING CO. (LTD.),  
"W. E. WILSON."

From the brief which our opponents submitted to the House Ways and Means Committee which appears on page 6002 to 6004, inclusive, can be found the signatures supporting said brief. It will be noted therein the recurrence of a family name, which would indicate a very close relationship between these concerns, and it has been questioned if this entire movement is not a monopolistic competitive move against the foreign company now furnishing the handmade manila otter trawls.

Our opponents requested manila otter trawls to be taken from the free list and made dutiable. Their original request asked for "gill nets, nets, webs, and seines, and other nets for fishing composed wholly or in chief value of flax, hemp, or ramie, shall pay the same duty per pound as the highest rate imposed in this act upon any of the thread, twine, or cord of which the mesh is made, and in addition thereto 50 per cent ad valorem," which can only be interpreted as a duty amounting to 90 per cent. Before this committee, however, they deny such intention and take a different position.

They state their impossibility of hand knitting manila otter trawls.

#### SUMMARY

1. We particularly request your study of the facts in our brief and testimony to the House Ways and Means Committee, beginning on page 8842, Volume XV, Tariff Readjustments.

2. Hand-knitted manila otter trawls are not produced in the United States. Imported manila otter trawls are therefore noncompetitive, since our opponents based their whole request on their claims of ability to produce a satisfactory machine-knitted manila otter trawl and state the impossibility to hand-knit trawls.

3. The industry has conclusively proved by tests that the manila otter trawls made from pieced-up sections of manila netting are not satisfactory and has submitted affidavits to the House Ways and Means Committee in support of such claim. (See Tariff Readjustment, Volume XV, page 8844.)

4. The industry can not use otter trawls made of cotton and any reference to cotton lines, nets, or trawls serves only to be cloud the real issue.

5. The industry can not use the domestic article and will be required to continue the importation of manila otter trawls regardless of tariff duty; hence no benefit can possibly accrue to either the domestic cordage manufacturers or to the domestic net and twine companies.

6. To load additional burden in the form of tariff duty on equipment will cause many boats to be laid up through the summer months when fishing is carried on at a loss, and will deprive thousands of fishermen and their families of a means of livelihood.

7. Nothing but injury to an industry which has just begun to make headway can result from a tariff on these manila otter trawls, and we respectfully request that manila otter trawls and finished sections thereof remain on the free list.

Respectfully submitted.

E. H. Cooley, business manager Massachusetts Fisheries Association; Portland Trawling Co., John Graham, president; Ocean Trawling Co., John Burns, jr., president; Bay State Fishing Co. Raymond C. Mudge, vice president; John Chisholm Fisheries Co., A. J. Chisholm, president; New Bedford Fleet, Capt. Dan Mullins, representative; General Seafoods Co. (Whitman, Ward & Lee Co.), John C. Wheeler, manager; Atlantic & Pacific Fish Co., E. L. Dunn, business manager; Massachusetts Trawling Co., Herman I. Cole, president; United Fisheries Co., Manuel Dominges, president and manager; Gorton Pew Vessels Co., John McCleod, manager; F. J. O'Hara Trawling Co., Boston, Mass.; O'Donnell Bros., Boston, Mass.; Buscallochi Bros., Boston, Mass.; Burus McKeon Co., Boston, Mass.; R. O'Brien Trawling Co., Boston, Mass.; Ward Fisheries, Boston, Mass.; Willard Daggett, Portland, Me.; Capt. Ruben Cameron, Capt. John Morash, Capt. William Westerbeke, Capt. John M. Hathaway, Capt. Elmer Jacobsen, Capt. John G. Murley, Capt. John J. Suter, Capt. John Williams, Capt. Louis Daucette, Capt. Chester Hathaway, Capt. D. F. Lynch, Capt. Hans Haran.

### **BRIEF OF THE ATLANTIC COAST FISHERIES CO. AND THE PORTLAND TRAWLING CO., GROTON, CONN.**

The fishing industry of the United States would consider it an unfair measure for the Senate to place otter trawls or sections of otter trawls on the dutiable list. Otter trawls should be retained on the free list.

No manufacturer in the United States has successfully made otter trawls. Actual experience shows they have failed. The reason we must have imported otter trawls is because we must have a trawl that catches fish. The domestic machinemade otter trawl will not catch fish. If the domestic manufacturer would make otter trawls by hand and if they would catch fish, we would be glad to use them providing they did not cost 25 per cent more than the imported English trawl.

The domestic trawl will not catch fish, because the tension on the twine is uneven. As a result the net loses its shape and the mouth of the net closes. Now with the English handmade otter trawl the tension on the entire net is graduated so that each portion of the net bears its share of the strain, and it is impossible for this net to become out of shape. This handmade net, therefore, is much superior to a machinemade net.

The wording of the paragraph should be so constructed that sections of otter trawls will come in free of duty. In this connection it might be well to explain that we can import sections of handmade otter trawls and fit them in a net which has that section worn out or torn to pieces. We constantly replace sections of the

nets as they wear out or become torn, so that after several months of fishing the entire net is made up of a dozen different sections.

In 1928 the total value of manila otter trawls used in the United States amounted to \$225,000. The duty as requested by the machinery people would increase the cost to \$450,000, or 0.3 cent per pound of fish, or about 10 per cent of the landed value. Ninety-five per cent of otter trawls used in the United States are used in the New England fishery. In 1927 imports were 499,767 pounds, valued at \$108,359, but in 1928, according to the United States Tariff Commission, imports were 1,031,217 pounds, valued at \$216,955. This increase was due to increased fishing activities. It is entirely unfair to assume that because fishing activities increased that any domestic industry was hurt. If there is no domestic industry to protect no domestic industry can suffer. It is not fair to penalize the fishing industry and it is not fair to make the fishing industry pay for any experiments of the machinery people. If the machinery manufacturers will devise a handmade trawl that will catch fish, the fishing industry will be glad to adopt it, but they should assume the burden of the experimenting and not pass it on to the fishing industry. We would not consider it good ethics for them to pass this expense to the fishing industry.

We are consistent in asking for the free entry of our otter trawls, because we are consistent in our entire tariff attitude. We ask for free entry of otter trawls because there is no domestic industry to protect. We ask for only minimum duties on fish; that is, duties which only equalize the difference in the cost of production. We would like to see a small duty of about 15 cents a gallon on cod liver oil, but will not ask the senate for such a duty in order that we might be consistent in asking for free entry of otter trawls and the minimum duty on fish.

Appeared personally before me Mr. C. L. Guyman, vice president of the Atlantic Coast Fisheries Co., who says that to the best of his knowledge the facts presented in the brief herein are true and correct.

C. H. GUYMAN,  
*Vice President the Atlantic Coast Fisheries Co.*

Sworn and subscribed to before me this 11th day of July 1929.

[SEAL.]

FRANK SCHARFENBERG,

*Notary Public.*

My commission expires March 30, 1930.

## OIL-BEARING SEEDS, AND ANIMAL AND VEGETABLE OILS IN GENERAL

[Pars. 1723, 1727, and 1729]

### STATEMENT OF J. O. EASTLACK, PHILADELPHIA, PA., REPRESENTING THE NATIONAL COOPERATIVE MILK PRODUCERS' FEDERATION AND ALLIED AGRICULTURAL ORGANIZATIONS

[Including vegetable tallow, par. 1789]

(The witness was duly sworn by the chairman of the subcommittee.)

Senator SMOOT. Mr. Eastlack wants to speak upon oil-bearing seeds and oils, paragraphs 1723, 1727, 1729 and 1789.

You appeared before the House committee?

Mr. EASTLACK. I did not, sir. Our organization appeared, but I did not personally appear.

Senator KING. Whom are you appearing for?

Mr. EASTLACK. I am employed by the Interstate Milk Producers' Association of Philadelphia.

Senator SMOOT. We have the testimony of the National Cooperative Milk Producers' Federation in the House hearings.

Mr. EASTLACK. Yes.

Senator SMOOT. Do you want to present additional evidence?

Mr. EASTLACK. Only a little additional evidence, Senator, with respect to the importance of the free list in this whole problem of the fats and oils as it relates to dairies.



Senator SMOOT. Well, that is the evidence they gave before the House committee.

Mr. EASTLACK. Yes, except that we are not incorporating any old material in this short presentation which I have here this morning. I would like to put a bit of new information into the record, with your permission.

Senator SMOOT. Yes. You may put the whole of it in the record if you desire.

Mr. EASTLACK. Well, I would like to put this into the record, but I would like to call the attention of this committee at this time to one or two points in connection therewith.

The National Cooperative Milk Producers' Federation has been joined in this presentation, as it was before the House committee, by practically all of the general farm organizations and many of the organizations that are more directly concerned with the fats and oils problems, such as the livestock producers and certain of the cottonseed crushing interests. We are appearing on what has turned out to be one of the most controversial subjects of the tariff. And the farmers of this country feel that it is one of the most important with which they are confronted with respect to the tariff problem.

The magnitude of the oils and fats industry is excellently illustrated by the fact that we are producing in this country about seven and three-quarters billion pounds of vegetable, animal, and marine fats and oils. In addition to what we are producing, we are importing about one and three-quarters billion pounds, of which about a billion pounds come into this country as extracted fats and oils, and three-quarters of a billion pounds come in in the form of the raw materials from which the oils are extracted. We are exporting about a billion pounds—about three-fifths as much as we are importing. So that we are annually consuming about seven and three-quarters billion pounds net of oils and fats in this country.

Despite the fact that since 1921 representations have been made to Congress by the producers, and Congress has met those representations with tariff rates from time to time, three-fifths of that entire importation still enters this country duty free, and at this time I would like to have each of the members of the committee examine the chart which we have prepared here. I might state that our general request to this committee is that all of the fats and oils be made dutiable at 45 per cent ad valorem, and that the raw materials from which the fats and oils are expressed be made dutiable at 40 per cent ad valorem, leaving to the crushing interests in this country a 5 per cent differential, which could cover, except perhaps in exceptional instances, the additional manufacturing costs with regard to extraction as compared to the countries of origin.

Senator SMOOT. Are you an attorney?

Mr. EASTLACK. No, sir.

Senator SMOOT. What is your business?

Mr. EASTLACK. I am employed by the Interstate Milk Producers' Association under the title of statistician, and have charge of the records and the general office work of that organization.

Senator SMOOT. Do you think we could impose a 45 per cent duty on copra from the Philippine Islands?

Mr. EASTLACK. That is a problem, Senator, that I can not answer from a legal angle. I think as a citizen of this country that it would

not be unfair to impose a tax against the products of the Philippines, except as we may be committed by some specific agreement in our relationships with the islands. If that be the case, and it is impossible—and I might add that our organization intends to discuss with this committee under section 301 our position on the question of the Philippines—if it be the case that the Congress of the United States can not assess either a full or a preferential tariff against the Philippines, we do not feel that that is a sufficient reason not to impose tariffs on the other things which do not originate in the Philippines.

Senator SMOOT. I haven't any doubt but what we can impose a duty, but what is your ideas as to the moral side of the question? Have you given it any thought?

Senator KING. And the effect upon democratic principles if we are to hold for exploitation foreign dominions?

Mr. EASTLACK. If at some future date the Philippines may be declared free and independent there will be no question at that time but that tariff rates will go into effect against the islands, either a preferential or full rate.

Senator SMOOT. No doubt, but that is not what you are asking.

Mr. EASTLACK. What I am saying this morning is that if this committee or if the Congress of the United States decides that a tariff is not to be imposed against the Philippines, that we do not want that to be considered a complete reason as to why a duty should not be assessed against these fats and oils such as palm oil and palm-kernel oil and copra, which come from other sections of the world.

Senator SMOOT. Well, of course copra does, but most of it comes from the Philippine Islands.

Mr. EASTLACK. Granted. And if we can not secure the correction of the problem as we see it at this time we would have a partial solution of this problem by the assessment of these rates against the other items.

Senator KING. Is it your position that butter is not high enough? That lard is not high enough?

Mr. EASTLACK. The rates now in the House bill against lard are higher than those we requested, Senator.

Senator KING. Well, is it your contention that the domestic prices of butter and lard and oleomargarine and fats generally, and soaps are not high enough?

Mr. EASTLACK. Do you refer to farmer prices or retail prices, Senator?

Senator KING. Prices to the consumer.

Mr. EASTLACK. I suspect that the consumer feels that they are high enough, Senator. Farmers do not feel that the fats market is high enough, and they feel that they should have the right, so far as this country is concerned, so far as physically possible, to supply the fats market in exactly the same way as they have the right to supply the other food markets of the country.

Senator SMOOT. You are asking the same rates on farm products and butter as are asked by all of the representatives of all of the farm organizations?

Mr. EASTLACK. Yes, sir.

Senator SMOOT. We have all of those tabulated.

Mr. EASTLACK. In the preparation of our brief we have not selected certain items with the idea that an exaggerated story could be pre-

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sent to this committee. Every item of fats and oils that has been imported has been presented in this brief and in the previous briefs that we have presented, with the idea that the committee would have available a complete story with respect to the entire fats and oils situation.

If the Senators will refer to this chart for a few minutes they will notice that three-fifths of all of the fats and oils on the basis of all oil equivalents, both fats and oils and raw materials, still enter this country duty free. And that the one big item which is dutiable is flaxseed and linseed oil.

Senator KING. You appreciate the fact that we export farm products of various kinds to the extent of more than a billion dollars?

Mr. EASTLACK. Yes, sir.

Senator KING. Would those whom you represent like to see our foreign markets for the products of the farmers destroyed?

Mr. EASTLACK. I believe the farmers of America, Senator, are coming to the conclusion that the solution of the farm problem rests not in increasing our exports of food products but in so diversifying American agriculture that we are able to supply substantially all of the demands of the domestic market. So that before this committee the largest single opportunity is presented in that they have here the opportunity of giving to the American farmer a chance to diversify his agriculture and supply the fats market of this country to the extent of 1,731,000,000 pounds annually. And that if this farm problem is to be solved it will be solved not by continual incentive to production of our surplus crops, but by the allocation of lands now in surplus crops into crops on which we are not now on a self-sufficing basis.

Senator KING. Well, your surplus crops have in the main found a market abroad to the extent that I have indicated, to the extent of over a billion dollars, raw and semifinished products—if I may use that expression. I imagine that the agriculturist of the United States would like to find an outlet for agricultural products in various forms.

Mr. EASTLACK. Yes, Senator; but if the farmer would be in a position to transfer a portion of his wheat acreage into flaxseed, as you have made it possible in the House Bill, and if he can transfer a portion of his corn acreage into soy beans, as was made possible in the House bill, his total income would be greater at a lesser expenditure of energy than to continue to produce these huge exportable surpluses.

Senator KING. Is it not apparent to you that the exportable surpluses have called for greater foreign commerce, both exports and imports, of legitimate and needed articles?

Mr. EASTLACK. Yes, sir.

Senator KING. All right.

Senator SMOOT. The chart that you handed to the committee shows that there is 22.92 per cent of flaxseed oil imported into the United States.

Mr. EASTLACK. 22.92 per cent ad valorem, Senator, is the calculated rate against the flaxseed.

Senator SMOOT. The ad valorem rate. It would be impossible to produce that amount of flaxseed in the United States, would it not?

Mr. EASTLACK. I do not think impossible, Senator. Any of the Northwestern wheat land is capable of producing flaxseed.

Senator SMOOT. Well, we gave them a duty there and they do not seem to do it.

Mr. EASTLACK. We have increased our production of flaxseed, though, during the period of protection in the act of 1922.

Senator SMOOT. In 1922 we gave them just exactly what they asked.

Mr. EASTLACK. Yes, sir.

Senator SMOOT. And they said that if those rates would be given to them they could produce all the flaxseed that was required in the United States.

Mr. EASTLACK. They have produced more, sir.

Senator SMOOT. They are not producing half.

Mr. EASTLACK. Just about half, Senator.

Senator SMOOT. Just about half.

Mr. EASTLACK. Yes, just about half. And the increase from 3.3 to 4.16 which the House rates have given we believe will further encourage that production.

Senator SMOOT. You may proceed.

Mr. EASTLACK. The present House bill as it has been passed and presented to the Senate has made six changes in rates. The first of these is that the rate on soy beans and soy-bean oil has been doubled. The second is that the rate on sesame oil has been changed from the free list to dutiable at 3 cents per pound. The third is that the rates on olive oil in cans of less than 40 pounds has been increased one cent per pound.

Senator SMOOT. That does not help you very much, does it?

Mr. EASTLACK. No, sir; and it was interesting to note that that increase was given largely because of representations of the tin-plate manufacturers and not of the farmers.

Senator SMOOT. And the Italian cans are made of American tin plate, are they not?

Mr. EASTLACK. I could not answer for that, sir. The rates on refined wool grease have been classified and they will probably work to increase the duty on that particular product. The rates on linsced oil and flaxseed oil have been increased, the one from 40 cents per bushel to 56, and the other from 3.3 to 4.16.

Senator SMOOT. You do not want any increase over those figures?

Mr. EASTLACK. No, sir; we are not requesting that. That is substantially the request that we made before the committee. And the sixth is that palm-kernel oil has been made dutiable at 1 cent per pound if denatured at time of entry so as to be rendered unfit for food purposes.

Senator SMOOT. The President made a proclamation on flaxseed and also on flaxseed oil, did he not, increasing the rates?

Mr. EASTLACK. Well, I know that an investigation has been conducted by the Tariff Commission.

Senator SMOOT. To 56 cents per bushel. That is what the proclamation of the President was. And you are not asking any more than that?

Mr. EASTLACK. We did ask more, Senator, but we are not pressing this particular point.

Senator SMOOT. But you have got that to-day?

Mr. EASTLACK. Fifty-six cents is the rate established to-day by reason of that proclamation.

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Senator SMOOT. By reason of the proclamation of the President?

Mr. EASTLACK. Yes.

Senator SMOOT. And you do not want any more increase?

Mr. EASTLACK. The request before the committee originally was that it be 84 cents per bushel, 1½ cents per pound. And we have not receded from that, but the other change has been made in the interim.

Senator SMOOT. All right.

Mr. EASTLACK. Now with respect to the changes that have been made in the House bill we find no particular criticism, with the exception that we are opposed and shall always remain opposed to the soap makers' proviso that oils and fats if rendered unfit for food shall be admitted to this country duty free.

Senator SMOOT. Well, where would they get their fats to make soap?

Mr. EASTLACK. We do not expect that all of the oils and fats utilized in this country shall be produced here. Not for a very long time.

Senator SMOOT. You want 45 per cent on coconut oil?

Mr. EASTLACK. We want 45 per cent on all of the oils and fats imported into this country.

Senator REED. Edible and nonedible?

Mr. EASTLACK. Yes, edible and nonedible, because we feel that the influence on the price of the edible is just as marked with respect to the conditions that surround unedible as those that surround the edible. While they are not entirely interchangeable, they are interchangeable sufficiently that the price influence on one is very marked upon the other.

The specific request that I am making this morning is that all of the oils and fats enumerated in paragraphs 1626, 1630, 1632, and 1691 shall be lifted from the free list into their proper paragraphs in the other schedules, Schedules 1 and 7; that the extracted oils and fats shall be made dutiable at 45 per cent ad valorem, and that the oil materials shall be made dutiable at 40 per cent ad valorem.

Senator REED. You told us a while ago that lard had been put in by the House at a higher rate than you had asked for. I see it was raised by the House from 1 cent a pound under the 1922 law to 3 cents a pound.

Mr. EASTLACK. Four cents, was it not?

Senator SMOOT. Three.

Senator REED. Three. What did you ask for?

Mr. EASTLACK. We asked for 4.6 cents, if I recall correctly.

Senator REED. Under paragraph 703, lard, 3 cents per pound.

Senator SMOOT. That is what the House allowed.

Mr. EASTLACK. I am misinformed on that particular point.

Senator REED. Lard compounds and lard substitutes, 5 cents per pound.

Mr. EASTLACK. Five cents a pound I had in mind, but I am misinformed on that other point. So I beg the committee's pardon.

There is one other point, Senator, that I should like to make before the committee, and that is, that irrespective of what might happen with respect to the tariff against the Philippines, that copra be made dutiable; that the principle of establishing a tariff on copra be established at this time. Copra contains 63 per cent of oil by the ordinary process of extraction. It is therefore but little more expensive to

import copra into this country, from the transportation angle, than coconut oil itself. And we feel that if at any time in the future the Philippines shall be declared free and independent and that the full rates of duty shall be then made effective against the Philippines, that the protection which you have given us in the past of 2 cents a pound on coconut oil will be immediately nullified by a complete switching to copra.

Senator SMOOT. If we change one, why, of course, we will change the other.

Mr. EASTLACK. Of course the independence of the Philippines may not necessarily be attached to a consideration of tariff matters. And it is quite conceivable that copra, if it remains free, would immediately—

Senator SMOOT. I think you need not lie awake at night over the independence of the Philippines.

Mr. EASTLACK. Well, we are not, sir, but we are earnestly asking you that you do not consider that as a good and sufficient reason, as apparently was done in the House, for not applying duty on other fats and oils.

(Mr. Eastlack submitted the following brief and chart:)

BRIEF OF THE NATIONAL COOPERATIVE MILK PRODUCERS' FEDERATION AND ALLIED AGRICULTURAL ORGANIZATIONS

*Oilseeds, fish oils, vegetable oils, and vegetable tallow, Senate hearings, "Tariff act of 1929"—Free list and Title III, requested rates, rates passed by House, and rates in tariff act of 1922*

[Articles as listed in tariff act of 1922, with changes proposed in House bill 2567, tariff bill of 1929]

Par. No., act of 1922	Item	Status, act of 1922	Proposed status, bill of 1929	Rates requested by allied agricultural groups <sup>1</sup>
1626	Oilseeds: <sup>2</sup>			
	Copra <sup>3</sup> .....	Free.....	Free.....	2 cents per pound. <sup>2</sup>
	Henpeased.....	do.....	do.....	1 cent per pound.
	Palm nuts.....	do.....	do.....	1.7 cents per pound.
	Palm kernel nuts.....	do.....	do.....	1.2 cents per pound.
	Tung nuts <sup>4</sup> .....	do.....	do.....	40 per cent ad valorem.
	Rapeseed.....	do.....	do.....	1.8 cents per pound.
	Perilla seeds.....	do.....	do.....	1.6 cents per pound.
	Sesame seeds.....	do.....	do.....	2.4 cents per pound.
	All other oilseeds or nuts	do.....	do.....	40 per cent ad valorem.
1630	n. s. p. f.			
	Oils—Fish:			
	Cod.....	do.....	do.....	3 cents per pound. <sup>5</sup>
	Cod-liver.....	do.....	do.....	5.6 cents per pound. <sup>5</sup>

<sup>1</sup> These rates are identical with those requested by the applicants before the House Committee on Ways and Means.

<sup>2</sup> In addition to and in conjunction with the requested specific rates, the following phrase is requested to apply to each item of imports—oilseeds, "But not less than 10 per centum ad valorem."

<sup>3</sup> Request that rate of duty applying to copra be collected without exception because of country of origin.

<sup>4</sup> No tung nuts imported in 1927; duty requested to prevent possible nullification of any rate assessed against tung oil.

<sup>5</sup> To extracted or expressed oils, "But not less than 45 per centum ad valorem."

*Animal, fish, and vegetable oils and fats, and combinations, Senate hearings, "Tariff act of 1929," Schedule I, requested rates, rates passed by House, and rates in tariff act of 1922*

[Articles as listed in tariff act of 1922, with changes proposed in House bill 2667, Tariff Bill of 1929]

Par. No., act of 1922	Item	Status, act of 1922	Proposed status, bill of 1929	Rate requested by allied agricultural groups <sup>1</sup>
1632	Oils—Vegetable, extracted, or expressed:			
	Croton.....	Free.....	Free.....	None.
	Palm.....	do.....	do.....	3.1 cents per pound.
	Palm kernel.....	do.....	Free if denatured <sup>2</sup>	3.6 cents per pound.
	Perilla.....	do.....	Free.....	4.6 cents per pound.
	Sesame.....	do.....	3 cents per pound.	5.4 cents per pound.
	Sweet almond.....	do.....	Free.....	3.4 cents per pound.
	Olive—			
	Sulphured or foots.....	do.....	do.....	3.9 cents per pound.
	Denatured.....	do.....	do.....	7.5 cents per pound.
	Tung.....	do.....	do.....	5.9 cents per pound.
	Nut oils, n. s. p. l.....	do.....	do.....	15 per cent ad valorem.
1691	Vegetable tallow.....	do.....	do.....	3.1 cents per pound.
301	Products of Philippine Islands: <sup>3</sup>			
	Coconut oil.....	do.....	do.....	3.6 cents per pound. <sup>4</sup>
	Lard.....	do.....	do.....	4.6 cents per pound.
	Lard compounds.....	do.....	do.....	Do.
309	Supplies for vessels of war:			
	Olive oil—			
	40-pound packages.....	do.....	do.....	Free.
	Other.....	do.....	do.....	Do.

<sup>1</sup> These rates are identical with those requested by the applicants before the House Committee on Ways and Means.

<sup>2</sup> Dutiable in H. R. 2667 at 1 cent per pound if imported for edible purposes, otherwise free if rendered unfit for use as food, etc.

<sup>3</sup> In addition to and in conjunction with the requested specific rate, the following phrase is requested to apply to each item of imports: "but not less than 45 per centum ad valorem."

<sup>4</sup> It is requested that the exemption of products of the Philippine Islands from payment of duty be abolished.

*Imports of animal, vegetable, and marine fats, oils, and greases, and related oil-bearing raw materials*

[Under all paragraphs concerned in act of 1922]

Schedule No.	Articles listed in—	Outline of articles included	Volume of imports	Value of imports	Duty paid	Equivalent ad valorem rate
1	Pars. Nos. 1, 53, 54, 55, 57, 58.	Fatty acids, fish and animal oils (inedible), extracted or expressed vegetable oils, hydrogenated oils and combinations of oils.	<i>Pounds</i> 225,912,578	\$25,820,102	\$6,758,120.30	<i>Per cent</i> 26.17
7	Pars. Nos. 701, 703, 760.	Cattle fats and greases; hog fats and greases; oilseeds. <sup>1</sup>	532,826,506	41,822,416	9,605,915.06	21.43
14	1459.....	Olive nuts, ground.....	5,000	320	64.00	20.00
		Subtotal, all dutiable imports.	758,744,084	70,642,839	16,364,105.36	23.16
	Pars. Nos. 1626, 1630, 1632, 1691, free list.	Oilseeds, <sup>2</sup> fish oils, vegetable oils, expressed or extracted, and vegetable tallow.	678,654,659	58,342,250	None.	
	Secs. 301, 309, Title III.	Products of Philippine Islands, supplies for vessels of war or recognized foreign nations.	293,629,302	22,020,661	None.	
		Subtotal, all non-dutiable imports.	972,283,961	81,268,914	None.	
		Grand total, all ports.	1,731,028,045	151,911,752	16,364,105.36	10.77

<sup>1</sup> All articles imported as tabulated in Table 25, "The Tariff on Oils and Fats," by Holman and others.

<sup>2</sup> Oil-bearing raw materials expressed in terms of oil content at recognized percentages of extraction.

## Imports of animal, vegetable, and marine fats, oils, and greases and combinations under Schedule I, tariff act of 1922, during calendar year 1927

[All items of imports classified under pars. 1, 53, 54, 55, 57, and 58]

Par. No.	Item	Volume of imports	Value of imports	Duty paid	Equivalent ad valorem rate	
		<i>Pounds</i>			<i>Per cent</i>	
1	Acids, fatty.....	1, 100, 841	\$112, 033	\$10, 512. 62	14. 0	
53	Oils, fish and animal, classified as inedible.....	110, 825, 588	5, 728, 185	830, 884. 78	14. 51	
54	Oils, vegetable, expressed or extracted.....	99, 131, 679	18, 836, 414	5, 487, 494. 93	29. 13	
55	do.....	14, 549, 609	1, 108, 924	415, 186. 08	37. 44	
57	Oils, hydrogenated, vulcanized, etc.....	184, 793	20, 307	4, 712. 21	23. 21	
58	Oils, combinations, etc.....	117, 068	13, 339	3, 331. 75	23. 00	
	Total, all imports classified under Schedule I.....	225, 912, 578	25, 820, 102	6, 753, 126. 30	28. 17	
Entered under Par. No.	Item	Rate of duty	Volume of imports	Value of imports	Duty paid	Equivalent ad valorem rate
1	Acids, fatty:		<i>Pounds</i>			<i>Per cent</i>
	Oleic (red oil).....	1½ cents per pound.....	78, 560	\$7, 140	\$1, 178. 49	16. 31
	Stearic.....do.....	do.....	1, 022, 275	105, 793	15, 334. 13	14. 49
	Subtotal.....		1, 100, 841	112, 033	10, 512. 62	14. 62
53	Oils, fish:					
	Sod, herring, menhaden.....	5 cents per gallon.....	39, 215, 918	1, 733, 782	261, 439. 45	15. 08
	Whale.....	6 cents per gallon.....	53, 130, 952	3, 178, 725	425, 047. 62	13. 37
	Seal.....do.....	do.....	4, 718, 700	250, 069	37, 749. 60	15. 94
	Sperm.....	10 cents per gallon.....	1, 094, 873	95, 697	26, 698. 30	27. 82
	All other fish oils, n. s. p. f.....	20 per cent ad valorem.....	693, 975	28, 420	5, 684. 00	20. 00
	Oils, animal:					
	Wool grease—					
	Crude.....	½ cent per pound.....	9, 009, 632	279, 544	45, 048. 16	16. 11
	Not crude.....	1 cent per pound.....	1, 917, 185	150, 419	19, 171. 85	12. 75
	All other inedible animal oils, fats, and greases, n. s. p. f.....	20 per cent ad valorem.....	144, 353	10, 729	2, 145. 80	20. 00
	Subtotal.....		110, 825, 588	5, 728, 185	830, 884. 78	14. 51
54	Oils—Vegetable, expressed, or extracted:					
	Castor.....	3 cents per pound.....	18, 962	8, 771	568. 86	6. 53
	Linseed.....	3.3 cents per pound.....	6, 360, 283	432, 415	209, 859. 34	48. 54
	Olive—					
	40-pound package, N. s. p. f.....	7½ cents per pound.....	42, 262, 490	9, 782, 192	3, 169, 630. 75	32. 40
	Poppy seed.....	6½ cents per pound.....	29, 680, 216	6, 874, 893	1, 923, 104. 04	27. 67
	Rapeseed.....	2 cents per pound.....	41, 614	8, 122	832. 28	10. 23
	All other vegetable oils, expressed or extracted n. s. p. f.....	6 cents per gallon.....	19, 223, 933	1, 551, 910	153, 791. 46	9. 77
	Subtotal.....		1, 641, 181	148, 111	29, 622. 20	20. 00
	Subtotal.....		99, 134, 679	18, 836, 414	5, 487, 494. 93	29. 13



Imports of animal, vegetable, and marine fats, oils, and greases and combinations under Schedule I, tariff act of 1922, during calendar year 1927—Continued

Entered under Par. No.	Item	Rate of duty	Volume of imports	Value of imports	Duty paid	Equivalent ad valorem rate
55	Oils, vegetable, expressed or extracted: Coconut, not product of Philippine Islands.	2 cents per pound	Pounds 38,014	2,990	760.28	Per cent 25.43
	Cottonseed	3 cents per pound	394	52	11.82	22.73
	Peanut	4 cents per pound	2,809,505	335,635	112,380.20	33.48
	Soy bean	2½ cents per pound	11,515,027	713,657	287,875.68	40.34
	All other vegetable oils, n. s. p. f.	25 per cent ad valorem.	180,669	66,590	14,159.00	25.00
	Cocoa butter and olive oil from Cuba.	7½ cents per pound less 20 per cent.				48.00
	Subtotal		14,540,609	1,108,924	415,186.98	37.44
57	Hydrogenated vegetable oils.	4 cents per pound	93,926	15,531	3,757.04	24.10
	Vulcanized, etc., vegetable oils.	20 per cent ad valorem.	78,713	3,147	629.40	20.00
	Palm stearin	do.	12,154	1,629	325.80	20.00
	Subtotal		184,793	20,307	4,712.24	23.21
58	Combinations, etc., of vegetable oils.	25 per cent ad valorem.	117,068	13,339	3,334.75	25.00
	Grand total		225,912,578	25,820,102	6,758,120.30	20.17

Imports of animal oils and fats and oilseeds under Schedule 7, tariff act of 1922, during calendar year 1927

[All items of imports classified under pars. 701, 703, and 760]

Paragraph No.	Item	Rate of duty	Volume of imports	Value of imports	Duty paid	Equivalent ad valorem rate
701	Fats and oils—Animal: Tallow—		Pounds			Per cent
	Beef	½ cent per pound	10,851,516	\$757,243	\$54,272.73	6.89
	Mutton	do.	2,053,192	138,094	10,265.96	7.43
	Oleo oil	1 cent per pound	816,759	66,901	8,167.59	12.21
	Oleo stearin	do.	2,064,125	187,610	20,641.25	11.00
Subtotal		15,788,622	1,170,848	93,347.53	7.91	
703	Fats and oils—Animal: Lard	1 cent per pound	3,796	625	37.00	6.07
	Lard compounds	4 cents per pound	1,256	216	50.24	23.26
	Subtotal		5,052	841	88.20	10.49
760	Oil seeds: 1					
	Castor beans	½ cent per pound	61,310,125	4,298,791	613,104.25	14.26
	Flaxseed	40 cents per bushel	440,880,640	38,416,200	8,803,345.20	22.92
	Poppyseed	32 cents per 100 pounds.	2,797,071	565,354	18,843.44	3.33
	Sunflower seed	2 cents per pound	468,932	33,222	19,744.50	59.43
	Apricot and peach kernels.	3 cents per pound	757	314	57.70	18.08
	Soy beans	½ cent per pound	716,348	162,612	20,045.84	12.88
	Cottonseed	½ cent per pound	1,858,350	165,144	36,438.34	22.06
Subtotal		517,032,832	43,611,727	9,512,479.33	21.80	
Grand total, all imports.		532,826,506	44,822,416	9,605,015.06	21.43	

1 Imports of oilseeds expressed in terms of oil content at recognized percentages of extraction.

*Imports of animal oils and fats and oilseeds under Schedule 14, tariff act of 1922, during calendar year 1927*

[All Items of Imports classified under par. 1450]

Para- graph No.	Item	Rate of duty	Volume of imports	Value of imports	Duty paid	Equiva- lent rate of duty
1450	Oliv. nuts, ground.....	20 per cent ad valorem.	Pounds 5,000	\$320.00	\$64.00	Per cent 20.00

*Imports of animal, vegetable, and marine fats, oils, and greases and combinations under free list, tariff act of 1922, during calendar year 1927*

[All Items of Imports classified under pars. 1626, 1630, 1632, 1691]

Para- graph No.	Item	Rate of duty	Volume of imports	Value of imports
1626	Oilseeds <sup>1</sup> .....	Free	Pounds 289,344,254	\$21,259,596
1630	Oils, fish.....	do	do	4,489,561
1632	Oils, vegetable, expressed or extracted.....	do	349,951,116	32,203,353
1691	Tallow, vegetable.....	do	5,687,581	389,740
Subtotal, all imports entered under free list.....			678,654,650	58,342,250

<sup>1</sup> Imports of oilseeds expressed in terms of oil content at recognized percentages of extraction.

*Imports of animal oils and fats and oilseeds under free list, tariff act of 1922, during calendar year 1927*

[All Items of Imports classified under pars. 1626 and 1630]

Entered under para- graph No.	Item	Rate of duty	Volume of imports	Value of imports	Duty paid
1626	Oilseeds: <sup>1</sup>		Pounds		
	Copra.....	Free.	284,126,650	\$20,641,189	None.
	Henipseed.....	Free.	971,044	105,288	None.
	Palm and palm-kernel nuts.....	Free.	53,930	15,140	None.
	Rapeseed.....	Free.	2,775,107	328,594	None.
	Perilla and sesame seeds.....	Free.	1,326,888	156,851	None.
	All other oil, nut or seeds, n. s. p. f.....	Free.	89,729	12,528	None.
	Subtotal.....		289,344,254	21,259,596	None.
1630	Oil—fish:				
	Cod.....	Free.	15,856,980	2,114,264	None.
	Cod-liver.....	Free.	17,814,728	2,375,297	None.
Subtotal.....		33,671,708	4,489,561	None.	

[All Items of Imports classified under pars. 1632 and 1691]

1632	Oils, vegetable, extracted or expressed:				
	Croton.....	Free.	1,910	1,288	None.
	Palm.....	Free.	159,911,679	11,039,519	None.
	Palm kernel.....	Free.	43,127,657	3,548,986	None.
	Perilla.....	Free.	5,358,160	547,470	None.
	Sesame.....	Free.	1,704,129	203,413	None.
	Sweet almond.....	Free.	60,400	80,420	None.
	Oilve:				
	Sulphured or foots.....	Free.	42,307,314	3,694,357	None.
	Domatired.....	Free.	7,824,266	1,308,272	None.
	Tung.....	Free.	89,050,411	11,809,583	None.
	Subtotal.....		349,951,116	32,203,353	None.
1691	Vegetable tallow.....	Free.	5,687,581	389,740	None.

<sup>1</sup> Imports of oilseeds expressed in terms of oil content at recognized percentages of extraction.

*Imports of animal oils and fats and oilseeds under Title III, tariff act of 1922, during calendar year 1927*

[All items of imports classified under secs. 301 and 309]

Sec.No.	Item	Rate of duty	Volume of imports	Value of imports	Duty paid
301	Products of Philippine Islands:		<i>Pounds</i>		
	Coconut oil.....	Free.	293,369,704	\$22,899,897	None.
	Lard.....	Free.	2,500	368	None.
	Lard compounds.....	Free.	248,743	24,698	None.
	Subtotal.....		293,620,947	22,924,873	None.
309	Supplies for vessels of war:				
	Olive oil—				
	40-pound packages.....		6,391	1,501	None.
	Other.....		1,424	290	None.
	Subtotal.....		8,355	1,791	None.
	Grand total.....		293,629,302	22,926,664	None.

**STATEMENT OF EDWARD WOODALL, DALLAS, TEX., REPRESENTING THE TEXAS & OKLAHOMA COTTON SEED CRUSHERS ASSOCIATION**

(The witness was duly sworn by the chairman.)

Senator WATSON. Proceed with any statement you want to make.

Mr. WOODALL. I want to make it just as brief as I can.

Senator WATSON. Thank you.

Mr. WOODALL. But what I do want say is extremely serious. I represent the crude cottonseed oil crushing industry of Texas and Oklahoma. The vegetable-oil industry is a complicated one by reason of the many materials from which produced and the further fact that they are produced over a large part of the world.

There is no limit to production as far as any prospective demand is concerned, in tropical countries in particular.

It is therefore manifest that without adequate tariff protection vegetable oils and animal fats in the United States, exclusive of butter which is protected in the Hawley bill recently passed by the House and a verdict peculiar to itself, we must produce fats in the United States at world-price levels of tropical and other low standards of living and low cost of production countries.

It means our domestic fats, both animal and vegetable, must continue to decline as foreign production grows and that foreign production will continue to grow until there is a very thin margin of profit in its production.

I appear as an official representative of the Texas & Oklahoma Cotton Seed Crushers Association. There are some 230 crude cotton-oil mills in these two States or 40 per cent of the entire crushing industry in the South.

The Interstate Cotton Seed Crushers Association is also by official expression demanding protection against foreign vegetable oils and the substance from which made.

The cotton-oil industry is one of the largest manufacturing industries in the South—probably the largest.

It represents an annual total manufactured products of some \$250,000,000.

It produces an average of 3,250,000 barrels of cottonseed oil—of 400 pounds per barrel.

It employs much labor, both common and skilled.

Within the past 20 years there has been a tremendous development of the vegetable-oil industry in the Orient, including coconut oil in the Philippine Islands.

From Manchuria, soy-bean oil, on which the present rate of duty of 2½ cents per pound has been effective—Chinese peanut oil, the House rates of 4 cents per pound would be effective. Cottonseed oil 3 cents per pound would be fairly protective, and our imports of cottonseed oil were never of any consequence. It is not particularly material.

Senator SMOOT. Leave it as it is.

Mr. WOODALL. Three cents.

Senator HARRISON. You are in favor of all the rates as carried in the House bill?

Mr. WOODALL. I think the rates ought to be raised to a common level.

Senator WATSON. What do you mean by common level?

Mr. WOODALL. Well, the agricultural group filed a brief in which all the agricultural organizations in the United States joined and in which the industry that I represent joined in, asking for a 45 per cent ad valorem or specific rate on the past two or three year basis translated to a 45 per cent basis.

Senator WATSON. Why do you prefer an ad valorem to a specific?

Mr. WOODALL. I prefer a specific. We asked for specific rate of approximately 3½ cents a pound.

Senator CONNALLY. On all of these oils?

Mr. WOODALL. Yes, sir.

Senator CONNALLY. That is what you meant to put them all on the same level?

Mr. WOODALL. Yes, sir. We are also large importers of palm and palm kernel oil from British West Africa and for the six months period ending March 31st last, to the extent of 340,000 barrels. The House bill provided a tariff on palm kernel oil of 1 cent per pound, but provided if denatured and making it unfit for use other than in soap, free of duty.

Palm oil is left on the free list.

Sesame oil, a high quality of oil available for use now on the free list is made dutiable in the House measure at 3 cents per pound—but the seed from which produced is left on the free list.

About one-half of our coconut oil comes in the oil itself from the Philippine Islands, which is duty free. The other half imported is in copra, which is on the free list from all countries, and of the copra imported at least 80 per cent is from the Philippines.

The House bill raised the rate from 2½ to 5 cents on soya bean oil, but as under the schedule for oils as we now have it the 2½ cents were effective.

Senator HARRISON. Do you want that reduced?

Mr. WOODALL. I want it raised in proportion to whatever the tariff on the other oil is if these rates that have been asked for by the agricultural group is accorded why then soya-bean oil ought to be raised in line.

Senator WATSON. How do you arrive at these rates?

Mr. WOODALL. They are all figured out, Senator, by Mr. Holman and his associates.

Senator CONNALLY. He is an economist that works for these—

Mr. WOODALL. I think they are pretty scientifically worked out.

Senator WATSON. Based on production cost?

Mr. WOODALL. Yes, sir. I presume you have seen the brief we have filed, but if it is not before you we will put it in your hands. There was no reason for this if the general rates and free list on both the oils and substances are to remain as the House bill provides.

The House bill left the following oil-bearing substances on the free list, viz:

Copra, palm nuts, palm nut kernals, rapeseed, hempseed, sesame.

The last three are of minor importance. The first three of great importance, if so enacted in the tariff law as passed by the House would invalidate the whole schedule. Each 1 cent per pound effective duty on foreign vegetable oils means \$3 per ton of added value to cottonseed or \$18,000,000 to the average cotton crop.

The most serious of all competition is in coconut oil and copra imported from the Philippines.

For instance, for the six months ending March 31 last, we imported from the Philippines approximately 500,000 barrels of coconut oil and a like amount of oil content in imported copra, 80 per cent of which was from the Philippines. At that rate we are importing from the Philippines of coconut oil approximately 1,800,000 barrels, or 55 per cent, of our average annual production of cottonseed oil.

For that period we imported of coconut oil and in oil content in copra of palm and palm kernel, all duty free, at the rate of 2,680,000 barrels annually as against our average annual production of cotton oil of 3,250,000 barrels—or more than 82 per cent.

Both of these oils are produced under the most favorable conditions as to costs and we simply can not compete with them in the production of annual and vegetable fats in the United States.

Of the 448,000,000 acres of land in the Philippines only 8,300,000 were estimated in cultivation in 1926. Enormous amounts are yet public domain. A corporation that wants to put out a coconut grove can obtain a grant of 50,000 acres in round figures and at practically no cost.

Senator WATSON. You are an American citizen. You want to bear all the burdens and obligations by reason of conditions existing. We have the Philippines. Now, is it your idea that we can still have them and yet refuse to receive their products coming into this country? How do you propose to deal with that situation?

Mr. WOODALL. I do not know, Senator. That is a question for Congress to decide, except I want to say this—

Senator WATSON. I know that.

Mr. WOODALL. We have got to do the suffering. Now there has been a lot said about the sugar tariff. Senator Smoot is interested in sugar because I was out in his State last summer. But the point I want to make is that 10 per cent of the sugar we use is from the Philippines. We can have an effective tariff on sugar as much as we are importing 70 per cent of it, and still leave the sugar free for the time being. But we folks down there raising cotton seed and producing other fats in this country are in an entirely different situation. They are making our price and it is headed down, evidently below any reasonable basis of cost of production.

Senator WATSON. Go ahead.

Mr. WOODALL. It was estimated there was planted 1,200,000 acres in coconuts in 1926, and if this acreage will produce 55 per cent as much coconut oil as we are producing cotton oil in the United States, it is easy to understand there is nothing to stop increased production, except the price level. That price level will destroy the properties of the fat producers in the United States and facts will only continue to be produced as an incident to other production.

There is no way the vegetable oil industry or other fat producers in the United States can be protected except in either taxing the Philippines or limiting their exports.

There was filed before the Ways and Means Committee by the agricultural group, a very comprehensive brief in this matter and in which the interests I represent joined. All the facts are set out in that brief. It included practically every farm organization in the United States.

At the time the brief was filed the Interstate Cotton Seed Crushers Association had not taken action on the tariff question. Except for that fact the entire agricultural group and the entire cotton oil crushing industry, as represented in official organization, would have formally joined in this common cause.

It is a very big and somewhat complicated question. The points can not all be presented without considerable time, therefore, I can only urge the members of the committee to study the brief filed by the Ways and Means Committee by Charles W. Holman and associates.

The interests of the cotton seed oil mills are secondary in that whatever prices they receive for the products of cottonseed, determine what they must pay the farmers for cottonseed.

It is freely predicted that with the enormous supply of foreign vegetable oils now in this country, as well as the supply available yet to come, and with the large carry-over of cotton oil by reason of these cheap foreign oils, that crude cotton oil will sell at 6 cents per pound this coming crushing season—6 cents is the average 5 year pre-war price level.

Coconut oil, at Pacific coast points, is now selling at 6½ cents and the price of coconut oils as a rule is at the same price—sometimes one is higher than the other and the reverse.

It will be nothing short of a disaster for southern farmers for the further reason that the costs of crushing cottonseed are 60 per cent higher than before the World War. We could crush seed at that time as low as \$4 per ton. It now costs on an average of \$7 per ton, so there is nothing the mill can do but deduct the increased costs of crushing from the price it pays the farmer for the seed.

I am sure we are all unhappy that we must either tax or limit Philippine importation, but we must choose between the well being of our American fat producers and the Philippines. Our advices are that the coconut groves of the islands belong mostly to foreigners, probably 25 to Americans.

Finally this competition is impossible to meet, and I can see nothing but deterioration of my industry and impoverishment of every southern farmer who produces cotton if no relief be granted. As the situation is so desperate it justifies extraordinary consideration at the hands of the Congress in finding a solution.

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Senator CONNALLY. Setting the Philippines aside, the House bill as I understand it, does not tax copra, even from other countries; is that true?

Mr. WOODALL. That is right; yes, sir.

Senator CONNALLY. Why would not a tariff on copra from the rest of the world help a little?

Mr. WOODALL. It would help a little.

Senator CONNALLY. Have you got that in the brief?

Mr. WOODALL. Yes, sir; that is all asked for in there.

Senator CONNALLY. How much do you want on copra?

Mr. WOODALL. It is about two and three-quarters, as I remember it.

Senator SMOOT. There is no copra comes in or copra oil from any other place?

Mr. WOODALL. Some; not much.

Senator CONNALLY. The witness said 80 per cent from the Philippines. I suppose 20 per cent came from some place else.

Mr. WOODALL. Of course, it could come from anywhere where it is available.

Senator CONNALLY. How about the other oils?

Mr. WOODALL. That would help a little bit for the time being.

Senator CONNALLY. A little bit is better than nothing.

Mr. WOODALL. Oh, yes.

Senator CONNALLY. Have you got those rates on these other things?

Mr. WOODALL. Everything we asked for is in there.

#### **STATEMENT OF F. M. BARNES, CINCINNATI, OHIO, REPRESENTING THE AMERICAN LAUNDRY SOAP INDUSTRY**

(The witness was duly sworn by the chairman of the subcommittee.)

Senator SMOOT. Mr. Barnes, you appeared before the House Ways and Means Committee?

Mr. BARNES. I did.

Senator SMOOT. I wish you would not repeat what is in the House hearings, because it only makes double reading, and when this committee gets together to decide upon the rates we have 11,000 pages of House hearings, and our hearings will be about the same, and you are loading us down with all that. So I wish you would not repeat what you have already said.

Senator REED. Tell us in a nutshell what it is that the laundry-soap industry wants.

Mr. BARNES. The laundry-soap industry is here simply defending their position. We have not asked for anything before the committee except to be let alone. And that was our position before the House Ways and Means Committee. We, of course, were vitally attacked by this demand for a blanket 45 per cent ad valorem duty on all vegetable oils and fats, which was a very serious matter not only to the industry itself but to the country at large, because after all the soap industry are merely converters. We produce nothing. So that the increased cost naturally would have to be added to the price and passed on to the public generally. And it seemed to us that it was from a lack of understanding of the entire fats and oils situation that such a demand was made.

Senator SMOOT. Do you represent the soap manufacturers?

Mr. BARNES. The soap manufacturers.

Senator SMOOT. You know that business pretty well, do you?

Mr. BARNES. I know it; yes.

Senator SMOOT. Could you say offhand what is the profit on a case of Ivory soap from the completion of manufacture to the first whole-sale price?

Mr. BARNES. I could not answer that about an individual brand of soap because the records are not kept of that.

Senator SMOOT. Well, what is it generally? Is it a small profit?

Mr. BARNES. It is a small profit.

Senator SMOOT. And made large by the great quantity produced, is that it?

Mr. BARNES. Entirely.

Senator SMOOT. Well, have you not an idea of what that profit is?

Mr. BARNES. Well, it is a very small profit. It probably averages less than 6 per cent in the soap industry.

Senator SMOOT. Well, if it is 6 per cent it is higher than they testified it was in 1922.

Mr. BARNES. I say it averages less.

Senator KING. Do you mean for the entire output?

Mr. BARNES. For instance, a box of laundry soap in 1912 was \$3.90. A box of laundry soap to-day is about \$4.35.

Senator SMOOT. Yes; but I am speaking of your profits. In 1922 when the question of profits came up I remember very distinctly that a case of laundry soap was sold on a basis of less than 5 per cent profit.

Mr. BARNES. On laundry soap. That is true on laundry soap. Of course, there are other items in the soap industry.

Senator SMOOT. Of course, fancy soaps.

Mr. BARNES. The soap business as a whole has been in very unsatisfactory shape.

Senator KING. You made the statement that there has been an increase in price on laundry soap during the period indicated in your former answer, is that true?

Mr. BARNES. From 1912, before the war, as compared with to-day's price. We have had a very little increase in the price of soap in that period as compared with the increase in price of labor and raw materials and other factors that enter into it.

Senator REED. You are principally concerned with coconut oil, are you?

Mr. BARNES. We are concerned with all the soap-making vegetable, animal, and sea animal oils. They all have their uses. There are certain oils that are absolutely essential to certain branches of the industry. For instance, sulphurated olive oil is absolutely essential to the textile soap industry. A coconut oil is absolutely essential to the white soap industry. All these various oils are essential. And some of the others supplement the deficient domestic supply of tallow. The whole fats and oils position is a very simple one if it is boiled down, and that is that we have an exportable surplus of edible fats and a shortage of about the same amount of the inedible fats or foreign fats, if you want to refer to them in that way.

Senator SMOOT. Let me ask you a question. Suppose we put an embargo on copra and coconut oil against the world, what oils would you use in the making of soap for the American people?

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Mr. BARNES. Well, of course, we could not make the soap we are making to-day; that would be an impossibility.

Senator SMOOT. It would be an inferior grade of soap?

Mr. BARNES. It would be an inferior grade of soap; nothing else.

Senator KING. Could cottonseed oil take their place?

Mr. BARNES. No, sir; it could not.

Senator BARKLEY. What is the particular function that copra oil performs?

Mr. BARNES. Well, we have a great deal of hard water in this country, and lathering is most important. Then the question of white soap.

Senator BARKLEY. What ingredient is it in the soap that creates the lather?

Mr. BARNES. That is the coconut oil.

Senator BARKLEY. That is the coconut oil. Is there any other oil that will produce that satisfactorily?

Mr. BARNES. Well, palm-kernel oil is the nearest to coconut, but it is not quite as good.

Senator SMOOT. None of that is produced to speak of in the United States.

Mr. BARNES. There are not any of these oils that are produced in the United States.

Senator BARKLEY. Soap without lather is of very little use.

Mr. BARNES. Very little. If you use hard water with an unlathering soap you will find that out.

Senator SMOOT. Without that the soap would be like that of 30 years ago, when I remember the soap was as yellow as sacking.

Mr. BARNES. The whole industry has changed, just like any other industry. We have gone from yellow soap to white soap in the last 30 years. You can go back to something poor if you could not get anything better, and you would have to use it.

Senator REED. You saw the effect in Germany during the war. The soap there was absolutely without lather. It was clay and sand mostly.

Mr. BARNES. I was asked the same question by the Ways and Means Committee, and I said that you could make a soap out of sand but you would have to have a pretty hard skin to use it on. It is simply a question of giving the public what they want.

Senator BARKLEY. When I was a boy my mother used to make a lot of lye soap out of lye created from wood ashes and grease. What was it that produced the lather?

Mr. BARNES. You made it, I suppose, out of nothing but animal fat.

Senator BARKLEY. That is all.

Senator SMOOT. Hog fat.

Mr. BARNES. Well, from the standpoint of the plants in this country our supply is not increasing. They are killing less cattle to-day than they killed 20 years ago, so our supply is diminishing rather than increasing. And from the standpoint of the tallow and greases, about 70 per cent of the tallow and grease that we get to-day, or that is produced in the United States to-day, is what we call "recovered fats." In other words, that has been sold as meats and the scraps have been picked up from the butcher shop, the restaurant, and the hotel and rendered, and we get our tallow that way. In

other words, on a 1,000-pound steer killed in the packing house we get about 6½ pounds of tallow. It is passed on and weighed in as meat. And the consumer pays the meat price, and the butcher cuts it off and throws it behind the counter, and the renderer comes along and picks it up. So that no duty is going to help the cattle raiser as far as the price of tallow is concerned, because it is not coming from that source. And the same way in connection with the importation of oil. We are exporting about 800,000,000 pounds of lard.

Senator SMOOT. Where does that mostly go to?

Mr. BARNES. It is going to Germany, to England, and to a lesser extent into Central Europe.

Senator KING. Did you state that we exported 800,000,000 pounds of lard last year?

Mr. BARNES. Yes, sir. In addition to that we are exporting a certain amount of cottonseed oil, lard compounds, and other items which about balance our importations. But we are selling in the place of the lard that we are exporting our lard compound made from cottonseed oil. And 99 per cent of the cottonseed oil last year was used edibly. I am speaking now of the refined cottonseed oil.

Senator SMOOT. You mean 99 per cent of the total production?

Mr. BARNES. Ninety-nine per cent of the total production of cottonseed oil in this country was used. And only 1 per cent, and that was a poor quality, or made from bad seed or something of that kind, drifted into industrial channels.

Senator SMOOT. Most of it went into margarine?

Mr. BARNES. No; very little went into the margarine. It went into the lard compounds. And it is an ideal situation, because, you see, the average price on lard is 12 cents a pound at New York. We are selling compounds in the place of our lard here at practically the same price as pure lard. We are importing in the place of these fats these various oils on a differential basis of about 4 cents a pound. So it makes an ideal arrangement as far as the United States is concerned, not only from the standpoint of getting the cheaper oils and the cheaper soap to our people here but from the standpoint of the hog producer, who is getting a higher price for his lard on account of being exported.

Senator KING. Do we get a good price for the exported lard?

Mr. BARNES. Yes.

Senator KING. A higher price than we get at home?

Mr. BARNES. They get practically the market price.

Senator KING. And as substitute for the higher priced lard these compounds are taking its place?

Mr. BARNES. These compounds are taking its place. I said 99 per cent of the cottonseed oil production last year was used edibly. The average of the last 10 years is 98½ per cent of the cottonseed oil production that has been used edibly. Now, my experience goes back to the time when every bit of cottonseed oil which was produced was used in the soap kettle. And we people who are also in the refining have spent millions of dollars improving the processes of handling cottonseed oil in order to bring up the level of quality to a point where it would compete as an edible product in this country. And after years of labor along that line we have finally seen cottonseed oil come into its own from an edible standpoint.

Senator KING. As an edible it commands a higher price than as a soap product?

Mr. BARNES. Absolutely, and it would always command that.

Senator SMOOT. Was there anything else?

Mr. BARNES. I will present a brief.

Senator SMOOT. All right, thank you.

(Mr. Barnes submitted the following brief:)

BRIEF OF THE AMERICAN LAUNDRY SOAP MANUFACTURERS' ASSOCIATION

COMMITTEE ON FINANCE,  
*United States Senate,*  
HON. REED SMOOT, *Chairman,*  
*Washington, D. C.*

GENTLEMEN: On behalf of the soap industry of the United States, who, on account of the lack of supplies available in the United States, must import 45 per cent of their raw materials in the form of fats and oils, I desire to make the following statement and offer certain recommendations:

As an industry we are interested in the following schedules:

Schedule 1. Paragraphs 53, 54, 55, and 58.

Schedule 7. Paragraph 701.

Schedule 16. Paragraphs 1723 and 1729.

In order to get a clear picture of the fat and oil situation affecting the industrial user it is necessary to consider all of the above paragraphs:

SCHEDULE 1.—Paragraph 53. Oils, animal and fish: Cod, herring, and menhaden, 5 cents per gallon; whale and seal, 6 cents per gallon; sperm, crude, 10 cents per gallon; sperm, refined or otherwise processed, 14 cents per gallon; spermacetti wax, 6 cents per pound; wool grease containing more than 2 per cent of free fatty acids, 1 cent per pound; containing 2 per cent or less of free fatty acids and not suitable for medicinal use, 2 cents per pound; suitable for medicinal use, including *adepts lanæ*, hydrous or anhydrous, 3 cents per pound; all other animal and fish oils, fats, and greases not specially provided for, 20 per cent ad valorem.

Paragraph 54. Oils, vegetable: Castor, 3 cents per pound; hempseed, 1½ cents per pound; linseed or flaxseed, and combinations and mixtures in chief value of such oil, 4¼ cents per pound; olive, weighing with the immediate container less than 40 pounds, 8½ cents per pound on contents and containers; olive, not specially provided for, 6½ cents per pound; poppy seed, 2 cents per pound, rapeseed, 6 cents per gallon; all other expressed or extracted oils not specially provided for, 20 per cent ad valorem.

Paragraph 55: Coconut oil, 2 cents per pound; cottonseed oil, 3 cents per pound; peanut oil, 4 cents per pound; palm-kernel oil, 1 cent per pound; sesame oil, 3 cents per pound; and soya-bean oil, 5 cents per pound.

Paragraph 58: Combinations and mixtures of animal, vegetable or mineral oils, or of any of them (except combinations or mixtures containing essential or distilled oils), with or without other substances, and not specially provided for, 25 per cent ad valorem, but not less than the rate applicable to the component material subject to the highest rate of duty: *Provided*, That no article containing alcohol shall be classified for duty under this paragraph.

SCHEDULE 7.—Paragraph 701: Tallow, one-half of 1 cent per pound.

SCHEDULE 16.—Paragraph 1723: Oil-bearing seeds and nuts; copra, hempseed, palm nuts, palm-nut kernels, tung nuts, rapeseed, perilla, and sesame seed; seeds and nuts, not specially provided for, when the oils derived therefrom are free of duty.

Paragraph 1729: Oils, expressed or extracted: Croton, palm, perilla, and sweet almond; olive oil and palm-kernel oil rendered unfit for use as food or for any but mechanical or manufacturing purposes, by such means as shall be satisfactory to the Secretary of the Treasury and under regulations to be prescribed by him; Chinese and Japanese tung oils; and nut oils not specially provided for.

The above represents the result of the hearings before the Ways and Means Committee of the House of Representatives.

The agricultural interests in conjunction with certain fish-oil factories on the Atlantic coast and the Southern Tariff Association made a demand before the Ways and Means Committee of the House for a blanket duty of 45 per cent ad valorem on all vegetable oils and fats.

This was a most ill-advised demand and would seriously affect a great many industries in the United States using vegetable fats and oils, such as the laundry-soap industry, tin-plate industry, paint and varnish industry, tanning industry, lubricating-oil industry, patent-leather industry, rubber industry, and a number of other industries of lesser importance.

The United States has a surplus of edible fat in the form of lard, which is exported to Europe. We have a shortage of inedible fats and oils for industrial purposes of approximately 1,000,000,000 pounds annually. There is nothing produced in the United States or that can be produced in the United States that will take care of this demand, for the reason that everything that is available in the United States to the industrial-oil user is being consumed.

There was no change made in Schedule 1, paragraph 53, by the Ways and Means Committee of the House.

Outside of a sentimental one, there is no good reason why there should be any duty to-day on fish or whale oils. The following table shows the number of whales caught by American fisheries and the amount of oil produced; also the production of menhaden oil. Seal oil is no factor. Sperm oil mentioned in this paragraph is not used by the soap makers on account of its peculiar quality.

	Estimated number whales caught by American fisheries	Amount of whale oil produced <sup>1</sup>	Amount of menhaden oil produced <sup>1</sup>
		Barrels	Barrels
1928 .....	852	30,606	77,333
1927 .....	841	30,285	71,440
1926 .....	732	20,362	80,536
1925 .....	598	21,530	103,633
1924 .....	627	22,570	72,936
1923 .....	708	25,498	149,978
1922 .....	1,020	36,725	131,280
1921 .....	212	7,642	108,901
1920 .....	1,707	61,469	73,530
1919 .....	648	23,332	84,178

<sup>1</sup> Department of Commerce, Bureau of Census.

<sup>2</sup> Estimated.

(See Exhibits A and B.)

As far as fish oils are concerned, there is a ready market for all the fish oil produced by the American fisheries. The largest production of fish oil is the menhaden fisheries along the Atlantic coast. This is a very fluctuating production and is dependent entirely upon the run of fish, and as a matter of fact the success of the industry also depends on the fish being caught in sufficient numbers to justify the operation of these plants.

The smallest production in the last 10 years has been 70,000 barrels and the largest production 150,000 barrels, so you can see that there is a wide spread in production and a very uncertain supply for the soap maker and industrial user.

Regardless of this, whether this industry produces 70,000 or 150,000 barrels, there is a market for it. Furthermore, a competitive market, as the soap maker buys this oil in competition with the oil presser or other interests going into such lines of trade for technical purposes as the paint and varnish trade, leather, etc.

This is the only production on the Atlantic coast. On the Pacific coast the production is limited on account of State or national legislation. The fishing on the Pacific coast is sardine and herring. The California Legislature passed a law this year which provides that 13½ cases of sardines must be packed per ton of sardines caught, and the herring fisheries on the Alaska coast are also surrounded by a lot of special legislation, the whole purpose of which is to control the fishing and curtail the operation of these plants to the canning of these fish for food in order to control the supply.

All of the above, however, does not help the industrial-oil users in the United States to secure supplies, they being short already 45 per cent of their requirements.

*Whale oil:* As far as the whaling industry in the United States is concerned, our relations with them are very close and they have stated to us that they are not interested in the tariff situation, and we can rightly see where this is no important factor to them.

The whaling industry is a very hazardous industry, and like the fishing industry it depends on the whales caught whether or not the industry is a profitable one.

As the matter stands to-day, whaling has disappeared completely on the Atlantic coast, where at one time it was a thriving industry, solely because whales have disappeared from those waters. In was then that the whaling interest was switched to the Pacific coast. The whales are disappearing on the Pacific coast and the industry is making no progress, and there is nothing that can be done from the standpoint of the tariff that would help them.

The history of whaling is that through the interest all over the world in the catching of whales they have been gradually forced back into the South Antarctic, which is the only profitable whaling ground to-day. The world production of whale oil this year (1928) was as follows:

	Barrels
United States.....	26, 060
Canada.....	7, 568
British and Norwegian.....	400, 000
Norwegian.....	1, 027, 000
Others.....	266, 372
<b>Total.....</b>	<b>1, 727, 000</b>

The United States production was only 1½ per cent of the world production.

Whale oil to-day entering the United States pays a duty of 6 cents per gallon. We asked for the removal of this duty and that whale oil be permitted to enter the United States free when denatured and rendered unfit for food.

For the reasons cited above and in the broad sense we are not importing whale oil from any country, this oil coming direct from the South Antarctic Ocean, the only difference being that the whaling is done under the Norwegian and English flags to-day rather than under the United States flag and nothing is gained by having this oil on the dutiable list.

Paragraph 54. The soap industry is not interested in the oils under this paragraph.

Paragraph 55. The soap industry and other large industrial vegetable-oil users have no objection to the duties covered by paragraph 55 on the various oils, such as coconut oil, cottonseed oil, peanut oil, palm-kernel oil, sesame oil, and soy-bean oil, provided these industries are supplied with free raw materials under paragraph 1723 and the denatured oil provisions in 1729.

The effect of this protects the soy-bean crusher and the cotton grower with his by-product cottonseed. All of the cottonseed oil produced from crushing cottonseed in the United States is going into edible consumption except such refuse as may be unfit for food, and at the same time it takes care of the industrial-oil user and provides him with a supply of raw materials for his particular line of business.

Paragraph 58. We are satisfied with this paragraph as it now reads.

SCHEDULE 7.—Paragraph 701. Tallow one-half of 1 cent per pound duty.

There is absolutely no reason why there should be a duty on tallow except to protect the production of edible tallow. In other words the class of tallow that is covered by paragraph 701 is the grade of tallow that would be used for soap and industrial purposes and should be followed by the clause "when rendered unfit for human food," and added to paragraph 1729 and permitted to enter the United States free of duty.

Our reason for making the above statement is—

(1) The production of tallow in the United States does not come from the packing house. Seventy per cent of all the tallow and greases produced in the United States is produced from recovered fats.

The following yields of inedible fats derived from the slaughter of hogs, cattle, calves, and sheep were taken from the Packers Encyclopedia, a handbook published by the National Provisioner, in Chicago, in 1922:

	HOGS	Pounds per hog
White grease.....		2. 73
Yellow grease.....		. 39
<b>Total.....</b>		<b>3. 12</b>

CATTLE		Pounds per head
Inedible prime tallow.....		4. 41
No. 2 tallow.....		. 95
Brown grease.....		1. 23
<b>Total.....</b>		<b>6. 59</b>
CALVES		
No. 1 tallow.....		. 45
Brown grease.....		. 65
<b>Total.....</b>		<b>1. 10</b>
SHEEP		
No. 1 tallow.....		. 19
No. 2 tallow.....		. 28
Brown grease.....		. 19
<b>Total.....</b>		<b>. 66</b>

The tallow from a 1,000-pound steer is worth 9 cents per pound, or 59 cents. The gross value of the steer is between \$150 and \$160. The grease from an average-weight hog of 200 pounds is 3 pounds, at a price of 8½ cents, is 25 cents, while the hog is worth \$8 a hundred pounds, or \$16.

The tallow and grease from a calf is 1 pound at a price of 9 cents, while the calf is worth approximately \$15.

The tallow from a sheep is six-tenths of a pound, and at a price of 9 cents would be worth 5 cents, while the sheep is worth \$6.

A duty, therefore, on tallow would be impossible to find in the price paid to the farmer or livestock grower.

*Number of animals slaughtered*

	Cattle	Calves	Sheep	Swine
1910.....	13, 541, 000	6, 553, 000	14, 797, 000	47, 076, 000
1927.....	14, 000, 000	9, 030, 000	16, 589, 000	69, 250, 000
1928.....	12, 452, 000	8, 667, 000	17, 348, 000	70, 593, 000

The 70 per cent of tallow that is produced in the United States from recovered fats represents a class of material for which the consumer has paid meat prices and is produced from the scraps from butcher shops hotels, restaurants, homes, etc. which is rendered and tallow and grease recovered. Only 30 per cent is really produced in the packinghouse from livestock.

The present duty on tallow is equivalent to 3 cents per steer, and is so negligible as to be of no benefit to the farmer or cattle raiser and no duty that could be placed on tallow would be of any benefit to them. On the other hand, it only prevents the industrial user in this country from having these supplies of raw materials from South America and Australia to draw upon, when market conditions do permit the importations of these tallows from those countries, requiring him to pay a tax of ½ cent per pound on a basic raw material required in so many lines in the manufacture of products in the United States.

Furthermore, as tallow comes from the slaughter of cattle, we are not increasing production in this country, which has been standing still for 20 years. In other words, 20 years ago we killed as many cattle as we are killing to-day, while of course, the demand for inedible fat has grown tremendously.

Therefore, our recommendation, as stated above is to leave tallow in paragraph 701 as is, and that tallow be added to paragraph 1729 with the following wording:

“When rendered unfit for use as food or for any but mechanical or manufacturing purposes by such means as shall be satisfactory to the secretary of the Treasury and under regulations to be prescribed by him, shall be admitted to free of duty.”

**SCHEDULE 16.**—Paragraphs 1723 and 1729. We recommend that no change in wording be made in paragraph 1729, but if in order to protect the edible-oil industry in the United States any duty is to be put on any of these oils, then in

order that the soap manufacturer and the industrial oil user may secure supplies for their business we propose the following addition:

Herring oil, sardine oil, and other fish oils; whale oil and seal oil, sesame oil, sunflower oil, tallow to be added with the following clause:

"When rendered unfit for use as food or any but mechanical or manufacturing purposes by such means as shall be satisfactory to the Secretary of the Treasury and under regulations to be prescribed by him."

With these additions to paragraph 1729, the paragraph would then read:

"Oils, expressed or extracted: Croton, palm, perilla, and sweet almond; olive oil, palm-kernel oil, herring oil, sardine and other fish oils, whale oil and seal oil, sesame oil, sunflower oil, rapeseed oil, and tallow rendered unfit for use as food or for any but mechanical or manufacturing purposes, by such means as shall be satisfactory to the Secretary of the Treasury and under regulations to be prescribed by him; Chinese and Japanese tung oils; and nut oils not specially provided for."

We are eliminating the agricultural by-products which are produced in this country—cottonseed, oil, peanut oil, and soya-bean oil. These oils are all protected under Schedule 1, paragraph 55.

The House Ways and Means Committee in order to protect the infant soya-bean industry in the United States raised the duty from 2½ cents to 5 cents per pound, which precludes any soya-bean oil coming into the United States.

We ask the indulgence of your committee in coupling up certain schedules, but it is impossible to give you a clear and correct picture of the fat and oil industry as affecting the soap industry unless they are coupled up.

Our reason for appearing before your committee is solely to oppose certain interests that are proposing an increase in duties on imported vegetable oils and fats, giving as their reason that certain of these oils are being used for food purposes in competition with agricultural products of which oil is a by-product in the United States. The effect of this, however, would automatically put a duty on these oils when used for soap or other industrial usages. This would be a very serious matter to the soap industry at large.

The soap industry produces nothing in the way of raw materials and is therefore dependent upon the supply available in the United States, supplemented by the importations of certain vegetable and animal fats. Only the low-grade fats in the United States are available to the soap kettle, such as inedible tallow and greases, low-grade stocks represented by the loss in refining of cottonseed oil, and corn oil and some fish oil. The latter must be bought in competition with the paint and varnish trade and pressers of fish oil who sell the refined product to the linoleum and certain classes of trade, other than the soap industry.

During 1928, the soap kettle consumed 1,650,000,000 pounds of all kinds of fats and oils, of which only 55 per cent, or 900,000,000 pounds was available in the United States and every pound that was available was used, as there was an absolute dearth of soap fats available from United States products. The remainder, or 750,000,000 pounds, representing 45 per cent of the total consumption, was imported in the form of oils and fats.

Therefore, nothing is gained by shutting off from the soap kettle one of their principal sources of raw materials except to bring about a sharp advance in the cost of soap to the consumer, which the farmer must pay the same as anyone else without getting any real benefit in return.

The soap industry is asking that they be divorced from the edible-oil industry, and when oils are brought in that can be used for edible purposes as well as soap that they be rendered unfit for food, thereby preventing their use for food products but making them available for soap.

Coconut oil and palm-kernel oil (the latter in Schedule 16, paragraph 1729) are somewhat interchangeable, but palm-kernel oil is the lower quality. Neither coconut oil nor palm-kernel oil is produced from an agricultural product grown in the United States. Therefore, it does not compete with anything produced in the United States. When used in the soap kettle coconut oil does not supplant tallow, but is necessary to blend with tallow to produce white laundry soap.

Coconut palm thrives in the Philippines, the Dutch East Indies, Straits, the outlying islands of the Pacific, and the island of Ceylon. There are crushing mills in the United States bringing in the dried meat of the coconut called copra and expressing the oil here, and in addition coconut oil is expressed in the Philippine Islands and shipped here as such. About 50 per cent of our receipts of coconut oil are in the form of oil and the other 50 per cent in the form of copra.

Coconut oil is an indispensable ingredient in the manufacture of white soaps. This is particularly true in regard to the color, and it produces a free-lathering soap, which makes it very valuable in districts where hard water prevails.

We have no substitute for coconut oil and palm-kernel oil, and there is no means by which a duty on coconut oil or palm-kernel oil, which is used in soap making, can enhance the value or price of any agricultural produce produced in the United States. Our present source of supply is confined to the Philippine Islands on account of the 2 cent per pound duty which became effective with the new tariff act of September 22, 1922, and has prohibited the importation of this oil from any other producing countries.

We recommend the addition of coconut oil and palm-kernel oil to the free list when rendered unfit for use as food or for any but mechanical or manufacturing purposes by such means as shall be satisfactory to the Secretary of the Treasury and under regulations to be prescribed by him.

The following table shows the importation of coconut oil into the United States during the past 10 years. In addition the table shows the copra (dried meat of coconut importations) and coconut oil produced therefrom, showing a combined importation of either oil or copra in the shape of oil as follows:

	Crude coconut oil imported into the United States <sup>1</sup>	Copra imported into the United States <sup>2</sup>	Crude coconut oil produced from copra, imports <sup>3</sup>	Combined total receipts
				coconut oil in United States (crude)
		Tons	Pounds	Pounds
1928.....	\$ 282,193,045	251,947	296,011,000	578,204,045
1927.....	293,269,000	225,497	281,654,000	574,923,000
1926.....	245,129,000	228,799	255,247,000	500,370,000
1925.....	233,174,000	187,038	207,605,000	440,779,000
1924.....	220,175,000	145,532	192,175,000	412,350,000
1923.....	178,937,000	106,487	235,918,000	414,855,000
1922.....	221,164,000	134,478	185,525,000	406,689,000
1921.....	179,671,000	94,660	112,989,000	292,660,000
1920.....	215,239,000	107,694	131,218,000	346,457,000
1919.....	291,063,000	120,458	215,642,000	496,605,000

<sup>1</sup> Department of Commerce, Bureau of Census.

<sup>2</sup> Department of Commerce, Bureau of Foreign and Domestic Commerce.

<sup>3</sup> Estimated.

In order that your committee may have a clear picture regarding the usages of coconut oil, we give the following facts:

Of the available supply last year, totaling 578,000,000 pounds, 61 per cent was consumed in soap, 24 per cent was consumed in the production of margarine, 12½ per cent was consumed in the candy and biscuit trade, and 2½ per cent was consumed as lard substitute; or putting it in another way—61 per cent was consumed in the soap kettle and 39 per cent was consumed in edible channels.

The soap industry in the United States contend that because 39 per cent of the coconut oil goes into edible channels is no reason why they should be penalized, but if there is to be a penalty, because the edible consumption might compete with some agricultural product in the United States, then the duty should be put on the oil when used for edible purposes and no duty should be attached to the oil when used for soap or industrial purposes as nothing is to be gained by it. It is an essential oil to the soap industry and one they must have under all conditions. The same thing is true in regard to palm-kernel oil.

*Palm oil.*—Next to coconut oil and palm-kernel oil, palm oil is one of the most important oils available to the soap kettle and on account of its peculiar qualities, it is very desirable in blending with other materials and producing palm-oil soaps, thereby supplementing the supply of hard fats available to the soap kettle which are absolutely essential to the soap maker in the manufacture of soap.

The palm tree is foreign to the United States. It thrives in the heart of Africa (Congo) and along the Gold Coast of Africa. It could never become a commercial oil in the United States. The fact that some palm oil has found its way into edible channels is no reason why the soap industry should be penalized and the suggestion of the soap industry that when imported for soap or industrial purposes "it be rendered unfit for edible purposes" prohibits the use in edible channels unless a duty is paid.

The only other large users of palm oil in the United States are the tin-plate manufacturers and palm oil is an oil they must have under all conditions as it is



the only oil, after exhaustive investigation, which they find can be used in their industry. This, however, is an industrial use and does not compete with any agricultural by-product in the United States. We give below a statement showing the imports of palm oil and palm-kernel oil into the United States showing the amount that went into the soap kettle.

	Palm oil		Palm-kernel oil	
	Imports	Soap usage	Imports	Soap usage
	<i>Pounds</i>	<i>Pounds</i>	<i>Pounds</i>	<i>Pounds</i>
1928.....	165,219,507	135,000,000	61,865,486	50,000,000
1927.....	159,911,679	112,400,000	43,115,337	31,248,000
1926.....	130,746,694	100,960,000	74,079,912	83,653,000
1925.....	139,178,587	119,400,000	52,624,354	45,037,000
1924.....	101,779,802	82,250,000	4,747,597	4,440,000
1923.....	128,494,679	102,323,000	(1)	3,287,000
1922.....	57,516,889	30,389,000	(1)	685,000
1921.....	23,155,230	24,386,000	2,383,463	593,000
1920.....	41,948,224	120,000,000	1,693,740	(2)
1919.....	41,817,945	17,268,000	1,020,493	4,551,000

<sup>1</sup> Estimated.  
<sup>2</sup> Not available.

Source for imports: Foreign Commerce and Navigation. Soap usage 1919-1923, inclusive, Government estimate, 1924 to date, estimated from Government data.

*Sesame oil.*—The imports of sesame oil are rather small as this oil is not available in large quantities. This oil can be used for edible purposes and should be classified in the dutiable class if imported for edible purposes, but there is no earthly reason why it should not be available to the soap kettle if when brought in, it is rendered unfit for edible or food purposes, and we have made it a part of paragraph 1729.

*Imports of sesame oil*<sup>1</sup>

	Pounds
1926.....	8,861,947
1927.....	1,704,129
1928.....	6,239,073

*Olive oil.*—Sulphurated olive oil foots—the little olive oil that is produced in the United States is used edibly and therefore is not available to the soap kettle. The large importations of so-called sulphurated olive oil from Spain and Italy represents to a large extent the pressings after the pure oil is extracted. It is not used for edible purposes and can only be used in the manufacture of soap as olive oils for edible purposes are fully covered in the tariff. In order to avoid any possible question about the matter we are recommending that they be imported for the soap kettle only when rendered unfit for food purposes. This oil is very essential to the soap manufacturers in making certain grades of soap.

SCHEDULE 16, PARAGRAPH 1739—VEGETABLE TALLOW

Vegetable tallow is the hard fat which coats the seeds of the Chinese tallow tree, which tree grows wild in China. The fruit of this tree contains three oval seeds surrounded by a thick tallow-like mass, white in color and having a titre of around 52 degrees; as against animal tallow running in titre from 43 to 47 degrees.

On account of the high titre it makes a very satisfactory hard fat for the soap kettle when available. The production is not heavy and the imports, since the statistics have been kept separately, into the United States have been as follows. There is no production in the United States.

<sup>1</sup> Importations so small, they were not shown as separate item until 1926.

*Imports of Chinese vegetable tallow*

	Pounds
1923.....	8,547,617
1924.....	5,196,904
1925.....	6,423,896
1926.....	3,778,830
1927.....	5,687,581
1928.....	5,750,424

## SCHEDULE 7, PARAGRAPH 701—ANIMAL TALLOW, ½ CENT PER POUND DUTY

We recommend the addition of tallow to Schedule 16, paragraph 1729, which would admit it free of duty when rendered unfit for edible purposes. Our reason for recommending such change is a severe shortage of soap fats in the United States, which makes it necessary to import oils and fats to supplement the supply available to the soap kettle here.

The supply of tallows and greases in this country is not keeping pace with the increased soap business. As a matter of fact there has been no increase in cattle killing in 10 years.

Furthermore, only 30 per cent of the tallow comes from the killing of livestock. The other 70 per cent is produced from the scraps from the butcher shops, restaurants, hotels, etc., which are rendered and which have been sold to the consumer at meat prices so that no duty would be reflected back to the producer.

At one time in the history of the soap industry in the United States the largest supply of fats available to the soap kettle came from tallows and greases, but the consumption of soap has grown so steadily, while the production of tallow and grease has not kept pace with the requirements of the soap industry, due to the fact that the killing of cattle has not increased.

In 1912 tallow represented 30 per cent of the total fat and oil used in the soap kettle. In that year 775,000,000 pounds of all fats were used so that tallow and greases represented 222,000,000 pounds.

In 1928 tallow represented only 27 per cent of the total fat and oil used in the soap kettle, but in 1928 the soap kettle took 1,650,000,000 pounds of fat so that 27 per cent represented only 445,000,000 pounds.

While in 1912 the soap industry was only dependent upon other sources for fats and oils to the extent of 550,000,000 pounds in 1928 it was dependent upon fats and oils to the extent of 1,100,000,000 pounds other than tallows and greases.

You can readily see therefore, that the production of animal fats in the United States is not keeping pace with the increasing demands of the soap kettle due to the increasing consumption of soap and this situation is going to grow worse year by year. A reason for this reduction in the killing of cattle is due largely to the fact that ranges are being broken up to farming. This is particularly true of the Southwest.

A great deal of emphasis has been laid by the farm representatives and others on the interchangeability of oils. Oils naturally fall into three groups, viz:

Drying oils used in the paint, varnish and linoleum trades; edible oils used for all edible purposes; commercial or nondrying industrial oils used for soap making, in the manufacture of tin plate and in blending with petroleum oils and other industrial usages.

The first group is very limited and covers linseed, Japanese tung oils, China wood oil, Perilla, soy bean, and menhaden oils.

Under the edible group we find cottonseed oil, corn oil, sesame oil, peanut oil, olive oil, coconut oil, sunflower oil, palm-kernel oil, palm oil, and various other oils too inconsequential to mention.

Under the commercial or nondrying industrial group we find coconut oil, palm-kernel oil, palm oil, olive oil, peanut oil, rapeseed oil, Chinese vegetable tallow, whale oil, seal oil, fish oils.

The highest priced group is the drying oils. Soy bean oil has never been a very satisfactory edible oil so that it falls naturally in the first group where it would have its greatest value, when produced in the United States in quantities sufficient to take care of the demand, but of course, the production at the present time is so small as to hardly be classified as a source of supply.

Peanuts are grown in the United States for the edible nuts, not for crushing. Only a few tons of refuse nuts or culls are crushed so that no supply of oil is available to the soap kettle from this source.

*Cottonseed oil.*—The claim will be made that the shutting out of all foreign oils will increase the value of cottonseed oil and thereby benefit the Southern farmer. This is all right from a standpoint of any edible usage, but it in no way is affected by oils denatured for soap making purposes.

In 1909-10, before the value of cottonseed oil as an edible product was generally accepted in this country, cottonseed oil represented one of the major items of fats in the manufacture of soap, running as high as 20 to 25 per cent of the total fat used, but as the value of cotton-seed oil for food was recognized, cottonseed oil gradually was eliminated from the soap kettle, until the last few years when it has been negligible.

Furthermore, the average cotton crop for the last 10 years was 12,750,000 bales. During the last five years the South was fortunate enough to raise two bumper crops, one of 16,000,000 bales and one of 18,000,000 bales. If this had not happened, there would have been a severe shortage of cottonseed oil for edible purposes as the consumption has grown to such an extent that the United States requires the oil from at least a 14,000,000-bale crop to take care of the edible demand.

You can readily see that as 14,000,000 bales is above the average cotton crop grown in this country, the soap kettle can not hope to secure any supplies from this source and furthermore, from an agricultural standpoint, to attempt to force back into the soap kettle an edible oil like cottonseed oil, which is in such demand for edible purposes, would declassify it.

	Cotton crop, 500- pound bales	Seed crushed, tons of 2,000 pounds	Cottonseed oil produced, refined (pounds)	Refined cottonseed oil used edibly (pounds)	Total con- sumption cottonseed oil (pounds)
1928-29 .....	14,373,000	5,090,000	1,395,600,000	1,380,000,000	1,400,000,000
1927-28 .....	12,956,043	4,653,663	1,311,509,019	1,333,200,000	1,353,200,000
1926-27 .....	17,977,374	6,305,775	1,656,478,187	1,416,351,600	1,423,851,600
1925-26 .....	16,103,679	5,558,243	1,363,208,345	1,387,434,800	1,392,434,800
1924-25 .....	13,627,930	4,605,227	1,276,218,402	1,199,334,400	1,207,334,400
1923-24 .....	10,159,671	3,307,898	862,333,994	884,385,200	894,385,200
1922-23 .....	9,762,069	3,241,657	810,530,168	926,160,400	936,984,400
1921-22 .....	7,953,641	3,007,717	839,898,417	837,208,600	906,965,600
1920-21 .....	11,429,603	4,060,160	1,170,348,114	1,183,638,800	1,231,474,800
1919-20 .....	13,430,763	4,012,704	992,907,865	785,324,000	835,324,000
1918-19 .....	12,040,532	4,478,508	1,161,171,736	1,217,273,200	1,273,403,200

1928-29, estimated, based on 5 months' business.

See Exhibits F F G next attached showing major production in United States, both agricultural and animal and the relation of fats and oils to these products.

Furthermore, cotton is grown for the staple and not for the seed. Therefore, the price of cotton (staple) determines the amount of land planted, not the price of seed. Oil in the seed is a minor factor in determining the return to the farmer as compared with the value of a bale of cotton. A bale of cotton to-day is worth approximately \$100.

As approximately 700 pounds of cottonseed is available for crushing from each bale of cotton, the return for cottonseed would be \$15.75 based on a valuation of \$45 per ton, making the gross return approximately \$15.75 to the farmer, of which the oil content from 700 pounds of seed would be approximately 105 pounds, having a value to-day of approximately 8 cents per pound or \$8.40. The same thing can be said in regard to all the other fats and oils produced in the United States whether available to the soap kettle or of edible nature, they are insignificant items of value, in relation to the total value of the crops from which they are obtained.

The interest of the soap maker in this entire matter is solely a source of supply of oils and fats for the soap kettle of which there is a deficiency in the United States as far as the soap kettle alone is concerned of approximately 900,000,000 pounds to-day and this is increasing each year. The reason for this is that the entire production of cottonseed oil is being taken up edibly. This is also true to a very large extent in regard to the supply of corn oil and so far as the domestic production of soy-bean oil is concerned it is not a factor at all, it is so small to be almost negligible.

There is therefore, nothing left to the soap kettle and we are absolutely forced to bring in outside fats in order to supplement the supply here, to take care of the demand from this source.

The soap manufacturer is in the unfortunate position of producing none of his raw materials in the form of fats and oils, but is entirely dependent upon such fats and oils as are available in the United States and on importations from outside countries. We are using every pound of material that is available in

the United States in the soap kettle in the form of fats and oils. The supply is wholly inadequate and we particularly call you attention to the following table showing the usage and origin of fats in the soap kettle.

In 1912 80 per cent of the fats were of United States origin and 20 per cent were imported.

In 1921 72.4 per cent of the fats were of United States origin and 27.6 per cent were imported.

In 1927 57 per cent of the fats were of United States origin and 43 per cent were imported.

In 1928 55 per cent of the fats were of United States origin and 45 per cent were imported.

During this period the soap industry has increased its production from 1,900,000,000 pounds in 1912 to 3,000,000,000 pounds in 1928. See Exhibit C.

Of the 950,000,000 pounds of fats and oils used in the soap kettle produced in the United States, 70 per cent of this quantity or 650,000,000 pounds represented recovered fats.

There is no possible way whereby any tariff can affect the farmer's original production from which these items are recovered. They represent recovered fallows and greases, which as we have already explained, reach the soap kettle through the renderers and are the scraps from the sale of meats, so that the meat price has already been paid; from grease recovered by the city reduction plants which handle the accumulation of household scraps; the refuse of refining edible oils, which is a very black gummy stock, which it is necessary to distill and from which we obtain three products, viz, tar, glycerin, and fatty acids, the latter being used in soap.

In order to use the 70 per cent of low-grade recovered fats, it is necessary to blend them with the highest-grade fats, such as the imported vegetable oils.

Therefore, from the standpoint of the soap kettle, it seems to us that our position in asking that no change be made in the duties and that an addition be made to the tariff law which would permit a general importation of oils and fats when denatured for the soap kettle and rendered unfit for food, is a most reasonable request and one that will reflect the greatest benefit to the farmer as well as the public generally.

In our opinion, no duty that is put on foreign oils and fats is going to help the value of the farmers' product, but on the other hand, it is going to put a tremendous tax on the buying public of the United States, which includes the farmer, and the only benefit to be derived therefrom is to the United States Government in increased duties.

This is putting a tremendous tax on cleanliness and will affect the health and sanitary conditions of all the people of the United States to a far greater extent than any benefit to be derived from increased duties, which become a special tax on the soap industry.

In view of the fact that soap makers all over the world enjoy free raw materials or preferential tariff treatment, if such a tariff as now advocated of 45 per cent ad valorem went into effect, then the soap industry in this country would have to be protected by compensatory duties on soap to such an extent that the industry could live in the United States and the duties on import soaps should be raised from 15 per cent to 37½ to 40 per cent in order to offset this advance in raw materials.

The supply of available soap fats produced in the United States in 1912 was 600,000,000 pounds; in 1928, 900,000,000 pounds. (See Exhibit D.)

Of the above figures only a little over 33½ represented fats produced from agricultural products direct.

Furthermore, in 1912, soap contained approximately 38 per cent fat while in 1928 soap contained 55 per cent fat, an increase of almost 50 per cent of fat content, which means that the public to-day is receiving a high standard of quality generally through the change in the process of manufacture, which fact emphasizes the heavy demand from the soap kettle for fats and oils.

The soap industry of the United States to-day consists of 256 manufacturing plants scattered from the Atlantic to the Pacific, employing approximately 25,000 people. The aggregate value of all soap products was approximately \$300,000,000 in 1927 with an investment in plants, equipment, and distribution of approximately \$600,000,000 and producing 3,000,000,000 pounds of soap annually.

The per capita consumption of soap, based on an accepted population of 125,000,000 people is equivalent to 24 pounds per capita and represents the highest per capita consumption of soap in the world to-day. It has been freely conceded by the health and medical authorities generally that the free use of soap is

the greatest conserver of health in the United States to-day and this is especially true in the maintenance of sanitary conditions in the densely populated sections of our large cities.

The value of soap has been particularly emphasized in the influenza epidemic which we passed through recently. The United States Department of Health in a recent circular advocates as one of the best preventives in influenza the free washing of hands and bathing.

Dr. W. A. Evans in the Chicago Daily Tribune of December 28, 1928, quotes as follows:

"Dr. F. R. Davidson adds some information as to the power of soap to destroy bacteria and neutralizes their harmful products. For a number of years facts have been accumulating which facts seem to make it certain that soap is about the most effective agent we have for sterilizing the skin."

Doctor Davidson in the same article concedes that coconut-oil soaps on account of the peculiar quality of the oil are the most effective against bacteria. Therefore, there is every reason why soap should be kept on a reasonable price basis in this country.

Our increasing population in the large cities and the conditions under which a large per cent of our people live, makes soap one of the principal agents in maintaining the health of the people of the United States.

The consumption of soap in the United States is increasing at the rate of 3 per cent per annum and this is accumulative. On the other hand the production of fats and oils in the United States available for the soap kettle is decreasing proportionately.

Please bear in mind that the soap manufacturer has direct competition in the purchase of tallows and greases in the United States and that he must divide the supply with the lard-oil presser and the stearic acid manufacturer. The latter is a very large consumer of tallows and greases. The outlet for the product is to the candle manufacturers, the rubber manufacturers, the woolen trade and other technical lines, and the stearic acid and red oil production.

In order that you may have some idea of value during a period prior to and since the war, the largest selling brand of white laundry soap sold in 1912 at \$3.90 per box. While prices were advanced during the war and directly after the war, they have now been declining for a number of years, until to-day this soap is selling at \$4 per box. This decline has been brought about entirely through economies in manufacture, as the market level of soap fats is higher to-day than it was in 1912.

The soap manufacturers have been deeply interested in keeping down the cost of soap, recognizing as they do the importance and value of soap to the health of the people of the United States and from the standpoint of sanitary conditions. Their every effort has been along the line of keeping a reasonable price on their product, thereby broadening its usage.

Any advance such as has been proposed of 45 per cent ad valorem on the fats and oils that are going into the soap kettle would mean a direct advance in the cost of soap. This advance would be so sharp that there would be some pyramiding before it actually reached the consumer, so that based on this program our statement that it would mean a 50 per cent advance in the price of soap to the consumer is not an extravagant one and is based on experience as to what has happened in the past.

The value of the soap industry to the people and the country at large has been recognized the world over in giving it preferential tariff treatment, and where duties have been put on fats and oils they have been attached to the edible consumption. There are two reasons for this—

First. In times of peace, in maintaining the health condition of the people through the use of soap from a sanitary standpoint.

Second. In times of war, glycerin being most important as a by-product of the soap industry and essential to the powder manufacturers. During the late war the soap manufacturers of the United States were urged to bring into the United States high glycerin-yielding fats in order to increase the production of glycerin and we faced a difficult situation in attempting to produce sufficient glycerin to take care of the demand from our powder industry.

You can not destroy an important industry like the soap industry overnight, either through closing up its small plants or in disrupting its sources of importation of raw materials without affecting the entire country through putting an increased tax on cleanliness and weakening it in case of conflict through disruption of its source of supply of raw materials.

In conclusion, we recommend that the oils and fats in paragraph 1729, with the additions mentioned, be kept on the free list when denatured and rendered unfit for use as food or for any but mechanical and manufacturing purposes.

Respectfully submitted.

AMERICAN LAUNDRY SOAP MANUFACTURERS ASSOCIATION,  
F. M. BARNES, *Cincinnati, Ohio.*

(The exhibits referred to in the foregoing brief are printed on page 8958 and following of Vol. XV of the House hearings.)

## COPRA

[Par. 1723]

### STATEMENT OF J. I. MORGAN, FARMVILLE, N. C., REPRESENTING THE FARMVILLE OIL & FERTILIZER CO. AND THE TARIFF COMMITTEE OF THE INTERSTATE COTTONSEED CRUSHERS' ASSOCIATION

(The witness was duly sworn by Senator Reed, presiding temporarily.)

Senator REED. Mr. Morgan speaks on copra.

Mr. MORGAN. That is listed under House bill 2667 in paragraph 1723.

Senator KING. This product comes largely from the Philippine Islands, 5 per cent being dried in furnaces; does it not?

Mr. MORGAN. Yes; I guess so.

Senator KING. Do you want a duty?

Mr. MORGAN. We want some kind of protection.

Senator KING. Do you want to annex the Philippine Islands?

Mr. MORGAN. I guess we had better, unless we can get protection.

Senator KING. You would want to free them, then?

Mr. MORGAN. That is better, we think.

Senator REED. All right, Mr. Morgan; go ahead.

Mr. MORGAN. This importation of copra comes practically all from the Philippine Islands. Of course that is due to the fact that the copra and lots of other products of the Philippine Islands are admitted to our country free of duty.

Senator KING. You are not engaged in bringing coconuts into the United States, are you?

Mr. MORGAN. No, sir; we are engaged in the cottonseed-crushing industry, which is receiving quite a lot of competition from the importation of copra and oil from the coconut—coconut oil.

Senator KING. There is a difference between the two oils.

Mr. MORGAN. Yes, sir; there is a difference, but they are used as substitutes in quite a number of our products. They are used as substitutes in the manufacture of substitute butter, and in compound lard and soaps, and can be used in practically anything for any purpose for which our edible oils are used.

The CHAIRMAN. Do you know what proportion of the importations are used in butter?

Mr. MORGAN. I do not know.

The CHAIRMAN. It is so small that the percentage can not be given; is it not?

Mr. MORGAN. I should have to guess.

The CHAIRMAN. Was it one one-thousandth of 1 per cent?

Mr. MORGAN. I should imagine it would be over 10 per cent, more than 10 per cent.

Senator REED. Not butter—artificial butter.

The CHAIRMAN. I thought you said "butter."

Mr. MORGAN. Substitute butter. Then it can be used for quite a number of things that it is not used for if the price justifies it.

Senator REED. It is very largely used in soap manufacture, is it not?

Mr. MORGAN. It is very largely used for that.

The CHAIRMAN. What percentage; do you know?

Mr. MORGAN. I should imagine that more than half of it is used in the manufacture of soap.

The CHAIRMAN. More than that.

Senator KING. We have rather cheap soap in the United States, do we not?

Mr. MORGAN. We should have; but the biggest problem we are faced with is the fact that our surplus of cotton oil has heretofore been finding its way to the soap manufacturers, and under this competition from the importation of copra or coconut oil—the product of the copra—we are forced to a very low level before we can find a market for our cotton oil.

The possibilities of producing copra or coconut oil in the Philippines seem to be unlimited. The records for the past few years show that it is increasing very rapidly. The statistics for the year 1928 show that we imported 616,000,000 odd pounds, either as oil or in the copra, basing the oil content on 65 per cent of the weight of the copra.

Senator KING. The Tariff Summary here says that the imports were 500,000,000 pounds for 1928.

Senator REED. That is copra only; not coconut oil.

Mr. MORGAN. That is 250,000 tons.

The CHAIRMAN. You are requesting that a duty be put upon this product in order to protect cottonseed oil, are you not?

Mr. MORGAN. Yes, sir.

The CHAIRMAN. As at least 90 per cent of the cottonseed oil goes into edibles today, what do you expect? Do you expect to put cottonseed oil in the place of copra that is now being used in soaps, etc.?

Mr. MORGAN. We used to have a large interest in extracting soap greases from waste materials, which has practically ceased to exist, or is not in as good shape as it was a few years ago.

The CHAIRMAN. That has not been due to cottonseed oil.

Senator REED. Yes, it has. That is what he means.

The CHAIRMAN. The extracts that he is speaking of go into soaps. They do not go into edibles at all.

Senator REED. His idea is that they have a surplus of cottonseed oil now which does not go into edibles, and that that surplus could be used in soap manufacture if it were not for this very large importation of coconut oil and copra.

The CHAIRMAN. Yes; but then he wants to put a duty on copra in order to take care of the 10 per cent of cottonseed oil.

Senator REED. I presume they would make more if they had a market.

Mr. MORGAN. If we could remove the competition of copra or coconut oil we would have a much greater demand and a broader market for the cotton oil just to the extent of this 616,000,000 pounds,

unless there were other substitute oils produced in the United States to take the place of the coconut oil that is imported.

The CHAIRMAN. You could not produce that much cottonseed oil, could you?

Mr. MORGAN. No; cottonseed oil is a by-product, and the volume is practically fixed.

The CHAIRMAN. That is what I say.

Senator KING. You are finding a market, are you not, for all your cottonseed oil?

Mr. MORGAN. There is always a market at a price, but of course the price level is what we are finding a problem.

Senator KING. Do you not get a pretty good price for your by-product?

Mr. MORGAN. Not at present. As an illustration, when this matter was before the House Ways and Means Committee cottonseed oil was selling probably 15 per cent higher than it is to-day, and we attribute that to the fact that the report proposed to continue copra and coconut oil from the Philippines on the free list.

Senator REED. That introduces a totally different question. As long as we hold the Philippines, it is a very serious question whether we can, with propriety, levy a duty against them.

Mr. MORGAN. We argue that if it is necessary, it would be better for the industry in this country to levy a duty, and then, if we are so inclined, to expend it in the Philippines for public improvements, rather than do as we are doing now.

The CHAIRMAN. Do you want the Government of the United States to adopt that policy? I should like to see the limitation that we used to have on sugar from the Philippines reestablished, but I doubt whether it can be done.

Senator KING. Mr. Morgan, so far as I am concerned, I shall not support your proposition. I feel that so long as we have the Philippine Islands, so long as they are under the flag, we are not going to treat them as aliens and use them for exploitation. I would vote to-morrow to give them freedom, to turn them loose. Then we could adopt any policy we pleased respecting them.

The CHAIRMAN. You speak of copra. Cottonseed oil can not take the place of copra in soap, can it?

Mr. MORGAN. Very largely.

The CHAIRMAN. Oh, no. The copra gives a lathering quality to the soap that cottonseed oil does not do. They would have to use it no matter whether they had to pay a duty on it or not; and only a little of the cottonseed oil would be taken for that purpose.

Mr. MORGAN. In the process of refining cottonseed oil there is a large amount of soapsuds produced. The inferior portion of the cottonseed oil is taken out and used practically altogether for the manufacture of soap.

The CHAIRMAN. There can not be more than 10 per cent of it used in that way, because 90 per cent of it goes into edibles.

Mr. MORGAN. There is a refining loss of about 8 to 9 per cent in the process of refining cottonseed oil.

The CHAIRMAN. There is a loss in copra. There is a loss in refining every substance.

Senator REED. I think we understand Mr. Morgan's point.



Mr. MORGAN. And all, or practically all, of that 9 per cent goes into the manufacture of soap, the same as coconut oil.

The CHAIRMAN. Yes, certainly; but they have to have coconut oil in order to give the lather to the soap.

Mr. MORGAN. That may be very true in some cases, in the higher grade shaving soaps.

The CHAIRMAN. Oh, no; I mean in all kinds of soaps.

Mr. MORGAN. But you know the old home-made soaps have pretty good lathering qualities without the coconut oil.

The CHAIRMAN. There is not very much of that produced in the United States any more.

Mr. MORGAN. We know that this matter has got to be settled as a policy toward the Philippine Islands rather than as regards the product itself. We are already on the protected list from other countries than the Philippines; but it is a problem that is facing us, and it seems to us that this is the time when it should be decided one way or the other.

Senator KING. You want to increase the price of your oil and increase the price of soap?

Mr. MORGAN. That is the idea exactly.

Senator KING. So as to pass it down to the millions of people who buy soap?

Mr. MORGAN. We want to put the producers of coconut oil on a parity with the producers of other oil—American cotton oil, American corn oil, American peanut oil, American cottonseed oil, American lard, and other things that are used as substitutes and sold for the same purpose. There are unlimited possibilities as to the amount of this product that can be produced in the Philippine Islands so far as competition is concerned.

The CHAIRMAN. All right, Mr. Morgan.

(Mr. Morgan submitted the following brief:)

**BRIEF OF J. F. MORGAN, REPRESENTING THE TARIFF COMMITTEE OF THE INTERSTATE COTTONSEED CRUSHERS ASSOCIATION**

Copra is the dried coconut, which is imported into the United States and crushed for its two products, coconut oil and coconut meal. It contains approximately 65 per cent oil and 35 per cent meal.

The coconut meal is sold in competition with corn meal, wheat bran, linseed meal, cottonseed meal, peanut meal, and other livestock feeding materials of like nature.

The coconut oil is used as a substitute for or sold and used in competition with hog lard, cottonseed oil, butter substitutes, salad dressings, corn oil, peanut oil, and is considered of superior quality in the manufacture of shaving soap and other soaps, where it possesses superior lathering qualities. The uses to which the oil may be adapted are so numerous that it is safe to say we could get along very well without producing any animal or vegetable oils and fats in the United States for edible purposes if we could develop the idle lands of the Philippine Islands into the production of the coconut palm which would not only supply us with oil for soap making and edible purposes, but supply a large portion of our requirements of livestock feeds from the coconut meal obtained from crushing the copra.

In the Philippine Islands the coconut palm flourishes most everywhere, and due to the fact that the United States has not imposed any duty on copra or coconut oil from the Philippines, it has invited foreign capital and labor into the Philippine Islands for the purpose of reaping the benefit of free trade which the Philippine Islands enjoy in this commodity. As a consequence, the volume of exports of this one commodity has grown by leaps and bounds during the past few years, and practically 100 per cent of the copra and coconut oil exported from the Philippine Islands comes direct to the United States.

Soon after the close of the World War it became necessary for our Congress to place a competitive duty on the importations of soy-bean oil and peanut oil products of the oriental countries, principally China, Korea, and Japan. This duty of course included the seeds or nuts from which these oils are obtained, and it is interesting, if not alarming, to note that when this duty became effective there immediately became apparent the rapid growth in the importations of copra, coconut oil, and other similar products from the Philippine Islands, including palm oil and palm kernel oil, and the nuts from which these are produced. The effect of this increased importation has again brought the American producers to the point where they are compelled to ask Congress to give them relief from this unequal competition.

The demand for a duty on these products is not from 100 per cent of the American industry, which may be accounted for by the fact that we have some manufacturers who find it profitable to import the raw materials, such as copra, and palm nuts, as well as sesame and flaxseed, and manufacture the oils and meals and sell the same or use them in further processing for home consumption.

Those of us who seek a duty on these products contend that if a competitive duty is placed on them, it will encourage the growing and producing of oils and fats within our own borders, so that we will remain independent of foreign production, and in this way our crushing industry and those who use these products in various ways will not suffer, while at the same time our agricultural interests will be largely benefited by retaining the employment which is now being taken away from them and diverted to the inhabitants of the Philippine Islands and other foreign laborers who migrate to the Philippines under the stimulus of this favored industry there.

In order to illustrate the importance of this item in the oils and fats markets, it is interesting to note that since it was known during the recent hearing before the House Ways and Means Committee that these products of the Philippines might remain on the free list, the market price of cottonseed oil has declined very materially approximately 15 per cent, and other competing oils and fats have shown material declines. Even hog lard has not advanced, though there is an admitted large shortage in our hog crop on our farms, and the price of hog lard is now selling far below the price of pork ribs, and at the present time the choicest live hogs are selling at a higher price per pound in Chicago than the pure hog lard is bringing which is conclusive evidence that other oils and fats are crowding hog lard competition on the downward scale, whereas it has only been a few years since the hog lard was selling at such a premium over the price of the dressed hog, that it was profitable to render as much of the hog as possible into lard rather than market it as pork.

These examples are given to show how it is possible to throw our products entirely out of balance by the introduction into our markets of some foreign product which may be used as a substitute, and a substitute may be more than once removed and still remain in competition, for example, soap grease is usually considered a refuse or inedible fat or oil, but since the supply of this grade is not sufficient to supply our demand, we have to look around and find a substitute in the form of beef tallow, mutton fat, cottonseed oil, or coconut oil, all of which are edible products, consequently when either of these might naturally advance in price the buyer who wishes to use them can easily switch from one to the other and therefore keep the price of all practically on the same level, for the purpose of making soap.

To illustrate the adaptability of copra or coconut oil, it should be stated that one of the largest channels into which it now finds an outlet is in the manufacture of butter substitutes, the results of which of course the dairyman can feel at present.

If it should be contended that this product might be denatured, we could, not of course denature the copra, as it would spoil the coconut meal for feeding, and to denature or render unfit for human consumption the coconut oil would not remove it from the substitute competition as above illustrated, besides it would bring about complications in the supervision and governmental control, and probably be condemned as unjustified.

We think we have ample evidence that the volume of this product is large enough to be alarming, and we might say here that reference to the May 27, 1929, issue of Foreign Crops and Markets, page 766, a government publication issued by the Department of Agriculture, you will find that of a total oil equivalent importation into the United States during 1928, of 898,088 tons of oil, either as oil or in seeds and nuts, the amount imported as coconut oil or as copra, based on 65 per cent oil content, amounted to 616,274,300 pounds, which did not include

any other product than that of the coconut, which as before stated practically all comes from the Philippines.

We estimate the production of the oils in our own country, which we are now importing as such, and in copra and other oil bearing seeds and nuts, amounts to approximately \$125,000,000 per annum, which would give employment to a population equal to that of our National Capital.

We do not have any lack of loyalty or seek to ignore any obligations we as a nation may owe to the inhabitants of the Philippine Islands, and we feel sure this phase of the situation should be left entirely in the hands of our Congress, but speaking for or in behalf of those who are so seriously affected by this situation, which now confronts us, we contend that it is the duty of Congress to remedy this situation, either by placing a competitive duty, in the way of a preferential duty, and if necessary, refund the amount collected to the betterment of social conditions in these islands, which we have always understood were to be permitted to govern themselves independently at such time as their ability might permit.

It is unnecessary to refer to our near neighbor Cuba, which was taken under our guardianship at the same time the Philippines were, and recite our duty relations with them separately, but it is a serious situation which we are facing by encouraging the enormous growth of an industry in the territory of our ward, the Philippines, when at any time we are likely to release our control, which will of course place their industries on the same basis as other independent nations, which would bring disaster to the industry which we have fostered by our free trade policy toward them.

About the only export trade in this class of products which our country enjoys is the export of lard, and it can not be reasonably argued that our lard trade abroad is due to the free entry of copra and coconut oil, as it is well known that we export practically all of our exportable lard to European countries who of course do not have any interest in our trade with the Philippines, but they buy our lard to supply a demand which can not be supplied with coconut oil.

Respectfully submitted,

J. F. MORGAN,  
*Representing Farmville Oil & Fertilizer Co., Farmville, N. C.,  
and Tariff Committee of the Interstate Cotton Seed Crushers Association.*

TO THE UNITED STATES SENATE FINANCE COMMITTEE,  
*Washington, D. C., July 12, 1929.*

### STATEMENT OF J. L. DIRICKX, REPRESENTING THE OIL SEEDS CRUSHING CORPORATION, BALTIMORE, MD.

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. DIRICKX. I am here on copra. We are coconut-oil manufacturers. Our business is to import the copra and crush it into oil.

You have heard a lot about copra competing with this, that, and the other thing. I tell you, gentlemen, it does not compete with anything that is grown or produced in this country; and there is nothing grown or produced in this country that will compete with coconut oil. It seems a waste of time, gentlemen, to talk about it again, because it has been thrashed out for hours before the House Ways and Means Committee.

Your chairman here, by his earlier remarks, showed that he knows the subject from A to Izzard. He knows that it can not be replaced, and that it does not replace anything.

The point I want to make about that is this, and call your especial attention to this, gentlemen:

The consumption of coconut oil in the United States is supplied about half by coconut oil which is made in the Philippine Islands, and half by coconut oil which is made by mills here in the United States. Now, I take it as a foregone conclusion that the intention of the Congress is not to tax or impede or restrict the importations of the Philippine Islands, and we are not asking it, either, because

we realize that they are a part of our realm, and we have to treat them just as if they were our own citizens; but if we should have to pay a duty on the copra that we buy in the world's markets, not in the Philippine Islands, we would have to buy in competition with the world at large, and pay the same price as everybody f. o. b. the shipping point, pay the freight, pay the duty when it is brought in here, and then make our oil at a conversion cost which is really higher than the conversion cost in the Philippine Islands, because our labor costs more; and then, after we had paid all these expenses, plus the duty, we would have to sell our coconut oil here in the United States in competition with coconut oil which comes from the Philippine Islands free of duty.

You will see from the reports of the Tariff Commission that there is a difference in the conversion cost between the Philippine Islands and the United States of about \$5 a ton on copra. If you took that difference to begin with, \$5, and you added to that the duty on copra, the mills here in the United States just simply could not exist. That is all there is to it. We would be wiped out with a stroke of the pen.

The CHAIRMAN. Where are your mills located?

Mr. DIRICKX. The mill of the company I represent is located in Baltimore, sir. There are three mills in San Francisco, one in Portland, Oreg., one in Cincinnati, a relatively small one in Philadelphia, and one in Hoboken, N. J.

The CHAIRMAN. Those are all the mills there are in the United States?

Mr. DIRICKX. Those are all the mills there are in the United States.

The CHAIRMAN. Has your business been reasonably profitable during the last few years?

Mr. DIRICKX. No; I could not say that.

The CHAIRMAN. What percentage did you make in 1928?

Mr. DIRICKX. Profit?

The CHAIRMAN. Yes.

Mr. DIRICKX. We are in the red.

The CHAIRMAN. You are in the red for 1928? What percentage did you make in 1927?

Mr. DIRICKX. Ours is a new concern. We were not operating in 1927, Senator.

Senator REED. Did you build a new plant?

Mr. DIRICKX. No. This plant was built about seven or eight years ago by a group of people, and they came to grief before they ever operated it during the merchandise panic of 1921; and then it stood idle for about seven years until the present people came along and bought the plant and revamped it.

Senator KING. Was it erected for this purpose?

Mr. DIRICKX. It was erected for this purpose, Senator.

The CHAIRMAN. All right. Proceed, if you want to say anything more.

Senator REED. I think he has made it plain.

The CHAIRMAN. Very plain indeed.

Senator REED. Is there anything else, Mr. Dirickx?

Mr. DIRICKX. No; except that I want to call your attention, Senator, to the very great importance of this industry in the United States in case of international trouble.

Senator KING. Personally, I am not interested in that. Perhaps by colleagues may be. I wanted to ask you to what extent coconut

oil is used in the United States for soap, and, if it were not for the free coconut oil, what the effect would be upon the soap or other industries, and the increase in price that would result therefrom, if you have figured it out or have any view about it.

Mr. DIRICKX. About 65 per cent of the coconut oil is used in soap; and I can not conceive, under the present way of doing things, where we could really get, in the United States, the necessary oil that would take the place of coconut oil, because there is not a single oil or fat in the United States that makes the special kind of soap that is made now from coconut oil.

Senator REED. You say this industry is important in the event of war?

Mr. DIRICKX. Yes, sir.

Senator REED. If the importation of coconut oil became impossible, the importation of copra would be equally impossible; would it not?

Mr. DIRICKX. Oh, yes; but there is this difference: You have to look at the map, Senator. If we were to admit the elimination of the copra industry in this country, and all the mills went out of business, and you relied solely on your supply of coconut oil from the Philippine Islands, if there should be any trouble some time, have you ever looked at the map and seen how vulnerable our line of communication between the Philippine Islands and the United States is?

Senator REED. I have a faint idea of where they are. Is there anything else, Mr. Dirickx?

Mr. DIRICKX. Yes. If you will permit me, I should like to refer for a moment to paragraph 1729, though I am not listed under that paragraph. That has to do with the coconut oil itself.

Some people before the subcommittee on oils made a proposition that foreign coconut oil which is taxed with a duty should be admitted free if it is denatured.

The CHAIRMAN. The House did not do that.

Mr. DIRICKX. The House did not accede to that; but the demand was made here before the subcommittee on oils.

Senator REED. Coconut oil is free now, is it not, only from the Philippines? There is a duty of 2 cents a pound on coconut oil from any other source?

Mr. DIRICKX. So far as we are concerned, so far as the industry of crushing copra is concerned, we are perfectly satisfied with the bill as it came out of the House.

Senator KING. Then there is a 2-cent duty upon coconut oil not imported from the Philippine Islands?

Mr. DIRICKX. There is a 2-cent duty on coconut oil imported from countries other than the Philippine Islands.

The CHAIRMAN. That is all, then.

#### STATEMENT OF JOHN W. PARKER, REPRESENTING THE PORTLAND VEGETABLE OIL MILLS, PORTLAND, OREG.

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. PARKER. Mr. Chairman and gentlemen of the committee. Not as much for the information of this subcommittee as to make a record for the general committee, I would like to make some state-

ments in rebuttal of statements made before the subcommittees of the Finance Committee and before the general committee yesterday afternoon. The professional advocates for the various farm organizations—I mean those who are compensated for formulating and presenting arguments—have hung every crime on the calendar upon coconut oil. If you will permit me I will answer some of their statements.

Senator REED. First, about their being compensated. You are compensated by one of the organizations for being here?

Mr. PARKER. I am an officer of the corporation.

Senator REED. You get a salary from them?

Mr. PARKER. Yes.

Senator REED. And we are compensated for being here.

Mr. PARKER. Yes.

Senator REED. Or at least we are getting a salary for it.

Mr. PARKER. I make this distinction, Senator, that my opinions are not influenced by being compensated, nor am I compensated for presenting my opinion.

Senator REED. Well, conceivably they are not. We are all in the same boat; we are all selfish and we are all being paid. Now go ahead, please.

Mr. PARKER. Senator, possibly I will change your opinion.

Senator KING. Proceed—get down to brass tacks.

Senator SMOOT. Let us talk about coconut.

Mr. PARKER. All right. In the brief filed by Mr. Chester Gray before this committee, page 48 of your printed proceedings, he says:

The competition of these imported oils and fats may be divided into three classes: First, those which displace domestic butter and lard; included among these are coconut oil, \* \* \*.

The facts concerning coconut oil's place in margarin were presented before the House committee and in our briefs. I will not repeat them.

Senator SMOOT. It is only used in margarin. Not at all in butter?

Mr. PARKER. Not at all in butter, and to a trifling extent in margarin.

Senator REED. And if it were not used in margarin what would be used in its place?

Mr. PARKER. They would increase the use of animal fat possibly, animal margarins. The consumption of margarin would continue. The margarin manufacturers and the fair-minded butter manufacturers admit that. The 45 per cent duty on coconut oil if put into effect would increase the cost of a pound of margarin, if all coconut oil, less than 4 cents. The spread between margarin and butter is between 20 and 30 per cent. Margarin is eaten for an economic purpose.

Senator REED. It still would undersell butter?

Mr. PARKER. Oh, yes; and would still be used. Senator, we import butter in this country. We imported 5,000,000 pounds last year. The Department of Agriculture says it would take 250,000 new cows to make up our deficiency of dairy products, plus 300,000 new cows per annum to supply our increasing population.

There is much said about the competition between coconut oil and cottonseed oil. Mr. Dirickx has stated there is none. Mr. Dirickx, notwithstanding the witness who immediately preceded him, is

correct. It was stated before the Ways and Means Committee by an authority whose identity I can not recall at the moment, but it is in the record, that 99 per cent of the cottonseed oil produced in the United States in 1928 was eaten or went into edible channels. The refining loss went into the soap kettle.

There is practically no surplus of cottonseed oil in this country. Cottonseed oil is the competitor of lard, and no one knows it better than this Mr. Gray whose remarks I have just read to you, for he and I have discussed it several times, and he admits it. It must be admitted.

The struggle as to domestic fats and oils is between the cotton raiser of the South and the hog raiser of the North. If cottonseed oil was \$1 a pound and coconut oil 1 cent a pound you could not make lard substitutes out of coconut oil, that is, entirely. Because of its inherent qualities you simply can not fry with it. It is a peculiar product, as Senator Smoot has indicated. It is the ingredient in soap which gives it the free lather and quality. There is no domestic fat that will do it.

Senator SMOOT. Is there any other oil that will do it?

Mr. PARKER. There is a foreign fat, palm kernel oil, which will do it in a measure, but not satisfactorily. You can not make the soap we require to-day from cottonseed oil if you had an abundance of it. But if you had an abundance of it, more than is necessary for the edible use to which it is put, it would mean a vast increase in the already too large production of staple cotton. The tail would be wagging the dog, in other words. You would increase your supply of by-product at a vast cost in the price of your major product.

The witness this morning and Mr. Gray yesterday said the price of coconut oil influenced the price of cottonseed oil. I have here the market price on the 10th and 20th of each month from 1924 to June of the current year for bleachable cottonseed oil at the New York market and coconut oil on the Pacific coast. This is for the 10th and 20th of each month during this period. If you will permit me I will make just a few comparisons here.

On April 10, 1924, bleachable cottonseed oil in New York was \$10.10 per hundred. August 20 it was \$14 per hundred, or 14 cents per pound. An advance of 3.9 cents per pound.

On the date we start with, April 10, 1924, coconut oil was 8 cents per pound. On August 20 it was 9½ cents, an advance of 1½ cents.

April 10, 1925, the high of that year in New York was \$11.35, cottonseed oil declined. Coconut oil on the first date was 8½ cents a pound. On the second date it was 11½ cents a pound—due entirely to a fall-down on the part of the Shipping Board in not operating tank steamers and bringing in coconut oil in time. There was a squeeze on the market. But you will observe that notwithstanding the advance in coconut oil cottonseed oil declined.

January 10, 1926, the price of cottonseed oil was \$11.10. On June 10, 1926, it was \$16.20. On January 10 coconut oil was 10½ cents and on June 10 it was 10¼ cents. Cottonseed oil went up \$5.10. Coconut oil declined one-fourth cent.

On January 10, 1927, cottonseed oil was \$8.60, and it advanced on October 10 to \$11. Coconut oil advanced in the same period from 8½ cents to 8¾ cents. One-quarter cent advance.

May 20, 1928, cottonseed oil, \$10.50. November 10, \$9.25. On the same dates, coconut, 8½ and 8.

January 10, 1929, cottonseed oil, \$10.10 June 20, \$9.60. Declined a half cent. Coconut oil declined from 7½ to 6½ cents in the same period, a decline of a cent and a quarter.

If it is desired, Mr. Chairman, I will put these figures in the record. Senator SMOOR. Put the whole scale in the record.

(The figures presented by Mr. Parker are as follows:)

	Bleachable New York cottonseed oil	F. o. b. Pacific coast coconut oil		Bleachable New York cottonseed oil	F. o. b. Pacific coast coconut oil
	Per 100 pounds	Cents per pound		Per 100 pounds	Cents per pound
1924			1927		
Apr. 10	\$10.10	8	Jan. 10	\$8.60	8½
Apr. 20	10.04	7½	Jan. 20	8.60	8½
May 10	10.25	7¼	Feb. 10	9.00	8½
May 20	9.70	7½	Feb. 20	9.87	8½
June 10	10.20	7½	Mar. 10	9.60	7½
June 20	10.46	7¼	Mar. 20	9.40	8
July 10	11.50	8½	Apr. 10	9.00	8
July 20	12.25	8½	Apr. 20	8.70	8
Aug. 10	13.50	9	May 10	8.50	8½
Aug. 20	14.00	9½	May 20	9.19	8½
Sept. 10	10.31	8	June 10	9.10	8½
Sept. 20	9.45	8¼	June 20	9.25	8½
Oct. 10	11.15	9¼	July 10	9.30	8½
Oct. 20	11.30	9½	July 20	9.65	8½
Nov. 10	10.79	9¼	Aug. 10	9.75	8½
Nov. 20	10.10	9½	Aug. 20	10.00	8½
Dec. 10	11.31	9½	Sept. 10	11.25	8½
Dec. 20	11.60	9½	Sept. 20	10.25	8½
1925			1928		
Jan. 10	11.10	10	Oct. 10	11.00	8½
Jan. 20	11.13	9¾	Oct. 20	10.40	8½
Feb. 10	10.70	9½	Nov. 10	10.75	8½
Feb. 20	10.50	8¾	Nov. 20	10.60	8½
Mar. 10	11.10	9¾	Dec. 10	9.90	8½
Mar. 20	11.20	9¼	Dec. 20	9.80	8½
Apr. 10	11.35	8¾	1928		
Apr. 20	11.10	9	Jan. 10	10.20	8½
May 10	10.65	8¾	Jan. 20	10.00	8½
May 20	10.00	8¾	Feb. 10	9.10	8½
June 10	10.40	9	Feb. 20	9.25	8½
June 20	10.85	8¾	Mar. 10	9.00	8½
July 10	11.15	9½	Mar. 20	9.65	8½
July 20	11.50	9½	Apr. 10	9.60	8½
Aug. 10	11.76	9½	Apr. 20	10.00	8½
Aug. 20	10.85	9	May 10	10.50	8½
Sept. 10	10.86	10	May 20	10.50	8½
Sept. 20	10.65	10½	June 10	10.20	8½
Oct. 10	10.09	11½	June 20	10.20	8
Oct. 20	9.85	11½	July 10	10.15	8
Nov. 10	10.25	11½	July 20	10.10	7½
Nov. 20	10.20	11½	Aug. 10	9.48	7½
Dec. 10	10.20	11½	Aug. 20	9.35	7½
Dec. 20	10.30	10¼	Sept. 10	9.85	7½
1926			1929		
Jan. 10	11.10	10½	Jan. 10	10.10	7½
Jan. 20	11.50	10½	Jan. 20	10.20	7½
Feb. 10	11.00	9¾	Feb. 10	10.65	8
Feb. 20	11.62	10	Feb. 20	10.60	7½
Mar. 10	12.15	9¾	Mar. 10	10.90	7½
Mar. 20	12.50	9½	Mar. 20	10.70	7½
Apr. 10	11.75	9½	Apr. 10	10.39	7½
Apr. 20	12.35	9½	Apr. 20	10.00	7½
May 10	13.50	9½	May 10	9.80	7
May 20	14.70	9¼	May 20	9.75	6½
June 10	16.20	10¼	June 10	9.65	6½
June 20	14.35	10¾	June 20	9.60	6½
July 10	15.50	9¾	1929		
July 20	15.15	9	Jan. 10	10.10	7½
July 29	13.00	8¾	Jan. 20	10.20	7½
Aug. 10	12.65	8¾	Feb. 10	9.25	8
Aug. 20	12.55	9	Feb. 20	10.60	7½
Sept. 10	9.99	8½	Mar. 10	10.90	7½
Sept. 20	8.75	8½	Mar. 20	10.70	7½
Oct. 10	8.45	8¼	Apr. 10	10.39	7½
Oct. 20	8.28	8	Apr. 20	10.00	7½
Nov. 10	8.10	8	May 10	9.80	7
Nov. 20	8.05	7¾	May 20	9.75	6½
Dec. 10	8.20	7¾	June 10	9.65	6½
Dec. 20	8.20	7¾	June 20	9.60	6½



Senator REED. The lesson of all that seems to be that if we impose a duty on the Philippine coconut oil or on coconut that the advance in price that would result would not be reflected in a similar advance in cottonseed oil?

Mr. PARKER. There is no relativity between them, Senator. They do not serve the same purpose, used in entirely distinct fields, and the price of cottonseed oil depends in the first place upon your hog crop, because your competition is with lard, and in the second place upon the activity of the boll weevil.

Senator KING. So there is no competition between the two products?

Mr. PARKER. None whatsoever.

Senator KING. If there were no coconut oil produced in the Philippine Islands or none imported into the United States what could you use as a substitute?

Mr. PARKER. This foreign oil that I speak of, palm kernel oil, would be a partial substitute. But there is nothing domestic that would be a substitute.

Senator KING. You could not use cottonseed oil as a substitute for your soap purposes?

Mr. PARKER. No, you could not, and use the same soap.

Senator SMOOT. We imported last year 53,812,482 pounds of palm kernel oil. Could they secure palm oil from any part of the world to make up the quantity that is now imported by way of copra oil?

Mr. PARKER. In the form of coconut oil?

Senator SMOOT. Yes.

Mr. PARKER. Senator may I differentiate there. You did not differentiate between palm and palm kernel oil.

Senator SMOOT. I referred to the importation of palm kernel oil, and I asked you about that.

Mr. PARKER. I understood you to say palm oil.

Senator SMOOT. No, I said palm kernel oil.

Mr. PARKER. I do not know. No one knows.

Senator SMOOT. No one knows whether there is enough palm kernel oil produced in the world to take the place of copra oil if copra oil was entirely destroyed?

Mr. PARKER. No one knows.

Senator SMOOT. Well, we can judge that there is not.

Mr. PARKER. I would think not. I am careful to distinguish between what I think I know and what I believe.

Senator SMOOT. Well, that is proper because you are under oath.

Mr. PARKER. I had not forgotten that fact.

Senator KING. Proceed, Mr. Parker. I am through with my questioning.

Mr. PARKER. I beg to call the attention of this committee in particular to the testimony of A. M. Loomis, representing the tariff defense committee of American producers of fats and oils, page 235, and so forth, of your printed record. Mr. Loomis vocation is that of secretary of the American Dairy Federation. He filed a brief before the Ways and Means Committee as such. He now represents the tariff defense committee of American producers of fats and oils, and as such he testified as follows. I call the committee's attention to his language, if you please. [Reading:]

Trying to present the oils and fats tariff case here when technically we are speaking about fish oil, for example, in paragraph 53, is almost impossible.

Now further [continuing reading]:

I can illustrate this by saying that while I am entirely unadvised at this moment as to prices of menhaden oil, I am perfectly certain that the declines which have taken place in the markets during the past two months in coconut oil have depressed the menhaden oil prices by almost the same amount as the coconut oil has been depressed.

Please get it, gentlemen—"While I am entirely unadvised as to prices I am perfectly certain."

There is no more relation between menhaden oil and coconut oil than there is between cottonseed oil and coconut oil. This is the first time in my experience in the business I have ever heard menhaden oil presented in connection with coconut oil. Menhaden oil is a fish oil. The fishing season by law can not open before June 15. All this testimony was, I presume, early this month. What decrease in price was there during that time? Last year it opened June 15. It closed November 1. The market price was 42 to 45 cents per gallon during that period. The market price at the opening of this year is 42 cents per gallon.

Now I resent the attempt on the part of a representative of a reputable organization to put into the record before this Finance Committee an argument based on absolutely false facts. And yet it is no worse than has been done in numerous cases.

Senator KING. I do not see any particular relevancy of that statement to the point at issue.

Mr. PARKER. I beg your pardon, Senator. The relevancy is this: He presents an argument here against coconut oil claiming that it injured the menhaden oil market. At the time he spoke there was no menhaden oil produced.

Senator KING. I understand. If your statement is accurate that is a fallacious position which he took. But was he trying to establish the fact that because as he contended, there was a connection between menhaden and coconut, that there must be a connection between coconut oil and cottonseed oil?

Mr. PARKER. None whatever. He simply says that the depressed price of coconut oil has affected menhaden oil, an American fishing industry. Absolutely untrue.

In other place in the testimony of Ed. Woodall, chairman of the tariff committees of the Texas and Oklahoma Cottonseed Crushers' Association, beginning at page 232 of your hearings, he protests against coconut oil. He says that it injures the price of cottonseed oil. The record disproves it. He states the average production of cottonseed oil was three and a quarter million barrels per annum. Although the president of an association he is wrong—400,000 barrels per annum for the past 5-year average. The average was 3,686,657 barrels. He takes an average, grasped out of the air, and then applies it to the importations of coconut oil during the past six months, without recognizing or admitting the fact that our importations of coconut oil have been unprecedentedly heavy.

Senator KING. You mean during that period?

Mr. PARKER. Yes. And without making that fair comparison, which would be the consumption of coconut oil rather than the importation. As a matter of fact, the stocks of copra and coconut oil in the United States at the present time are heavier than before, to my knowledge covering eight or nine years, because the copra

has been exceedingly cheap, there has been a surplus of fats throughout the world, and my own company, for instance, is carrying three times as heavy a stock as it normally does. Yet that is put into the record against coconut oil.

We do not hurt the farmer, we do not hurt the butter maker.

This Mr. Loomis, who talked about menhaden oil, admitted to me that a tariff on copra or coconut oil would, in his opinion be of little if any benefit to the American farmer. I quote Mr. Loomis because he gave me general permission to do so. I have in my office a letter from Mr. Loomis received within the past month, in which he states that the coconut oil industry is peculiar. It has its own place in the field, and that we are justified in fighting for it.

Senator SMOOT. Will you send me a copy of the letter, or the letter?

Mr. PARKER. I shall be very happy to, Mr. Chairman.

Senator KING. There would be no objection on his part in giving publicity to it?

Mr. PARKER. There can not be. We are discussing a matter of public interest, of legislation.

Senator SMOOT. Was it something private?

Mr. PARKER. No, sir.

Senator KING. There is nothing in your relations that would attach confidentiality to it?

Mr. PARKER. I have his permission to quote him in a general way, Senator. We were simply discussing the issues before this committee.

Senator SMOOT. Is that all?

Mr. PARKER. That is all I have to offer, I believe.

Senator KING. Just one question. What would be the effect upon the soap industry if you were denied the coconut oil from the Philippine Islands.

Mr. PARKER. You mean if a tariff was put on it.

Senator KING. Yes, or if you were denied it? If a tariff was placed upon it?

Mr. PARKER. If a tariff was placed on coconut oil from the Philippines, copra from outside sources would advance to a relative value, and the cost of soap in the United States would be increased enormously.

Senator KING. It constitutes an important part of the cost of the soap?

Mr. PARKER. Oh, yes.

Senator SMOOT. In such a case would it increase the cottonseed oil price?

Mr. PARKER. No. Cottonseed oil is not used in soap.

Senator KING. What substitutes could you find if you were deprived entirely of copra and you could not get this palm kernel oil?

Mr. PARKER. We would be in the same position then, Senator, that we were in during the war when we could not get white bread. We would eat anything as a matter of necessity.

May I just go one step further?

Senator KING. I do not want to start you off again. [Laughter.]

Mr. PARKER. Texas is the largest cotton-producing State in the Union. You will find in the record of the Ways and Means Committee petitions from several large steam laundry owners in Texas against a duty on coconut oil or copra because soap made from cot-

tongseed is not satisfactory to them or their customers. There is the answer to your question, Senator.

Senator Smoot. Thank you, Mr. Parker.

### BRIEF OF HON. FREDERICK STEIWER, UNITED STATES SENATOR FROM THE STATE OF OREGON

The importance of free copra and the necessity for a tariff on coconut oil produced outside the Philippine Islands has been made known to the committee with detail by the domestic manufacturers of coconut oil.

The purpose of this brief is to present the broader phases of this question and to emphasize the relationship between the importation of copra and the maintenance of American shipping lines on the west coast. The Department of Commerce has been stressing the importance of foreign trade. The great market for the produce of the Pacific coast is the Orient, and all producing nations are competing for this market.

Citizens of the State of Oregon and of other Pacific Coast States have invested large sums in the purchase of United States Shipping Board vessels, and under the terms of purchase they are obliged to maintain the trade routes existing at the time of purchase. For example, the States Steamship Line, of Portland, Oreg., purchased and operates 13 steamships formerly belonging to the United States Government, and this company is under contract to make a minimum of 38 round trips per annum to the Orient. To fulfill this contract with profit to themselves, or even without loss, the outbound and inbound cargoes must be balanced as nearly as possible. If inbound tonnage is not supplied and upward revision of outbound freight rates becomes imperative, which would result in a loss of business in favor of competing foreign lines and a final inability to maintain the service. The natural consequence would be the loss of foreign markets for American grain, canned fruits, canned vegetables, and other produce of the farm; also lumber, lumber products, automobiles, and other manufactured goods moving in considerable quantity to the Orient.

The States Steamship Co., of Portland, is on record as follows:

"This company, originally as a Shipping Board operator, pioneered this line. Encouraged by the Government to buy the line, it is still pioneering it, and one of its greatest difficulties has always been to get return cargoes. Even under present conditions, full return cargoes have proved impossible to obtain, but partial return cargoes can be had and help to keep the fleet going. These cargoes are mostly copra. On this company's South China Line, which includes the Philippine Islands, 75 per cent of all homeward cargo is copra. The line could hardly live without this commodity, and any duty upon it would stop its importation."

In 1928 over 25 per cent of all the inbound oriental cargoes arriving in Portland and 15 per cent of all arriving in San Francisco were copra. To put a tariff on copra is to tax a raw product nowhere produced in this country. Such a tax would violate the fundamental principle of protective tariff. Coconut oil competes with our farmers and dairymen only to a slight degree. It can not displace cottonseed oil as a cooking fat, because the coconut oil will not fry. It does enter into the manufacture of nut margarine, but along with such farm products as butter, cottonseed oil, peanut oil, and milk. Of the entire amount of coconut oil used in this country 20 per cent or less is used in margarines, 20 per cent is used in confectionery and baking specialties, and 60 per cent is used in the manufacture of soap. Seventy-five per cent of the copra crushed in this country comes from the Philippine Islands.

Copra supplies at this time the proper medium of trade exchange and the proper tonnage to American ports from the South Seas, and a considerable portion of the movement from the Philippines to the United States. The profits from their shipments of copra to us are used to liquidate their indebtedness to us for the purchase of American goods. If they were unable to ship the copra to us, it would be necessary for them to divert it to other markets of the world, and to make their purchases in those markets. This, of course, would mean a loss of millions of dollars in export trade to the United States, and the Pacific coast would have to bear the greater part of this loss. This trade movement concerns also the Gulf and Atlantic ports to the extent that about 70,000 tons of copra are received at these ports each year. I wish to quote from a letter I have received from the O'Connor Trading Co. (Ltd.), of San Francisco, as follows:

"The proposed duty on copra, if enacted into the tariff, will have the effect of tying up all tonnage (ships) now operated in the South Sea Island trade for the reason that it will take away the return cargoes, without which a vessel can not operate with profit, and it will result in a diminution of our export trade to those islands. The vessels now used in this trade are not adapted to other trade lines, so they would have to be tied up resulting in a total loss to the owners."

Obviously, therefore, if our present foreign trade is to be extended, or even maintained in its present volume, the carriers must be supported by favorable legislative action. Movement of copra in large quantities, I feel, is indispensable to this maintenance.

Under the organic law of the Philippines approved August 20, 1916, the Philippine Legislature may, with the approval of the President, enact its own tariff law. The existing tariff law of the Philippines is that passed by Congress in 1910. Amendments have been few and unimportant, and no amendment has been passed or seriously contemplated which would, in any way, injure American trade with the islands.

From a personal study of this question of importation of free copra and free coconut oil from the Philippine Islands, I am convinced that no serious injury is inflicted upon any product of the American farmer, and, on the contrary, the schedule as presented in H. R. 2667, paragraph 1723, now before the Senate Finance Committee for consideration, is to the best interests of our people as a whole, and effects the domestic coconut oil manufacturers and our shipping interests that measure of protection to which they are properly entitled. The sole result of a tariff on copra and a tariff on coconut oil imported from the Philippine Islands would be a greatly increased cost of all soap used in this country; the ruin of the American crushing industry by reason of lower manufacturing costs in the Orient, and seriously imperiling the supremacy of the American flag in oriental trade.

## PRODUCTS OF AMERICAN FISHERIES

[Par. 1727 (a)]

**BRIEF OF THE ATLANTIC COAST FISHERIES CO., GROTON, CONN.; ROE & SULLIVAN, BOSTON FISH PIER, BOSTON, MASS.; SHIP BOTTOM FISHERIES CO., BEACH HAVEN, N. J.; CHESEBRO BROS. & ROBBINS (INC.), NEW YORK CITY; ATLANTIC COAST FISHERIES CORPORATION, PROVINCETOWN, MASS.; ROBBINS (INC.), CHICAGO, ILL.; R. ROBBINS, INDIANAPOLIS, IND.; AND OTHERS**

We respectfully request that all fish now on the free list be retained on the free list and that paragraph 1727 of the House tariff bill (H. R. 2667) be revised.

Products of American fisheries: Par. 1630, tariff act of 1922; par. 1727, H. R. 2667

In accordance with our interpretation of this paragraph (1727) as passed by the House, cod, haddock, hake, pollock, cusk, mackerel, and swordfish, the product of American fisheries are excluded from this paragraph. They would therefore become dutiable at 1 cent per pound in paragraph 717.

For more than 100 years the products of American fisheries taken by American vessels on the high seas have been landed free of duty. To tax an American article would be the same as taxing an article imported from the Philippines, Alaska, or Hawaii.

The paragraph as passed by the House is very clumsy and will undoubtedly lead to litigation in the future if it finally becomes a law. We think that the Senate Finance Committee should clarify this paragraph (1727) in accordance with the desires of the fishing industry.

Paragraph 1727 should be revised so that all fish, shellfish, and other marine animals landed in the United States, Alaska, Hawaii, or other possessions or Territories of the United States may be landed free of duty.

All products of American fisheries, including fish, shellfish, and other marine animals, landed in a foreign country, and there beheaded, eviscerated, trimmed, packed in ice, prepared for freezing, and frozen, should be exempt from duty

The Fifteenth Court, Customs Appeals 34, decided that fish caught by Americans; in American vessels; bought by a Canadian subsidiary of an American corporation; landed, graded and packed in ice in Canada; and immediately shipped in bond, in sealed cars to the American corporation, without having paid the Canadian duty, or entered Canadian commerce, were entitled to free entry under paragraph 1630 of the tariff act of 1922. In other decisions, fish caught by crews of vessels of American registry, commanded by American masters and furnished with American gear, when purchased by an American corporation, and landed at a Canadian port, where they were frozen and stored, remaining at all times the property and under the control of the American corporation, were held to be entitled to free entry when shipped to the United States. (G. A. 8949, T. D. 40725; G. A. 8952, T. D. 40728). This decision was followed as to various kinds of fish in declarations 50185, 50332, 50766, 50799 (N.), 26.

This provision will specifically provide that the products of American fisheries landed in a foreign country for shipment to the United States may be free of duty. In addition, it specifically provides that these fish may be packed in ice, prepared for freezing and frozen, as well as beheaded, eviscerated, and trimmed. Now, it is a practice on the Pacific coast to land halibut at Prince Rupert and freeze it prior to shipment to the United States. As this has been upheld by the courts and is the commercial practice established for many years, the new law should specifically provide for it again.

We would consider it discriminatory and entirely unfair to permit halibut to be landed in a foreign country and not to permit cod, haddock, hake, pollock, cusk, mackerel, and swordfish to be landed on the eastern coast of Canada. If it is fair to permit halibut to be landed for shipment, then it is fair to permit cod and other species to be landed.

The halibut fishermen of the Pacific coast are heartily in accord with this provision and indorse it unanimously. The companies signing this brief catch about 40 per cent of the cod and haddock taken by United States fishing vessels and we heartily indorse this clause.

Due to the high perishability of our product, we must get rid of the fish as soon as possible. As we catch our fish often a thousand miles at sea, we must land them in a condition which shall be satisfactory to the buyer. It is conceivable that there might be times when we land fish for transshipment in order to avoid losing the entire cargo.

As it costs \$300 a day to operate our vessels and each trip requires about 10 days, we would, therefore, lose about \$3,000 on each shipment.

Our suggested revision of paragraph 1727 excludes the words "if so landed, have been landed solely for shipment without change in condition," because that clause is liable to lead to a misunderstanding, and subsequently to a court decision for a proper interpretation.

All products of American fisheries, fresh, frozen, packed in ice, or prepared or preserved by an American fishery on the treaty coast of Newfoundland, Magdalen Islands, and Labrador, as such coasts are defined in the international fisheries agreement under the convention of 1818 between the United States and Great Britain, should be exempt from duty. It is well defined in the international fisheries agreement, under the convention of 1818, that the United States has the right to fish off of these coasts forever.

All products of American fisheries such as spermaceti, whale, fish, and other marine animal oils, should be exempt from duty, but they should be separately exempt from duty in a separate clause in order to avoid any misunderstanding.

We believe that paragraph 1727 (H. R. 2667) should be revised as follows:

(Par 1630, Act of 1922; par. 1727, H. R. 2667)

"PAR. 1727 (a) All products of American fisheries, including fish, shellfish, and other marine animals, if landed in the United States, Alaska, or other possessions or territories of the United States shall be exempt from duty.

"(b) All products of American fisheries, including fish, shellfish, and other marine animals, landed in a foreign country, and there beheaded, eviscerated, trimmed, packed in ice, prepared for freezing, and frozen, shall be exempt from duty.

"(c) All products of American fisheries, fresh, frozen, packed in ice, or prepared or preserved by an American fishery, on the treaty coast of Newfoundland, Magdalen Islands, and Labrador, as such coasts are defined in the convention of 1818 between the United States and Great Britain, shall be exempt from duty.

"(d) All products of American fisheries such as spermaceti, whale, fish, and other marine animals, shall be exempt from duty."

We respectfully request the committee to divide this paragraph up as we have, so there will be no trouble about interpreting it. We have used plain, simple language and do not believe any court action will be necessary to interpret it. (Sea herring, smelts, tuna fish: Par. 1656, tariff act of 1922; par. 1753, H. R. 2607.)

It was the intention of paragraph 1656 of the tariff act of 1922 to provide for free entry of all sea herring, smelts, or tuna fish, whether fresh, frozen, or packed in ice. However, the courts held that artificially frozen sea herring were not included in this paragraph and were therefore dutiable under paragraph 717 at 1 cent a pound.

We respectfully request that all sea herring, frozen artificially, be retained on the free list; that sea herring, frozen naturally, or if fresh, and smelts, and tuna fish be retained on the free list.

There is no reason to discriminate between naturally frozen sea herring and artificially frozen sea herring. Any man who has made a scientific study of fish knows that the ice crystals that form in fish when they freeze, whether naturally frozen by the elements or artificially frozen, are of the same size if frozen under the same conditions. It is, therefore, logical to permit the free entry of fresh or frozen sea herring.

Fresh or frozen sea herring is the raw material for smoking in the United States.

Imported sea herring does not compete with the domestic sea herring. There are no data available giving the domestic production of sea herring which are comparable to the herring imported for smoking purposes; there are no data available giving imports of herring for smoking purposes. However, production along the New England coast of the United States, the principal producing center in this class of fish, is small; the production is also very, very limited. Imports come entirely from Nova Scotia and Newfoundland and are consumed principally by smokers in Pennsylvania and Illinois.

Sea herring also serve as the raw material for sardines in the Maine sardine industry. A large portion of the herring used by the sardine industry must be taken in Canadian waters, due to the limited supply in the waters close to the United States. These herring are very small, about 2 inches in length, whereas the herring used for smoking purposes must be from 8 to 10 inches in length.

It has been the commercial custom for United States vessels to fish off the coast of Newfoundland and to permit their fish to freeze naturally when the temperature is very low. These fish are entitled to free entry as the product of American vessels. We must go to Canada to supplement this supply because our vessels that fish off from Newfoundland have a limited quantity available.

We respectfully request that all frozen sea herring, whether naturally or artificially frozen, and all fresh sea herring, smelts, and tuna fish be provided for on the free list.

*All other fish paragraphs on the free list, including cuttle fish, whalebone, moss, sea grass, sea weeds, fish, shellfish, fish used for purposes other than human consumption, fish scrap, and fish meal.*

We respectfully request that the above-enumerated products as provided for in the tariff act of 1922 on the free list, be retained on the free list in the new tariff act.

## COD OIL AND COD-LIVER OIL

[Par. 1727 (b)]

### STATEMENT OF C. P. GULICK, REPRESENTING THE NATIONAL OIL PRODUCTS CO., HARRISON, N. J.

(The witness was duly sworn by the chairman.)

Mr. GULICK. Gentlemen, I appeared before the Ways and Means Committee, and therefore I will be very brief, as I do not want to go over any of the ground covered at that time.

My request at that time was cod-liver oil and cod oils be retained on the free list, where they have been. I see the recommendation is—

Senator SMOOT. Cod-liver oil and what?

Mr. GULICK. Cod-liver oil and cod oil, paragraph 1727.

Senator KING. Those are medicines of high value, are they not?

Mr. GULICK. Yes; they are.

Senator KING. Is there a proposition to put them upon the dutiable list?

Mr. GULICK. There has been a request made to put them on the dutiable list in order to protect and foster the domestic cod-liver oil fishing production.

I went into the matter of figures quite extensively in my brief, and before the House committee. On account of lack of time at that time, however, I did not have an opportunity to read into the record something that I will not now take the time to read into the record, except that I would like to mention the fact that I had the letters which I have sent to the House committee, from the agricultural and industrial colleges of the country, protesting against any possibility of cod-liver oil being placed upon the dutiable list.

My interest in this is primarily from the standpoint of the farmer, poultry raiser, and the cattle raiser, because cod-liver oil has, in the past few years, come into its own as a very vital element of feed to those industries.

The domestic production, either actual or potential, can not anywhere meet the demand. We have to go to world supplies to meet this particular demand for cod-liver oil.

Senator KING. You mean the agriculturists need the cod-liver oil?

Mr. GULICK. Absolutely. Such institutions as the University of Nebraska, the North Dakota Agricultural College, the Virginia Polytechnic Institute, the Kansas State Agricultural College, Cornell University, the South Dakota State College, Iowa State College of Agriculture and Mechanical Arts, Massachusetts Agricultural College, the University of New Hampshire, the North Carolina State College of Agriculture and Engineering, and the University of Minnesota have gone on record definitely protesting against any increase in the cost of this particular commodity, because of the farmer's need for it in feed to his poultry and animal and farm stock.

Cod-liver oil, without going into the science of the thing in detail, is fed because of its vitamine content. It is the only known source, practically, of vitamine B, that thing which produces strong bones. We can not get it out of anything else, and yet the United States Fisheries Association asks that cod-liver oil be taxed at 45 per cent in order to foster the American cod-fishing industry.

Since the hearings before the House committee I have run across an article in the June 24th issue of the weekly magazine called Time, which quotes Mr. Harden F. Taylor, vice president of the Atlantic Coast Fisheries Co., who appeared before the committee asking for 45 per cent ad valorem on cod-liver oil.

This article quotes the fact that Secretary of Commerce Lamont said that the fishing in this country is in the soundest position of its history. The point I want to make, however, that Mr. Lamont also states, is that the catch landed in New England ports is not any more the famed cod, but haddock, one month's catch showing 75 per cent haddock, 16 per cent cod, and 5 per cent flounder. It is to protect this little 16 per cent of cod, evidently, that they want to tax the American farmer for his entire consumption of cod-liver oil.

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It is an untenable position, and it is untenable for this reason, that cod-liver oil is merely a by-product of the cod-fishing business. They catch cod fish for the fish. The livers are merely a part of the fish, and it is merely a by-product. Regardless of how much that is protected, it would not stimulate and could not stimulate fishing for cod.

Senator KING. The farmer's use of cod is merely for its food value.

Mr. GULICK. Food value, pure and simple.

Senator KING. Then, the farmer uses it no more than other people.

Mr. GULICK. Except that up to the last three or four years the demand has been almost entirely medicinal, and for human consumption, whereas in the past three or four years there has sprung up a tremendous demand, fostered by these agricultural institutions all over the country, including the United States Department of Agriculture, for the feeding of cod-liver oil and its products to cattle, poultry, and other farm animals, giving the reasons for it, and so forth, which makes it necessary for us to go to the ends of the earth to get enough cod-liver oil to supply this demand.

Senator KING. Is there much cod-liver oil used for feeding animals, poultry, and so forth?

Mr. GULICK. That demand is increasing, doubling and trebling every single year, due to the activities of these agricultural institutions.

The statistics of import, the present consumption, and all the rest of that I have given in my brief before the House committee.

Senator KING. Has anybody appeared before the House committee—no one has appeared before this committee—asking for a tariff on cod-liver oil?

Mr. GULICK. Yes. Mr. Harden F. Taylor appeared before the House committee asking for 45 per cent tariff on cod-liver oil. I did not know but he might also appear before this committee with some other facts.

Furthermore, gentlemen, one of my predecessors this morning, Mr. Eastlack, asked for 45 per cent on all imported fats, including cod-liver oil, and I protest against any such blanket proposition as that, particularly where we have an exception so absolutely vital to the farmer as this is.

Senator KING. Unless there is a good showing I should oppose it upon the ground that it is essentially a medicine. I know hundreds of little children who are taking cod-liver oil, under prescriptions from doctors, because of the vitamins and the curative effects.

Mr. GULICK. Absolutely; and there is not any other source. I point out this article, that says that 75 per cent of the fish coming into the New England ports is haddock. There is not a single thing on record, so far as we know, where science has indorsed haddock liver oil for this purpose. It is cod-liver oil.

Senator BARKLEY. Does cod-liver oil have the same effect on an animal as it does on a man?

Mr. GULICK. Absolutely.

Senator REED. It makes chickens lay more eggs?

Mr. GULICK. It makes chickens lay more eggs, increases the hatchability, and decreases mortality. It increases the animal metabolism. That is the function.

I have nothing further that I want to say. I merely wanted to emphasize those points, and bring out the attitude of the agricultural interests.

## BRIEF OF E. R. SQUIBB &amp; SONS, NEW YORK CITY

SENATE FINANCE COMMITTEE, *Washington, D. C.*

GENTLEMEN: On February 22, 1929, we presented a brief to the Ways and Means Committee of the House of Representatives in opposition to the transfer of cod-liver oil and cod oil from paragraph 1630 to paragraph 53 with a duty of 45 per cent ad valorem. That committee decided that these products should remain on the free list. We understand that your committee will be requested to rescind this decision and we wish to present this supplementary brief in further opposition to a duty upon cod-liver oil and cod oil.

**COD-LIVER OIL IS A MEDICINAL PREPARATION AND NOT A FOOD**

As a result of research in this country and abroad it has been shown that there are certain principles contained in particular substances which are essential for health and proper growth. These substances or principles have been given the name of vitamins because they are essential to health. Among the most important of these are those found in cod-liver oil of which there are two. One of these known as vitamin A is essential for growth particularly of young animals and is also concerned in protecting the organism against certain infections particularly those of the respiratory tract. The other one of these principles found in cod-liver oil is known as vitamin D or the antirachitic factor or the principle that protects the body against the development of rickets and favors the proper growth of the bones and teeth. According to surveys made by a number of different investigators in this country and abroad more than 25 per cent of the children in the various groups surveyed showed definite evidence of the lack of this latter vitamin or the antirachitic factor. Poultry raisers have likewise found that this vitamin favors a more rapid growth in the chicks, protects them against the condition known as leg weakness and results in a most sturdy stock. The same has been found to be true by the raisers of foxes, dogs, and other animals.

Cod-liver oil for years before these discoveries was given because of the belief that the oil itself had some peculiar value in protecting the body against these various conditions recited above, but the studies have shown that it has no relation to the food value of cod-liver oil but is due to the presence of these two vitamins which are active therapeutic agents. Cod-liver oil may, therefore, be properly considered to be an active medicinal preparation rather than a food.

Cod-liver oil used for human beings is taken for the greater part by babies and young children, not as a food, but for the active therapeutic agents which it contains known as vitamin A and vitamin D. It is called "Bottled sunshine" because these vitamins take the place of sunshine in building up the health, strength, and frame of human beings and animals. It is valuable for all children, but it is especially needed by children who receive insufficient sunlight and fresh air. It is so rich in vitamins that it is taken in small doses, but in most instances several doses are required each day. While this medicinal product is vitally important to children, it is also used in large quantities by adults to maintain a healthy condition and to develop resistance to sickness especially to colds and infections of the respiratory tract.

Cod-liver oil is incorporated in food mixtures for poultry and animal husbandry, but any value that it may have when so used depends upon the amount of vitamin A and vitamin D contained in the cod-liver oil rather than the number of calories in the oil itself. As there is no other material which contains these vitamins in anything like the proportion contained in cod-liver oil, this oil is an essential medicinal agent to the poultry and animal husbandry industry of the country. Cod-liver oil is administered to human beings and to animals as a medicine, not as a food. The medicinal value of cod-liver oil is due to the vitamins which it contains.

**NO FARM PRODUCT COMPETES WITH COD-LIVER OIL**

No vegetable oil or other animal oil so far produced in the United States or anywhere else contains these vitamins so that the agricultural industry and other industries of the United States do not produce any product which competes with cod-liver oil. For this reason, the continuance of cod-liver oil upon the free list works no hardship against the agricultural industry of the United States.

The agricultural industry has requested that animal and vegetable oils now on the free list shall be removed therefrom and shall be assessed with a duty of 45 per cent ad valorem. We have discussed their request with certain of the

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most important leaders in farm bureaus and associations. When these gentlemen have learned of the uses of cod-liver oil, of its importance to certain parts of the agricultural industry, and especially of the fact that it does not compete in any way with the agricultural industry of the United States, they have assured us that they do not wish any duty placed upon this product. Their request was simply a "basket" request covering all vegetable and animal oils and everyone consulted admits freely that their request should not apply to cod-liver oil. In fact the imposition of a duty on this product would be to the disadvantage of the farmers because of the increased cost to them of the product.

THE INCREASING DEMAND FOR COD-LIVER OIL

Our previous brief emphasized the increasing demand for cod-liver oil within the United States. This increase in demand is clearly indicated by the following table:

Comparison between United States consumption and total world production of cod-liver oil and cod oil, by years, 1924 to 1928

Years	World production, including United States	Consumption in the United States (Imports and United States production)	Per cent of total world production consumed in United States
	Pounds	Pounds	
1924.....	55,039,000	22,432,000	41
1925.....	57,103,000	23,605,000	41
1926.....	56,685,000	34,450,000	60
1927.....	44,675,000	36,362,000	75
1928.....	44,700,000	32,988,000	75

The United States used 75 per cent of the entire world production of cod-liver oil and cod oil during 1927 and 1928 as compared with a consumption of 41 per cent in 1924 and 1925. The great increase in consumption in recent years is due to the general increase in knowledge among the citizens of the United States of the medicinal properties of cod-liver oil.

Our previous brief forecasted an increase in demand for cod-liver oil in the United States during 1929. The correctness of this forecast is borne out by a report from the department of Commerce, Bureau of Foreign and Domestic Commerce, upon the imports of cod-liver oil and cod oil during the first four months of 1929. The following table compares the imports of these products during the first four months of 1928 and 1929:

Comparison of imports of cod-liver oil and cod oil, January through April, 1928 and 1929

Years	Imports	Amount of increase	Percent of increase 1929 over 1928
	Pounds	Pounds	
1928 (January through April).....	9,383,745		
1929 (January through April).....	11,567,021	2,183,276	23

The imports of cod-liver oil and cod oil combined during the first four months of 1929 were 23 per cent greater than the imports during the same period in 1928. The imports of cod oil alone increased 25 per cent during the first four months of 1929 and the imports of cod-liver oil alone increased 22 per cent.

The increase in imports during the first four months of 1929 was 2,183,276 pounds, and this increase alone was more than the total production of cod-liver oil and cod oil in the United States during the entire year 1928, which production was 1,873,085 pounds. This would seem to substantiate our statement in our previous

brief that the total production of cod-liver oil and cod oil in the United States is not sufficient to supply even the increase in demand in this country during the single year 1929.

#### PRICES FOR COD-LIVER OIL

Our previous brief pointed out the steady increase in price of cod-liver oil during the past several years for the purpose of emphasizing the increasing demand and to show that American producers of cod-liver oil have a ready market at high prices for their product. We pointed out that American producers requesting the increased tariff can produce at costs which compare favorably with the cost of production in other countries and are more than favorable as compared with the cost of production in Newfoundland. Since the presentation of that brief, prices of cod-liver oil have declined perceptibly, and it may be that the advocates of the duty upon this product will endeavor to use this decline in prices as a reason why the duty should be imposed. It therefore seems advisable to investigate briefly this price decline.

The decline in price is due to three factors:

1. A large production in Norway.
2. Uncertainty as to tariff conditions in the United States made producers anxious to dispose of their stocks at any price.
3. Fear that certain substitutes for cod-liver oil will materially reduce the demand.

The production of cod-liver oil in Norway during 1929 has been much greater than in 1928. On the other hand, it has been much smaller than the production in 1925 and 1926. Production in Iceland this year has been very much smaller than the production in 1928. The production in Newfoundland this year of cod-liver oil will be materially less than the production in 1928. The production of cod-liver oil and cod oil in Saghalien and Japan during 1928 was approximately 500,000 pounds less than the production in 1927. Japanese and Saghalien production in 1929 will probably be about equal to production in 1928.

A comparison of the estimated production for 1929 with the production for 1928, which was the smallest in the last five years, shows that the world production this year will be approximately the same as the world production last year.

The fishermen and the producers of oil in Norway and in Iceland are in such a position that they can not carry their stocks of oil and must dispose of them shortly after they are produced. The result is that during this year the market on cod-liver oil and cod oil has been a buyer's market, because Norwegian producers were frightened by their increased production, by the discussion of a heavy tariff, and by the discussion of substitutes. As a result they have sold at practically any price they could obtain.

The second factor which influenced prices is the discussion of a heavy tariff upon cod-liver oil imported into the United States. The depression from such a factor is a temporary one. With the increase in demand for cod-liver oil the entire world production would be sold even at higher prices as the demand increases.

The third factor which influenced prices is the discussion of substitutes for cod-liver oil. It is true that a method has been found for developing a substitute for the vitamin D contained in cod-liver oil. It has been impossible to develop vitamin A or a substitute for it. For the use of human beings vitamin A is just as important as vitamin D. For the use of animals vitamin A is extremely important, but it is generally considered less important than vitamin D. As a result the probability is that the demand for cod-liver oil will continue to increase steadily from year to year in spite of the development of certain substitutes.

The citizens of foreign countries are just beginning to learn of the great medicinal value of cod-liver oil, especially for human beings. The financial condition of many of these countries has retarded the purchase of this product. Undoubtedly in the next few years we will see a greatly increased demand for cod-liver oil in European countries which will emphasize the shortage of this product.

This brief discussion of the price situation would indicate that while the present price of cod-liver oil is low the condition is a temporary one and that the price of this product will undoubtedly continue to advance from year to year. This being true, the American producers with their expanding market will be able to continue to sell their product at very satisfactory profits as they have done in the past.

\* \* \* \* \*

This supplementary brief opposing a tariff on cod oil and cod-liver oil is submitted for three purposes:

1. To emphasize the medicinal importance of these products.

2. To consider new conditions connected with the industry which have developed since our last brief was submitted and which might be incorrectly reported to your committee as a reason why a tariff should be imposed.

3. To emphasize to your committee that all claims in our previous brief are actually substantiated by developments during the present year.

Respectfully submitted.

E. R. SQUIBB & SONS.

NEW YORK, N. Y., July 15, 1929.

## TUNG (CHINA-WOOD) OIL

[Par. 1729]

### STATEMENT OF HENRY A. GARDNER, WASHINGTON, D. C., REPRESENTING THE INSTITUTE OF PAINT AND VARNISH RESEARCH

(The witness was duly sworn by the chairman of the subcommittee.)

Senator SMOOT. You want to speak on tung oil?

Mr. GARDNER. On tung oil, also known as China wood oil. I represent the American Paint and Varnish Manufacturers Association of the United States. We wish to have it kept on the free list, where it always has been placed. One main reason for that is that it will never interfere with any other animal or vegetable oil that is used for edible purposes.

Senator SMOOT. That is what the House did.

Mr. GARDNER. Because it is entirely toxic and poisonous.

Senator REED. Why should we limit the tung oils that are on the free list to Chinese and Japanese tung oils, if that industry could be encouraged in Hawaii or in the Philippines, or any place where similar climate is found?

Senator SMOOT. That is already provided, you know, in paragraph 55, where it is not denatured. He speaks only of the denatured.

Senator REED. Oh, no. He says it is poisonous. It is not denatured.

Mr. GARDNER. It is naturally poisonous.

Senator SMOOT. He said olive oil.

Senator REED. No, he did not.

Mr. GARDNER. Tung oil, or China wood oil. The two names refer to the same product.

Senator REED. Tung oil is free only if it is Chinese or Japanese. Why do we need the words "Chinese or Japanese"?

Mr. GARDNER. We do not need those names at all. It is only grown in China at the present time. There is very little produced in Japan, and it is all used in Japan. All we import is brought from China.

Senator SMOOT. It will not do any harm to leave the words in there if there is none produced anywhere else.

Mr. GARDNER. That is true.

Senator REED. It is not fair to any other country that might start to produce it.

Senator SMOOT. We will have other revisions.

Mr. GARDNER. I just want to point out that its action is almost identical with that of croton oil. It is highly toxic.

Senator REED. Is it used in medicine as a purgative?

Mr. GARDNER. No; it is too poisonous for that. If a person should drink one teaspoonful of it he would be tied up in bow knots in a minute, it is so highly toxic, But it is absolutely essential to the production of waterproof varnishes. No other oil can be used for that purpose.

May I present this brief.

Senator SMOOT. Yes.

(Mr. Gardner submitted the following brief:)

**BRIEF OF HENRY A. GARDNER, DIRECTOR, SCIENTIFIC SECTION, AMERICAN PAINT AND VARNISH MANUFACTURERS' ASSOCIATION (INC.)**

**COMMITTEE ON FINANCE,**  
*United States Senate, Washington, D. C.*

**BRIEF RESPECTFULLY PROTESTING AGAINST THE IMPOSITION OF TARIFF DUTIES ON TUNG OIL, ALSO KNOWN AS CHINA WOOD OIL**

The American Paint and Varnish Manufacturers' Association (Inc.), consists of 207 manufacturers of paint, varnish, and lacquers, representing not less than 70 per cent of the productive capacity for these products in the United States and producing products for general use to a value in excess of \$500,000,000 annually.

The introduction of China wood oil into the United States some 20 years ago resulted in a complete revolution in the processes for the manufacture of varnishes and certain other important products in the paint and varnish industry. Before China wood oil was generally used, practically all of the better grades of varnishes and products using varnish were manufactured from imported fossil gums and treated linseed oil. Rosin, an important product of the American farmer, was before that time usually employed in the manufacture of inferior grades of varnish or for adulteration.

When China wood oil became commercially available, investigation showed that China wood oil used in combination with American rosin produced varnishes in all respects equal to, and in many respects superior to, the older types of varnishes. The development of the industry since China wood oil became available has been entirely along the line of using this oil in combination with American rosin, thus increasing the consumption of American rosin, replacing the foreign fossil gums formerly used.

The American varnish-making industry is now largely based and dependent upon the use of China wood oil in its products.

The varnishes produced in this way have so far modified the requirements of consumers as to the character of the varnishes required that it would be impracticable to again go back to the products manufactured prior to the use of China wood oil, using imported fossil gums, which at the present time are becoming more and more scarce and difficult to obtain. The supply of these gums has been so far reduced within recent years that they are available only in limited quantities and therefore can be used only for the products in which they are absolutely necessary.

The imposition of a duty on China wood oil would not in any way reduce the demand or restrict the consumption of the product by American manufacturers. China wood oil is not competitive with linseed oil. These two products are in no sense usable interchangeably, and so long as China wood oil is available, American varnish manufacturers will purchase it.

The introduction of the quick-drying nitrocellulose lacquers, which at the present time are almost universally used in the finishing of automobiles, has caused a demand by manufacturers for products having similar quick drying qualities, making it necessary for the manufacturers to produce varnishes which would approach lacquers in drying speed. These can only be produced by the use of China wood oil.

The total imports of tung oil into the United States during the past five years have been as follows:

1924, 10,197,798 gallons, valued at \$11,091,781.

1925, 10,194,314 gallons, valued at \$11,386,069.

1926, 10,375,472 gallons, valued at \$9,148,090.

1927, 11,206,301 gallons, valued at \$11,800,583.

1928 (11 months), 12,040,923 gallons, valued at \$12,037,522.

It is respectfully requested that no import duties be imposed on tung oil (China wood oil).

Respectfully submitted.

ERNEST T. TRIGG,  
Chairman Tariff Committee, American Paint and Varnish  
Manufacturers' Association (Inc.).

## SOAP-MAKING OILS

[Par. 1729]

### STATEMENT OF W. F. FANCOURT, JR., PHILADELPHIA, PA., REPRESENTING THE TEXTILE SOAP AND OIL MANUFACTURERS' ASSOCIATION

(Sulphur olive oil and palm oil; also including coconut oil and palm-kernel oil, par. 55)

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. FANCOURT. Gentlemen, Mr. McIvor, who appeared before the House, is unable to be present. To make matters brief, in the shortest possible manner, I may say that we request that the bill as proposed in the House, keeping all textile oils and fats used in soap making, and for textile soaps on the free list, be retained.

Senator SMOOT. And, for further evidence, you refer us to the House hearings?

Mr. FANCOURT. The House hearings; and a little brief, if you would like to have it filed.

Senator SMOOT. We will put that in the record.

Senator REED. What kind of oil do you make?

Mr. FANCOURT. Principally sulphur olive oil and palm oil, for the textile trades.

Senator REED. Both inedible?

Mr. FANCOURT. Both inedible, yes, sir.

(Mr. Fancourt submitted the following brief:)

### BRIEF OF W. F. FANCOURT, JR., REPRESENTING THE TEXTILE SOAP AND OIL MANUFACTURERS' ASSOCIATION

MR. CHAIRMAN AND MEMBERS OF THE FINANCE COMMITTEE: I represent the textile soap and oil manufacturers, who request that no duty be placed upon soap-making oils and fats, with particular reference to sulphur olive oil, palm oil, coconut oil, and palm kernel oil.

Our industry consumes approximately 40,000,000 pounds of sulphur olive oil per year, practically all of which is used in the manufacture of soap for textile purposes. These oils are not produced nor can they be produced in this country. Furthermore, they do not compete with domestic vegetable oils.

A duty placed on these oils would not reflect any advantage to the agricultural interests, as they are not interchangeable, they being used for a specific purpose, and would still be imported regardless of any duties imposed, as soaps made from these fats are indispensable to the textile industry.

Any duty on soap-making fats and oils would materially increase the cost of textile soaps and oils, which of necessity would be passed on to the consumer, who in our case would be the textile manufacturers, and, as is well known, this industry is in a deplorable condition and not in a position to absorb the additional burden which would be placed upon them.

We can not use cottonseed oil, corn oil, or peanut oil in place of these fats, particularly on account of their titre and the fact that they have a tendency to become rancid, and are, therefore, not adaptable for textile purposes.

Even if it were possible to use these oils, practically the entire production of vegetable oils in this country is now consumed for edible purposes. All other domestic soap-making fats produced are now consumed, and, in addition thereto, we import close to 1,000,000,000 pounds of fats and oils to make up the deficiency for industrial and laundry soap. Any duty imposed would, therefore, add a tremendous burden to every family in America, without any corresponding benefit to the farmer.

There are approximately 200 manufacturers of textile soaps and oils. We do not produce any of our raw material; we are simply converters, and a duty would impose a hardship on all of us, as it would require, under the proposed tariff, at least 50 per cent additional capital to conduct our business, with a corresponding increase in our credit risks.

The production of textile soaps and oils is largely in the hands of small manufacturers, and the increased capital required, under the proposed bill, would, in many cases, drive some of us out of business. Therefore, we respectfully petition that all soap-making fats and oils be continued on the free list.

Respectfully submitted.

TEXTILE SOAP AND OIL MANUFACTURERS' ASSOCIATION,  
By W. F. FANCOURT, Jr.

**STATEMENT OF GEORGE A. WRISLEY, REPRESENTING THE ALLEN  
B. WRISLEY LAUNDRY SOAP CO., CHICAGO, ILL., AND OTHERS**

(Palm oil; also including coconut oil, par. 55, and tallow, par. 701)

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. WRISLEY. Mr. Chairman, and gentlemen of the committee, I am appearing here as a representative of the Allen B. Wisley Co., of Chicago, and a number of other small laundry-soap manufacturers in the Middle West.

Senator REED. Are you interested in coconut oil principally?

Mr. WRISLEY. We are interested in all the soap-making fats and oils.

Senator REED. Which ones, principally? What do you use mostly?

Mr. WRISLEY. Principally, at the moment, palm oil, coconut oil, tallow, and, in a limited way in our own individual business, of course, olive-oil foots, and all of that.

Senator SMOOT. Did you appear before the House committee?

Mr. WRISLEY. No, sir; I did not.

Senator SMOOT. Have you a brief prepared?

Mr. WRISLEY. I have; yes, sir.

My particular point in appearing this morning was to have you know that the smaller manufacturers are very greatly interested in this, as well as the larger manufacturers, and to ask that everything be left as it is in the House bill. This matter of a tariff on soap-making fats and oils is, if anything, of greater moment to the smaller manufacturer than to the large manufacturer.

Senator SMOOT. You may file your brief.

(Mr. Wisley submitted the following brief:)

BRIEF OF GEORGE A. WRISLEY

Mr. Chairman and members of the Finance Committee, I am appearing here as a representative of the Allen B. Wisley Co., of Chicago, soap manufacturers, and as a representative of a number of other small laundry-soap manufacturers in the Middle West. Our position in regard to a duty being placed upon soap-making raw materials is the same as that of all other soap makers. We vigorously protest the levying of a duty on soap-making fats and oils, which have been duty free for many years, or the increasing of the duties on commodities which have heretofore been held dutiable.



Our position is, however, different to some degree from that of the other larger laundry-soap manufacturers, who are in a position to use the lowest grades of raw materials available in this country, such as reduction greases, skimmings, and foots of all kinds. Low-grade materials of this kind require large and costly equipment for distilling and converting into material suitable for yellow laundry soap. We smaller soap manufacturers can not use this source of raw material because of the tremendous investment required and because we can not operate on a large enough scale to operate economically, even if we had the equipment. Consequently we are forced to look to another source of raw material, and are therefore particularly interested in the importation of palm oil, which is on the free list in paragraph 1729.

We wish to point out to your honorable body that if any duty were placed upon palm oil it would make it impossible for us to make yellow laundry soap to compete with those who are producing white laundry soap, because white laundry soap is largely made from coconut oil imported from the Philippines. With the Philippines under the American flag a duty upon Philippine coconut oil would seem unreasonable, if not impossible. Therefore, the manufacturers of white laundry soap would have an unfair advantage over those who produced yellow laundry soap if any duty were placed upon one of our chief raw materials, which is palm oil.

I might state at this point that any increase in the duty on tallow in paragraph 701 would likewise tend to place the manufacturers of yellow laundry soap at a disadvantage as compared to the manufacturers of white laundry soap.

Another point which I wish to emphasize is that if increased duties were placed upon any of the soap makers' raw materials, either in the free list of Schedule I, or tallow in paragraph 701, it would mean that you could ship soap across the Canadian border into the United States much cheaper than it could be produced in this country. If the duty of 45 per cent ad valorem, which has been asked here were to be levied, it would mean that you could produce soap in Canada approximately \$1.35 per box less than you could in this country. Few of the smaller American manufacturers could afford to establish a Canadian factory, therefore, under the existing tariff of 15 per cent ad valorem on ordinary soap, and with a duty of 45 per cent ad valorem upon our raw materials, it is easy to see that a great portion of the smaller soap manufacturers of the United States would soon be out of business.

We can see no gain to anyone from placing duties upon imported oils and fats of the type which is used for soap making, because the domestic supply of raw material which they supplement is almost entirely of offal and refuse origin.

We do not use anything in the manufacture of soap from which the farmer could possibly profit. We use no cottonseed oil, we use no linseed oil, we use no peanut oil, we use no corn oil. The tallow which we use is largely a product of the scrap collected from restaurants, hotels, and meat shops. There is nothing which the farmer produces which we do not now use which we would use were a tariff to be levied upon imported raw materials.

Practically everything that the farmer produces in this country in the way of oils and fats goes into edible products, with the exception of linseed oil, which goes into paint. We do have an exportable surplus of edible fats and oils, but a great deficiency of inedible fats and oils. It would seem of far greater value to our farmer and our country as a whole to export any excess of edible products and import such inedible products as are necessary for the soap maker and industrial user than to attempt by a tariff to force our excess edible products to compete with our inedible products, which could not help but tend to lower the price of the edible products. This would obviously be distinctly detrimental to the farmer.

We can see no way by which a duty on soap-making fats and oils will assist the farmer. It will make an exceedingly difficult period of readjustment for the soap manufacturer, but in the final analysis the additional cost of soap-making raw material will have to be passed on in increased cost to the consuming public, including the farmer, and amounts to nothing less than a direct tax on cleanliness, which is certainly most undesirable from every viewpoint.

**STATEMENT OF THOMAS CARLESS, REPRESENTING THE OLIVE OIL SOAP CO., PATERSON, N. J.**

[Sulphur olive oil]

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. CARLESS. Mr. Chairman, and members of the committee, I represent the Olive Oil Soap Co., and other manufacturers of olive-oil soap. This soap is a textile soap, manufactured from sulphur olive oil.

Senator REED. What do you mean by "textile soap?" Is it used in laundries?

Mr. CARLESS. It is used for degumming silk. There is no other substitute that we could use, as this soap is made according to a formula that the dyers demand. If you place a duty on the "foots," as the oil is known in the trade, it will work a hardship on the manufacturer, because he will have to charge the dyer more for his product and he in turn will charge more to the consumer, and nobody will benefit by this increase. On the other hand, the soap manufacturers will have to borrow more money from the banks, because the trade is not like it was before the war, when you could buy 100 or 200 barrels of oil. To stay in business to-day you must buy 1,000 or 2,000 barrels at a time.

Senator REED. You are not objecting to anything that the House did. You just want us to follow the course of the House, in leaving denatured olive oil on the free list.

Mr. CARLESS. Yes.

Senator SMOOT. You appeared before the House?

Mr. CARLESS. Yes.

Senator SMOOT. We have the House hearings.

Mr. CARLESS. I was not there that day. Something happened, so that I could not get there that day, but I was notified to be here to-day.

Senator SMOOT. Yes; because you requested it.

Senator BARKLEY. You did not actually testify before the House committee, then?

Mr. CARLESS. No. A friend of mine did for me.

Senator SMOOT. You could not make any other statement than that which was made before the House, could you?

Mr. CARLESS. Oh, no.

Senator SMOOT. We will make reference at this point to the testimony on this olive oil matter in the House hearings, and there is no need of repeating it at all.

Mr. CARLESS. The only thing I would like to ask is that you leave olive oil foots on the free list, because there is nothing we can use in its place.

Senator SMOOT. The House has it here—"olive and palm kernel oil rendered unfit for use as food or for any mechanical manufacturing purposes." You want it to be left on the free list, do you not?

Mr. CARLESS. Yes, sir.

Senator SMOOT. There is nothing else?

Mr. CARLESS. That is all.

**STATEMENT OF D. L. CORBIN, LA SALLE, ILL., REPRESENTING  
THE LAUNDRY OWNERS NATIONAL ASSOCIATION; AND LAUN-  
DRY INDUSTRY OF AMERICA**

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. CORBIN. Mr. Chairman, and gentlemen of the committee, I am eastern manager for the Laundry Owners National Association of the United States and Canada, with headquarters at La Salle, Ill.

According to the 1927 census, there are approximately 6,000 power laundries in these United States, doing a total volume of business amounting to one-half billion dollars annually. These power laundries employ 221,000 wage earners and office employees, with total annual pay roll of \$237,000,000.

About 50 per cent of these power laundries are members of the Laundry Owners National Association, the organization which I represent, and they do approximately 75 per cent of the total business done in power laundries to-day.

It is in behalf of the laundry industry of America that I appear before this committee to present for your consideration our objections to the proposed 45 per cent ad valorem duty on the vegetable oils and fats imported into this country for laundry soap making uses, or to any other duty, or anything, that will increase the cost of soap to laundry owners.

I call to your attention this fact, that the laundry owners of America not once have appeared before Congress, or any of its committees, to promote legislative enactments for their own selfish benefit, and in the present study for readjustment of the tariff we are not asking for protection of any kind. Therefore, we feel that we come with clean hands when in this instance we petition this committee to not permit the laundry industry of America to be made the victim of a tariff penalty such as would be thrust upon us by a needless, unjustified and unwarranted duty on soap-making raw materials.

If such a duty as has been advocated here to-day is imposed upon the oils covered in paragraph 1729, the price of soap will be virtually prohibitive to the laundry owners of America. We are reliably informed by representatives of the soap manufacturing industry that should a 45 per cent ad valorem duty be placed upon these oils and fats the price of laundry soap to the consumer, whether the American housewife or the owner of a power laundry, will be increased 50 per cent or more. Evidence to that effect has already been filed with your committee by the soap manufacturers, and we are convinced that their statements are well founded.

The soap bill of the power laundry industry amounts to approximately \$30,000,000 annually. In the American home, where 90 per cent of the laundering is still done by the housewife herself, or under her direction, the laundry soap bill is \$270,000,000 per annum. If this 45 per cent ad valorem duty is allowed, the laundry owners soap bill will be increased \$15,000,000, and the laundry soap bill in the American home will be increased \$135,000,000 annually.

Laundry soap and the raw materials that go into the laundry soap kettle have for the past 50 years been retained on the free list, primarily, we believe, because soap is the biggest single factor in the maintenance of cleanliness and sanitation for all people. There are

no justifiable reasons at this time for this Government to deviate from its tariff policy in so far as same relates to soap and to the raw products used for making it, and under any circumstances and at no time can I think of a real excuse for taxing cleanliness and sanitation.

Such duty as has been advocated here to-day would be as ridiculous as the placing of a tax on tea or coffee, because laundry soap is an absolute necessity not only in the power laundry but in the American home, and purchase of it can not be avoided although its cost is advanced 50 per cent or more. Laundry soap is vitally essential to the welfare of the home and the power laundry and, therefore, should be kept on a reasonable price basis.

A duty on these raw materials would greatly handicap the growth and development of the power-laundry industry, although each day the power laundry is being given greater recognition as a necessary and indispensable adjunct to the welfare of a community and its inhabitants.

Unfortunately, the laundry owner is not in position to pass such a tremendous increase in his operating expenses on to his customers, for the reason that the American public has a distinct aversion to higher laundry prices. If the laundry owner should attempt to do this his volume of business would be greatly impaired and many families who are now patronizing the power laundries would revert to the practice of doing their laundry work in the home. Such a movement would very seriously affect our industry.

On the other hand, the laundry owners' present margin of profit is too small to permit the absorption of so great an increase in the cost of soap.

Since the laundry industry can neither absorb such an increase nor can successfully pass it on to its customers, our industrial status will be a precarious one, indeed, if this duty is allowed. Therefore, we respectfully petition this committee to write no amendment into the tariff bill that would propose to remove these oils from the free list and subject same to tariff duty.

Senator SMOOT. Thank you very much.

### **BRIEF OF DR. BIRD S. COLER, NEW YORK CITY, REPRESENTING THE AMERICAN HOSPITAL ASSOCIATION**

The FINANCE COMMITTEE,  
*United States Senate, Washington, D. C.*

DEAR SIR: I appear at the request of and representing the American Hospital Association. We desire to oppose the placing of any duty on imported oils and fats. The American Hospital Association is interested in combating any increase of the cost of the hospitals of the country for staple necessities. We do this in order to keep hospital costs reasonable for patients of moderate means and less loss for those who come through charity. These two classes comprise 75 per cent of all. The soap bills of hospitals is conservatively estimated at \$3,000,000 per annum. For 12 years I directed and operated over 10,000 beds in the public hospitals of New York City and supervised that many more of the semipublic institutions. Hence, have a fair acquaintance with the subject.

The power laundry run by the hospital itself is a basic if expensive necessity. It is extremely hard for even a small private institution to get its work done at a commercial laundry. You would not want to send your laundry where it might possibly come in contact with that of the sick. The commercial laundries fear this reaction and do not take the business.

The increasing cost of sickness and even to those that are fairly well to do, is arousing the attention of people throughout the country. In almost all the States and large cities committees are being formed to look into and devise some

plan to remedy this condition. The Washington Times to-day puts forth a plan or a method by which those of moderate means can finance the cost of sickness. Indeed, it has gone so far that the President has placed Secretary Willbur, a former president of the American Hospital Association, at the head of such a committee.

As to the general tariff situation, hospitals are affected like all other enterprises. They buy and use most every product except luxuries. If there is to be a general raising of the tariff, it will touch them on every side. We can not oppose everything that will affect our institutions, but we do protest putting a duty upon a basic necessity that is so essential to the public health and which we have never had to pay before.

The great surgeons and physicians of our country freely interchange their thoughts and discoveries with others throughout the world. Should not the material things that have to do with the saving of human lives and the preservation of public health also be interchanged as freely as possible? I know of no gesture of friendship to foreign nations that would be more effective or more beneficial to ourselves.

We are not worried about a tariff on luxuries and though we are injured by a general raise, we are American citizens and can not make a general protest. But when the tariff is entirely new and put upon basic supplies we use daily or where something entirely medical or surgical is put upon an unjustifiable basis and interferes with the care of the sick or preservation of health, we desire formally to enter a firm and positive protest.

We feel that surgical instruments, scientific appliances and soap making (B. S. C.) ingredients should be entirely free. A few years ago the Congress of the United States passed the Shepard-Towner bill designed for the protection of maternity and children. We can not have safer births by increasing the price of forceps or cleaner people by increasing the cost of soap. Tariff for revenue is a tariff to raise money to meet the proper expenses of government, in order that we may have a stronger government and better citizenship but we can not have a better citizenship by profiteering on the disability or illness of our people.

Will be glad to furnish any further information desired.

Respectfully,

BIRD S. COLER.

Subscribed and sworn this 12th day of July, 1920.

[SEAL]

EDNA W. SCHALLER,  
Notary Public in and for the District of Columbia.

## DENATURED OILS

[Par. 1729]

### STATEMENT OF JAMES L. GERRY, REPRESENTING THE VACUUM OIL CO., NEW YORK CITY

[Rapeseed oil, par. 54]

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. GERRY. Gentlemen, I appear here in behalf of the Vacuum Oil Co., of the city of New York. This concern is engaged in the manufacture of lubricating oils. These lubricating oils are made with an admixture of rapeseed oil and mineral oils and are used largely in the lubrication of reciprocating engines in the international steamship trade and coastal trade.

Rapeseed is not produced in this country. Efforts have been made to grow it, but they have not been successful.

Reference may be had at this time to the report of the Tariff Commission, which will show the facts in that regard. A small quantity of rapeseed is imported, or expressed from the imported seed.

Senator SMOOR. Is the House provision satisfactory to you?

Mr. GERRY. No, sir. It is six cents a gallon in the House bill, and we are here to-day asking that this rapeseed oil be transferred from

the dutiable list to the free list, subject to the provision that the oil be denatured so as to absolutely render it unfit for human use. In other words, the same provision with respect to olive oil or palm kernel oil can as well be made applicable to the use of rapeseed oil.

Senator BARKLEY. What do you call that?

Mr. GERRY. Rapeseed oil. Rapeseed oil has certain peculiar characteristics which render it more available for the particular uses to which it is put by these people, and I have here an affidavit of Dr. Florus R. Baxter, who is the chemist for the Vacuum Oil Co., going to show very definitely the differentiation, and the fact that rapeseed oil is not to be substituted for any other domestic oil that we have.

These facts which are set forth in this affidavit have been presented to Mr. Chester Gray, the head of the Farm Bureau Federation, so as to call his attention definitely to the statements which we would make before this committee, on the theory that it was in behalf of the Farm Bureau Federation that he asked the imposition of a duty on rapeseed oil.

If, as a matter of fact, rapeseed oil in its use cannot be substituted for any domestic oil, then it is obvious that the imposition of a duty on that oil simply creates a burden which offers an inducement to the steamship owners of the country to buy their lubricating oil on the other side and load it there.

If, however, these oils are denatured, they can be brought in here without such fear, and the manufacture proceeded with by the employment of American labor on this side, and thus make possible the furnishing of those oils not only to the international trade, but likewise to the domestic coastal trade, with respect to which we suffer some difficulty at the present time.

Senator REED. Mr. Gerry, why is it not possible to bring in the rapeseed and crush the oil here?

Mr. GERRY. For the reason that in the production of rapeseed oil crushed here, you have a certain amount of residue in the form of cattle feed, and there is a greater demand for that cattle feed in the foreign market than there is here. It would constitute a further difficulty in the disposition of the cattle feed.

Senator SMOOT. Is there any difference in the rate of freight, whether it is in the oil or whether it is in the seed?

Mr. GERRY. I do not know whether there is any actual difference in the freight rate, but there is a difference in the ultimate rate, because it would only be paying on the oil itself, and our request is that the same provision with respect to denaturization apply to rapeseed oil, and that it be taken out of the paragraph.

Senator REED. How many concerns in the United States use this rapeseed oil, as you do?

Mr. GERRY. There are three or four—the Texas Co., the Tidewater Co., and there may be others, but those are the principal ones.

If there should be any doubt in the mind of the chairman or the committee with respect to the absolute verity of my statement with respect to the non-substitutional character of this oil, I have brought Doctor Baxter here, in addition to his affidavit.

Senator SMOOT. His affidavit is good enough.

(Mr. Gerry submitted the following brief:)

## BRIEF OF THE VACUUM OIL CO.

When this bill was under consideration, by the Committee on Ways and Means of the House of Representatives, it was urged that olive oil rendered unfit for food, and which was provided for in the free list, be placed in the dutiable list and subjected to a duty of not less than 45 per cent ad valorem. Instead of complying with this request, olive oil, denatured, was left on the free list, and the House included palm kernel oil in this provision.

The Vacuum Oil Co. is now here for the purpose of requesting, at your hands, that rapeseed oil, denatured, be likewise included within the provisions of paragraph 1729—when rendered unfit for use as food, or for any but mechanical or manufacturing purposes, by such means as shall be satisfactory to the Secretary of the Treasury and under regulations to be prescribed by him. The brief of the Vacuum Oil Co., before the Ways and Means Committee, appears in the Tariff Readjustment, 1929, page 731.

Rapeseed oil belongs to the nondrying industrial group, including palm oil, inedible olive oil, palm kernel oil, coconut oil, and sesame oil. In the brief of the American Farm Bureau Federation, wherein the request for the imposition of duty on rapeseed oil was set forth, which appears on page 48 of the record, it is stated with reference to rapeseed oil, in so far as uses are concerned:

"It has been used for a long time as an edible oil in India, and during the war, a refined form of this oil was used in many European countries in margarine and fat compounds."

Rapeseed oil is not used in this country as an edible oil and the fact that it may be used in India by the natives, or was used in European countries under war conditions, has no bearing on the question here involved, and no one would think of encouraging the use of rapeseed oil as a food product in competition with cottonseed oil which, according to the Summary of Tariff Information, 1929, Schedule I, chemicals, oils, and paints, compiled by the United States Tariff Commission, page 279, 90 per cent was used for food purposes in 1917 and 10 per cent in the soap industry; but that in recent years this latter use has decreased because the oil commands better prices for edible purposes.

In the brief of the American Laundry Soap Manufacturers Association, page 649 of the record, the following appears:

"As the value of cottonseed oil for food was recognized, cottonseed oil was gradually eliminated from the soap kettle."

In the report of the Tariff Board with respect to rapeseed oil, page 275, it is stated:

"About 75 per cent of the domestic consumption is in compounding lubricating oils for marine and automobile engines. Most of the remainder is used as a sanctuary oil in churches and for quenching steel plate. It is used as a food in India. Production of rapeseed oil is from imported seed."

Hereto appended is a letter from H. M. Stewart, Director of the Bureau of Census, Department of Commerce, under date of January 26, 1929, addressed to Hon. J. L. Milligan, from which it appears that no rapeseed is produced in this country, the attempts to grow it having proved unsatisfactory, and that it could not be put on a commercial basis; further, that a small quantity of rapeseed is used as bird feed, and that a comparatively small quantity is used in the manufacture of oil in this country. Practically the entire supply of rapeseed oil in the United States is imported in the form of oil, and not as rapeseed.

Hereto appended are the affidavits of Florus R. Baxter, chief chemist of the Vacuum Oil Co.; William H. Bertolet, jr., of the Laurel Soap Manufacturing Co., of Philadelphia, Pa.; Raymond Haskell, industrial engineer with The Texas Co.; and a letter, not sworn, from Noel Robinson, director in charge of manufacturing, for the Tidewater Oil Co., of New York, all setting forth the fact that rapeseed oil does not enter into competition with domestic vegetable oils and that these oils could not be substituted for rapeseed oil.

It thus appears that rapeseed and rapeseed oil are not produced in this country; that the use is for the production of lubricating oils, sanctuary oil, and quenching steel plate. As a matter of fact, there is a further use of approximately 500,000 gallons by the textile industry in the form of soap; but at no time and under no circumstances is rapeseed oil used for edible purposes, and its major use is for the production of lubricating oils for marine engines of a reciprocal type engaged in the international trade, and therefore such product must be furnished this trade in competition with the production of foreign lubricating oils which can be readily laden on board these vessels at the foreign port.

## INEDIBLE OILS—DENATURING—OILS FOR MECHANICAL PURPOSES

In a letter addressed by Seymour Lowman, Assistant Secretary of the Treasury Department, to the Bureau of Raw Materials, and placed on file before the Committee on Ways and Means, a copy of which is hereto appended for ready reference, it is stated that—

"The bureau has no knowledge of any fraudulent act in connection with the administration of the denaturing provision in paragraph 1632 of the tariff act (art. 430 of the customs regulations of 1923). The denaturing of the olive oil was first provided for in paragraph 639 of the tariff act of August 5, 1909.

"In so far as the bureau is aware there would be no serious obstacle to the denaturing of oils other than olive oil when imported in bulk, such denaturing, of course, to be carried on under customs supervision and at the expense of the importer."

The fact is that whereas "denaturing" appeared in the act of 1909, as stated by the Assistant Secretary, in the act of 1890, or 19 years prior, there was a provision for olive oil for manufacturing or mechanical purposes, unfit for eating, and not otherwise provided for in this act.

Considerable litigation developed as to when an oil was "unfit for eating," or what was the social status of the man who fixed the standard; and hence came the provision in the act of 1897:

"Fit only for such use and valued at not more than 60 cents a gallon."

Then came the acts of 1909, 1913, and 1922 containing similar provisions admitting to free entry, for manufacturing purposes, an oil which had been rendered unfit for use as food.

Many other instances of this doctrine appear in the law. For instance, in paragraph 1579 of the tariff act of 1922, free entry is provided for—

"Fish imported to be used for purposes other than human consumption."

Again in the tariff bill of 1929, passed by the House, H. R. 2667, paragraph 1775, free list:

"Tankage, fish scrap, fish meal, cod-liver oil cake, and cod-liver oil cake meal, all the foregoing unfit for human consumption."

Another phase of this doctrine appears in the act of 1922, which is a repetition of previous legislation, paragraph 1525:

"Bolting cloth composed of silk imported expressly for milling purposes, and so permanently marked as not to be available for any other use."

For many years Congress has provided for the free entry of certain fats, tallow and oils to be used in soap making, wire drawing, or for stuffing or dressing leather. See tariff act 1883, paragraph 712; tariff act of 1890, paragraph 599; the act of 1894, paragraph 499; the act of 1897, paragraph 563; the act of 1909, paragraph 580; the act of 1913, paragraph 498. This same policy has been followed by Congress with relation to articles used for dyeing and tanning.

In the early days, running back to March 4, 1803, there was passed a law to allow the importation of old copper free of duty. The act is quite interesting and is in the following language:

"That from and after the thirty-first day of March next, no duty shall be demanded or collected on the importation of old copper, which term shall apply only to such copper manufacturers as have been worn out or otherwise so damaged as to be unfit for any other purpose than that of supplying the raw material, to be manufactured anew. And it shall be lawful for the collector of the port or district in which such old copper shall arrive, should any doubt arise whether such importation comes within the intent and meaning of this act, to appoint one person, and the owner, importer, or consignee, to appoint another who shall ascertain whether the copper imported comes under the denomination of old copper as above described; and the proceedings in this instance shall be conducted in the like manner and form as the proceedings are directed to be had by the fifty-second section of the act passed this second of March, one thousand seven hundred and ninety-nine, regulating the collection of duties on imports and tonnage, in cases of incomplete entry, or of damage sustained by goods, wares and merchandise during the voyage."

Reference is made to the act of Sept. 11, 1841, providing for the free entry of "soap stocks and soap stuff."

In the act of March 3, 1857, free entry is provided, among other things, for articles "fit only to be remanufactured," and the free entry of models of inventions and other improvements in the art provided they can not "be fitted for use."



Reference is also made to paragraph 15 of the act of 1922 providing for—  
 "Impure tea, tea waste, tea siftings and sweepings, for manufacturing purposes, in bond, pursuant to the provisions of the act of May 16, 1908, entitled 'An act to amend an act to prevent the importation of impure and unwholesome tea.'"

Under this provision of law, teas which were held to be of inferior quality—that is, teas unfit for food, were nevertheless, allowed to be imported for mechanical purposes, and the Secretary of the Treasury in T. D. 29311 issued regulations providing for such manufacturers to furnish a bond in the penal sum of \$5,000, the condition of which was that such low-grade tea should be used solely in the manufacture of certain products whereby the identity and character of the tea is entirely destroyed or changed.

So likewise valuable tapestries imported for use as samples were admitted to free entry by the Secretary of the Treasury when these samples were cut across the center diagonally from each corner.

In the meat inspection act, provision is made that carcasses and parts of animals which are condemned upon inspection shall be—

"Destroyed for food purposes. \* \* \* This is done through the use of a mineral oil distillate. The bureau has no knowledge of any instance occurring within its jurisdiction, in which food so denatured has been reclaimed for food purposes." See letter of J. R. Mohler hereto attached.

There is therefore abundant authority and precedent for the free entry of this oil when denatured, or when used for mechanical purposes, or rendered unfit for food.

And furthermore, it has been demonstrated that this oil is not interchangeable with or to be substituted for any domestic vegetable oil. Its use is invoked because of qualities and capabilities not possessed by the other vegetable oils.

Furthermore, this oil is not produced in this country, and does not compete with anything that is produced in this country.

There is also attached for the information of the Committee, a copy of an article written by W. W. Powell entitled "The profit and loss of vegetable oil tariffs," which has appeared in the public press.

It is respectfully submitted that paragraph 1729 be amended by including therein, after the words "olive oil," the words "rapeseed oil."

Respectfully submitted.

VACUUM OIL Co.

JUNE 26, 1929.

NATURAL GROUPING OF OILS AND FATS ACCORDING TO ACTUAL USAGE DUE TO CHEMICAL AND PHYSICAL VARIATIONS OF INDIVIDUAL OILS AND FATS: THIS GROUPING ALSO INDICATES IN GENERAL WAY RELATIVE PRICE RELATIONSHIP

1. *Drying field*.—China wood oil,<sup>1</sup> perilla oil,<sup>1</sup> linseed oil, soy-bean oil, and Menhaden oil. Should be free because noncompetitive.

2. *Edible field*.—Lard, cottonseed oil, peanut oil, corn oil, oleo oil, oleo stearine, edible tallow, and edible olive oil. United States farmer produces these oils and fats; should be dutiable for all purposes.

3. *Non-drying industrial group*—all oils in this class to be denatured, i. e., rendered inedible.—Palm oil,<sup>1</sup> inedible olive oil,<sup>1</sup> palm-kernel oil,<sup>1</sup> coconut oil, rapeseed oil, sesame oil,<sup>1</sup> and nondrying sea animal oils. This class also includes all offal and refuse oils and fats, such as greases from garbage, tallow rendered from shop fats, etc. Free, if rendered inedible and thus made noncompetitive with United States oils and fats.

It is proposed that the following language now in paragraph 1632, tariff act 1922 be made to apply to all of those oils in bracket 3 on this page:

"To be duty free if rendered unfit for use as food or for any but mechanical or manufacturing purposes, by such means as shall be satisfactory to the Secretary of the Treasury and under regulations to be prescribed by him."

DEPARTMENT OF COMMERCE,

BUREAU OF THE CENSUS,

Washington, January 26, 1929.

Hon. J. L. MILLIGAN,

House of Representatives, Washington, D. C.

MY DEAR MR. MILLIGAN: I have your letter of the 25th instant making inquiry as to the domestic production of rape and rapeseed oil.

The Census returns do not show any commercial production of rapeseed and it is my understanding that attempts to grow rapeseed in this country have been

<sup>1</sup> On free list in tariff act 1922.

unsatisfactory and cannot be put on a commercial basis. The imports of rapeseed into the United States are about 3,500 to 4,000 tons per year. A portion of this seed is used for sowing, the plants being considered a good forage crop. Rapeseed is also used as a bird feed, while a comparatively small quantity in use in the manufacture of oil in this country. During 1927 there were 19,104,112 pounds of rapeseed oil imported and in 1926 the amount was 20,758,583 pounds. You will, accordingly, note that practically the entire supply of rapeseed oil in the United States is imported in the form of oil and not as rapeseed.

Very truly yours,

H. M. STEUART, *Director*.

STATE OF NEW YORK,  
County of New York, City of New York, ss:

Florus R. Baxter, being duly sworn, deposes and says that he is chief chemist of the Vacuum Oil Co. with control over its laboratory activities throughout the world and the development of lubricating and other oils manufactured by this company. Deponent entered the service of the Vacuum Oil Co. in 1881 and for the next eight years was in charge of the works office at Rochester, N. Y. In 1889 deponent was placed in charge of the control laboratory of the company at Rochester and since 1912 deponent has been in charge of the entire laboratory activities of the company as aforesaid. In 1907 deponent became a member of the American Society for Testing Materials and has since 1912 taken active part in the work of several of its subcommittees, devoted to the working out of methods for testing petroleum and its products, which methods have been adopted by the United States Government and by other large purchasers of petroleum products and lubricants. Deponent is a member of the American Chemical Society and of the American Petroleum Institute.

In the early nineties deponent began laboratory experiments with mixtures of petroleum oils containing commercial blown rapeseed oil which resulted in developing for the first time in this country a marine engine oil for the lubrication of steam engines of the reciprocating type lubricated with a noncirculating or all loss system. In conjunction with Mr. Alfred Shone, since deceased, formerly foreman of the compounding department of the Vacuum Oil Co., deponent assisted in developing the apparatus and method of "blowing" or oxidizing rapeseed oil. The apparatus and method so developed are still in use with slight modifications by the company. During this period deponent developed laboratory tests for application to blown oils which differentiate between satisfactory and unsatisfactory oils.

Deponent has consulted the authorities and has obtained such information therefrom as is available on the subject of rapeseed oil and based upon such research and upon his personal experience and acquaintance with the subject as aforesaid, upon information and belief deposes as follows:

#### CULTIVATION AND PRODUCTION

Rapeseed oil is produced from several varieties of the rape or colza plant (related to the wild turnip) grown in China, Japan, India, and many countries of Europe. The seeds of these plants are ground and then pressed or treated by a solvent, the oil extracted, and the residue known as oil cake used for the feeding of livestock. Aside from these uses the plant itself is used as a forage crop, and the seed is used in comparatively small quantities as a food for birds.

In the United States the only variety of rape which has been cultivated with success is the Dwarf Essex variety which produces a product satisfactory as a forage crop and for bird food. This is raised on a small scale in Oregon (Biennial Report of the Oregon Agricultural College Experiment Station 1922-1924.) In so far as the cultivation of rape for the production of oil is concerned, however, the climate of this country seems entirely unsuitable. Rape is a cool weather crop requiring two years to mature seed for oil producing purposes and does not thrive in the heat of our Southern summers, and yet in the Northern States the winters are too severe (U. S. Dept. of Agriculture Farmers Bulletin No. 11); in other words, its cultivation requires a more equable climate than exists in most parts of the United States.

#### PRINCIPAL USES—A. AS A LUBRICANT

By far the most important use of rapeseed oil is as an element in compounds with petroleum oil. Such compounds are used almost exclusively for the lubrication of marine steam engines of the reciprocating type, equipped with non-

circulating systems. For the lubrication of modern engines of this type a straight mineral oil can not be used satisfactorily because, having practically no affinity for water, petroleum oil is, in the presence of water, liable to be washed off the bearing surface with consequent undue friction causing heating and rapid wear. Unlike machinery in land practice, marine engines must withstand the distortion to which the ship is subjected by the variations in load and the straining action of a rough sea; abnormal speeds from racing propellers and abnormal loads from hull distortion must not endanger operation.

Much of this oil is fed through strands of zephyr (yarn) by syphoning from a central supply. Any deposit of the separated blown oil on these strands cuts down the rate of feed of the remaining oil and renders it of low lubricating value. This means that any oil compounded with petroleum oil for this purpose must be a practically nondrying oil, and must be one which will remain constantly blended under varying temperatures.

When water is sprayed on the slides coated with compounded oil a white emulsion is formed by the reciprocating action of the guides. This emulsion persists for a reasonably long time if the proper oil is used, and the engineer observing this emulsion knows that the bearing is cool. The disappearance of the emulsion is an equally sure indication to the engineer that because of deficient lubrication a rise in temperature has occurred which has broken the emulsion.

The specifications of the United States Navy for lubricating oils of this type do not suggest any other vegetable oil compound except rapeseed. They permit, as alternative blends, tallow, lard, or neat's-foot oil.

Practically all of the rapeseed oil used by the Vacuum Oil Co. is first blown or oxidized and then blended with petroleum oils to make suitable lubricants for use on marine engines, as stated above. Unless a proper blend is obtained a portion of the blown oil will separate, leaving a remainder, mostly petroleum, of inadequate lubricating value, which will result in destructive wear to the engine. Such an improper blend is due principally to the use of an oil which, after blowing, will not stay in solution in the mineral oil in the percentage required to comply with the specifications required for proper efficiency.

The qualities which make rapeseed oil uniquely suitable are the following:

1. By "blowing" the oil can be sufficiently oxidized to be of the proper viscosity.
2. When blown, it will blend with petroleum oil in the proportions desirable for the different types of lubricating marine oils.
3. The compounded oil has a sufficient affinity for water so that it is not easily washed from the bearing surface.
4. It is unusually low in percentage of free fatty acids.

#### B. CAN OTHER VEGETABLE OILS BE SUBSTITUTED FOR RAPESEED?

As stated above, the cultivation of rapeseed in the United States for the production of oil does not appear to be practicable. The next question is what if any vegetable oil produced or capable of being produced in the United States could be substituted for rapeseed oil. The United States Department of Commerce issues quarterly a Preliminary Report Giving Data as to the Factory Production, Consumption, and Stocks of Fats and Oils, naming thereon all such oils as are of commercial importance. The last report, dated February 1, 1929, covering the three months period ended December 31, 1928, names the following vegetable oils: Cottonseed, peanut, coconut, corn, soya-bean, olive, palm-kernel, rapeseed, linseed, Chinese-wood or tung, Chinese-vegetable tallow, castor, and palm.

Deponent has analyzed this list of vegetable oils. There appears to be no such oil produced in this country or capable of being produced in this country which would prove a satisfactory substitute for rapeseed oil.

1. *Cottonseed*.—During the World War the Vacuum Oil Co. carried on experiments with a view to replacing at least a portion of its purchases of rapeseed oil by cottonseed oil. When cottonseed alone was used or when a mixture of equal parts of rapeseed and cottonseed oil were tried the resulting compound did not make a satisfactory blend with petroleum oil. Difficulty was experienced in maintaining the cottonseed oil in solution and it was found that the emulsion produced was less satisfactory.

2. *Peanut oil*.—Experimental work has shown that this oil after blowing will not blend with petroleum oil in a practicable proportion. During the war no effort was made to utilize this product by reason of its being an edible oil and more valuable for other purposes.

3. *Coconut oil*.—Practically none produced in this country. High saponification value indicates too great a proportion of free fatty acids.

4. *Soy bean*.—This is a drying oil and therefore would be unsuitable.
5. *Corn oil*.—Its iodine value indicates clearly that this would not be capable of compounding with petroleum oils in satisfactory proportions.
6. *Olive oil*.—Substantially none grown in this country; available quantity too small for use as a lubricant.
7. *Palm-kernel oil*.—Substantially none produced in this country. High saponification value indicates too great a proportion of free fatty acids.
8. *Linseed. Chinese-wood*.—Drying oils and therefore not suitable as lubricants.
9. *Chinese vegetable tallow*.—None produced in this country. Unsuitable because at normal temperatures in solid form.
10. *Palm oil*.—Substantially none produced in this country. High saponification value indicates too great a proportion of free fatty acids. It deteriorate rapidly with the formation of free fatty acids.
11. *Castor oil*.—Insoluble in petroleum at ordinary temperature.

In other words, in the list of vegetable oils given by the United States Department of Commerce there is not one which could be used to replace the rapeseed oil now being used by the Vacuum Oil Co. without distinct detriment to the quality of the product for which it is used.

Over a period of many years numerous experiments have been carried on for the purpose of developing an equally satisfactory substitute, particularly a substitute which could be produced within the United States, but such experiments have so far failed to develop any such substitute. Among others, mustard oil, cottonseed oil, peanut oil, and various fish oils were experimented with, but, besides the poorer qualities of the finished product the manufacturing difficulties were found to be greater. During the war it was at times difficult to obtain adequate quantities of rapeseed oil. This situation prompted extensive experimental use of other oils, but with unsatisfactory results. We feel it may be safely stated that, if the use of rapeseed oil in the lubricating oils of the types for which it is now used were rendered impossible by reason of a prohibitive duty, the quality of lubricating oils for marine purposes manufactured in this country would suffer and the greater portion of such lubricating oils would be sold by foreign manufacturers.

#### C. OTHER USES OF RAPESEED OIL

Definite figures as to the various uses to which rapeseed oil is put are impossible to obtain. The Vacuum Oil Co. requires approximately one-third of the total 2,500,000 gallons imported annually. Deponent believes that an amount equal to or greater than the requirements of the Vacuum Oil Co. are used by other competing American manufacturers of lubricating oils. Of the remainder a negligible quantity is used as a sanctuary oil in churches and an unimportant quantity in quenching steel. Mr. Chester Gray, representing the American Farm Bureau Federation, states on page 664 of the tariff readjustment hearings No. 3 that "it (rapeseed oil) has been used for a long time as an edible oil in India, and during the war a refined form of this oil was used in many European countries in margarine and fat compounds." Such uses, within our knowledge, were never resorted to in this country. Deponent is unable to learn that any of this oil is used in the soap industry.

Deponent is advised and believes that a large portion of the rapeseed oil imported and not used in the lubricating-oil industry is used in the textile industry. For this purpose deponent is advised that it is sulphonated and used in the manufacture of fabrics. Deponent is further advised that its advantages for this use lie in the fact that it washes freely out of the fabric and that it develops rancidity only to a comparatively slight extent, and that there is no other vegetable oil comparable in efficiency for this purpose, with the possible exception of sulphonated olive oil and sulphonated castor oil, both of which are more expensive than rapeseed oil, which is the reason for the use of rapeseed oil. If other domestic seed oils could be substituted to secure the same results, rapeseed oil would only be used when domestic oils are higher.

From the foregoing it appears no rapeseed is or can be produced in this country and that for the purposes for which rapeseed oil is now used there is no vegetable oil produced in this country which constitutes an available substitute. Therefore there is no economic reason for the protection of this product at all.

Sworn to before me this 19th day of February, 1929.

FLORUS R. BAXTER.

H. A. SAFFER,

Notary Public, Richmond County.

Commission expires March 30, 1929.

William H. Bertolet, jr., being duly sworn, deposes that he is an officer of the Laurel Soap Manufacturing Co., with headquarters at Philadelphia, Pa., and is chairman of the Textile Soap and Oil Manufacturers Association. He has been for many years engaged in the textile soap industry; that by reason of his experience as aforesaid, he is familiar with the various vegetable and fish oils which are elements in the manufacture of soap and that he has a general knowledge in regard to the use of rapeseed oil in this industry. Deponent is of the opinion that the annual consumption of rapeseed oil in the textile soap and oil industry is approximately 500,000 gallons, although by reason of the large number of different manufacturers in the soap industry such figures are necessarily difficult to verify. The use of rapeseed oil in the soap industry outside the textile soap industry would be very limited.

Rapeseed oil is used in our industry as a scouring and softening or finishing agent of textiles, woolen, cotton, and rayon. In this connection its use, while partially as a cleansing or scouring agent, is principally valuable as a scuffening, finishing, or penetrating agent of the fabrics during and after the dyeing process.

For the purpose of its use, as stated above, rapeseed oil is not blown but is sulphonated or saponified; that is to say, treated with sulphuric acid or caustic soda, respectively, for the purpose of rendering it soluble in water and suitable for the finishing process.

No other vegetable oil which is grown in commercial quantities in the United States can be used with equally satisfactory results for the uses stated above in the textile soap and oil industry. Experiments have been conducted with cottonseed oil, corn oil, and peanut oil with uniformly unsatisfactory results. Due to their nature, each of these oils when sulphonated or saponified and when allowed to stay in the textiles becomes rancid and will result in oxidization of the fabrics, which deteriorates the goods in addition to creating an objectionable odor. The only other oils which can be and customarily are used for the softening and finishing process described above are imported oils; namely, denatured olive oil and castor oil.

WILLIAM H. BERTOLET, Jr.

Sworn to before me this 12th day of March, 1929.

HERMAN C. IDLER,  
Notary Public.

My commission expires March 6, 1931.

STATE OF NEW YORK,  
County of New York, ss:

Raymond Haskell, being duly sworn, deposes and says, that he is industrial engineer in the technical division of the Texas Co., a corporation engaged in the production, refining, and sale of petroleum products throughout the world, having offices at 17 Battery Place, New York City, N. Y.; that he has been employed in such capacity with the Texas Co. since 1919, his particular duties having to do with the application of petroleum products.

That he is a graduate of Massachusetts Institute of Technology, having received from such university the degree of B. S., 1903, M. S., 1904, Ph. D., 1907; that he is an engineer duly licensed in the States of New York, New Jersey, and Pennsylvania, and is a member of the American Chemical Society, American Society of Mechanical Engineers, American Society of Testing Mechanics, and is a member of the American Marine Standards Committee; that from 1908 to 1918 he acted as scientific assistant to superintendent, United States Lighthouse Service, among his other duties having charge of specifications and inspection of practically all materials purchased, including oils for large marine equipments.

That his experience in his employment with the Texas Co., his general experience thereto, and his study and investigation of various oils leads him to believe that if the duty on rapeseed oil is raised an increase in manufacturing and operating costs to the American public would take place that would be far greater than any monetary gain to the American producers of any fixed oils that might possibly be produced, and hence the raising of the duty on rapeseed oil, when taken as a whole, will penalize the American Nation rather than benefit it.

That his reasons for the foregoing opinion are briefly as follows:

That combinations of mineral oil and rapeseed have become standard in marine practice through very long usage and that they have certain very definite characteristics, well fixed in the minds of marine operators, and their behavior under diverse operating conditions is thoroughly known by the people who must use them and who are responsible for the proper performance of the machinery where these

rapeseed compounds have been found to be especially proficient; that possibly substitutes using strictly American fixed oils or their equal could be developed after considerable experimentation, but so far this has not been done.

That to develop a substitute for rapeseed oil compounds or to change the lubricating systems of machinery so that rapeseed oil need not be used would involve either a considerable expense to the manufacturers of lubricants or to the manufacturers and owners of machinery who might have to change their lubricating apparatus; that any such radical change might involve considerable danger to marine interests due to the fact that they would be forced to use unfamiliar products of methods of application of lubricants, and failure might easily tie up considerable equipment at a crucial time.

That in addition it should be remembered that in other than coastwise shipping, the tendency will be for the operator to purchase rapeseed compounded oils from a foreign country, and we would thereby lose the markets we have for the mineral oil content which is combined with the rapeseed and which is the major portion.

RAYMOND HASKELL.

Sworn to and subscribed before me this 25th day of April, 1929.

[SEAL.]

WILLIAM G. McCONKEY,  
Notary Public, Kings County.

Certificate filed in New York County.

TIDE WATER OIL Co.,  
New York, March 28, 1919.

VACUUM OIL Co., New York City.  
(Attention of Mr. A. T. Foster.)

DEAR SIR: In reply to your inquiry on the subject, we wish to advise you that we disapprove of any increase in the tariff on rapeseed oil.

We have used rapeseed oil for a number of years, blended in varying proportions with mineral oils, and have found it both satisfactory and desirable in the manufacture of our marine engine oils. Since ease of emulsification with water is one of the prime requisites of a satisfactory marine oil, and since rapeseed oil has been shown to emulsify more completely and to form a more suitable emulsification with water than other vegetable or animal oils of like price, we believe that no material could be substituted for rapeseed oil in our manufacture of marine engine oils without seriously deteriorating the quality of such oils or increasing their price to consumers to the point where they would seek foreign markets for their supplies.

Furthermore, we believe that inasmuch as the rape or colza plant is not grown in this country and, according to Farmer's Bulletin No. 11 of the United States Department of Agriculture, can not be grown in this country, any increase in the tariff on rapeseed oil would result in a serious financial loss to the oil industry of this country, with no resultant benefit to the other industries.

Very truly yours,

NOEL ROBINSON.

TREASURY DEPARTMENT,  
Washington, February 14, 1929.

BUREAU OF RAW MATERIALS,  
Washington, D. C.

GENTLEMEN: Referring further to your letter of January 17, 1929, in regard to the denaturing of olive oil, you are advised that the bureau has no knowledge of any fraudulent act in connection with the administration of the denaturing provision in paragraph 1632 of the tariff act (article 430 of the customs regulations of 1923). The denaturing of the olive oil was first provided for in paragraph 639 of the tariff act of August 5, 1909.

In so far as the bureau is aware there would be no serious obstacle to the denaturing of oils other than olive oil when imported in bulk, such denaturing, of course, to be carried on under customs supervision and at the expense of the importer.

Respectfully,

SEYMOUR LOWMAN,  
Assistant Secretary.

UNITED STATES DEPARTMENT OF AGRICULTURE,  
BUREAU OF ANIMAL INDUSTRY,  
Washington, D. C., March 8, 1929.

Mr. JOHN B. GORDON,  
Washington, D. C.

DEAR SIR: Replying to your communication of March 6 and 8, I have to inform you that the act of Congress approved March 4, 1907, designated as the meat inspection act provides that carcasses and parts of animals which are condemned upon inspection shall be destroyed for food purposes. Since the year 1915 this provision of law has been enforced by the Federal Meat Inspection Service through the use of a mineral oil distillate. This denaturant imparts to fat a disagreeable taste which renders the product inedible and impracticable of restoration as food.

The bureau has no knowledge of any instance occurring within its jurisdiction in which fat so denatured has been reclaimed for food purposes.

Very truly yours,

J. R. MOHLER,  
Chief of Bureau.

In the judgment of many farm leaders, such a duty is not only unnecessary but undesirable and injurious to the farmer's interests.

R. J. Kinzer, an officer of the American Hereford Cattle Breeders Association, writing that association's ideas of tariff changes, says:

"We went pretty thoroughly over the whole schedule of beef, canned meats, hides, etc., and on most of these items asked for a higher tariff than is carried at the present time, but when it came to the matter of oils and fats we did not make any recommendation at all. It was the feeling of some of our committee that in case a higher protective duty was placed on these products it would encourage the use of substitutes and for that reason we passed them without any recommendations."

Mr. A. F. Stagg, master of the West Virginia State Grange, says:

"I have been discussing this thing with the agricultural people of our State and we are unanimously against any such tariff on nonedible oils and fats. Certainly no sound thinking farmer possessing 2 good grains of horse sense would concede to a 45 per cent ad valorem duty being placed on these articles."

Herbert E. Powell, commissioner of agriculture for the State of Michigan, says:

"I can see no reason for charging high duty rates on vegetable oils coming into this country where they do not compete with American-grown or produced products."

W. L. Stockton, president of the Montana State Farm Bureau says:

"I can see no excuse for raising the tariff on nonedible oils that do not come into competition with locally-produced oils, just to increase our costs that much."

Other leaders who hold and have expressed similar ideas are Dr. H. C. Filley, professor of rural economics, University of Nebraska, and Andrew Felker, commissioner of agriculture of the State of New Hampshire.

## PETROLEUM

[Par. 1730]

### STATEMENT OF HON. MILLARD E. TYDINGS, A UNITED STATES SENATOR FROM THE STATE OF MARYLAND

(The witness was duly sworn by the chairman of the committee.)

Senator TYDINGS. Mr. Chairman and gentlemen of the committee, oil at the present time, as we all know, is on the free list. I believe that the figures in connection with the production and consumption of oil will show that it would be highly inadvisable to take oil from the free list and to impose a tariff upon it.

In 1928 the United States produced 902,000,000 barrels of oil. This was 68.2 per cent of all the oil produced in the entire world. In 1928 the United States consumed and exported 966,000,000 barrels of oil. This shows that the consumption in the United States was

about 8 per cent more than the total oil production in the United States. Therefore it was necessary to import 64,000,000 barrels of oil in order to take care of our local consumption market. Notwithstanding that we were producing practically two-thirds of all the oil supply in the world, we were consuming nearly three-fourths of all the oil consumption in the world, and therefore we had to import oil in spite of our large local production in order to take care of consumption.

The CHAIRMAN. We are also exporting oil.

Senator TYDINGS. I mentioned that. I mentioned the consumption and export was 966,000,000 barrels. Therefore to place a tariff of say \$1 a barrel on crude oil would have an effect of increasing, of course, the total price of oil to all consumers in the United States.

Let us look at this and see how it would work in some of its ramifications. There were 71,442,000 barrels of crude oil used and burned in factories and power plants on the Atlantic seaboard alone in one year. This increase in the cost of fuel oil for manufacture and power purposes, of course, would be translated in the higher cost of all the articles produced from these factories. It means that power, light, and heat will cost more because the ingredients which go into its manufacture would cost more.

But let us consider a class or a group of people using oil to see how their bill would be affected. On December 31, 1928, the Department of Commerce states there were 697,300 trucks and 4,729,600 automobiles on American farms, a total of 5,426,900 motor vehicles on the farms in the United States of America. Let us assume that a farm tractor works 100 days out of the year and uses an average of 120 gallons of gasoline per day. And that 4 gallons of gasoline per day are used for the motor vehicles, including trucks, running 300 days on the farm. An increased price of \$1 a barrel translated into gasoline would range somewhere perhaps between 4 and 6 cents a gallon. But considering it for the purposes of argument as 2 cents a gallon, this would mean an added cost in the operation of farm tractors and trucks and motor vehicles on the farm of \$164,360,000 per year, with a 2-cent a gallon tariff on oil.

The cost of building roads in rural communities would consequently advance. The cost of electricity for light, power, and heat on the farm would consequently advance.

If the tariff increased the cost of gasoline 4 cents a gallon the farmers would have to pay for the operation of the motor vehicles on their farms alone \$328,720,000 per year more than they now pay. And I would like the committee to weigh this significant fact, that \$328,000,000 in round numbers, is approximately two-thirds of the amount of money which Congress appropriated at the last session for farm relief. Consequently the farmer's gas bill alone with a 4-cent tariff on gasoline will immediately take from his pockets two-thirds of the money which we appropriated at the last session to relieve him. So that the relief will be both ways, and practically complete, and he will be 100 per cent in the position he was before Congress convened, taking into consideration only the product of oil.

Let me go into another phase of this question. Consider the cost of roofing, road building, and general construction. Last year the United States produced from foreign crude oil 2,444,000 tons of



asphaltum, which was 60.9 per cent of the total asphalt and road oil consumption of the United States, according to the Department of Commerce. A tariff of \$1 a barrel on crude oil would increase the cost of asphalt manufacture \$7 per ton. The United States resources are limited to only 40 per cent of its asphalt needs for road building, repair, roofing, and general construction. This added cost of \$7 a ton means that asphalt will have to be abandoned as a building material, or else the people who were paying for the road construction would have to bend their backs beneath such a burden of taxation that it would be intolerable.

I may say by way of local ramification that in Baltimore city there are several large asphalt plants. One of them is owned by the Standard Oil Co., another by the Pan-American Co., and there are several others there, and some under construction. These plants alone in the manufacture of asphaltum employ 1,800 men. With an increased price of \$7 a ton on asphalt it is highly probable that they would either have to curtail extensively their present activities or close down their plants completely.

Let me also say a word in connection with the conservation side of this question. You can grow corn every year because it is possible to have the seed; it is possible to grow wheat or cotton. Those crops can be produced over and over again. But it takes ages and ages to produce an oil supply, and once it is gone it is gone for all time.

Congress recently, considering this fact, appointed an oil conservation commission looking for ways and means to conserve the oil supply in the United States. How ridiculous it is to consider that the oil supply must be conserved in America and then to compel the large production of American oil under a tariff while prohibiting importations of oil from other countries.

Much of modern machinery is propelled from oil. All of our battleships now are oil-burning ships. Airplanes and whatnot are propelled by oil. The country that controls the oil or has the oil to some extent has the greatest measure of self-defense. Certainly we should conserve our supply, and the best way to conserve it is to keep oil on the free list and encourage its importation from other countries, so that their supply may be diminished instead of ours, if they care to sell it to us.

England, I understand, conserves her oil supply, depending, as that country does, upon its navy and merchant marine to feed the country and protect it in time of war. The nation which gives away its oil supply witlessly strikes a serious blow at its own continuity, because without oil you can not successfully fight a war.

Germany in the last war was heavily penalized and was forced to invent many substitutes to take care of its lack of oil. And I feel that aside from the economic question, the fact that oil can not be replaced, that once it is used it is gone for all time, should find favor in the minds of the committee as a conservation policy, aside from its economic ramifications.

I simply want to reiterate one other fact in closing. Bear in mind, gentlemen, that two-thirds of all the oil in the world that is produced comes from the United States. Bear in mind that three-fourths of all the oil produced in the world is consumed in the United States. Therefore it is immediately self-evident that we must either produce

more oil in America or curtail the use of oil in America if foreign importations are to be barred. I therefore feel that not only in the interest of conservation, not only in the interest of national defense, but in the interest of our wealth, the wealth that belongs to the United States of America, as long as we are consuming three-fourths of the total world supply and producing only two-thirds, that our movements should be to encourage importations and conserve our local supply, rather than the opposite course which would follow from the imposition of a tariff on crude oil.

**STATEMENT OF H. WALKER, NEW YORK CITY, REPRESENTING  
AMERICAN PRODUCERS OF OIL IN FOREIGN FIELDS**

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. WALKER. Gentlemen, in the interest of brevity, we will try to condense our matter as much as possible. I will content myself, in the beginning, with simply presenting a sworn brief, and two other matters, if I may, and then we can hear from Mr. Wegemann.

I have a statement here of the situation of production and consumption of petroleum in the United States.

One other thing I have in my hand a brief, which has been distributed around Washington, apparently by the Mid-Continent Royalty Owners Association. It is entitled "Brief for Submission to the Congress of the United States Favoring Tariff on Crude Petroleum and Its Products."

We are here, of course, to oppose the imposition of any tariff on petroleum or its products. Oil has been for 70 years on the free list, and we believe it should remain there.

Although this brief of the Mid-Continent Royalty Owners Association is not sworn to, there is a statement on page 19, in the nature of an admission against interest, which I think should go into this record. I will simply ask the secretary if he will put it in. It is an admission to the effect that a tariff on oil would cause the consumers an extra cost of \$200,000,000 annually, and then the author proceeds to make a division of this, and he shows that, among other things, of this \$200,000,000 increased annual cost, which would, of course, accrue to the oil producers, \$42,000,000 would be paid by the railroads and \$52,000,000 would be paid by American ships. I think it is worth while to put it in.

(The matter referred to is as follows:)

The loss to the consumer of fuel oil in the amount of \$200,690,000, while considerable, is distributed so widely as to be of no material consequence to any affected industry. Distribution of this amount to the various users of fuel oil, based upon the consumption for the year 1927, is shown in the following table:

TABLE 11.—Allocation of increase in cost of fuel oil to various consuming groups

	1927 consumption (thousands of barrels) <sup>1</sup>	Per cent of total	Distribution of supposed 1929 loss (thousands of dollars)
Railroads.....	70,094	21	42,145
Bunker oil, including tankers.....	88,215	26	52,179
Gas and electric power plants.....	29,775	9	18,062
Smelters and mines.....	6,831	2	4,014
Iron and steel products.....	17,197	5	10,035
Chemical and allied industries.....	2,190	1	2,007
Automotive industries.....	1,687	1	2,007
Textiles and their products.....	4,621	1	2,007
Paper and wood pulp.....	3,131	1	2,007
Lumbering and logging.....	2,370	1	2,007
Cement and lime plants.....	5,051	2	4,014
Ceramic industries.....	3,270	1	2,007
Food industries.....	7,143	2	4,014
Other manufacturing.....	11,353	3	6,021
Commercial heating.....	15,143	5	10,035
Domestic heating.....	6,377	2	4,014
U. S. Navy, transports, etc.....	6,506	2	4,014
Fuel by oil companies.....	43,453	12	24,060
Miscellaneous uses.....	9,353	3	6,021
Total.....	333,760	100	200,600

<sup>1</sup> National Survey of Fuel Oil Distribution, 1927, United States Bureau of Mines.

(Mr. Walker submitted the following brief:)

#### BRIEF OF AMERICAN PRODUCERS OF PETROLEUM IN FOREIGN FIELDS

##### COMMITTEE ON FINANCE,

*United States Senate, Washington, D. C.:*

The undersigned advocate and urge the retention on the free list in the tariff law of 1929, of—

"PAR. 1730. Oils, mineral; petroleum, crude, fuel, or refined, and all distillates obtained from petroleum, including kerosene, benzine, naphtha, gasoline, paraffin, and paraffin oil, not specially provided for."

1. The import tariff on crude and fuel oil and all petroleum derivatives intended to be proposed by amendments of Senator Thomas and Pine would in effect prohibit the importation into the United States of the petroleum listed, or any other product of petroleum. This is the frank purpose of the amendments.

Its result would be the destruction of the American industry of production of oil abroad for refining and use in the United States.

Any import tax on fuel oil would make impossible the importation of prepared fuel oils by American producers in foreign fields, at the present period of low prices, or would raise the American price of this modern fuel to consumers, to the equivalent of four times the tariff per barrel on oil, per ton for bituminous coal. The rate of \$1 per barrel would raise the price of Atlantic coast industrial and bunker fuel to an equivalent of an increase of \$4 per ton for coal.

Any import tax on crude oil or on any refined petroleum product would be a tax burden aimed at American companies producing petroleum in foreign fields and contribute toward their elimination.

2. The purpose of any tariff law is to protect American industry. Of the oils of all classes imported in 1928 to the United States 90 per cent was produced by American companies, with American capital, American officers, American workmen, using enormous quantities of American-made tanks, pumps, pipe, equipment, machinery, rails, locomotives, cars, trucks, tractors, and supplies; and was carried in American ocean-going tank steamers built in American shipyards, owned and operated by the American companies, with American crews under the American flag.<sup>1</sup> In short, the producers of our imported oils were and are

Total American ocean-going ships.....	3,005
Total tonnage.....	11,153,844
Total American tank steamers.....	383
Total tonnage.....	2,375,121

American tankers, practically all owned by American petroleum companies, are 12 per cent in number and 21 per cent in tonnage, of the total American merchant marine on the high seas.

<sup>1</sup> The current number of Lloyd's Register gives the following figures:

as purely American as any oil-producing concern at home. Their investment in American equipment and American ships is greater than that of any United States producing company.

It is against this great and enterprising American industry that any proposed tariff on petroleum is directed.

Up to now it has been the American policy to encourage this American industry. From the days of President Roosevelt, without interruption, the administrations have urged and encouraged American experts and American capital to engage in this venture with the result that in days of shortage in American production, as in the great war, oil has not been lacking.

When a tariff of 35 cents a barrel on crude and 25 cents a barrel on fuel oil was proposed in the tariff bill of 1921, President Harding wrote Chairman Forduey as follows:

"I can not refrain from expressing the hope that your committee will take note of the foreign policy to which we are already committed, under which the Government is doing every consistent thing to encourage the participation of American citizens in the development of oil resources in many foreign lands.

"This course has been inspired by the growing concern of our country over the supply of crude oil to which we may turn for our future needs, not alone for our domestic commerce, but in meeting the needs of our Navy and our merchant marine.

"To levy a protective tariff on crude petroleum now would be at variance with all that has been done to safeguard our future interests. I can readily recognize the claim of some oil producers for a protective tariff on their product, but such a course of temporary relief would be so thoroughly out of harmony with the larger policy which I have had in mind that I should be more than disappointed if Congress decided to levy a tariff on imported oil.

"The oil industry is so important to our country and our future is so utterly dependent upon an abundance of petroleum that I think it vastly more important that we develop an abundance of resources rather than temporary profit to a few producers who feel the pinch of Mexican competition." (From New York Times, July 12, 1921.)

On a special vote the schedule was defeated in the House by 196 to 86. At that time, imports were 25 per cent of American consumption. To-day they are only 9 per cent. (See attached graphs 1 and 2.)

In September, 1926, the Federal Oil Conservation Board, composed of Secretaries Work of the Interior, Davis of War, Wilbur of the Navy, and Herbert Hoover of Commerce, reported to the President in part, as follows:

#### FOREIGN SOURCES OF OIL

"While the production of oil upon our own territory is obviously of first importance, yet in failure of adequate supplies the imports of oil are of vast amount. The present imports from Latin-American fields amount to about 62,000,000 barrels annually of crude oil, against which we export about 84,000,000 barrels of products. The fields of Mexico and South America are of large yield and much promising geologic oil structure is as yet undrilled. That our companies should vigorously acquire and explore such fields is of first importance not only as a source of future supply but supply under control of our own citizens. Our experience with the exploitation of our consumers by foreign-controlled sources of rubber nitrate, potash and other raw materials should be sufficient warning as to what we may expect if we shall become dependent upon foreign nations for our supplies. Moreover, an increased number of oil sources tends to stabilize price and minimize the effect of fluctuating production."

The continuous and "larger policy" referred to by President Harding is farsighted and wise; and the American industry of production of oil in foreign fields for distribution in the United States deserves protection as much as any other American industry. An import duty would be an unbearable attack upon it. In view of the export and production taxes paid by this American industry to the governments at the point of their production,<sup>2</sup> from which taxes the producers in the United States are free, the addition of any tax on importation of this product to the United States would be an added fiscal hardship impossible to meet, a departure from the far-seeing American policy of encouragement to our trade pioneers abroad, and would spell disaster to a Great American industry

<sup>2</sup> Export and/or production taxes, from Mexico, \$0.13% to \$0.22 per barrel; Peru, \$0.01 per barrel, plus production tax based on area drilled; Colombia, 10 per cent of gross value; Venezuela, 9 per cent average of gross value; Ecuador, 6 per cent of gross value.

whose indispensability to the economic life of the United States has been recognized by all our Presidents and administrations since its inception.

The third report of the Federal Oil Conservation Board was given publicity on Monday, March 4, 1929. In support of the foregoing statements we quote pertinent portions here:

"\* \* \* Roughly, the United States is producing more than two and one-half times and consuming nearly twice as much petroleum as the rest of the world. \* \* \* Neither the high rate of domestic consumption nor the balance of exports over imports would be disquieting if the petroleum resources of the United States bore anything like the same ratio to the world's resources as the production ratio of 68 per cent. According to the present opinion of our best petroleum geologists, our total resources, instead of being 68 per cent of those of the whole world, are not more than 18 per cent. If our petroleum reserves are not to be drawn upon at a faster rate than those of all other countries, our resources should be several times larger.

"The obvious inference is that the United States is exhausting its petroleum resources at a dangerous rate. If the international comparison is made, this country is depleting its supply several times faster than the rest of the world. The depletion rate of our own resources can be brought more into accord with that of foreign resources only in one way—by importing a greater quantity of crude petroleum. The present imports of Mexican and South American crude oil come largely from American operators and, while not obtained from United States oil sands, they are the product of American engineering and enterprise. Cooperation in the development of foreign oil fields, through technical assistance and the further investment of American capital, would seem to be a logical conservation measure."

No measure, more opposed to such cooperation and encouragement than a tariff on our imported American-produced oils, is conceivable.

3. It has been argued before you that the American companies producing oil in foreign fields have an advantage in the cheap labor of those countries. If so, this is their only advantage. It is true that unskilled laborers who perform in Mexico, Colombia, and Venezuela the same and only the same work for which Mexican and Negro labor is employed in American fields, are paid at a lower rate than the corresponding labor in the United States; but their efficiency is lower by reason of the climate, inferior physical stamina, and lack of experience. Furthermore, the American companies operating in foreign fields employ Americans for all skilled operations—drilling wells, dressing tools, welding, refining, railway engineering, in machine and repair shops—in short in every task for which natives are not available—and pay them wages higher than American wages, adding housing and sustenance on modern American standards at high rates, from all of which extra labor charges the United States producer is free. The added cost of boarded and hospitalized American operatives, the transportation of personnel, the freight and transshipment of all materials and all supplies from American factory, to American port, to boat, to foreign wharf, over company-made roads and bridges, to jungle or lagoon, plus customs duties when charged, and the taxes paid on the oil to foreign governments when it is shipped to the United States, more than overcome any advantage accruing from a lower rate of peon wages.

American producers of petroleum in foreign fields already have the following necessary handicaps in competition with the American producers: Tropical climate; foreign language; higher wages, of all skilled workers; transportation of personnel; boarding and lodging of operators; hospitalization of all workers; school building; water-supply development; transport of machinery and supplies; road-building; bridge building establishment of company foundries, repair and machine shops; railway building; investment in ocean-going and shallow-water fleets and equipment; remoteness from American oil-well supply stores; lack of native workers experienced in oil-field work; double income tax in many cases; export tax on products; production tax; burdensome regulations under bureaucratic systems; brusque changes in organic laws of property; imposition of additional Federal taxes at the suggestion and instigation of certain American independent oil producers (1921).

The one advantage they are alleged to have, by proponents of a tariff on oil, is illusory.

4. There is to-day a low price on crude and fuel oil in the United States. Reference to attached graph (3) will show that, except for extremity of variations, the price has not deviated from the tendency of the average commodity prices. The low price can not now be charged to imported oils. The fact is that the estimated potential supply of crude in the United States alone, is about twice

the current consumption. In 1921, also, when a tariff on American-produced imported oils was proposed, the prices were low; but at that time imported oils were 25 per cent of total United States consumption and export. The percentage has fallen off due to conditions in Mexico, until to-day only 9 per cent of our consumed and exported oils are imported. (See graphs 1 and 2.)

There is, therefore, vastly less reason now to exclude oils by tariff on account of low prices than existed eight years ago, when a similar measure was beaten in the House by 196 to 86 votes, and in the Senate by 45 to 9, and when farm associations, governors of States, the Congressman from the great oil-producing State of California and the President himself opposed it.

The reason for low crude oil prices to-day is the unrestrained production in the United States itself, largely brought about by the perfection of the seismograph and torsion balance and other scientific methods of locating oil structures. The effect of the 9 per cent of imports is naturally felt less than that of the 25 per cent in 1921. Imports from Mexico have fallen over 80 per cent. Colombia's available production is limited to the capacity of two pipe lines. The only other important foreign source is Venezuela; and in Venezuela the American and Dutch producers are following conservative production methods which will continue to prevent overproduction in the Maracaibo Basin, the only producing district. Better American prices will come from restraint among American producers in the United States, not from excluding the product of other American companies which have already curbed their production, and whose investment and efforts will one day save the oil situation of the Nation.

The American companies engaged exclusively in producing petroleum abroad have over 23,000 American stockholders. It is doubtful if the companies of the proponents of the prohibitive tariff on oil count one half this number. American stockholders in American companies with subsidiaries engaged in production abroad number over 175,000. We believe there are at least twice as many American employees at work with American oil producing companies in foreign fields, as under the companies of the proponents of a tariff on oils; and we state with assurance that our expenses for American materials and supplies and American flag steamships vastly exceed similar expenses of tariff proponents. One American interest is here arrayed against another American interest of greater volume and scope. The American consumer is between. His interest is emphatically bound up in keeping oil on the free list, where it has always been, to the benefit of all Americans, and to the safety of our economic future.

5. In its immediate effect on American consumers of oils, the proposed tariff would be harmful in the extreme:

As to crude oil: In 1928, the total amount produced in the United States was 64,000,000 barrels short of sufficient to meet American consumption plus American exports;<sup>3</sup> 79,766,672 barrels of crude were imported at a cost of \$90,143,284. We exported, however, some 145,000,000 barrels of refined oils to a value of \$525,536,787. The difference, or \$435,123,503 shows an excellent trade balance. The imported foreign oils refined in the United States and exported, produce a large contribution in profit and wages to American refiners and American workmen.

Last year the United States produced entirely from foreign crude oils 2,156,172 tons of asphaltum which was 60.9 per cent of the total asphalt and road oil consumption of the United States.<sup>4</sup> A tariff of \$1 a barrel on crude oil would increase the cost of asphalt manufacture by \$7 a ton and end this important industry. The consequent increase in cost of asphalt, the United States resources being limited to only 40 per cent of its asphalt needs for road building and repair, roofing, and general construction, would have to pay increased price of from \$6 to \$7 a ton for asphalt which would end road-building programs. Or if these programs were to be carried out and asphalt were used, such import duties as were paid to the United States Government would be added to the price of all asphalts, thus burdening States, counties, municipalities, and farm bureaus with the increased price received by the Federal Government.

1928:		Barrels
American consumption and exports.....	.....	64,013,000
American production.....	.....	902,000,000
Domestic shortage (7½ of consumption).....	.....	64,013,000
Imported.....	.....	91,000,000
Producing a small surplus of (3½ per cent of consumption).....	.....	26,987,000

<sup>4</sup> See Release of Department of Commerce, June 12, 1929

Ours is an oil civilization. Americans enjoy the advantage of the lowest-priced oil products in the world. To burden the raw material by import duty would increase the cost of all its derivatives. This increased cost is the frank intention of the proponents of a tariff and the increased cost would be borne by the whole American public, 25,000,000 of whom own and operate automobiles, by the States, by municipalities, and most of all by the American farmer. We submit that the levying of such a tribute on all the States and their inhabitants for the possible and doubtful enrichment of small group proposing a tariff would be an unthinkable injustice.

As to fuel oil: 71,442,000 barrels of oil fuel per annum are burned in factories, heating, and power plants on our Atlantic seaboard.

The emergency fleet was built almost entirely to burn oil fuel because it was and is beyond question that with the higher rates of American seamen's and officers' wages, American ships can compete with European and Asiatic ships only by the use of fuel oil instead of coal, and American companies has developed oil in Mexico available for fuel in large quantities, thus guaranteeing supply. Practically all American ocean-going ships now burn oil. A large percentage of European ships also burn oil. Fuel oil is bought in the world market. To impose a tariff upon it or upon the crude oil best adapted to the production (viz, Mexican and Venezuelan crudes) upon its shipment to the United States would force its diversion and sale to Europe, giving our maritime competitors the advantage of cheaper fuel added to their present advantage in cheap labor and other low-operating costs. The tariff proposed at this time would advantage European shipowners at the rate of an equivalent of over \$4 per ton on solid fuel.

The argument that, because oil is used as fuel displacing coal, its importation should be stopped or curtailed is in the larger sense completely antieconomical. The timberman might with equal logic demand a high internal tax on coal, to force our railways and steamers, factories and power plants, to burn wood. The effect on our economic condition would be not less disastrous than the effect of forcing our steamers and seaboard factories to reconvert to coal fuel.

As to motor fuels: It is idle to argue that a tariff on crude oil alone would not increase interior prices. Increase in cost of crude materials always affects price of products finished therefrom. But the proposal is now made to tax gasoline, kerosene, and all petroleum derivatives directly.

The purpose of any import tariff is to raise American prices. That is precisely what the present proponents desire. There being importations of the oils in question, a tariff will raise their prices. The owners of the 649,000,000 barrels of crude and refined oils in the United States, however, would be the first beneficiaries; and these oil owners are not the owners of coal mines, nor yet the producers of Oklahoma.

When the price is raised somebody pays the increase. The motorized United States will pay—practically every citizen therein—for the enrichment of the holders of oil stocks, the jobber, the distributor, the refiner, and last of all, the American producer.

This session of Congress was called particularly for the relief of the American farmer. How would the proposal to tax his farm fuel affect him? He uses gasoline and kerosene to-day in lieu of horsepower, man power, and wind power. His bill for lubricating oils is a highly important item in his budget.

The Republican campaign textbook well points out that the articles used by the farmer are on the free list, and prominently shows that gasoline and other fuels are imported free. There were 852,989 tractors in use on farms on February 7, 1929.<sup>5</sup> On December 31, 1928, there were 697,300 trucks and 4,729,600 automobiles on American farms—a total of 5,426,900 motor vehicles.<sup>6</sup> Taking 20 gallons of gasoline or kerosene per day per tractor, working only 100 days in the year, and 4 gallons a day for motor vehicles, including trucks, running 300 days per year, an increased price due to tariff of only 2 cents per gallon would mean an added tribute of \$164,360,000 which the farmer alone would pay annually in addition to normal prices;<sup>7</sup> and this would go, not to any Government agency, not for new highways and bridges as the State gasoline tax goes, but solely to enrich the interior refiner, producer, and jobber.

A tariff-caused increase of 4 cents a gallon would be an added farmer's tribute of \$328,730,320 per year.

An increase of 6 cents a gallon would mean an added burden to the farmers of \$493,095,480 per year. The farming community would not be blind to this

<sup>5</sup> Division of Agricultural Implements, Department of Commerce.

<sup>6</sup> Facts and Figures, National Automobile Chamber of Commerce.

<sup>7</sup> This increased cost does not include the additional cost of gasoline in stationary engines, pumps, etc.

drain; and such deviation from the statement of the present pro-farmer tariff provisions, in the Republican campaign textbook, after the words "The Republican Party's policy of protection for agricultural interests is not a vote-getting scheme or a political makeshift. \* \* \*." would not go unnoticed.

To sum up: The proposed tariff on oil, or any tariff on oils, would have disastrous effect on industrial and agricultural economies and on the economic life of the nation.

The proposed tariff is directed against and would castigate and cripple a great American industry, whose American tankers are a large part of our merchant marine, which is as much American as the coal industry and which all administrations and economists have agreed is of prime importance to the maintaining of American standards of life for the future.

There is no dissent from the principle that American petroleum supplies must be conserved. The proposed tariff would more rapidly exhaust them.

Respectfully submitted.

Huasteca Petroleum Co. (of Maine), H. Walker, vice president; Mexican Petroleum Co. (of California), C. W. Burchard, secretary; Tamiahua Petroleum Co. (of Maine), P. H. Harwood, president; Tuxpan Petroleum Co. (of Maine), P. H. Harwood, president; Chiconcillo Petroleum Co. (of Delaware), C. W. Burchard, director; Lago Petroleum Corporation (of Delaware), R. M. Stewart, president; Lago Oil & Transport Corporation (of Delaware), O. N. Penn, vice president; Pan American Petroleum Corporation (of Delaware), G. M. Whelan, vice president; Island Oil & Transport Co., R. Barron for the receiver.

CITY OF WASHINGTON,  
District of Columbia, ss:

On this 9th day of July, 1929, appeared before me Harold Walker, personally known to me, and being duly sworn he deposed that he is the writer and one of the signers of the foregoing statement; that said statement is true as to matters stated upon his own knowledge and as to matters stated upon his information and belief he believes them to be true.

[SEAL.]

FRANK D. NUNZIO.

MONTHLY EXPORTS OF ALL OILS FROM UNITED STATES

[1,000 barrels]

	1920	1921	1922	1923	1924	1925	1926	1927	1928
January.....	5,813	7,831	6,214	7,631	8,420	8,566	10,793	10,978	12,411
February.....	5,683	6,515	4,842	6,742	9,353	8,144	9,850	10,357	10,409
March.....	6,898	5,666	6,568	7,711	9,021	10,006	9,031	10,331	12,210
April.....	6,419	6,343	6,445	7,764	10,133	9,094	11,728	10,761	12,603
May.....	6,539	4,892	5,837	8,050	10,360	9,580	11,473	12,898	14,941
June.....	6,383	5,229	5,895	9,770	10,558	9,786	10,951	12,331	13,679
July.....	6,824	4,530	5,634	8,407	9,211	9,452	10,217	10,732	14,005
August.....	6,312	6,192	6,063	8,592	9,952	9,758	11,593	12,672	12,335
September.....	5,546	5,889	6,456	8,887	10,675	8,165	10,432	10,018	12,468
October.....	7,531	6,184	5,950	9,032	9,852	8,299	8,420	12,750	11,962
November.....	6,117	5,657	6,152	7,557	9,088	8,624	13,049	11,041	12,631
December.....	7,920	5,791	6,811	9,967	8,940	10,323	11,293	10,744	10,707

MONTHLY IMPORTS OF ALL OILS IN THE UNITED STATES

	1920	1921	1922	1923	1924	1925	1926	1927	1928
January.....	6,372	13,552	13,307	10,002	7,632	8,425	5,937	5,781	7,306
February.....	5,186	11,639	12,429	7,435	8,970	7,287	5,742	5,683	7,086
March.....	6,543	12,691	14,315	9,515	10,119	8,041	8,737	5,696	7,973
April.....	6,442	10,266	12,280	8,219	8,477	6,956	7,520	5,258	7,330
May.....	7,065	9,376	14,442	7,415	9,254	8,001	6,517	5,883	7,920
June.....	8,562	10,480	12,763	7,498	8,081	7,222	7,912	5,466	7,259
July.....	6,853	8,369	11,221	8,598	7,951	5,848	7,169	5,866	8,651
August.....	11,012	3,611	10,890	8,104	7,485	5,332	7,680	7,025	7,133
September.....	11,995	9,352	8,212	7,333	6,145	4,903	5,480	5,979	7,731
October.....	11,505	11,706	8,486	8,140	6,241	5,315	5,620	5,671	7,467
November.....	14,135	13,428	8,891	7,154	7,775	5,808	6,660	6,488	7,623
December.....	13,117	14,308	8,754	10,182	7,293	5,011	6,301	6,950	7,896



UNITED STATES MONTHLY PRODUCTION OF CRUDE OIL

	1920	1921	1922	1923	1924	1925	1926	1927	1928
January.....	33,774	37,050	43,141	51,841	57,273	60,400	59,981	71,768	72,713
February.....	32,723	35,366	40,814	48,130	55,839	54,775	64,890	68,122	68,471
March.....	35,831	40,905	46,631	56,461	60,141	61,339	60,890	75,514	74,604
April.....	35,583	40,040	44,635	53,528	59,830	62,010	62,822	73,132	72,127
May.....	36,503	41,985	46,456	61,858	61,834	68,850	62,822	76,845	75,218
June.....	36,946	40,351	45,559	62,340	59,583	62,240	61,780	75,303	72,526
July.....	38,293	40,252	46,593	65,273	61,932	67,763	65,168	78,780	75,426
August.....	39,055	40,894	46,521	65,793	62,398	67,580	67,009	78,788	77,829
September.....	37,532	36,508	45,291	64,686	60,376	65,432	65,909	75,909	76,404
October.....	39,592	35,539	47,835	66,971	60,469	64,842	69,694	77,534	79,662
November.....	38,699	37,880	47,531	64,829	56,782	61,927	69,891	74,493	76,031
December.....	38,961	41,957	50,137	58,892	57,433	61,547	72,625	74,951	79,448

INDICATED MONTHLY CONSUMPTION OF ALL OILS IN THE UNITED STATES

January.....	41,232	43,698	34,370	57,672	63,366	63,251	67,229	69,736	70,495
February.....	38,891	32,986	40,915	51,253	53,657	55,953	60,479	65,202	67,777
March.....	40,671	45,226	43,784	55,619	63,212	63,406	68,518	72,475	76,576
April.....	38,455	39,725	38,310	58,177	60,781	61,634	70,416	69,705	76,978
May.....	43,373	42,249	47,483	59,509	64,890	67,051	71,732	75,377	82,105
June.....	43,108	42,491	48,833	57,839	63,556	68,921	74,517	76,294	80,159
July.....	41,915	46,468	52,726	63,069	68,230	72,307	76,911	78,975	87,363
August.....	48,731	51,307	61,520	67,471	67,556	73,322	80,440	84,048	87,323
September.....	47,185	43,545	53,542	63,442	60,098	69,890	74,141	79,786	80,577
October.....	47,410	48,380	55,892	66,967	70,431	71,835	75,975	78,754	86,870
November.....	45,047	41,509	53,825	61,078	67,121	69,165	75,756	75,077	81,675
December.....	44,965	42,178	55,598	63,194	68,718	72,091	75,212	79,446	82,599

UNITED STATES MONTHLY PRODUCTION AND IMPORTS

January.....	40,146	51,511	56,448	61,913	64,925	68,825	65,018	77,538	60,010
February.....	37,909	47,005	53,242	55,565	63,959	62,062	60,634	73,805	75,557
March.....	42,374	53,590	60,909	65,976	70,251	69,350	69,617	81,120	82,482
April.....	42,025	50,306	56,895	66,747	68,307	69,004	67,891	78,390	79,457
May.....	43,568	51,361	60,898	69,273	71,088	76,851	69,339	82,728	83,198
June.....	45,508	50,834	58,324	69,838	67,664	74,462	69,701	80,769	79,785
July.....	45,030	48,621	57,814	73,871	69,883	73,611	72,337	84,646	84,077
August.....	50,607	44,565	57,411	73,897	69,883	72,012	74,698	85,813	84,997
September.....	49,527	45,860	53,593	72,019	66,521	70,335	71,262	81,888	84,135
October.....	51,097	47,245	60,371	75,117	66,710	70,167	75,284	83,205	87,120
November.....	52,834	51,308	56,392	71,983	64,557	67,552	76,551	80,981	83,650
December.....	52,078	56,265	58,801	69,074	64,726	66,735	78,626	81,910	87,344

Prices of Mid-Continent crude oil

1913:		1915:	
Jan. 1.....	80. 83	Aug. 23.....	\$0. 75
Jan. 27.....	. 86	Sept. 13.....	. 80
July 7.....	. 93	Nov. 5.....	. 90
July 21.....	. 98	Nov. 15.....	1. 00
Aug. 19.....	1. 03	Dec. 14.....	1. 20
1914:		1916:	
Jan. 1.....	1. 03	Jan. 1.....	1. 20
Feb. 2.....	1. 05	Jan. 15.....	1. 25
Apr. 8.....	1. 00	Jan. 25.....	1. 30
Apr. 10.....	. 95	Mar. 5.....	1. 40
Apr. 13.....	. 90	Mar. 10.....	1. 45
Apr. 15.....	. 85	Mar. 15.....	1. 55
Apr. 27.....	. 80	July 20.....	1. 45
Apr. 30.....	. 75	Aug. 1.....	1. 25
Sept. 12.....	. 65	Aug. 5.....	1. 15
Sept. 22.....	. 55	Aug. 15.....	1. 05
1915:		Aug. 20.....	. 95
Jan. 1.....	. 55	Aug. 28.....	. 90
Feb. 16.....	. 40	Nov. 8.....	1. 00
Aug. 2.....	. 50	Dec. 10.....	1. 10
Aug. 4.....	. 55	Dec. 15.....	1. 20
Aug. 11.....	. 60	Dec. 20.....	1. 40
Aug. 17.....	. 65		

1917:		1923:	
Jan. 1.....	\$1.40	Feb. 10.....	\$1.90
Jan. 2.....	1.50	Feb. 20.....	2.00
Jan. 10.....	1.70	Apr. 25.....	1.90
Aug. 15.....	1.90	May 5.....	1.80
Aug. 20.....	2.00	May 10.....	1.70
1918:		May 15.....	1.60
Jan. 1.....	2.00	Sept. 20.....	1.30
Mar. 15.....	2.25	Nov. 5.....	1.00
1919:		1924:	
Jan. 1.....	2.25	Jan. 1.....	1.00
Nov. 20.....	2.50	Jan. 5.....	1.40
Dec. 15.....	2.75	Jan. 25.....	1.60
1920:		Feb. 5.....	1.85
Jan. 1.....	2.75	Mar. 10.....	2.00
Jan. 5.....	3.00	July 15.....	1.75
Feb. 28.....	3.25	July 20.....	1.50
Mar. 1.....	3.50	Sept. 15.....	1.25
1921:		1925:	
Jan. 1.....	3.50	Jan. 1.....	1.25
Jan. 25.....	3.00	Jan. 20.....	1.50
Feb. 2.....	2.50	Feb. 1.....	1.70
Feb. 5.....	2.00	Feb. 10.....	1.95
Feb. 10.....	1.75	Feb. 20.....	2.00
May 5.....	1.48	July 10.....	2.04
July 10.....	1.25	Aug. 25.....	1.78
July 15.....	1.00	1926:	
Sept. 30.....	1.25	Jan. 1.....	1.78
Oct. 5.....	1.50	Feb. 2.....	2.04
Nov. 5.....	2.00	May 15.....	2.29
1922:		Nov. 17.....	1.90
Jan. 1.....	2.00	1927:	
July 10.....	1.75	Jan. 1.....	1.90
July 12.....	1.50	Feb. 22.....	1.67
Aug. 8.....	1.25	Mar. 5.....	1.47
Nov. 20.....	1.40	Mar. 14.....	1.28
1923:		1928:	
Jan. 1.....	1.40	Jan. 1.....	1.28
Jan. 10.....	1.50	Aug. 2.....	1.36
Jan. 15.....	1.60	1929:	
Jan. 25.....	1.70	Jan. 25.....	1.20
Feb. 2.....	1.80	May 20.....	1.45

CITY OF WASHINGTON,  
District of Columbia, ss:

On this 10th day of July, 1920, appeared before me Harold Walker, personally known to me, and being duly sworn he deposes that he assisted in the compilation of the attached graphs numbered 1, 2, and 3; that the graphs are based upon the figures attached to each graph; that all of such figures are repetitions of figures appearing in official United States Government reports, excepting figures of prices of oils attached to graph 3, which are taken from reputable publications of the industry, and that therefore he believes them to be true.

[SEAL.]

L. M. SAXTON, Notary Public.

### STATEMENT OF HON. W. B. PINE, A UNITED STATES SENATOR FROM THE STATE OF OKLAHOMA

(The witness was duly sworn by Senator Edge.)

Senator PINE. For the record I will say that I am a Senator from the State of Oklahoma, and that I am also interested in the oil-producing business, and have personal knowledge of the conditions affecting that industry in the State of Oklahoma.

There is a widespread depression in the oil-producing business, and it is due largely to the importation of cheap foreign oil. This depression is so acute that the oil producers are arbitrarily restricting their

development work and are in other ways curtailing the production of oil. Thousands of small wells are being abandoned, causing great economic waste and thousands of American laboring men are out of employment, causing discontent and distress. Millions of American dollars paid for foreign oil make the foreign oil fields prosperous, paralyzes the oil-producing industry in America, and drains the money from the channels of American commerce.

The money that the Americans pay for foreign-produced oil goes to pay for casing made in Germany, goes to pay for foreign labor. That money causes prosperity in foreign oil fields, and American industry is short by reason of the fact that that money is going to foreign countries.

This free foreign oil also adds greatly to the depression, the demoralization, and the discontent in the great coal industry.

Approximately 3 per cent of the Nation's steel is taken by the one industry in the State of Oklahoma. Texas and California each take almost as much. The oil industry in the three States named consume approximately 9 per cent of the Nation's steel production. The principal item in this steel bill is pipe or casing. The pending bill provides a duty of \$15 per ton on pipe; oil is now on the free list. The steel producers are prosperous and contented. The oil producers are losing money and are depressed. It is proposed to take by law a bounty of \$15 per ton from the struggling oil producer and give it to the prosperous steel producer.

This measure provides a duty of 2 cents per pound on cordage, 40 per cent on wire rope, 15 per cent on steam engines, 25 per cent on automobiles, 5 cents per pound on aluminum, 2 cents per pound on glycerin, \$1 per thousand board feet on fir logs,  $3\frac{1}{4}$  cents per pound on pork, 6 cents per pound on beef, \$1.04 per hundredweight on flour, 35 per cent on clothing of cotton, and 50 cents per pound plus 50 per cent ad valorem on clothing of wool.

The oil producer pays the world price plus an average of approximately 25 per cent on everything he buys and sells his oil as the world price. He buys on a protected market and sells on a free-trade market. Of course he is not prosperous. His Government, by law, creates this condition which is responsible for the depression in this industry. The Congress can make the oil producer prosperous by giving him the same protection that is given to the producer of the things he buys.

I believe in a protective tariff providing the principle is uniformly, equitably, fairly applied. If we are to have a higher standard of living in America we must erect barriers that keep out cheap foreign labor and the products of cheap foreign labor as well. It is just as important that we keep out the cheap foreign oil as it is that we keep out cheap foreign steel, or sugar, or clothing. We must either build up a tariff on oil or tear down the tariff on steel. The Government can not deny the equal protection of the law to any of its citizens.

Senator EDGE. Do you mind if I interrupt you, Senator?

Senator PINE. Not at all.

Senator EDGE. Do you differentiate at all between that well-known principle of protection, applying it to steel, for instance, and to oil—I repeat, do you recognize any differentiation from the standpoint of conservation, the necessity of retaining as far as would seem

practical a large proportion of our oil deposits, which would not apply to steel and some other commodities?

Senator PINE. Others handle the conservation question. But in reply to that question I will say that there is not an argument for the conservation of oil that does not apply with equal force to the conservation of steel. I will say that the known deposits of oil are greater relatively than the known deposits of iron ore in the United States. Steel is just as much of a national necessity as oil. I might say for myself in reply to that question that this conservation, as it is now advocated, really means control, really means restriction of production.

Senator EDGE. Is that not in the final analysis up to Congress and the States?

Senator PINE. Yes. But the restriction of production which is general throughout the Nation is the philosophy of the miser, is the philosophy of selfishness and greed. The correct theory which should be applied to all industry in the Nation is more production for less money. We should be directing the attention of the Government toward the production of more oil and better oil and selling it for less money. The Government should be directing the attention of the steel producers toward producing more steel and better steel and selling it for less money. The Government should direct the attention of the railroads to the production of more transportation and better transportation and giving employment to more men and selling it for less money. That philosophy, if followed by our masters of industry, would double the production and double the consumption of commodities in the United States.

Senator REED. I fancy that the manufacturers of the country would be glad to increase their production if they could find a market for their product. There certainly is no delay in the supply of manufactured articles now.

Senator PINE. I agree with you to a certain point, but the fact is that they are restricting production in order to control the price.

Senator REED. Do you mean that that is so in the steel business?

Senator PINE. Yes, sir.

Senator REED. That they are restricting production?

Senator PINE. They get together and meet and discuss it. Gary had his dinners for that purpose.

Senator KING. Senator, may I make one observation, with your permission?

Senator PINE. Yes.

Senator KING. My recollection of the figures is that the production of oil is increasing, and that the first six months of this year, notwithstanding the so-called conservation policy of Mr. Hoover, the production was greater than the first six months of last year. Notwithstanding the inflow of oil—and it is not so very great measured by the domestic production—there has been a greater production than ever before; 1818 showed perhaps a greater production in that one year than any preceding year. And the demands for oil, of course, as you have indicated, are increasing. So notwithstanding this influx of oil the domestic production is greater than ever before, and I have no doubt that 1929 will reveal perhaps fifty to one hundred million barrels more of oil than the production for 1928. You, however, are more

familiar with that subject than I am, but that is my reading and my investigation.

With respect to the conservation policy of the President, if I understand your position on that from your statement, that has not been a conservation policy at all. It affects only about 2.1 per cent of the output of oil in the United States from the public-land States. That is to say, the public-land States affected by the conservation policy produced only about 2.1 per cent or 2.5 per cent of the oil produced in the United States. So that this conservation policy of the President is really aimed only at the public-land States, and I believe is a very great injustice to them. But I will not discuss that here.

Senator PINE. The production of oil has increased, as you say, in spite of the fact that the producers have arbitrarily restricted production in Oklahoma and apparently have attempted to do it in some other States. The Corporation Commission of the State of Oklahoma has appointed a man to have it in charge, and we have not been permitted to start wells without first securing consent from that man representing the Commission. As a result we have succeeded in reducing the production in Oklahoma to the point where Oklahoma is now the third producing State in the Union, when it was the first at the time this restriction policy was put in force.

In closing my argument I want to say that common honesty requires a tariff on oil.

I have some telegrams here that have come to me, two or three of which I desire to read into the record [reading]:

TULSA, OKLA., July 17, 1929.

Senator W. B. PINE,  
Washington, D. C.

We feel that a tariff on oil is essential to the successful continuation of the oil industry in the midcontinent area. No tariff means continued depression and results ruinous to oil company employees and all our commercial industries and their employees, also the plugging of numberless small wells resulting in the loss of large oil reserves of great economic value which can never be regained.

T. F. BIRMINGHAM.  
J. I. TAYLOR.  
MILES B. SPEARS.  
B. C. STIVERS.  
G. A. WARING.  
A. H. MAYGINNES.

Another telegram dated Okmulgee, Okla., July 17, addressed to me [reading]:

Mr. Vandeventer, State conservation officer for this district, advises this morning that he has notice of intention to plug approximately 50 wells good for from one to five barrels. This is about the monthly ratio of small wells being abandoned in this district. A tariff would save most of these wells, many of which would eventually be repressured.

INDEPENDENT PETROLEUM ASSOCIATION OF AMERICA,  
By R. D. PINE, Vice President for Oklahoma.

R. D. Pine is my brother. This man Vandeventer that he mentions is the State conservation officer for the State of Oklahoma, and the oil producers in Oklahoma can not start a well, neither can they plug a well without first giving notice to the corporation commission of the State. Then Mr. Vandeventer sends a man to supervise the plugging of a well and the commission notifies the owners of the adjoining oil properties so that they can be present.

This telegram shows that they are plugging small wells at the rate of fifty a week down there. That is because the price of oil is so low that these wells will no longer produce at a profit. So they are being abandoned, leaving a large part of the oil in the ground.

Senator KING. Are those wells pumped?

Senator PINE. Yes.

Senator KING. What is the price of crude oil now?

Senator PINE. It varies. An average of something like \$1.50.

Mr. E. B. HOWARD. About an average of \$1.26.

Senator KING. Well, oil has been as low as 60 or 70 cents per barrel, and from \$1 to \$1.50—the fluctuation in price—has been the price for oil over a considerable part of the period during which we have had oil production, is that not true, Senator?

Senator PINE. It has been as low as 60 cents, but at the time when the oil is selling at that price many wells are being abandoned. To illustrate what a high price will contribute towards the conservation of oil, at this time oil is selling at \$4.35 or \$4.50 a barrel in Pennsylvania.

Senator KING. Well, of course that is a very superior quality of oil measured by some of the western oils?

Senator PINE. When measured by some of the western oils. But oil of practically the same quality is selling at \$1.50 or \$1.60 in Oklahoma.

Senator REED. Do you have oils of paraffin base in Oklahoma?

Senator PINE. Many of them, yes, sir. The production of oil in Pennsylvania from old fields is increasing because of the fact that they have developed methods of taking oil that they knew nothing of years ago. In 1928 the old fields of Pennsylvania produced more oil than they did in 1926. And it was because of the fact that the price paid warranted their making the additional investment in order to get the oil that remained in the oil sands. These small wells that are now being abandoned in the State of Oklahoma are abandoned forever, and they will never be able to apply the newly developed repressure system of recovering oil.

Senator EDGE. Explain that. Why are they abandoned forever? If the oil is there and there is a market and demand for the oil, do you mean to say that they could not be retapped, reclaimed?

Senator PINE. Some of these wells cost \$100,000 to drill. After they have skimmed the flush production it will not pay them to again go back and drill these wells to get the oil that remains in the sand, when it would pay them to continue operations if the oil were selling at a fair price.

Senator EDGE. Then your reason is that it is not that the oil can not be secured, but that from a commercial standpoint it would cost too much to secure it?

Senator PINE. To secure it; yes. It can not be recovered and sold at a fair price if these wells are abandoned.

I have here a copy of a message sent by the Tulsa Chamber of Commerce to the chairman of this committee, Senator Reed Smoot, dated July 9, 1929, which reads as follows:

Tulsa Chamber of Commerce board of directors at last meeting after careful consideration adopted a resolution favoring reasonable tariff on imported petroleum and its products. We are of opinion that the sound development of petroleum industry of this country will be promoted by reasonable protection from cheap foreign products. This will be applying to one of our major industries

the same protection now afforded many other industries for the benefit of large group of citizens engaged or directly interested in this industry and general business and industrial structure of all allied lines.

WILLIAM HOLDEN,  
*Executive Vice President Tulsa Chamber of Commerce.*

I would like to say that I have telegrams from Mr. John H. Thacher, Okmulgee, Okla.; the Chickasha Chamber of Commerce, Chickasha, Okla.; the Central National Bank, Okmulgee, Okla.; C. W. Wangerien, Okmulgee, Okla.; Knox L. Garvin, president Duncan (Okla.) Chamber of Commerce; the Blackwell Chamber of Commerce; the Okmulgee Chamber of Commerce; Ray C. Widener, secretary Chelsea (Okla.) Chamber of Commerce; and the Cal Cul Oil Co., urging that I do everything possible to secure a tariff on oil. I will place these telegrams in the record.

(The telegrams referred to are as follows:)

OKMULGEE, OKLA., July 17, 1929.

Senator W. B. PINE, *Washington, D. C.:*

Urge tariff on crude as protection to every car owner in the country because it will save the 400,000 small wells which are the backbone of our oil supply and which are being abandoned because of competition of imported cheap crude.

JOHN H. THACHER.

CHICKASHA, OKLA., July 16, 1929.

Senator W. B. PINE, *Washington, D. C.:*

At a meeting of the chamber of commerce representing independent operators throughout this district resolutions were passed indorsing the oil tariff. We urgently request that you put forth every effort possible for an adequate tariff for the protection of American producers of crude oil.

CHICKASHA CHAMBER OF COMMERCE.

OKMULGEE, OKLA., July 15, 1929.

Senator W. B. PINE, *Washington, D. C.:*

By this wire we wish to urge your strongest efforts in behalf of a tariff on oil. It is a matter of utmost importance.

CENTRAL NATIONAL BANK.

OKMULGEE, OKLA., July 15, 1929.

Senator W. B. PINE, *Washington, D. C.:*

Please use your best efforts to secure a tariff on oil. The industry has been in a bad way for several years due to a lack of tariff on oil. Cheap oil has been pouring in from foreign countries, thereby causing us to produce our oil at a loss.

C. W. WANGERIEN.

DUNCAN, OKLA., July 16, 1929.

Senator W. B. PINE, *Washington, D. C.:*

Duncan citizens through action of a special meeting of the board of directors of the Duncan Chamber of Commerce this afternoon, urge your support on oil tariff proposition. You will be doing a great good for all Oklahoma and many other parts of the United States in approving this protective measure.

KNOX L. GARVIN, *President.*

BLACKWELL, OKLA., July 15, 1929.

Senator W. B. PINE, *Washington, D. C.:*

The consensus of opinion of those of our members with whom we have conferred is that there should be a substantial tariff on oil. Please direct your efforts to that end. Thanking you in advance.

BLACKWELL CHAMBER OF COMMERCE.

OKMULGEE, OKLA., July 16, 1929.

Senator W. B. PINE, Washington, D. C.:

Okmulgee Chamber of Commerce strongly favors protective tariff on petroleum. Favorable consideration will be appreciated.

OKMULGEE CHAMBER OF COMMERCE,  
HAROLD S. FOSTER, *Manager*.

CHELSEA, OKLA., July 19, 1929.

Senator W. B. PINE, Washington, D. C.:

The Chelsea Chamber of Commerce unanimously indorses oil tariff. Hoping this meets with your approval.

RAY C. WIDENER, *Secretary*.

OKMULGEE, OKLA., July 16, 1929.

Hon. W. B. PINE, Washington, D. C.:

Competition of foreign oils threatening independent operators here with bankruptcy; conditions deplorable. We urge you to make every effort possible to have tariff placed on C.V.V.V. oil.

CAL COG OIL CO.,  
By JOHN J. CALLAHAN, *President*.

Senator EDGE. Senator, before you leave the stand let me ask you this. You raised the question, which is always interesting to us who represent the Republican Party and its policy of protection, as to discrimination because of tariff on many commodities and no tariff on oil. Now I think that is a question that should be very carefully considered, as to whether it is discriminatory or not from the economic standpoint. Is it not true that the greater portion of the imported oil to-day from Mexico and Venezuela, wherever it comes—mostly from Mexico, I understand it—is consumed by the Merchant Marine on the Atlantic and the Pacific coasts? Testimony given before our committee was that there are at the present time under the American flag, 1,755 seagoing merchant vessels of 500 gross tons and over, aggregating in all some 9,000,000 gross tons, which are oil-burning. And, as I understand it, practically all of those ships are using this imported oil at the cheap rate at which they secure it. Now, as I understand it, a part of your proposal is that there be a duty of \$1 a barrel?

Senator PINE. Yes.

Senator EDGE. If a duty of \$1 a barrel is imposed, just where would it help either the oil producers of Oklahoma and Texas or the coal producers that you spoke of in the first part of your discussion, because, after all is said and done, it has to be transported to the coast in each case? I am just wondering if it would be possible, without a very exorbitant rate of duty, to even get that trade, and, conversely, of course, we must all admit that it would raise the transportation price of these vessels into the hundreds of millions of dollars. I think the estimate was \$80,000,000 annually, based on the present consumption. As one who is a protectionist I would like to have you review that, whether it is economically sound, whether it would not do to our general commercial industry more harm than good, balancing it, I mean.

Senator PINE. In the first place they bring that oil to America to sell it in America. And as a matter of fact they do sell it in America in competition with the oil produced here in America. The oil producers are entitled to the equal protection of the law.



I read an editorial in the Post on the matter to which you refer. I can see no obligation on the part of the oil producers to bear this transportation burden alone. Why should the oil producers sell their production below the cost of producing it in order to help United States shipping?

This Government has adopted the protective-tariff principle, and if it is not uniformly applied it is intolerable, because it injures some of our citizens and benefits others at their expense. If there is a transportation burden that must be borne by some one, then the oil producers of America should not be compelled to bear it. If the protective tariff principle is followed by this Government then it adds to the cost of producing oil in America, because it adds to the cost of the material that we use, it adds to the cost of our labor. And it is unfair to require us to sell our product in competition with that produced in Venezuela, where they buy German steel and other materials on which they pay no tariff. In Oklahoma we pay a bounty of \$15 a ton to the American steel producers on our casing. In Venezuela they pay no such bounty. It is unfair to require us to sell our oil in competition with that produced in Venezuela. That is the reason for the depression in the oil business.

Senator REED. And not overproduction? Is that your feeling?

Senator PINE. There is no overproduction in the United States at this time. We are now producing approximately the oil required by the market in the United States. And the overproduction comes from this imported foreign oil. We could increase our production and take care of increased demand. But there is practically no overproduction at this time. I mean to say that we are not producing oil in the Nation beyond what prudence requires.

Senator EDGE. In that connection, Senator, are not these figures correct, that last year the crude oil imported from various countries amounted, according to the records, to 79,767,000 barrels. that is imported crude oil?

Senator PINE. I understand that is correct.

Senator EDGE. And the amount produced in the United States in 1928 was 902,000,000 barrels. These are the figures given Senator Tydings. I am quoting from his testimony before the committee.

Senator PINE. I think his figures are correct. His conclusions are wrong.

Senator EDGE. And the amount consumed in the United States was 966,000,000 barrels.

Senator REED. They give the exports separately.

Senator EDGE. No; they are all together here.

Senator REED. The exports were 150,000,000 barrels. Our consumption is 816,000,000 barrels.

Senator EDGE. Yes, that is the difference between 966,000,000 and 816,000,000 barrels. Apparently that checks off.

Senator REED. The 816,000,000 barrels consumed included 51,000,000 furnished to ships in our harbors.

Senator EDGE. In other words, the amount of imported crude oil was less than 10 per cent. I am merely bringing that to your attention, Senator, in view of your answer to Senator Reed that you did not consider over-production as the reason for whatever slackness there is in the American oil business.

Senator PINE. The imposition of a tariff on steel did not stop the exportation of steel from this country, and it will not stop the exportation of oil from this country.

Senator REED. Do you think that the addition of a dollar a barrel to the price will not affect the exports of petroleum and its products?

Senator PINE. No more than the imposition of \$15 a ton affects the exportation of casing. No principle applies to the oil business that does not apply to these other industries.

Senator REED. Precisely, but I had the impression that the exportation of casing had dropped down very far. And what you said about the use of German casing in Venezuela tended to confirm that.

Senator PINE. That does not prevent us placing a tariff on steel, and then we encourage the exportation of steel by giving a low freight rate on it. In other words, we encourage the exportation of this casing to Venezuela by making a freight rate on it out of Chicago to Los Angeles that is 60 per cent lower than the domestic rate.

Senator REED. Well then, Senator, what you told us about the use of German casing in Venezuela was not meant to be as comprehensive as I understood it. Do you know how much of the casing used in Venezuela is American?

Senator PINE. I do not know, but I do know that whatever is sold in Venezuela is sold in competition with German and French casing.

Senator REED. Of course.

Senator PINE. They have to meet the prices there. And the purchaser does not pay the price that is paid by the Oklahoma producer.

Senator REED. Now, then, if we sell oil and its products abroad, we have to sell them in competition with refineries of other countries, of course?

Senator PINE. Yes, sir.

Senator REED. Do you not think that the addition of a dollar a barrel to our crude oil costs will have a very serious effect on our exports?

Senator PINE. No, sir; for this reason: The price of gasoline is not controlled by the price of crude oil. To-day the gasoline made at Bradford, Pa., out of \$3.50 oil is selling at approximately the same price in Bradford that the gasoline is selling for in Chicago made out of Oklahoma \$1.50 oil plus 54 cents transportation charge to place it in Chicago.

Senator REED. Necessarily it has to sell at the competitive limit.

Senator PINE. Yes, sir. And the gasoline made out of this 95-cent Venezuelan oil is selling at approximately the same price at Baltimore as the gasoline is selling at Bradford, Pa. The price of crude oil has little to do with the price of gasoline. And I will say this, that the price of crude oil can be raised to \$2 a barrel and not necessarily affect the price of gasoline at all, because the margin of profit that is now in the industry can readily absorb the difference.

Senator REED. Senator, assuming that that is correct, assuming that an increase in the price of crude of a dollar a barrel will not in any way affect our ability to export in competition with other nations, the immediate result of the imposition of this tariff would be the elimination of the 79,000,000 barrels that are coming in from Mexico and Venezuela. That 79,000,000 barrels would of course be made up by increased domestic production, would it not?

Senator PINE. Readily.

Senator KING. Or, pardon me, if I may say so, by diminished export.

Senator REED. Well, I am assuming that the Senator is right, that the exports would not be diminished. Now an addition of a dollar a barrel to the price would undoubtedly stimulate further domestic oil production, would it not?

Senator PINE. Not necessarily.

Senator REED. No?

Senator KING. Then why advance the price if it was not for the purpose of stimulating greater production, or at least maintaining at former levels the production of existing wells?

Senator PINE. There is a theory that is accepted in the Senate that is unsound and untrue about the price level. There is a living price at which there will be less production at any other price. It might be called a normal price or a living price. It is the cost of production plus. Any slight variation from that living price, either up or down, will increase production of farm crops, and it will increase the production of crude oil.

Senator EDGE. You do not agree with that theory?

Senator PINE. I am announcing the correct theory. The Congress accepts the theory that a reduced price reduces production. That is not always true.

Senator REED. Well now, Senator, let us assume the correctness of what you said, that the imposition of this dollar tariff will not decrease our exports and will not stimulate our domestic production. The result would inevitably be that we would be 79,000,000 barrels short next year in meeting our needs. What then would happen to the consumer of gasoline?

Senator PINE. The price will not stimulate production. We will quit restricting production in Oklahoma and produce oil that will take care of the demand, will meet the demand.

Senator EDGE. Then you will increase the production?

Senator PINE. The price will not necessarily stimulate it in an unusual degree.

Senator REED. Because of the price you will stimulate it, that is what it comes to.

Senator PINE. Yes; because we quit restricting.

Senator REED. Yes.

Senator PINE. We voluntarily restricted the production in the State of Oklahoma because of the propoganda and because the producers are urged to restrict it. We stopped the drilling of wells.

Senator REED. You have a sort of a state-wide Gary dinner.

Senator PINE. Yes.

Senator KING. Well, there has been an effort, has there not, for some time, and it has been an attempt in part to effect the limiting of the production of oil in various States? These petroleum institutes have been called in part, have they not, for the purpose of controlling the production as well as sales?

Senator PINE. I will say there has been a widespread movement to restrict the production.

Senator KING. And to fix prices?

Senator PINE. Of course in Oklahoma we have hoped that the price would go up so that we would get the cost plus a profit, for our oil.

Senator KING. Unfortunately is it not true that the independent producers, generally speaking, have followed in the footsteps of the Standard Oil and fixed the same prices that they have fixed, so that it is a fiction that there are independent producers, so far as the public is concerned?

Senator EDGE. I would like him to answer that.

Senator PINE. Large industries are all dominated by four or five big units in each industry.

Senator EDGE. But do you accept the statement that the Senator from Utah made that there are no independent producers? That is the way I understood his statement. Do you accept that statement as correct?

Senator KING. There is a qualification, Senator. That so far as the public were concerned it was a fiction that they are independent producers, for the reason that the independent producers, so-called—and I do not mean to say that there are not men producing oil that are not affiliated with these four or five big companies—but that the prices which they charge for their products are the prices which are fixed by the Standard Oil and the Gulf Refining Co. and two or three other large companies.

Senator PINE. The effect is, to a degree, as you stated. But I want to say to you that there are some independent producers in the State of Oklahoma.

Senator KING. I wish there were more, to be frank with you. I like the independent producer.

Senator PINE. There are many left. And this group that is appearing here to-day is in every respect independent of the Standard Oil Co.'s.

Senator KING. I know, but they avail themselves very gladly of the advances which are made in the price of oil by the Standard Oil Co.; and some of these larger ones to which you referred?

Senator PINE. And I will say to you, Senator, that the Standard Oil Co.'s are interested in preventing a tariff on oil at this time because they would like to produce more of the oil in Venezuela, where the cost of production is lower, and sell it up here in the United States where prices are higher because we maintain a higher standard of living.

Senator KING. Senator, pardon me for interrupting you, but it does show that the logic is a little against the position which you have just taken. I call your attention to the increased production from year to year. In 1920—and I have this under the signature of the Secretary of the Interior under date of May 28 of this year, it was 442,000,000 barrels. I leave out the thousands: In 1921, 472,000,000 barrels; 1922, 557,000,000 barrels; 1923, 723,000,000 barrels; 1924, 713,000,000 barrels; 1925, 763,000,000 barrels; 1926, 770,000,000 barrels; 1927, 901,000,000 barrels; 1928, 902,364,000 barrels. For January this year, 81,979,000 barrels. March of this year, 82,515,000 barrels.

And my advices are that in June the production is substantially the same. So that for 1929 there will be a larger production than in 1928, and, as I have indicated, from 1920 up to the present time it will be more than doubled. So that whatever importations have come into the United States, they apparently have tended to increase production rather than to diminish production. And as our

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production has increased our exports have increased. So that as was indicated by, I think the Senator from New Jersey, our exports are substantially double our imports. Those things, it seems to me, bear some relation to the subject of which you are speaking.

And I discover that the prices of crude oil have been low in preceding years, and that the price this year is no lower than it was in 1927. In 1927 the price was \$1.55 for crude oil. Gasoline, 15 cents a gallon. kerosene, 12 cents a gallon; fuel oil, \$1.14 a barrel; lubricating oil, 25 cents a gallon. Lubricating oil had been lower than that, 20 cents in 1922, 19 cents in 1923. Those have been substantially the prices in the products which might be called the by-products of oil, gasoline, kerosene, lubricating oil, during the period from 1920 down to the present time. Perhaps that is not germane, but it did seem to me we ought to call attention to this increased production to negative the idea that the imports were very seriously affecting our production.

Senator PINE. The thought I want to leave with the committee is that we buy on a protected market. We pay world prices plus a tariff. To be fair, to be honest, we must be on the same basis.

Senator REED. That is true of the American production of every commodity on the free list, of course, is it not?

Senator PINE. I have not studied the other commodities. I have studied this particular commodity. And I know that if we pay the steel producers \$15 a ton on our pipe more than our competitor does, and that is imposed on us by law, then the Government is putting us at a disadvantage with our competitor, and doing it for the benefit of those who produce the steel that we use. And we must be put on the same basis.

Senator REED. Senator, how many gallons of gasoline do you average to a barrel of crude under present practices?

Senator PINE. From 10 to 42. The Standard Oil at Baton Rouge is getting 100 per cent gasoline recovery now.

Senator REED. It is getting 42 gallons to the barrel?

Senator PINE. Yes, by hydrogenating the crude oil. That is in an experimental plant. That is the limit, of course.

Senator REED. That is the limit, of course, but in Oklahoma what is the best recovery that you know of?

Senator PINE. I think by rerunning it and cracking it we get as high as 42 per cent.

Senator REED. Forty-two per cent, which would be about 16 gallons to the barrel, would it not?

Senator PINE. Yes, a little better than sixteen.

Senator REED. So that if the gasoline alone had to carry this duty it would result in an increase of 6 cents a gallon on the wholesale price of gasoline, would it not?

Senator PINE. I disagree with your argument.

Senator REED. Well, the result of this tariff is going to be an increased price to the producer of crude, is it not?

Senator PINE. Yes, sir.

Senator REED. Yes.

Senator PINE. But not necessarily any increase in the price of gasoline.

Senator REED. Very good. Then if the gasoline does not necessarily have to carry any increase, what products would carry the increase?

Senator PINE. We will take it out of the millions that the big oil companies say they are making in refining and marketing this oil. The gasoline made out of \$3.50 oil, Senator Reed, sells at the same price that gasoline is sold for that is made out of 95-cent oil.

Senator REED. I see. So the refiners of gasoline would be expected to absorb this duty, this increased price of crude, without increasing the selling price of their products, is that the idea?

Senator PINE. I say that they can readily do it and make a margin of profit that should be satisfactory to them.

Senator REED. Well, as the owner of an automobile I am rather interested to know whether they would.

Senator PINE. Well, I am unable to say whether they would or not. But I can state definitely and positively that it is possible to do it.

Senator REED. Well, I have not that same faith in human nature, Senator, as to think that if their crude oil is going to cost them a dollar a barrel more that they will incur a loss of 6 cents a gallon on their gasoline, or a reduced profit of 6 cents a gallon, if you prefer to put it that way, without attempting to increase the price to the consumer.

Senator PINE. I do not attempt to say what they will do, but I do attempt to say that they can do it readily.

Senator REED. I see.

Senator EDGE. Just one other thing I want to ask and I am through. You dwell several times, Senator, on a very familiar expression to us protectionists, especially when we are being criticised by the opposition, that you in the oil business are selling or producing in a free market and buying your casings and so forth, in a protected market. Do you know that 72 per cent of the articles to-day on the free list under a protective system are competitive, or in other words, there are products of the same character raised in this country to the amount of 72 per cent of the articles on the free list? On 72 per cent of the articles on our free list to-day there is American competition. I mean to say that you can not make it 100 per cent. We are failing to be protectionists where in many cases articles are on the free list because so many other conditions must necessarily be taken into consideration. Seventy-two per cent of our free list to-day is in competition with various producers of similar articles throughout the United States.

Senator PINE. But, Senator, in this particular industry, because of this condition that I have described, the production of oil in Venezuela last year increased 60 per cent.

Senator REED. And in Mexico it decreased how much?

Senator PINE. I do not know what the decrease was. But there was a slight decrease because they were unable to find it in Mexico. But this policy, if followed by our government, will develop the petroleum resources of other nations, while we are arbitrarily restricting the development of our own.

Senator EDGE. And somewhat conserving our own.

Senator PINE. It is unfair to apply the conservation to one industry. As I said before, there is just as much or more argument for conserving the deposits of iron, and there is much more argument for conserving our deposits of bauxite, because they are very limited, and we are exhausting them at a terrific rate, and we are not making the highest

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use of it at all. The time will probably come when we will be gathering up old dishpans and washing machines to make airships, and we will be doing it in time of war because we have exhausted our bauxite deposits in time of peace.

Senator REED. But bauxite is on the free list, is it not, Senator? Are we not getting very large quantities of bauxite from the Guianas?

Senator PINE. I do not think so.

Senator REED. I think you will find we are.

Senator PINE. I think the bauxite that we are using is coming from Arkansas.

Senator KING. That is true, but I think it is on the free list, but the importation is not so great. But of course there is a heavy duty upon aluminum.

Senator PINE. Yes; 5 cents a pound

Senator REED. I find that crude bauxite is mentioned in paragraph 207, and is subject to a duty of a dollar a ton under the act of 1922 and also under the House bill which we are now considering.

Senator PINE. Unless there are other questions, that is all I have to say.

Senator REED. Thank you.

**STATEMENT OF W. SCOTT HEYWOOD, JENNINGS, LA., REPRESENTING THE GOVERNOR AND INDEPENDENT PRODUCERS AND ROYALTY OWNERS OF LOUISIANA**

(The witness was duly sworn by the chairman of the special subcommittee.)

Mr. HEYWOOD. Mr. Chairman and members of the committee, I wish to present the following telegram:

BATON ROUGE, LA., July 15, 1929.

W. SCOTT HEYWOOD,

*Raleigh Hotel, Washington, D. C.:*

Designate you as my representative appear before Finance Committee, United States Senate, in favor of tariff on oil imported into this country.

HUEY P. LONG, *Governor.*

My name is W. Scott Heywood, and my home is Jennings, La. I am an independent oil producer, land owner, and royalty owner. I was one of the pioneers of the famous Coalinga California Oil Field from 1898 to 1901. I drilled the second well in the famous Spindletop Oil Field at Beaumont, Tex. I brought in the largest well in that field on May 25, 1901. I pioneered and drilled and brought in the first oil well in the State of Louisiana at Jennings, September 21, 1901, which field has produced over 50,000,000 barrels of oil. I operated in the Pine Island oil field in Louisiana in 1918, and I pioneered and drilled the second well in Hutchinson County, Tex., which is now called the Borger Texas Oil Field.

I have been consistently advocating a tariff on foreign oil since the fall of 1926.

Senator EDGE. You are what they call a wildcatter, are you not? I say that in its best term.

Mr. HEYWOOD. Some people call us that. That is the general term for a man that goes out and pioneers in the oil field. We call ourselves pioneers.

Senator REED. Repeat that last sentence of your statement.

Mr. HEYWOOD. I have been consistently advocating a tariff on foreign oil since the fall of 1926.

I came here at the request of Hon. Huey P. Long, Governor of Louisiana, for the purpose of presenting to this committee what the governor and independent oil producers and royalty owners of Louisiana believe are good and sufficient reasons why a duty on imported oils should be included in your tariff schedule.

It may be presumptuous for a layman to come here and undertake to reason with a committee of experts on the tariff question, but my experience in the oil business has taught me that we are never too old or too expert on any one thing not to be able to find something new to think about. I will not take much of your time.

It is my understanding that the fundamental principle of a tariff is to protect domestic industries from having this country flooded with any commodity at a competitive price that would cripple that particular industry in the United States.

If I am right in this statement, then the independent oil producers and land royalty owners are wholly within their rights in asking you gentlemen to include a tariff on imported oil.

The major oil corporations of the United States have been claiming since 1926 that we have an over production of crude oil in the United States, and our Federal Oil Conservation Board have advocated State conservation legislation that will include curtailing of drilling and regulating of production.

To my way of thinking, if we really have an over production of oil in this country, then we have the best argument that can be advanced in favor of putting a tariff on foreign oil, and there can be no sound argument, in my opinion, advanced for letting 120,000,000 barrels of oil be imported into this country, tariff free, during the present year of 1929, which will be the amount that will surely come in if the present daily imports keep up.

But let's get down to the real facts to be considered.

The Bureau of Mines annual oil report for the year 1927 shows that the total demand on the United States amounted to 945,613,000 barrels.

Senator KING. For what year was that? 1928?

Mr. HEYWOOD. 1927.

Senator KING. That is our domestic consumption plus exports?

Mr. HEYWOOD. No, no; the Bureau of Mines annual report for the year 1927 shows that the total demand on the United States, filled from the United States, that is both domestic and export, but it is filled by United States corporations dealing in oil, with a domicile in the United States, amounted to 945,613,000 barrels, and the total production in the United States, including natural gasoline and benzol, amounted to 942,348,000 barrels. This proves that the United States production really fell short of the total demand filled by United States corporations having their domicile in the United States 3,265,000 barrels.

The corporations filling this demand, however, imported in 1927 71,736,000 barrels, which left a surplus of 68,471,000 barrels which they have called "United States overproduction."

The Bureau of Mines annual report for 1928 shows that the total demand on the United States filled by corporations having their



domicile in the United States amounted to 1,012,002,000 barrels and the total production of the United States for 1928, including natural gasoline and benzol, amounted to 945,460,000 barrels, which proves that the United States production fell short of the total demand 66,542,000 barrels, but right here comes the sad part of the picture.

These major purchasing companies asked the United States producers, and through their influence with State officials, and with cooperation from State officials, they forced producers in Oklahoma and Texas to put on a curtailing program with a referee, whose duty it was to tell each producer how much he could produce, or how little he could produce, and while this curtailing program was being put in force, the major companies asking for the curtailing, immediately installed their wells in the Seminole, Okla., field with air and gas left, which unquestionably increased the production approximately one-third more than it would have been had the wells been allowed to produce naturally or on the beam.

And while all this curtailing of production was going on in 1928, the major oil companies imported, duty free, 91,474,000 barrels, mostly from Venezuela and Colombia, produced mostly by themselves, and shipped mostly to themselves, and this 91,474,000 barrels imported into this country left a surplus of 24,832,000 barrels, which they have been calling "United States overproduction." The above figures prove that the oil produced in the United States did not meet the total demand, and that there would have been no surplus had it not been for imported oil.

This imported crude oil runs around 18 to 25 gravity and only carries approximately 10 per cent gasoline content; I want to add there, through the topping process.

Senator REED. Of course they get more than that by cracking?

Mr. HEYWOOD. Yes, they get more than that by cracking. But these major companies have put out reports in our oil journals, and in speeches before our railroad commissions, and in the press, and the price of this foreign oil was 70 to 90 cents per barrel, f. o. b. eastern seaboard, and, therefore, our higher gravity oil must come in competition with this so-called 70-cent oil. (See Oil and Gas Journals, February 16, 1928, page 27, and February 23, 1928, page 27.) Mr. Howard has the clipping from that. In other words, gentlemen of the committee, they have called the surplus caused by foreign imports "United States overproduction," and they have used overproduction statements to bear the price of domestic crude, and they have used this unreasonable price of 70 cents on imported crude as another club to beat domestic crude still lower, until the price hardly meets the cost of producing.

These are conditions that only the oil producers and royalty owners are familiar with, and we think that such conditions can only be cured by putting a tariff on foreign imports sufficiently large to protect the producers and the royalty owners throughout this country, as well as our oil States themselves, some of which are royalty owners.

The State of Texas alone, in my opinion, has lost millions of dollars since 1926 through this manipulation, and is still losing millions each year, both from its royalty and income from gross production taxes.

Mr. HEYWOOD. To illustrate this, the State of Texas has been getting 2 per cent gross production taxes on a valuation of 65 cents per barrel in the Pecos and Winkler County oil fields and 2 per cent on 75-cent oil in the Panhandle, when it should have gotten 2 per cent on a valuation of \$1.50 per barrel in the two former fields and 2 per cent on \$2 oil in the Panhandle field. The Legislature of Texas has passed a resolution asking Congress to put a tariff on oil imports.

I want this committee to know that I consider that I am one oil operator that has been gouged out of \$300,000 through this manipulation and propaganda which I would otherwise have made in the years 1927-28 out of my production in the Borger Texas oil field, and this same manipulation has driven many producers to failure and bankruptcy in that field alone.

I have read in the press recently that the agitation for a tariff on foreign oil is being fostered by the major oil companies of this country to enable them to raise the price on gasoline. To this I wish to state that I am cognizant of every move that has been made in favor of a tariff on oil. I have observed recently the attempt to make the people believe that the Standard Oil Co. is favorable to it.

Senator EDGE. Right there, Major Heywood, if you do not mind an interruption.

Mr. HEYWOOD. I do not mind it at all, Senator.

Senator EDGE. And if your brief covers my inquiry, it is not necessary to answer.

Mr. HEYWOOD. I will see.

Senator EDGE. If the tariff proposed by the so-called independents is necessary in order to give a profit to them, why would it not likewise apply to those larger companies that you call major corporations; why would not they likewise be benefited by a tariff, because it is generally understood that they are producers in large crude fields.

Mr. HEYWOOD. Senator Edge, if you will just please make a note of that, and will allow me to continue, I think my statement will cover your point thoroughly.

Senator EDGE. All right. But I should like to know if that is not the case.

Mr. HEYWOOD. If you will just make a note of your inquiry. Senator Edge, so as not to forget it, I will thank you. I am not trying to dodge the issue at all, but I think my remarks will cover it.

Senator EDGE. All right. You may go on.

Mr. HEYWOOD. I challenge anyone to show one of the present companies of this great trust or a subsidiary of it that is supporting a tariff on oil, and I wish to state, without fear of contradiction, that the Standard Oil Co. is fighting to kill the agitation of a tariff; but on the contrary, the advocating of a tariff on importing oil was started by independent operators and land royalty owners who do not refine oil and, therefore, are not in the market to sell gasoline.

The reason that the Standard Oil and the major oil companies of the United States are fighting against the tariff on foreign oil is very apparent. In the first place, there are no independent producers in Venezuela or Colombia, and second, most of the imported oil coming into this country is coming from Venezuela and Colombia, and is being produced by the Standard Oil and its subsidiaries and affiliated

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companies, and the Dutch Shell and Gulf companies, and they are shipping most of this foreign oil to themselves, and putting an unreasonable price on it——

Senator KING (interposing). You mean an unreasonably low price?

Mr. HEYWOOD. Unreasonably low; yes, sir.

Senator REED. You may go on with your statement.

Mr. HEYWOOD. And they are shipping most of this foreign oil to themselves, and putting an unreasonable price on it, in my opinion, for the purpose of buying domestic production at a song, and at the same time they are charging for gasoline and lubricating oil nearly the same price that they charged in 1926, when they were paying the producers and royalty owners practically twice as much for our oil as they do to-day.

Senator KING. May I ask you a question right there if it will not interrupt your train of thought?

Mr. HEYWOOD. Certainly.

Senator KING. Is it not a fact that the Dutch Shell and the Petroleum and these companies which have been importing since Mr. Doheny sold, and the large producing wells owned by the Standard Oil Co. or its affiliated organizations, are producing the greater part by far of the oil produced in the United States?

Mr. HEYWOOD. They are producing, I think, or at least I have been advised by some gentlemen up at Colorado Springs who have made a study of it and who have been figuring on it, that the independent producers represent about 20 per cent of the production, and that about 80 per cent of the production is represented by the major companies, the Standard Oil companies, and the other large oil corporations.

Senator KING. I did not think the independents produced that much. You take the Sinclair Co., and the Doheny Co., and the Petroleum, and the Standard and its affiliated companies, and the Dutch Shell and its affiliated companies; I had supposed that they produced about 90 per cent of the total, although I may be in error.

Mr. HEYWOOD. They may produce 90 per cent in some oil fields.

Senator KING. No; I am speaking about generally.

Mr. HEYWOOD. Generally speaking, in the United States it is considered by people with whom I talked at Colorado Springs, at our conservation meeting held up there, that the independents represent about 20 per cent of the production.

Senator KING. Then, of course, these larger companies, that produce 80 or 90 per cent, or as you say, 80 per cent, of the domestic production would be benefited in the price of crude oil, I mean by an increase in price.

Mr. HEYWOOD. How do you figure that they would be benefited, Senator King, when they are the ones that refine it, and when they make their money on the refining end of it?

Senator KING. They would be benefited in the price of crude oil, would they not?

Mr. HEYWOOD. I can not see where they would in this situation.

Senator KING. There is a market for crude oil, certainly.

Mr. HEYWOOD. There is a market for crude oil, but they are that market. Do not forget that they are the boys that do the buying, and that we are the ones that produce it and sell it to them.

Senator KING. The utilities of the United States and the manufacturing interests of the United States are using more and more oil for fuel purposes for the generation of power.

Mr. HEYWOOD. Yes; but, Senator King, the major companies own the refineries, and there is nothing in the United States to prevent them from setting the price on gasoline and lubricating oil, just to suit themselves. And what difference does it make to them what the price is on their crude oil, when the money that they make out of the crude oil is in the refined product.

Senator EDGE. Do you mean to say that none of the independents included in this 20 per cent are operating independent refineries?

Mr. HEYWOOD. There are independent refineries, yes, Senator Edge, but I am talking about the producers when I refer to the other 80 per cent of crude oil.

Senator EDGE. When you were answering Senator King's question and said they were not interested in this because they were refining crude oil, I did not quite understand your point. Take a company that has crude oil fields and that runs a refinery, and that sells oil and gasoline, and all classes of products, at what point does he cease to be an independent and become one of the major companies? In other words, there is real competition in the oil business, is there not?

Mr. HEYWOOD. There is competition that I know of in this way: I know that some independent refiners have to pay a premium in order to get crude oil, for the reason that they have no gathering lines, and they have not the capital to install gathering lines and pipe lines.

Senator EDGE. There are some pretty big independent oil companies in this country, are there not?

Mr. HEYWOOD. Oh, yes. Take the Gulf Refining Co., and it is not supposed to be one of the Standard companies, and they are very big.

Senator EDGE. How about the big Texas Co.?

Mr. HEYWOOD. They are a big company, but I do not know whether they are affiliated with Standard or not. I call them a major company. You take a company like the Texas Co., or the Gulf Co., and they are all standing in the same shoes. What is good for one of them is good for the other. The Gulf Co. particularly is producing large amounts of oil in Venezuela and shipping it up to Port Arthur, Texas, and refining it and cracking it.

Senator KING. Let me ask you one other question right there: Is it not an economic fact, one that we realize every day, that in business the higher the cost of the raw material the higher the price of the finished product, and that when a duty is placed upon raw material it calls for a compensatory higher duty upon the finished product? May we not accept that as a truism?

Mr. HEYWOOD. I think that is true.

Senator KING. If that be true, and I concede that there may be exceptions to that generalization, but if that be true, and if the importation of crude oil depresses the market, and if a prevention of importations increases the price of oil, or at least permits an increase in the price of oil, then it would seem, would it not, that if importations are cut off, and thereby the price is advanced, that it is carried forward by the big companies into the finished products, and that the people are compelled to pay a higher price for the finished products?

In other words, the cheaper the raw material, in this case oil, generally speaking the cheaper will be the price of the finished products, is not that so?

Mr. HEYWOOD. Your theory is correct; there is no question about that, generally speaking, and yet your theory does not work when it comes to the oil business. I do not go into that particular end of it in my statement here, but Mr. Howard who is to follow me, does go into it, and he will show you that by reason of the importations of foreign oil on the eastern coast of the country does not affect the price of gasoline.

Senator KING. All right.

Mr. HEYWOOD. And we have statistics to prove that.

Senator REED. You may go on with your statement.

Mr. HEYWOOD. They do not need a tariff on foreign oil to enable them to raise the price of gasoline. They raise the price when they feel like it and the public has to stand for it whether they like it or not.

The Federal Oil Conservation Board is advocating conservation laws to bring about maximum recovery from the oil producing sands, and it is claimed that we are experiencing a waste through not securing maximum recovery.

It impresses me that the greatest waste we have had since 1926 has been caused by the price structure brought about through free imports. For illustration, we had in 1927, 323,300 wells in the United States and the daily average production was about 7 barrels, and out of this 323,300 wells it is estimated that 150,000 only averaged one barrel per day; since that time 50,000 of these wells have been estimated to have been abandoned.

It is plain to be seen that these wells can not continue operating on the price structure that we are working under, and once a well is abandoned no one can afford to drill a new well for such a small initial production; therefore, this country is suffering a great waste, but if Congress will put a tariff on imports before it is too late we can save this great waste.

Senator KING. Obviously following out that argument, we must penalize the public in order to protect these weak sisters who are producing from one to eight or nine barrels of crude oil per day, whereas in the Calingo field and some other fields, where sometimes they have a gusher that will produce 40,000 barrels a day, and there are many large wells where they have a production of 4,000 or 5,000 barrels a day, and from which the profits must be enormous, and it would seem to me to be unjust to penalize the public in order to take care of these weak 1-barrel or 8 or 10-barrel wells, by enabling them to get \$4.00 or \$5.00 or \$6.00 a barrel, in order to take care of them, and thereby penalize the public. That is the result of your argument, if I understand you.

Mr. HEYWOOD. My argument is based along the lines of the Federal Government's oil conservation board. They are talking about an increase of recovery from our sands.

Senator KING. Undoubtedly, and that seems to me to be patriotism, as well as common sense. At the same time you can not justify an argument that in order to accomplish that result you are to force the price of crude oil up to a point of \$4 or \$5 a barrel, and such would be the case in order to take care of the weak sisters.

Mr. HEYWOOD. It would not be necessary to have a price of \$4 or \$5 a barrel. That is not necessary at all.

Senator EDGE. Then it would force it up, say, \$1 a barrel.

Mr. HEYWOOD. It would probably bring it up to \$2 a barrel. And they can operate on that price and make a small profit.

Senator REED. You may go ahead with your statement.

Mr. HEYWOOD. Some people have argued in favor of foreign oil being left on the free list so as to use foreign oil and conserve domestic oil for future use, but to my way of thinking that argument has been knocked out completely by the Bureau of Mines statistics.

To illustrate, in 1928 the oil industry imported 91,474,000 barrels, and the same self-styled conservationists who imported this oil exported 154,552,000 barrels, which proves that they exported 63,088,000 barrels more than they imported. The figures just given show exportation of 154,552,000 barrels; in other words, they used foreign oil at unreasonable prices to buy domestic production and royalty at a song, which means that through foreign oil overproduction and unreasonable prices on imports they bought approximately 283,638,000 barrels of domestic-produced oil from independent producers and landowners for approximately one-half what it was worth, and then refined it and exported it at prices running around 25 to 70 cents per gallon for export gasoline. A tariff would stop this injustice, and it will be admitted we are not conserving our natural resource for future use when we export 63,000,000 barrels more than we import.

If American capital goes to foreign countries to produce oil, let them be treated as foreigners. If they take advantage of oil being on the free list by shipping in more than we need, and then call it United States overproduction, and through such propaganda force domestic crude prices to be cut, and at the same time charge practically as much for gasoline to domestic users as they did when they were paying nearly double the price that they are now paying for crude, it impresses me our Government should protect the operators and landowners and our oil States of the industry with a tariff.

If they use an unreasonable price on imported inferior crud to beat down the price of high-grade domestic crude, our Government should protect the operators of the industry in this country with a tariff.

Never before have independent producers and royalty owners combined as now to fight for their rights and the reason of it is that conditions have gotten to the point where they are intolerable. Already thousands of independent producers have failed. Other thousands will fail unless relief is had.

As an industry operating in almost one-half of the States, containing a consolidated investment of hundreds of millions of dollars, employing thousands of American laborers, supporting directly and indirectly many and varied lines of industry, we can not compete with oil from Mexico, Columbia and Venezuela, produced and delivered in the United States at 75 cents per barrel.

Senator REED. Does drilling cost more in American oil fields than down in Venezuela?

Mr. HEYWOOD. Yes, sir.

Senator REED. We are told that a driller in Oklahoma pays \$12 a day, while it costs \$20 per day in Venezuela; that they are all Americans anyway in both fields.

Mr. HEYWOOD. I am told that they use American drillers in Venezuela, and that is true, but they use peon labor at a low price.

Senator REED. What do you use in the way of common labor in Louisiana and Oklahoma?

Mr. HEYWOOD. We pay \$5 a day.

Senator REED. Do you use any Mexicans there?

Mr. HEYWOOD. No, sir.

Senator REED. Or any negro labor?

Mr. HEYWOOD. No, sir; all white labor. You could not get an oil roughneck to work with a negro or a Mexican.

Senator REED. You may go on.

Mr. HEYWOOD. In all earnestness and seriousness we feel compelled to state to your honorable committee, and through you to the Senate and the people of the country, that our request and showing stated and made here to-day form the beginning rather than the end of our efforts to secure relief.

We assert that American products, produced from American farms, by American capital and American labor, should be given a fair chance at the American markets. If American capital voluntarily leaves the United States, goes abroad and begins to produce from cheap raw material and with cheap foreign labor any commodity, and then actually begins the importation of such commodity into the United States to be sold in competition with a necessary identical local product, produced by the American standard, we feel that those affected by this unfair competition are not only justified, but, in fact, are compelled to appear before the proper tribunal, state their case frankly, and then to respectfully request that they be accorded relief in proportion to their needs and in harmony with the American policy.

Right here I should like to state that I understand, although I can not state from personal knowledge that it is a fact, but I think I read some time ago an article on the question in the Oil and Gas Journal, where the most of those concessions that are given to these companies down there in Venezuela and Colombia, instead of paying a royalty of 12½ per cent, pay a royalty of 8 per cent; and that their casings, material, machinery, and all paraphernalia for working, come in tariff free, I mean into Venezuela and Colombia.

Senator REED. I did not know about that.

Mr. HEYWOOD. While we as oil producers in this country never pay less than 12½ per cent royalty to the farmer, I do not make that statement about those other countries as a fact, but say it is my impression that I read that in the Oil and Gas Journal some time ago.

Senator REED. All right. You may go on.

Mr. HEYWOOD. We respectfully represent and assert that the independent oil producers are in need of relief and that they are entitled to the benefits of the American protective tariff policy.

Before closing, permit me to make one other observation. The same identical interests which are actively opposing our request are the ones which not only to-day dominate and control the American market to the extent of dictating and fixing the prices of both the crude petroleum and the refined product, but also own foreign fields, produce foreign crude, employ foreign labor, and import such foreign products into the United States in competition in and with the domestic market, dictated, dominated, and controlled by themselves.

American citizens engaged in the necessary and legitimate business of producing petroleum, will not voluntarily submit to such un-American competition. Under present policies and practices we do not face competition, but rather extermination and extinction.

If we are to perish, before we go we hereby serve notice upon our would-be executioners, that we will ask and demand, at the hands of the Senate of the United States, a full and exhaustive examination and investigation of the policies, practices, records and books of the men, firms, associations organizations, corporations, and super-corporations now dominating and controlling the petroleum industry of America.

Senator EDGE. You asked me to wait until you were through. I have followed very closely, but must admit that I can not yet see why if this duty is imposed the larger companies, the major oil companies as you term them, would not participate in a profit by reason of any rise in price from their present price of around a dollar a barrel, say it were raised to \$2 or \$3 a barrel. I can not see why they would not receive a greater profit from that. Why wouldn't they get the same profit that you would get on that particular product?

Mr. HEYWOOD. They would, Senator Edge, if they raised the price of gasoline and by-products instead of absorbing that.

Senator EDGE. And why wouldn't they do it? Is not that the usual result of the protective tariff?

Mr. HEYWOOD. This paragraph here might enter into that, as to why they would or would not do it?

Senator EDGE. You mean the last paragraph of your statement?

Mr. HEYWOOD. Yes.

Senator EDGE. Do you mean the paragraph about an investigation of them?

Mr. HEYWOOD. Yes.

I can show this Senate subcommittee by Bureau of Mines statistics, that in 1923 and up to and including 1927, when the big cut in the price of oil was made, that the major companies, the purchasing companies, were paying producers and royalty owners better than a 10 to 1 ratio as between the price of gasoline and crude oil.

Senator EDGE. I do not recall when the last investigation of the oil industry was held, and Senator King may remember, but I know that we have had three or four investigations of the whole oil industry.

Mr. HEYWOOD. I can show you Bureau of Mines statistics to prove that they paid, over that period of years, including the year 1927 when the big cut came, better than a 10 to 1 ratio. If you will look at the prices of gasoline and crude oil to-day you will find that we are not getting it.



Senator EDGE. Whatever their shortcomings, and I am not presenting any brief for them, I still must insist, and I think you have admitted it, that if this tariff goes on they will still make more profit.

Mr. HEYWOOD. If they are allowed to put up the price of gasoline, yes, that is absolutely so, and there can be no argument about that.

Senator KING. If I understand your position it is this: That while the tariff proposed would permit them to increase the price of oil, and they would increase the price of their oil I take it, they sell it to themselves for refining purposes, and they buy a good deal of the product of the independent producers for refining purposes, and whether they get cheap crude oil or dear crude oil, they determine the price of the finished product, and if they want to they can maintain the same price whether crude oil costs them more or less.

Senator EDGE. They have another dollar to go on, in other words.

Senator KING. Yes. But do you know that as a rule where raw material costs more even if the man who produces the raw material sells it to himself for manufacturing purposes, there is carried into the manufactured product the advance by reason of the tariff upon the raw material, or by reason of the advanced price of the raw material.

Mr. HEYWOOD. Yes. But I can show you, Senator King——

Senator KING (interposing). Let me complete that statement: Your contention is that the big manufacturers manipulate the price of the finished product, and they try to beat down the price of the raw material, even though they buy their own cheaper, nevertheless in the matter of the finished product they may or may not carry forward the advanced cost of the raw material.

Mr. HEYWOOD. Yes, sir.

Senator REED. It is a fact that the Standard Oil group produces more oil in the United States than they import, is it not?

Mr. HEYWOOD. I suppose they do; yes.

Senator REED. And if they, like other producers, get an advance of \$1 a barrel on each barrel they produce in this country, the putting on of this tariff will bring them more profit than the loss they will incur on their imported oil, is not that so?

Mr. HEYWOOD. That would be true, Senator, if they were producing their own oil.

Senator REED. They are refining their own oil.

Mr. HEYWOOD. Yes; but they make their profit from the refined end of it. If you will take some of their statements for 1927, you will find that the producing end showed a loss, along with the rest of us boys, but that the pipe line end and the refining end showed a profit. You will find that while one producing corporation, a subsidiary, showed a loss in the price at which they sold their crude oil, yet another subsidiary, a pipe line, or a refinery, showed a profit. You will find that while a subsidiary that produced oil will show a loss, at the same time you will find in the income tax statements that the other ends, the pipe line and refinery ends, showed a profit.

Senator REED. Do you think that we could so arrange this matter that all tariff costs would be absorbed by the pipe lines and refineries?

Mr. HEYWOOD. I think so.

Senator REED. Is that within the power of the Congress?

Mr. HEYWOOD. I do not know whether it is or not.

Senator REED. If it is not, then, it will have to be absorbed by the general consuming public.

Senator EDGE. In the price level of all rates.

Mr. HEYWOOD. If you want to know what my personal opinion is about it, I will tell you.

Senator REED. That is just what we do want to know.

Mr. HEYWOOD. Well, I will tell you my personal opinion, and I should like to say that I have good and sufficient reasons for wanting to say it: I should like to see the oil business taken in hand by the Government, and handled by the Government. That is what I should like to see. That is, I mean for the Government to regulate the production of oil and the price of oil; that is should investigate what it costs to produce the crude oil, to refine it, and to distribute the products and allow a fair profit to the producer, to the royalty owner, to the refiner, and a fair price to the public.

Senator EDGE. Do you mean to nationalize the oil industry?

Mr. HEYWOOD. I should like to see it done only in the sense that I have referred to.

Senator KING. When I was over at some of the foreign oil fields, I found that they could not get along, and that they had to get Americans over there to show them how to operate. Barnsdell and Sinclair were there, and yet they could not do it, largely on account of governmental impediments, governmental inefficiency. They had to quit. I am opposed to the nationalization of the oil industry if that is your solution.

Mr. HEYWOOD. I am giving you my personal viewpoint, that if we can not get a tariff on oil something else must be done. I do not mean to suggest that the Government should take over and run the oil business. Do not understand me as recommending that. But I mean for it to regulate the oil business. Do not get me wrong; I mean to regulate the oil business. The Government already wants to come in and regulate production through State compacts for conservation purposes. And if they are going to regulate production through State compacts they ought to regulate the price.

Senator REED. Then they ought to regulate the steel business, to prevent this gouging that Senator Pine speaks of, ought they not?

Mr. HEYWOOD. Well, I am talking about this oil situation.

Senator KING. I am afraid, Mr. Heywood, if you embark on that line you will not know where it will end. We would have a communistic government here, I am afraid.

Mr. HEYWOOD. Well, I am certainly not asking for anything of that kind.

Senator REED. Had you finished your remarks?

Mr. HEYWOOD. Not quite.

Senator REED. You may go on.

Mr. HEYWOOD. Gentlemen of the committee, as the representative of Governor Long, and representing the land owners and oil producers of Louisiana, I appeal to you to give our request for a duty on foreign oil the consideration which the facts herein presented, and within your own vast knowledge, justly warrant.

Senator REED. We thank you, Major Heywood.

**STATEMENT OF HON. E. B. HOWARD, TULSA, OKLA., REPRESENTING THE MID-CONTINENT ROYALTY OWNERS' ASSOCIATION**

(The witness was duly sworn by the chairman of the special subcommittee.)

Mr. HOWARD. I want to say to you gentlemen of the special subcommittee, if I may, that I have a prepared statement here, all of which I probably will not bother you with or read. I desire to discuss some pertinent points, and then will give to the clerk of your committee my statement in full if I shall not have presented it to you.

Senator REED. And you want it printed in the record?

Mr. HOWARD. Yes, sir.

Senator REED. You understand, Mr. Howard, that we are merely acting as the agents of the full committee in conducting this hearing; that everything that is stated here will be printed and read by the members of the full committee.

Mr. HOWARD. I understand that, Mr. Chairman. I might say that I have served on subcommittees and full committees frequently of the House of Representatives, and appreciate you gentlemen's position.

Senator EDGE. And you are represented by one of your Senators from Oklahoma who is a member of this special subcommittee and of the full Finance Committee.

Mr. HOWARD. Yes, Senator Edge, we are represented here this morning by our two Senators from Oklahoma, who are we think, the best of the Senate.

Senator EDGE. Well, I will not discuss that, but was merely mentioning the fact of your representation.

Mr. HOWARD. Mr. Chairman and gentlemen of the committee, my name is E. B. Howard; my home is in Tulsa, Okla. I am appearing, requesting adequate protection on petroleum and its products, as a producer interested in a small way in the production of oil and gas in the United States. Also, I am representing a number of individual royalty owners and independent producers of oil who have, for the past three months, partially reimbursed me for time and money that I have devoted to this cause.

Also, I am representing in Washington at this time, the Independent Petroleum Association of America. This organization was formed at Colorado Springs, Colo., during the recent conservation meeting held there, is composed of independent oil producers, royalty owners, independent distributors, refiners, and wage earners whose daily wage depends upon the production end of the oil industry. Its headquarters are at Ardmore, Okla.; its officers are Wirt Franklin, of Oklahoma City, president; F. E. Tucker, of Ardmore, Okla., secretary; and its vice presidents are R. D. Pine, of Okmulgee, Okla., E. G. Bedford, of Midland, Tex., W. Scott Heywood, of Jennings, La., J. W. Alvey, of El Dorado, Ark., H. C. Conley, of Green River, Utah, Dr. A. W. Green, of Denver, Colo., and C. J. Doormon, of Baker, Mont. In each of these States branches of this organization have been or are being perfected.

And right here I want to set at rest one proposition that has been raised: We who are asking the Congress for this tariff are not refiners; we have no transportation facilities; we have no distributing facilities.

We are the producers of crude oil, and represent the farmers from whose lands crude oil is produced. We are unable to set a price on our crude oil, and we have nothing whatever to do with the making of the price of the refined product. As a matter of fact, gentlemen of the committee, there are a few, but very few, independent refiners in the United States to-day. And we must admit frankly that even those refiners are not in sympathy with our cause for the reason that they also are benefited by buying our crude oil cheap and selling it to the consumer at a high price. So we appear before you not as representing any transportation companies, nor any refining companies, but we are in the same position as the farmer, for whose relief this concession is asked. Like the man who produces agricultural products, we produce our crude oil and sell it to somebody else who makes the price on the refined products. Like the farmer, we buy in a protected market and sell in a free market.

I am appearing because, while a member of the lower House, in the Seventieth Congress, I realized the need and justice of a reasonable tariff on this commodity and its products, and began there a fight for what I then considered and now consider right.

For the past six months I have been practically leading the fight for a tariff on oil, and before proceeding to a discussion of the matter, I want to correct an impression that some are trying to make, that the Standard Oil and its associates are asking for or are favorable to a tariff on oil. I think it but fair to them, to state that they are opposed to this tariff and I challenge anyone to prove to the contrary.

In this appearance I am supporting amendments to the tariff bill, introduced in the Senate by both Senator Thomas and Senator Pine of Oklahoma, each of which read substantially as follows:

On page 33, after line 5, insert the following:

Par. 99. (a) Crude petroleum, and fuel petroleum, \$1 per barrel of 42 gallons.  
 (b) Petroleum products: Kerosene, benzine, naphtha, gasoline, paraffin, paraffin oil, and all other distillates, derivatives, or refined products of petroleum 50 per cent ad valorem. The ad valorem rate provided in this sub-paragraph shall be based upon the American selling price (as defined in subdivision (g) of section 402, Title IV), of any similar competitive article manufactured or produced in the United States. If there is no similar competitive article manufactured or produced in the United States, then the ad valorem rate shall be based upon the United States value, as defined in subdivision (e) of section 402, Title IV. For the purposes of this subparagraph any petroleum product provided for herein shall be considered similar to or competitive with any imported petroleum product which accomplishes results substantially equal to those accomplished by the domestic product when used in substantially the same manner. Provided that in the administration of this paragraph under, and in connection with, sections 311 and 313, the Secretary of the Treasury shall have authority to make all necessary rules and regulations.

On page 231, strike out lines 22 to 25, inclusive.

The petroleum industry is one of the greatest of this country. Crude petroleum is produced in 19 States of the Union. These States are Arkansas, California, Colorado, Illinois, Indiana, Kansas, Kentucky, Louisiana, Michigan, Montana, New Mexico, New York, Ohio, Oklahoma, Pennsylvania, Tennessee, Texas, West Virginia, and Wyoming.

Senator REED. Mr. Howard, would you recommend the refining of petroleum in bond?

Mr. HOWARD. Yes, sir; that is what I am asking for.

Senator REED. Duty free?

Mr. HOWARD. Yes, sir; just the same as you do with wheat.

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Senator REED. Take last year's figures, of \$91,000,000 of imports and \$150,000,000 of exports, all on the basis of crude, that \$91,000,000 could have been brought in duty free under your proposition, refined for export, and still have to use some American-produced oil to make up our exports. How would the tariff benefit you at all if you permitted that?

Mr. HOWARD. May I say that our fight for a tariff is not based on what has happened, but altogether on what the menace of the future contains. Venezuela increased its production from 63,000,000 to 106,000,000 barrels last year. And in Venezuela concessions are granted to the producers of crude oil by the Government, at a cost of about 50 cents per acre, as compared with a cost of from \$5 to \$500 an acre in this country.

Senator REED. Granting all that, yet if last year this commodity had been able to come in under this plan, if this duty had been in effect, or with this refining in bond privilege that you advocate, it would not have made five cents worth of difference to the consumer, would it?

Mr. HOWARD. Not last year; but the potential production in that country, where they get 15,000-barrel wells at 1,500 feet, and where they increased their exports to this country from 63,000,000 to 106,000,000 barrels last year, will place us in a condition in this country shortly, unless we get relief, where they will not only bring in enough oil to take care of the export trade, but to freeze out oil produced in America.

Senator REED. Well, then the proposal which you submit for a \$1 tariff, plus this refining in bond feature, is based not on conditions of the moment but conditions that you apprehend will come in the near future?

Mr. HOWARD. Conditions which are increasing from year to year our troubles, and which we anticipate will become more serious unless the Congress gives us relief, and you understand that the Congress does not write a tariff law every year.

Senator REED. Exactly; but I wanted to get that straight.

Mr. HOWARD. Yes, sir.

Senator REED. And if this plan you propose were in force to-day the present situation would be just what it is so far as domestic conditions are concerned.

Mr. HOWARD. So far as importations are concerned, yes. But unlike the most of them my contention, which I shall bring up later, is that we have plenty of oil in this country for the present and for the future, plenty of production.

Senator REED. I get your point on that, and that is what I wanted to be sure I understood.

Mr. HOWARD. Yes, sir.

Senator REED. Was not there similar apprehension over the Mexican production in the Tampico fields?

Mr. HOWARD. Yes, sir; there was.

Senator REED. But they have gone to salt water.

Mr. HOWARD. The wells that were producing there at that time have gone to salt water in large measure, but the potential production in Mexico is probably just as large. But you understand that there has been an unsettled condition in the Government, and that capital has hesitated to go in there.

Senator REED. And Mexico killed the goose that laid the golden egg by putting a tax on it.

Mr. HOWARD. Yes; and some foreign countries are claiming that we are killing the goose that lays the golden egg right now in this tariff, but we do not agree with them altogether.

Senator REED. All right. You may go on.

Mr. HOWARD. The general trend of the prices of crude petroleum has been downward with a decrease of 29.4 per cent since 1921. There were, during the year 1928, 330,000 producing oil wells in the United States, with a daily average production of 7.5 barrels. For the year 1928 the production of oil in the United States was 900,364,000 barrel, with an estimated value at the wells of \$1,167,394,000.

Domestic production of oil has increased at the rate of 52,000,000 barrels per year since 1919. The total investment in producing wells, transportation, refining, and marketing equipment is over nine and one-half billion dollars, and the total wholesale value of its products for 1928 was nearly 2.4 billion dollars, of which, as shown above, about one-half was in the crude oil produced.

It is hard to give to you an exact estimate of the value of, or cost of, producing wells shown in the total investment; however, it is a very large amount of the total—perhaps half or more, as each of these wells costs not less than \$3,000 to drill and equip, and many of them exceed in cost the sum of \$50,000.

The pay rolls of the oil industry are among the most substantial of all our industries, and at least half of the moneys disbursed during the year are disbursed in wages to the producing end.

Of all carload freight tonnage of manufactured products handled by American railroads, more than one-sixth is "refined petroleum and its products." There are more States that have a significant share in the petroleum industries than there are cotton States, or wheat States, or corn States, or steel States, or textile States.

Among American productive industries petroleum ranks second only to agriculture. The industry is an extremely wide distributor of income, with probably one and one-half million persons employed in it or directly interested in it. Of this number, probably one-third, or 500,000, are directly employed in the producing of oil or are interested in its production, either financially or from the standpoint of wage-earners or royalty owners.

The oil industry is composed of two distinct groups. These may be designated as the producing group, composed of independent producers whose only part of the business is the production of crude oil, associated with which group are the farmers from whose land oil is produced, and thousands of wage earners whose prosperity and employment depends entirely upon the prosperity and well-being of the production end of the industry.

The other group is composed of those in the oil business who are engaged to some extent in producing crude petroleum, but who, in addition, are possessed of refineries from which they make a profit; transportation facilities which pay them dividends; distributing stations which earn them additional profits; and last but not least, foreign production which enters this country free of duty, which they produce in foreign countries with cheap labor, cheap materials, and upon concessions secured at cheap prices, but for the refined products

of which they charge as much and sometimes more than they charge for products of more costly and higher priced American crude.

To the American public the first class is more important than the latter, for if the producer did not produce the American crude, the farmer and landowner did not permit it to be produced from his land, and the wage-earner did not lend his labor toward the production of the American crude oil, there would be no opportunity for the other class, the refiner, transporter, and distributor, to serve the public.

For the past several years and at the present time, the producing end of the industry has been in a depressed condition, the price of production having decreased, as shown above, a total of 29.4 per cent since 1921. This has forced many independent producers out of business, has decreased to a pitiable degree the income of the farmer and landowners, has reduced the earnings of oil field workers who are numbered by the thousands, and has practically brought ruin and bankruptcy to the producing end of the industry, with the exception of such oil as is or has been produced by that part of the industry engaged in the other branches of it as well as the producing end.

On the other hand, that end of the industry which is engaged in the refining, transportation, and distribution of petroleum products, has prospered beyond measure. This branch of the industry is, to a very great degree, controlled by the Standard Oil Co., its associates and subsidiaries. Through profits earned in the field of production, through their transportation lines, their refineries, their distributing stations, and through the importation of cheap foreign oils, they have prospered beyond the most vivid imagination.

This fact is evidenced by announcement a few days ago in an official report that "Standard Oils Set New Dividend Mark," and a like statement in the Wall Street News of Friday, May 17, 1929, that "Standard of New Jersey profits are up 270 per cent for 1928," and one of the reasons given for this great increase of dividends was that "their foreign production was greater than in 1927 by 10,888,714 barrels, much of the gain coming from our subsidiaries' operations in South America, and the Dutch East Indies."

Naturally, under these circumstances, this branch of the industry, commonly known as the Standard Oil group, their associates and subsidiaries, are, for purely business and financial reasons, the strongest opponents of a tariff on foreign oil. Further evidence of their opposition is contained in a brief opposing this tariff, filed with the Ways and Means Committee of the House by an association of oil producers, that brief being entitled "Brief of American Producers of Petroleum in Foreign Fields." This brief was signed by the following:

Huasteca Petroleum Co. (of Maine), H. Walker, vice president.  
 Mexican Petroleum Co. (of California), L. W. Bernhard, secretary.  
 Tamiahua Petroleum Co. (of Maine), S. W. Chambers, vice president.  
 Tuxpam Petroleum Co. (of Maine), S. W. Chambers, vice president.  
 Chiconcillo Petroleum Co. (of Delaware), L. W. Bernhard, president.  
 Lago Petroleum Corporation (of Delaware), J. W. Stewart, president.  
 Lago Oil and Transport Corporation (of Delaware), A. N. Fenn, vice president.  
 Pan American Petroleum Corporation (of Delaware), G. W. Whelan, vice president.  
 Island Oil and Transport Co., R. Baron, for the secretary.

By reference to a speech by Hon. W. H. Sproul, Member of the House from Kansas, made in the House and printed in the Congressional Record under date of June 5, 1929, page 2480, evidence

will be found to fully substantiate the fact that practically every one of them are subsidiaries of the Standard Oil Co. of Indiana.

We do not intend that this statement shall be a reflection upon them or their parent companies, but to call your attention to the fact that, in filing this brief, they are using good business judgment in demanding to keep in existence a condition that means greater profits to them and their parent companies; but we do urge that a failure to place a tariff on petroleum will be a victory for the Standard Oil Co.—a great benefit to them financially and of practically no benefit to any other American citizens.

We think that right here it might be of interest to the committee and the public to know just who and how few interests there are engaged in importing oil into this country. For your information on this subject we quote from a brief prepared by the Mid-Continent Royalty Owners Association of America, for submission to Congress, as follows:

*Shipments of Venezuelan crude petroleum by companies for the year 1928 (partly estimated)*

Company	Barrels
Venezuelan Oil Concessions (Ltd.) (subsidiary of Royal Dutch-Shell group).....	34,364,000
Lago Petroleum Corporation (subsidiary of Standard Oil Co. of Indiana).....	26,800,000
Falcon Oil Corporation.....	657,000
Gulf Oil Corporation and Creole Petroleum Corporation (subsidiary of Standard Oil Co. of N. J.).....	12,553,000
Gulf Oil Corporation.....	4,000,000
Gulf Oil Corporation and Venezuelan Petroleum Corporation (subsidiary of Sinclair Consolidated Oil Corporation).....	7,800,000
Caribbean Petroleum Co. (subsidiary of Royal Dutch-Shell group).....	12,233,000
British Controlled Oil Fields (Ltd.).....	1,686,000
General Asphalt Corporation.....	415,000
Total.....	100,604,000

A study of this table, which was compiled from official files, discloses that only nine companies, every one of them subsidiaries of the Standard Oil Co. and its associates except two, are the only American companies benefited by a condition that has brought depression and financial ruin to thousands of American independent producers, royalty earners, and wage earners of the oil industry. We especially call your attention to the fact that the exceptions referred to are foreign-owned corporations—The Royal Dutch-Shell Corporation, owned largely by the English Government, and the British Controlled Oil Fields (Ltd.); and also to the fact that of the 100,604,000 barrels estimated to have been imported into this country from Venezuela during 1928, 48,283,000 barrels of it were imported by these two foreign-owned and controlled companies.

With these facts before us is it surprising that we are asking an American Congress for protection?

Of course we note that there is other opposition, but an analysis of their objection is founded entirely upon selfish motives—namely, the securing of cheap gasoline or fuel.

One of these to which we refer especially is the Association of Steamship Owners, who base their opposition on the matter of tonnage and fuel supply. As to the tonnage suggestion, we are wonder-



ing just how much of this oil they carry when we find in a report made by the Tariff Commission to the Ways and Means Committee of the House, that the importers of oil own and operate 400 tankers and transport ships of their own. This situation leads us to at least wonder whether or not this organization, which appeared before your committee, is not also a subsidiary of the importing companies. However, if they are independent shippers, we direct their attention to the large tonnage of American shipping that has ceased to exist by reason of the competition of this South American oil with that produced in California. Statistics reveal that receipts of California oil at Atlantic ports has decreased in the same proportion that receipts of South American oil has increased at these Atlantic ports.

Senator KING. The demand for California oil might have been more but the cost of production there increased?

Mr. HOWARD. That is a fact. In California to-day the American producers—and if I may say so, myself and family, who are independent producers, are prorating our production out there, because we have not a market, and statistics reveal a great falling off in the shipment of California oils around these ports. Another thing, statistics and facts reveal that in Philadelphia to-day, and in other ports of the country, there are American-owned tankers that were formerly in that trade but that are now out of business, because these people are transporting their own oil in their own ships.

As to their pleas based on necessity of free trade in oil to make available for them more tonnage, we would also suggest that the same argument could be made for free trade in steel, wheat, cotton, and all other commodities. However, in this connection, we call attention to the fact that fuel oil manufactured from cheap foreign oil in this country last year displaced 10,000,000 tons of American coal, and that it would have taken just as much labor, if not more, to have handled and transported this coal over our railroads as it took to bring this foreign oil to our shores; to say nothing of the fact that the mining of this 10,000,000 tons of coal would have given employment to thousands of American miners during the entire year.

At this point it might be well to briefly look into some of the objections urged. We find the principal objections to be:

First. That a tariff will tend to raise the price of refined products.

Second. Conservation of our reserves.

Third. Suggested need of foreign oil to make up our demand.

Discussing these objections as listed, permit us to say that, so far as the question of a tendency to raise the price of refined products is concerned, this is an argument that can be made against every proposed tariff. It is but expected that the proposed increased tariff schedules in the pending bill on agricultural products, on sugar, on shingles, on hides and shoes, will, so some extent, increase the price of these commodities. Likewise, it is not denied that the protective rates in the existing law on such items as steel, other minerals, aluminum, and the thousand and one other protective schedules have a tendency to increase prices; and that, while they may in most instances do so, if we understand the protective theory properly, it is based upon an assumption that it is for the benefit and protection of all American industry including manufacturing, agriculture, labor, and the producers of raw materials where affected by competition from foreign fields; and even though the assumption of raised prices

might prove to be true, we assert that in asking for a tariff on petroleum and its products, we are only following the American theory of protecting American labor and American producers in order that the producers may receive an equitable return for their efforts and that labor connected with the producing end of the oil industry may be able to receive wages and live in a manner commensurate with American standards.

However, we are not ready to admit, in its entirety, the claim that an equalizing protecting tariff on petroleum and its products will or should raise the cost to the consumer of these products; and on this point we call attention to a statement on this point made by the Federal Trade Commission after it had made an exhaustive survey of prices, profits, and competition in the petroleum industry, in response to a Senate resolution of June 3, 1926, when it said:

\* \* \* In general as to the prices of crude petroleum this inquiry tends to establish the conclusion that the price movements for the longer periods are substantially controlled by supply and demand conditions, but that these conditions are reflected quite imperfectly in shorter periods, partly because crude prices are determined by the decisions of a few large purchasing companies among which there is generally little real competition. With respect to refined products, at least in local sale and distribution, the price conditions reflect even less closely the actual changes in supply and demand, so far as they can be measured by concrete statistical facts. \* \* \*

We do not admit this contention as to gasoline for the reason that statistics disclose that, up to the present time, this imported product has not had a tendency to, and has not, in fact, reduced the price of gasoline to the American consumer. We also suggest that the large profits made by the refining, transporting, and distributing end of the industry, referred to above, demonstrate that their profits at the present time are sufficient to enable them to pay tariff on this foreign oil without raising their prices on refined products.

In this connection we call attention to the following table which we have compiled from the Oil and Gas Journal of May 2, 1929, showing prices of gasoline at representative cities on April 30, 1929, together with prices of crude oil from which it was manufactured on the same date. In this table we have used prices of crude oil produced closest to point of consumption of gasoline. We invite your study of it and believe it will convince that the price of gasoline is influenced very little by the price of crude oil, but results almost entirely from trade manipulations.

The table referred to follows.

Point	Tank-wagon price gasoline	Crude oil, price	Crude oil used, field
New York City.....	10	\$0.95.....	Foreign.
Newark, N. J.....	14	\$0.95.....	Do.
Chicago, Ill.....	14	\$1.26.....	Midcontinent.
Pittsburgh, Pa.....	16	\$3.00.....	Pennsylvania.
Louisville, Ky.....	15	\$1.50.....	Kentucky.
San Francisco.....	16	\$1.11.....	California.
Dallas, Tex.....	11	\$1.26.....	North Texas.
New Orleans.....	10.5	\$1.26.....	Louisiana and Arkansas.
Denver, Colo.....	15	\$0.90-\$1.57.....	Rocky Mountain.
Salt Lake.....	18.5	\$0.90-\$1.57.....	Do.
Butte, Mont.....	19.5	\$0.90-\$1.57.....	Do.
Baltimore.....	14	\$0.95.....	Foreign.
Boston.....	16	\$0.95.....	Do.

Senator REED. You do not mean that all Pittsburgh gasoline is made from high price crude oil?

Mr. HOWARD. I do not say that all of it is. At the same time I take it that geographical location means something.

From the above table it will be noted that the price of crude oil has little relation to the price of gasoline. It is especially noted that at the four points at which great quantities of foreign oil is received—namely, New York, Newark, Baltimore, and Boston, there is a variation in price from 14 to 16 cents per gallon; that it is higher at New York and Boston, where cheap foreign oil is used, than at Chicago where Mid-Continental oil of higher price is used; that the price at Newark and Baltimore, the other ports of entry for foreign oil, the gasoline price is the same as at Chicago. This certainly demonstrates that the consumers of gasoline in these communities are not benefitted through this cheap oil.

Other interesting features of this table are that, although oil from the Pennsylvania fields sells for \$3.99 per barrel, the tank wagon price at Pittsburgh is no higher than it is at New York and Boston; that in the Rocky Mountain States, where oil sells from 90 cents to \$1.57 per barrel, the price of gasoline varies from 15 cents at Denver to 18.5 cents at Salt Lake and 19.5 cents at Butte, Mont. It is also noted that all prices of gasoline and of crude oil are fixed by some subsidiary of the Standard Oil Co.

We also call attention to the fact that on this date, May 2, 1929, according to the Oil and Gas Journal, the refinery price of gasoline at Tulsa, Oklahoma, where higher priced crude oil is used, was 7¼ cents per gallon, while at Bayonne, New Jersey, using cheap oil imported into this country free of duty, the refinery prices was 9¼ cents. Kerosene at Tulsa was 6½ cents per gallon and 8½ cents at Bayonne; gas oil at Tulsa, 2½ cents per gallon as against 5 cents at Bayonne.

Senator REED. Is not that because there is more competition at Tulsa?

Mr. HOWARD. No, sir; the competition for fuel oil would be up there, as a matter of fact; I mean the market for it would be up around New York. And of course on our Tulsa price we would have to add the freight.

Senator REED. But in Tulsa you have great competition among refiners to sell and a comparatively small demand, while in the New York neighborhood you have a very large demand and less competition.

Mr. HOWARD. There is very much more oil refined up around the New York section than at Gulf Coast points. The great proportion of our oil comes out of their pipe lines, to the refineries at Baltimore and all in there, and it used to reach Bayonne. But the Gulf Coast and on the Atlantic is where the fuel oil for bunker purposes would be secured.

The same publication discloses that for the same date the average price of fuel oil at New York points was \$1.64 per barrel, while at Oklahoma, Gulf Coast, and California points, the price of fuel oil averaged 99 cents, \$1.32, and 75 cents, respectively.

Following this analysis further, we find from publication of the Bureau of Mines entitled "Petroleum for 1927," that the average price of 34-34.9 Oklahoma-Kansas oil for the year 1927 averaged \$1.33 per barrel, Gulf Coast \$1.24 per barrel, Lima, Ohio, \$1.79, and

California \$1.17 per barrel, while the value placed on foreign oil by the importers is 95 cents per barrel.

However, we call attention to the fact that in the "Oil and Gas Journal" of February 16, 1929, this information was contained:

Venezuela is looming as a more important factor in the crude petroleum situation in the United States because of the low price at which production from that country is being delivered to Atlantic coast refineries. Venezuela crude is being laid down on the east coast at from 70 to 75 cents a barrel. That crude can be cracked, yielding a good quantity of gasoline or can be skimmed, with a fair yield of gasoline. While this low-price crude can not compare in quality with the production of the "sweet oil" fields of the mid-continent, it naturally will have quite an effect upon the general situation because of price and the fact it can be delivered quickly, the distance from Venezuela to Atlantic coast refineries being less than from Gulf coast ports.

In that connection I beg to say that I stated this morning that we have nothing to do with the prices of the refined products. And I call attention to the fact that the published tank-wagon prices of gasoline in the United States at every point in the United States are established by the Standard Oil Co. or some subsidiary, as shown here, and likewise the posted price paid for crude petroleum.

Senator REED. How much are they paying for Oklahoma oil of the same grade as this Venezuelan oil at the present time?

Mr. HOWARD. The Venezuelan oil averages about 28 gravity. The quotation for 28 gravity Oklahoma oil as of April the 30th of this year was 84 cents a barrel.

Senator REED. In Oklahoma?

Mr. HOWARD. Yes, sir. The highest grade at that time, 44 gravity and above, was \$1.44. Since that time, Senator, there has been one raise in the price that averaged about 27 cents a barrel on the higher grades and about 13 cents a barrel on the lower.

Mr. FELL. The lowest price is 85 cents.

Mr. HOWARD. The lowest price is 85 cents.

Senator REED. What is the present price for 28 gravity Oklahoma oil?

Mr. FELL. That would be about 85 cents.

Mr. HOWARD. Eighty-four cents is the quotation.

Senator REED. Well, since the increase it is more than that, is it not?

Mr. FELL. It is about 85 cents.

Mr. HOWARD. Well, this raise did not increase the lower grade, as I understand it, Senator.

Senator REED. The Standard Oil Co. fixes the price in Oklahoma, and if it can get its crude oil in from Venezuela at 65 to 70 cents why does it pay so much more in Oklahoma for the same grade of oil?

Mr. HOWARD. Well, it is a producer of part of it. And they sell it to the refiners over in Pittsburgh and along the line. And they base their price on the freight and the sale that they themselves charge to your refiners, Senator.

Senator REED. If I may interrupt you a moment again, Mr. Howard. Have you any information as to the comparative costs of production in these foreign fields and here in America?

Mr. HOWARD. Senator, I will say to you this on that: These major operating companies—and they are the only ones that are producing in Venezuela—of course keep their own books and their own counsel. We are unable to gather data as to the cost of labor

down there with the exception of what we may hear in the way of gossip, rumors or talking with somebody. Now the information we have on that, Senator, is this, that were you a major company going to Venezuela to drill you would take with you, or that is the practice, of taking about three high-priced American men down there, or perhaps four, two dressers and two drillers. And then an overhead man or a superintendent. And that the balance of the labor of laying pipes and of teaming and handling pipe and all that is done by the cheap labor in Venezuela.

Now as to the cost of acreage which enters into production very largely, in Oklahoma, Texas, Louisiana, even wildcat acreage far removed from production, I do not know and I do not believe any of my associates can recall any part of Oklahoma that you can secure a lease on for less than \$2.50 an acre. In many instances they pay \$500 and more than that now in the Oklahoma field. While I do know personally that in Venezuela you can secure concessions for 50 cents an acre. I am sorry that we are unable to give you figures, but we can not secure them. Just this week I asked the Tariff Commission, the Bureau of Labor and the Department of Commerce to get me some information along that line, but they haven't it.

Senator REED. I wondered what this 70 cents cost figure of the Venezuelan oil included, whether it included cost of concession and royalties and all that sort of thing?

Mr. HOWARD. Now in producing oil in Oklahoma we would figure the cost of our oil, we would include our overhead.

Senator REED. I know you would.

Mr. HOWARD. And the same people that are doing the business down there are doing the business in Oklahoma, Senator.

Senator EDGE. This question occurred to me. Do you imagine that the imposition of the duty would have any effect on the foreign governments in the securing of future concessions?

Mr. HOWARD. Well, now Senator, I am glad you raised that, because I think there is pending just at this time a situation where the English Government is refusing to let some American oil companies have some concessions in their possessions.

Senator REED. What possessions are those?

Mr. HOWARD. I can not recall. But just a few days ago, not thinking that I would come here, I read that.

Senator EDGE. On what basis, or for what reason?

Mr. HOWARD. Well, it is generally understood that England will not give a foreigner an opportunity to drill upon any of her possessions for oils or other minerals.

Senator REED. Do you know what possessions that relates to?

Mr. HOWARD. I can not recall now, but I read that they were hoping that very shortly the matter would be settled and a solution of it brought about.

Senator EDGE. But if we impose the duty what, in your judgment, would be the effect in obtaining future concessions, either English concessions or any other concessions?

Mr. HOWARD. Well, in my judgment there would be no more effect of that than every tariff we put on. We put a tariff on wheat and Canada will let you go over and buy her land or live over there without becoming a citizen.

Senator EDGE. In some cases is it not true that in some of these countries they are producing their own crude?

Mr. HOWARD. That is true of the English. The English government is very largely interested in the producing of crude and are understood to be a half owner at least of the Royal Dutch Shell. But as to that I could not hazard any more guess than you.

Now I want to, if I may, cover first very briefly a statement about our production. Recently it was stated before your committee, by Senator Tydings, of Maryland, if we are correctly informed, "that there is consumed in the United States 64,000,000 barrels of oil more than we produce every year." This statement we deny, and as evidence to disprove it we call attention to page 2, of Monthly Petroleum statement for January, 1929, of the Bureau of Mines, under heading "Analysis of Supply and Demand of all Oils."

This statement discloses that for the month of January, 1929, "the excess of daily average domestic production over domestic demand was 521,000, or an excess for the 31 days of that month of 16,151,000 barrels." This same report discloses also that for the same month, our imports were 1,972,000 barrels of crude oil and 11,714,000 barrels of refined products—leaving an excess American production for the month over both domestic demand and export demand, of 2,485,000 barrels. And my contention being, gentlemen, that America can take care of herself if she never had a barrel of that oil.

This report, page 2, also disclose that at the end of December, 1928, there were total stocks on hand of 614,539,000 barrels; while at the end of January, 1929, the stocks on hand amounted to 625,955,000 barrels—an increase in stocks on hand for the month of 11,416,000 barrels.

Report of the same bureau for April, 1929, page 2, shows "excess of daily average production over domestic demand" for April to have been 257,000 barrels, and to have averaged for the months of January to April, inclusive, 415,000 barrels daily; and included in these figures of domestic demand is all bunker oil used on American ships.

This same report shows an increase in stocks on hand for the period including January and April, 1929, of 36,134,000 barrels, while the imports during the same period amounted to 35,624,000 barrels, thus indicating that for that period our domestic production would have taken care of both domestic and export demands and stocks on hand would have increased 510,000 barrels.

We believe that other statistics as to the actual condition will be in line with these and that, as a matter of fact, American production is to-day sufficient to take care of all demands, and we call attention to the fact that during this period, for some time previous and some time afterward, production in the Seminole pool and West Texas fields was voluntarily curtailed approximately 200,000 barrels per day.

Senator REED. Are you still curtailing?

Mr. HOWARD. No. They are in West Texas. But peculiarly, a short time ago, although they were curtailing, they quit curtailing, turned the wells open, and in less than thirty days they raised the price from 13 cents to 27 cents a barrel.

Senator EDGE. Has that sort of a gentlemen's agreement or tentative agreement, whatever it might be called, operating in the Seminole field and some other fields, been abrogated?

Mr. HOWARD. Well it has in the Seminole field. That came about by this conservation talk and over-production; it persuaded a lot of people that there was such, and they had a referee appointed, and got the Corporation Commission to agree. But we feel it is propaganda. And right here I want to touch for a moment on conservation.

Senator EDGE. Yes; you spoke of conservation talks. You are not opposed to what you might term in your own view proper conservation, are you?

Mr. HOWARD. I am just talking about the situation as it is and my records.

Senator EDGE. All right.

Mr. HOWARD. With these statistics from the Bureau of Mines in front of us, we do not hesitate to urge upon your committee, and it is our firm belief that if a fair and full investigation were made, it would disclose that, without the importation of one barrel of oil—either refined or crude—the producers of America can and are producing sufficient oil to meet all our demands, both domestic and foreign.

Next we reach the question of a shortage of crude oil and the necessity for its conservation. Prediction of a shortage of domestic supply and the encouragement of the use of oil from foreign fields has been for many years an eloquent but unproved argument against the imposition of a tariff.

Geological discoveries opening up vast new potential producing areas, improved refinery practice increasing the yield of present production, development of processes for the manufacture of synthetic products, as well as progress in the exploitation of oil shale deposits, have proved the fallacy of the shortage prediction as striking as the announcement of the logic of protecting the home market against a home industry whose investment totals several billions of dollars.

An investigation of potential resources will, on the contrary, reveal little need for anxiety as to the ability of American oil interests to meet all future requirements.

It is my opinion, and the opinion of those who give unbiased study to the situation, that so long as needed there will be sufficient production of petroleum within the United States to meet our demands.

Now, that is unlike what you have heard, gentlemen, from a lot of men; but let us analyze it for a moment.

Senator REED. Mr. Howard, we want to be entirely fair to you, but, in justice to the witnesses who are to follow you, I will have to ask you to be as brief as possible.

Mr. HOWARD. Yes. Since 1890, periodically some one has prophesied that within a given period the oil supply of the United States would be exhausted. Statistics reveal that during each of these periods we have taken from the earth the amount of oil prophesied to be therein, and still found our reserves unlimited. This is illustrated by the fact that in 1921 the United States Geological Survey, with the cooperation of the American Association of Petroleum Geologists, gave the entire United States a reserve of 9,150,000,000 barrels. Prior to this estimate California had produced 1,427,383,000 barrels, and it was allotted a total future production of 1,850,000,000, but since 1921 California has produced 650,000,000 barrels and the oil to be recovered from present producing wells, if the geologists can be relied upon for estimates, and it is upon their figures that so-called conservationists seem to be relying, the present producing wells and

proven areas yet undrilled in California will produce more than 2,000,000,000 barrels of oil.

It may be also of interest to observe that since the prediction of 1921 we have taken out of the earth 5,575,000,000 barrels of oil and that during that time our yearly production has increased from 300,000,000 barrels per year to 900,000,000 barrels for the year 1928.

We contend that these estimates as to future reserves are simply at their best, guesses. True, these guesses are made by geologists. Geology is a great science; however, experience proves that they are not always correct, as many a producing oil field in the United States has been found in spots where geologists insisted there was no oil. One of the latest evidences of this is the great field now being brought in at Oklahoma City, Okla.

And it has been my experience, as well as of every other oil producer, that very frequently we drill dry holes where the geologist advises there is oil, and secure production on properties condemned by them.

However, be their estimates correct or not, there is no reason why the users of petroleum products should become alarmed at a scarcity of these products, even though our crude oil deposits should be depleted.

This seems, perhaps, a startling statement but we call attention to the fact that only very recently Mr. George Otis Smith, head of the United States Geological Survey, stated in a public statement that located in the Western States of the country are 4,000,000 acres of oil shale from which 60,000,000,000 barrels of oil can be extracted.

In addition to this we also call attention to the fact that only a few weeks ago the Standard Oil Co. announced that they had secured from German chemists formulas for manufacturing synthetic gasoline out of coal. This statement indicated that from a ton of coal at least one barrel of synthetic motor oil could be recovered.

Senator REED. They did not announce what price they could sell it for though, did they?

Mr. HOWARD. No, they did not. But that will evolve, Senator, the same as in the gasoline business, because when we started refining crude oil we got a very much less per cent out of it than we do now.

The State Geological Survey of Oklahoma states that in Oklahoma alone there are deposited 79,000,000,000 tons of coal. This would indicate that Oklahoma coal alone will produce 79,000,000,000 barrels of oil.

Continuing, however, upon this subject, we call attention to the fact that only recently Mr. J. Edgar Pew, formerly president of the American Petroleum Institute, now president of the Sun Oil Co., stated "The oil industry in the opinion of many has more to fear in the future from competition either of by products from substitutes or by the use of other sources of power not yet developed, than it has from exhaustion of the oil supply."

The data just given relative to the possibility of producing petroleum and its products from oil shale and coal, seem to substantiate Mr. Pew's prediction.

However, a greater argument against the fallacy and lack, of necessity of this so-called conservation plan, lies in a statement recently made by Mr. J. E. Eaton, a consulting geologist of national reputation, who said, "Recent progress in geology and chemistry has



shown our available supplies of oil are rapidly increasing, rather than decreasing, as the result of progress in the sciences, and most technicians have now stopped predicting the untimely exhaustion of oil."

In light of recent developments we are unhesitatingly prepared to say to you that the real conservation of the natural oil reserves of this country lie not in the use of foreign oils, but in conserving the real and valuable properties of the abundance of reserves which we have.

It will be noted that Mr. Eaton says "that our supplies of oil are rapidly increasing, rather than decreasing, as a result of the progress in the sciences." In connection with this statement and to amplify it and its importance to the people of the United States, we desire to call your attention to announcement made in the New York Times under date of June 16, 1929, "that the German and American Chemical Alliance, which counts among its backers Henry Ford, Charles E. Mitchell, chairman of the National City Bank, and Walter C. Teagle, president of the Standard Oil Company of New Jersey, has developed processes that will result in the production of 100 per cent of gasoline from every barrel of oil, and hasten the progress of conservation in the American oil supply."

Senator REED. That is by the hydrogenation process?

Mr. HOWARD. Yes, sir; that is by the hydrogenation process.

Senator REED. Does anybody know what the costs of this process are?

Mr. HOWARD. They do not know. But continuing the statement of the editor of the Metallurgical Journal, he states that American engineers have proven that it is commercially practical.

Senator REED. And the Standard Oil Co. is now building a sort of a test plant at Bayonne, is it not?

Mr. HOWARD. This states that the Standard Oil Co. has had for over a year a test plant at Baton Rouge, and are now building plants somewhat equal to the average refinery.

In this same article announcement is noted that Mr. Kirkpatrick, editor of Chemical and Metallurgical Engineering, who was the spokesman of this article, said: "The production of gasoline now averages below 40 per cent from every barrel of crude oil in refineries using cracking processes, and that the new process called hydrogenation of petroleum, invented by the Germans and developed by American engineers to the point where it is commercially practical, will completely revolutionize the oil industry and that a semi-commercial plant has been in successful operation at Baton Rouge, La., for about a year and construction is now going forward on the first of two large plants that will compare in output with an average oil refinery, and that this process alone promises to make more valuable millions of barrels of low-grade fuel oil and refined residue."

This indicates two things—first, that this process will increase the available supply of gasoline in this country by 60 per cent, and, second, that in a very short time it will be an economic waste to use any of the products of crude oil for fuel purposes, for the reason that this process brings forth a means of creating out of this residue now used as fuel oil, a much more valuable and needed commodity—namely, gasoline.

So here it will not be amiss to suggest to the ship owners and others who have been before your committee, protesting by reason of their desire to use cheap fuel oils, that in all probability their day of enjoying this cheap commodity is limited, even though Congress refuses to give us a tariff on crude petroleum.

So, Mr. Chairman, I urge that we who are advocating a tariff on petroleum and its products are, as a matter of fact, the real conservationists in this fight. We maintain that, so far as the use of petroleum and its products for fuel purposes is concerned, that oil is too valuable as a motor fuel to be used to produce steam of heat that could be had from the burning of coal, and we point to the great advantage economically to this country that would result if the oil now consumed in this manner were, as it can be, converted into motor oils and thousands of miners in the United States put to work mining our coal.

But going back again to the matter of our oil reserves, it is probably not surprising to the Committee when we tell you that up to the present time not over 20 per cent of crude oil deposits in the oil sands of America, where development has been carried on, has been taken from those sands, and, of course necessity will bring about methods for the recovery of this great amount of oil stored in proven fields unrecovered.

That this will take place is demonstrated by the fact that, at the present time, in the Bradford, Pa, fields, where they have been pumping wells for 45 years, through a process of using water, according to engineers and experts, from these old operated leases they are to-day recovering from 5,000 to 7,500 barrels of oil per acre.

But what of the independent producer and what has been his condition for the past few years and what effect upon him has this imported oil had?

They are men or companies who go out, pioneer, prospect, and drill with expensive machinery to discover and produce crude petroleum. During the drilling for the crude oil many dry and nonproductive wells at great expense are drilled. Many small oil wells are drilled, while, of course, at intervals pools of large producing wells are discovered. This pioneer drilling and operating has been going on for more than 60 years, until now there are approximately 330,000 oil wells in the United States. After the wells are drilled all of the smaller ones to be operated have to be placed on the pumps. In the meantime large quantities of casing, tubing, and pipe lines, which cost much money, have to be provided. Buildings, pumps, and engines have to be supplied and men have to be employed, of course, to do all the drilling and operating of the wells. These independent oil producers, together with the owners of the land on which the wells are drilled, and who own a royalty interest in the wells, constitute the independent oil producers. They number in the United States about 50,000 and their property has a value of approximately one and a quarter billion of dollars.

In addition to the number of operators, there are many thousands of oil-field workers, many of whom are especially trained for the oil-field work, and, of course, receive very good wages and are necessarily associated with the business. It costs, on an average, \$1 per barrel to produce oil from a very large per cent of the smaller oil wells in our

country. There are more than 250,000 oil wells which are producing less than one barrel each per day. These 250,000 oil wells are producing between eighty and ninety millions of barrels of oil annually, for which the independent producers are being paid upon an average little more than \$1 per barrel, which is less than actual cost of operation. For some months the price of crude petroleum in the great oil-producing states, including the high-gravity oil which is produced from the very deep wells, would not average much above \$1.25 per barrel, and the oil from 250,000 wells, I repeat, would not exceed in price \$1 per barrel. As a result of the low price for the crude production, thousand of the small wells have been and are being pulled and abandoned and great financial loss being sustained by the independent producers. The production from these wells has been lost to the consuming public. It has been a great waste and extravagance.

During the past year continental United States has produced more than 900,000,000 barrels of oil. More than two-third of this great quantity of crude has been produced from a few thousand large wells. The United States trade has consumed approximately 857,440,000 barrels of crude petroleum. More than 40 per cent of the quantity of crude has been refined into gasoline and other light oils. The greater per cent, however, has gone into gas oil and fuel oil; gas oil being a grade heavier than kerosene and largely used in domestic furnaces, while the fuel oil has been principally used in industrial furnaces displacing coal.

As a result of this excess supply of crude petroleum, thousands of smaller oil properties are being operated at a loss, and thousands of employees are idle and thousands of the smaller oil wells are being pulled and abandoned and tremendous damage is being done by the extremely low price paid for crude petroleum. Ten per cent of the American consumption of crude petroleum was imported from foreign countries by the master oil companies, to the great detriment of the individual oil producers and the oil business generally.

The 79,583,000 barrels of imported crude petroleum produced more than 40,000,000 barrels of fuel oil. This fuel oil took the place of coal in the furnaces of industries along the Gulf and Atlantic coasts. Four barrels of fuel oil produces the same quantity of heat as one ton of coal. The 40,000,000 barrels of fuel oil was therefore equal to 10,000,000 tons of coal, which was displaced by the 40,000,000 barrels of cheap fuel oil imported in 1928 from Mexico and South American countries. Upon an average it would require twice as many men one year to transport and deliver the 10,000,000 tons of coal to its ultimate place of consumption. Thus we see the importation in 1928 of 40,000,000 barrels of fuel oil displacing and putting out of employment 50,000 American workmen for the period of 200 days, or one coal miner's year. This, of course, is only a portion of the very harmful result of the importation and the placing upon the fuel market without import duty so much cheap fuel.

Mr. Chairman and gentlemen of the committee, we thank you sincerely for your time and the patience you have shown in listening to us in behalf of the producing end of the great oil industry. There is much more that we could say. We know, however, that you are busy men. I know from personal service among you that you will

give honest thought to our plea, and I can not help but indulge the hope that when you do you will realize the justness of our cause and give to us the relief which through experience and hardships we know we are entitled to.

Senator PINE. I understand that the cost of motor fuel obtained by the hydrogenation of coal is between 30 and 35 cents a gallon.

(Mr. Howard presented the following brief:)

#### BRIEF OF THE MID-CONTINENT ROYALTY OWNERS ASSOCIATION

The physical nature of crude petroleum and the conditions governing its recovery are such that control of production is a task of highly improbable if not impossible accomplishment. As a consequence the petroleum producing industry is subject to recurrent periods of depression coincident with excessive accumulations of stocks above ground. Imports, a governable but heretofore unrestrained factor, have in the past contributed materially to bring about these grievous situations, and once again threaten to demoralize an already aggravated domestic market. It seems necessary, therefore, as the only available means of stabilizing a worthy industry, that imports be curbed by means of a tariff designed to equalize costs in domestic markets of domestic products and those of foreign origin.

It is the purpose of this report to analyze the grievance of the petroleum producing industry, establish the causes thereof, and to weigh the effects of the suggested remedy.

#### THE EXTENT OF THE PETROLEUM PRODUCING INDUSTRY

The immense investment in this industry and the extent of its operations entitle it to the earnest consideration of all who are interested in the economic growth and welfare of the country. During the year 1928 production of crude petroleum in the United States amounted to 900,364,000 barrels with an estimated value at the wells of \$1,167,394,000, obtained from 19 States, as follows:

TABLE NO. 1.—*Petroleum produced in the United States by States for the year 1928*

[Authority: Preliminary Summary of Petroleum in 1928, United States Bureau of Mines]

State	Barrels	State	Barrels
Arkansas.....	32, 295, 000	New York.....	2, 573, 000
California.....	231, 982, 000	Ohio.....	7, 030, 000
Colorado.....	2, 722, 000	Oklahoma.....	249, 558, 000
Illinois.....	6, 459, 000	Pennsylvania.....	9, 876, 000
Indiana.....	1, 053, 000	Tennessee.....	47, 000
Kansas.....	38, 332, 000	Texas.....	256, 888, 000
Kentucky.....	7, 325, 000	West Virginia.....	5, 704, 000
Louisiana.....	21, 626, 000	Wyoming.....	21, 415, 000
Michigan.....	595, 000		
Montana.....	3, 925, 000	Total.....	900, 364, 000
New Mexico.....	959, 000		

#### THE CONDITION OF THE PETROLEUM PRODUCING INDUSTRY

It would be most desirable in expressing the condition of the industry to do so in terms of return on investment and profits per barrel. But unfortunately, an expression of this nature would be mere guesswork, so varying are the conditions under which petroleum is sought and produced, and so unrepresentative is the available data. Were such a course possible, however, the conclusion would doubtless be that present operations are at a loss. Nevertheless, some inferences in this regard may be made from an examination of price movements. There is set out in the following table index numbers of wholesale prices (to the producer) of all commodities as compared with prices of a representative grade of Mid-Continent crude petroleum.

TABLE No. 2.—Index numbers based on average for the year 1926 (1926=100) and yearly percentage changes of wholesale prices of all commodities and prices of Oklahoma-Kansas 34° gravity crude petroleum

	All commodities <sup>1</sup>		Oklahoma-Kansas crude <sup>2</sup>	
	Index number	Increase or decrease (per cent)	Index number	Increase or decrease (per cent)
1919.....	138.0	.....	121.0	.....
1920.....	154.4	+11.3	181.0	+49.6
1921.....	97.6	-36.8	90.5	-50.0
1922.....	96.7	-.9	95.9	+6.0
1923.....	100.6	+3.9	76.4	-20.3
1924.....	98.1	-2.5	76.8	+ .5
1925.....	103.5	+5.5	89.0	+15.9
1926.....	100.0	-3.4	100.0	+12.4
1927.....	95.4	-4.0	68.2	-31.8
1928.....	97.7	+2.4	63.9	-6.3

<sup>1</sup> Survey of Current Business, U. S. Department of Commerce.

<sup>2</sup> Weighted average prices used as basis for this computation from same source as above.

The most striking significance of the above compilation is the violent fluctuation to which crude prices are subjected. Following the readjustment of general business conditions in 1921, a maximum variation in prices of all commodities is an increase of 5.5 per cent in 1925, as compared with a fluctuation of 31.8 per cent in crude prices. Such instability is an unbearable handicap to an industry whose very nature is sufficiently hazardous.

The general trend of crude prices has been downward, with a decrease of 20.4 per cent since 1921, while other commodities have maintained a comparatively even course. In view of declining prices, there can be no other assumption but that the present return is considerably less than that demanded for profitable conduct of business.

Further evidence of the decreasing margin of profit, which in all probability has become an increasing margin of loss, is found in a constantly rising economic limit of production. This is apparent from the yearly increases in daily production per well.

TABLE No. 3.—Yearly production of the United States, approximate number of wells producing at the end of each year, and approximate yearly and daily production per well

Year	Production <sup>1</sup>	Approximate numbers of wells producing <sup>2</sup>	Approximate production per well	
			Yearly	Daily
	Barrels		Barrels	Barrels
1919.....	378,367,000			
1920.....	412,029,000			
1921.....	472,183,000	274,500	1,720	4.7
1922.....	551,197,000	294,880	1,935	5.3
1923.....	732,407,000	290,100	2,525	6.9
1924.....	713,740,000	299,100	2,386	6.5
1925.....	763,743,000	306,100	2,495	6.8
1926.....	770,874,000	318,600	2,420	6.6
1927.....	894,435,000	322,338	2,775	7.6
1928.....	900,364,000	330,000	2,728	7.5

<sup>1</sup> Petroleum in 1919-1921, 1922, etc., U. S. Geological Survey and U. S. Bureau of Mines.

<sup>2</sup> Same as above through 1926. 1927 from Oil and Gas Journal. 1928 estimated.

A percentage of the apparent increase in approximate daily production per well is of course due to the comparatively large amount of flush production in recent years, but not however sufficient to alter the indicated trend. Abandonment of wells is being forced at increasingly high points of production, resulting in serious economic loss, not only to the producer, but to the nation as well. Percentage of

recovery is a vital factor in conservation of natural resources and any tendency to reduce it is a considerable hindrance to the policy of preservation.

The instability of prices generally and particularly the low prices prevailing have brought disaster to the petroleum producing industry.

**PRICES IN THEIR RELATION TO SUPPLY AND DEMAND AND THE CAUSES OF DISTRESS  
IN THE PETROLEUM PRODUCING INDUSTRY**

Any effort to determine from available material an actual basis for the petroleum price structure founded upon such laws as govern the prices of other commodities is futile, because there is present the undeterminable factor resulting from monopoly. It renders presentation of the problems a more or less difficult matter in that the future must be interpreted in terms of an arbitrary past. This conclusion is not only the result of present observations, but alike that resulting from the recent exhaustive survey of the Federal Trade Commission into prices, profits and competition in the petroleum industry in response to the Senate Resolution of June 3, 1926, and expressed in the letter of transmittal as follows:

"\* \* \* In general as to the prices of crude petroleum this inquiry tends to establish the conclusion that the price movements for the longer periods are substantially controlled by supply and demand conditions, but that these conditions are reflected quite imperfectly in shorter periods, partly because crude prices are determined by the decisions of a few large purchasing companies among which there is generally little real competition. With respect to refined products, at least in local sale and distribution, the price conditions reflect even less closely the actual changes in supply and demand, so far as they can be measured by concrete statistical facts. \* \* \*"

Such a conclusion is substantially borne out by examination of the following tables, which set out supply and demand for all oils for the years 1919 to 1928 and the stocks carried at the end of each year together with weighted average prices of several refined products and a certain grade of crude petroleum.

**TABLE No. 4.—Analysis of supply and demand for all oils**

[Thousands of barrels]

	1919	1920	1921	1922	1923
<b>Stocks:</b> <sup>1</sup>					
Crude—					
Domestic.....	146,437	159,847	203,784	270,399	369,624
Foreign.....	2,919	7,442	13,540	12,231	4,888
Total crude.....	149,356	167,289	217,324	291,630	374,512
Natural gas gasoline.....	(2)	(2)	(3)	(3)	(3)
Refined products.....	49,699	59,067	73,825	89,642	117,400
Total stocks.....	199,055	226,356	292,149	381,272	491,912
<b>Supply:</b>					
Crude—					
Domestic.....	378,367	442,020	472,183	557,531	732,407
Imports.....	52,822	106,175	125,364	127,305	82,015
Total crude.....	431,189	548,194	597,547	684,836	814,422
Natural gas gasoline.....	8,370	9,161	10,713	12,048	13,434
Benzol.....	1,454	1,085	1,237	1,669	2,518
Refined products—Imports.....	1,339	2,610	3,412	8,439	17,593
Total supply.....	442,352	562,860	612,909	707,191	853,767
<b>Demand:</b>					
Crude—					
Domestic <sup>2</sup> .....	420,462	400,684	477,473	545,840	642,611
Exports.....	6,019	8,757	8,940	10,163	17,388
Total crude.....	426,481	409,341	486,413	556,003	660,296
Refined products—Exports.....	55,720	66,227	60,763	62,065	82,831
Total demand.....	482,201	475,568	547,176	618,068	743,127
<b>Changes in stocks:</b>					
Increase.....		27,301	65,793	89,123	110,640
Decrease.....	39,846				

Authority: Petroleum in 1919-1921, 1922, etc., Refinery Statistics in 1916-1925, 1926, etc., United States Geological Survey and Bureau of Mines

<sup>1</sup> Stocks at end of period noted.

<sup>2</sup> Adjusted to reflect changes in methods of reporting this data.

\* Not available.

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TABLE NO. 4.—Analysis of supply and demand for all oils—Continued

[Thousands of barrels]

	1924	1925	1926	1927	1928
<b>Stocks:</b>					
Crude—					
Domestic.....	405,202	416,648	392,562	461,720	470,170
Foreign.....	4,028	4,595	3,833	4,117	6,231
Total crude.....	409,230	421,243	396,395	465,837	485,401
Natural gas gasoline.....	302	326	455	734	608
Refined products.....	102,396	120,449	123,247	123,030	128,530
Total stocks.....	511,898	542,018	520,097	589,607	614,539
<b>Supply:</b>					
Crude—					
Domestic.....	713,740	763,743	770,874	901,120	900,304
Imports.....	77,775	61,824	60,382	58,383	79,583
Total crude.....	791,515	825,567	831,256	959,512	979,947
Natural gas gasoline.....	22,235	26,307	32,305	38,657	42,286
Benzol.....	2,188	1,857	2,112	2,562	2,810
Refined products—Imports.....	16,800	16,370	20,938	13,353	11,891
Total supply.....	832,744	870,107	886,611	1,014,034	1,036,934
<b>Demand:</b>					
Crude—					
Domestic <sup>1</sup> .....	695,701	726,434	777,038	803,540	857,440
Exports.....	18,239	13,337	15,407	15,843	18,673
Total crude.....	714,030	739,771	792,445	819,383	876,413
Refined products: Exports.....	98,728	100,216	116,087	125,191	135,889
Total demand.....	812,758	839,987	908,532	944,574	1,012,002
<b>Changes in stocks:</b>					
Increase.....	19,036	30,120		69,510	24,932
Decrease.....			21,921		

<sup>1</sup> Stocks at end of period noted. <sup>2</sup> Adjusted to reflect changes in methods of reporting this data.

Authority: Petroleum in 1919-1922, etc., Refinery Statistics in 1916-1926, etc., United States Geological Survey and Bureau of Mines.

WEIGHTED AVERAGE PRICES OF A REPRESENTATIVE GRADE OF MID-CONTINENT CRUDE PETROLEUM AND VARIOUS REFINED PRODUCTS

	1910	1920	1921	1922	1923
Crude: Oklahoma-Kansas at wells <sup>4</sup> .....	\$2.28	\$3.41	\$1.70	\$1.81	\$1.44
Gasoline: <sup>5</sup>					
Wholesale—New York.....	.25	.29	.26	.25	.21
Retail tank wagon, 50 cities.....	( <sup>6</sup> )	( <sup>6</sup> )	( <sup>6</sup> )	( <sup>6</sup> )	.18
Kerosene: f. o. b. refineries, Pennsylvania <sup>3</sup> .....	.12	.15	.08	.09	.08
Gas and fuel oil: Oklahoma 24-26 at refineries <sup>4</sup> .....	1.12	2.62	.69	.95	.93
Lubricants: Cylinder 600D in tin cans, Pennsylvania <sup>6</sup> .....	( <sup>6</sup> )	( <sup>6</sup> )	( <sup>6</sup> )	( <sup>6</sup> )	.22

	1924	1925	1926	1927	1928
Crude: Oklahoma-Kansas at wells <sup>4</sup> .....	\$1.45	\$1.68	\$1.88	\$1.28	\$1.20
Gasoline: <sup>5</sup>					
Wholesale—New York.....	.18	.19	.20	.19	.17
Retail tank wagon, 50 cities.....	.17	.18	.19	.15	.16
Kerosene: F. o. b. refineries, Pennsylvania <sup>3</sup> .....	.08	.08	.10	.08	.07
Gas and fuel oil: Oklahoma 24-26 at refineries <sup>4</sup> .....	.96	1.70	1.29	.98	.73
Lubricants: Cylinder 600D in tin cans, Pennsylvania <sup>6</sup> .....	.20	.29	.26	.25	.24

<sup>3</sup> Not available. <sup>4</sup> Dollars per barrel. <sup>5</sup> Cents per gallon. <sup>6</sup> Cents per quart.

Authority: Survey of Current Business, United States Department of Commerce.

The startling observation is the present high level of stocks. For several years culminating in 1923 there has been considerable domestic overproduction. This factor has been the largest contributor to low crude prices and an effort is now being made in the name of conservation to curtail production. The declared purpose of this movement is to stabilize prices by reduction of stocks, which

purpose would be entirely laudable, even though as stated before highly improbable of accomplishment, were the sincerity of the sponsors above doubt. For two reasons, therefore, it becomes necessary to seek a further cause which will be responsive to corrective measures.

The alternative method of reduction of supply is by control of imports. While inconsiderable in comparison with domestic production, imports have nevertheless been of sufficient volume to stand responsible for the repeated additions to stocks, and of sufficient importance to bear more directly upon prices than does domestic supply.

Examination, in this light, of prices of crude petroleum, gasoline, and fuel oil, as the outstanding elements in point of both volume and value, in their relation to supply and demand, discloses several pertinent facts. These are in a measure natural results of a controlled market. Prices of gasoline, a commodity of guaranteed utilization, being without substitute, move evenly, reflecting changes in general business conditions rather than changes in stocks, while prices of fuel oil, which in a majority of its uses is in open competition with other fuels, fluctuate quite violently, under direct influence of supply of heavy oil available from imports, with crude prices reflecting the resulting loss.

In a market free from manipulation any considerable amount of foreign oil, which is comparatively low in gravity (see Appendix A), added to or withheld from stocks which, due to the preponderance of domestic crude are predominately high in gravity, would change the relative amounts of heavy and light oil surpluses and in consequence be reflected in gasoline and fuel oil prices. Such however is not the case, even the expected advantage of cheaply produced foreign products being obviated by identical control of both domestic market and such foreign oil as reaches the domestic market. (See Appendix B.)

The following table is strikingly indicative of this relationship. Prices of gasoline, fuel oil, and crude petroleum are shown for two periods, namely, the months of February, 1926, when imports of foreign crude amounted to 3,743,000 barrels, their lowest point in recent years, and for February, 1929, when imports amounted to 7,016,000 barrels, an amount nearly double the former level. The data regarding California is set apart and is especially significant in that California markets, geographically isolated, are relatively less subject to the influence of foreign oil.

TABLE NO. 5.—Prices of gasoline, fuel oil, and crude petroleum of various grades and at various points for the months of February, 1926, and February, 1929

[Authority: Oil and Gas Journal]

	February 1926	Percent- age of increase or de- crease	February 1929
<b>Gasoline at service stations (cents per gallon):</b>			
Washington.....	21.0	- 5	20.0
New Orleans.....	20.5	- 4	19.5
San Francisco.....	20.0	- 5	19.0
Tulsa.....	19.0		19.0
Average.....	20.0	- 2.5	19.5
<b>Fuel oil: (dollars per barrel):</b>			
Oklahoma-Kansas 24°-26°.....	1.25	-46	.68
North Texas 24°-26°.....	1.25	-46	.68
North Louisiana 18°-20°.....	1.18	-36	.75
Arkansas 16°-20°.....	1.10	-32	.75
Gulf coast.....	1.70	-47	.90
Chicago 22°-26°.....	1.23	-45	.68
Average.....	1.28	-41.4	.75
<b>Crude petroleum (dollars per barrel):</b>			
Oklahoma-Kansas 36°-36.9°.....	2.04	-41	1.20
Gulf Coast grade A.....	1.50	-20	1.20
Illinois.....	2.12	-32	1.45
Panhandle 34°-36.9°.....	1.50	-39	.92
Average.....	1.88	-33.5	1.25
<b>California: (dollars per barrel):</b>			
Fuel oil 15°-20°.....	1.04	-18	.85
Crude petroleum— Long Beach 30°.....	1.46	-14	1.25

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During the period covered in the above tabulation, wholesale prices of all commodities decreased 5 per cent, which might reasonably be assumed to represent the change in general business conditions. The corresponding decrease in gasoline prices, in even less degree, might well be attributed to this very source. It is then apparent that the increase of nearly 100 per cent in amount of heavy foreign oil is responsible for a 41.4 per cent depression of fuel oil prices. At the same time prices of domestic crude, capable of yielding perhaps three times as much gasoline as is the imported oil, decline 33.5 per cent. A great part of this decrease, in view of the stability of gasoline prices must be an unjust impression upon the domestic producer of refinery loss brought about by lowered fuel oil prices.

It is thus that imports are construed to bear upon prices of domestic crude petroleum. Imports have been a cause and continue a constant source of distress to the domestic producer. The present menace will be observed in the increasing amounts of foreign oil being thrown upon domestic markets.

TABLE NO. 6.—Crude petroleum imported into the United States by months by principal countries of origin, January, 1926, to February, 1929

	Mexico	Venezuela	Colombia	Other	Total
1926					
January.....	Barrels 3,496,000	Barrels 759,000		Barrels 433,000	Barrels 4,688,000
February.....	2,883,000	740,000		120,000	3,743,000
March.....	5,362,000	1,114,000		740,000	7,216,000
April.....	4,403,000	1,111,000		390,000	5,906,000
May.....	3,344,000	853,000		304,000	4,501,000
June.....	4,215,000	1,009,000		347,000	5,571,000
July.....	3,399,000	1,037,000	367,000	382,000	5,185,000
August.....	3,360,000	1,088,000	549,000	335,000	5,332,000
September.....	2,265,000	1,102,000	653,000	330,000	4,350,000
October.....	2,500,000	834,000	230,000	296,000	3,860,000
November.....	2,916,000	1,066,000	905,000	156,000	5,043,000
December.....	2,253,000	1,572,000	917,000	245,000	4,987,000
1927					
January.....	2,040,000	1,320,000	839,000	315,000	4,514,000
February.....	1,771,000	1,752,000	585,000	73,000	4,181,000
March.....	1,651,000	1,477,000	856,000	450,000	4,434,000
April.....	1,947,000	1,655,000	591,000	470,000	4,663,000
May.....	2,749,000	1,031,000	625,000	152,000	4,557,000
June.....	2,733,000	896,000	180,000	210,000	4,019,000
July.....	2,825,000	1,537,000	542,000	146,000	5,050,000
August.....	3,375,000	2,215,000	381,000	299,000	6,261,000
September.....	2,234,000	1,739,000	764,000	565,000	5,122,000
October.....	1,564,000	2,290,000	797,000	73,000	4,633,000
November.....	1,864,000	2,748,000	727,000		5,339,000
December.....	1,327,000	3,510,000	1,075,000	208,000	6,210,000
1928					
January.....	1,210,000	3,283,000	1,141,000	511,000	6,145,000
February.....	963,000	3,574,000	1,499,000		6,036,000
March.....	1,542,000	3,885,000	1,199,000	210,000	6,845,000
April.....	1,204,000	3,397,000	790,000	270,000	5,661,000
May.....	1,723,000	4,083,000	835,000	105,000	6,766,000
June.....	1,704,000	3,727,000	880,000	242,000	6,553,000
July.....	1,496,000	4,808,000	1,271,000	303,000	7,878,000
August.....	1,366,000	3,600,000	807,000	368,000	6,141,000
September.....	1,578,000	4,347,000	1,086,000	129,000	7,140,000
October.....	1,240,000	4,227,000	739,000	477,000	6,703,000
November.....	1,950,000	3,954,000	324,000	670,000	6,908,000
December.....	1,293,000	4,691,000	1,227,000	196,000	6,807,000
1929					
January.....	784,000	5,622,000	1,272,000	397,000	8,075,000
February.....	529,000	4,791,000	1,378,000	318,000	7,016,000

The present menace and the outlook for continuance of increasing rates of imports are formidable in their demand for curtailment of this source of supply in alleviation of the serious situation confronting the domestic producer.

#### THE EFFECTS OF THE SUGGESTED REMEDY

The benefit of a tariff upon imports of crude petroleum and its products will be stabilization of crude prices, but can not be exaggerated to indicate inflation to an extent that would result in defeat of the purpose of this measure. Stability will bring to the farmer increased revenue and appreciation of land values, to the

merchant and manufacturer a healthy stimulus to business activity. The independent domestic producing industry will be relieved of the ruinous burden of excessive refinery profit and of contributing fuel oil at uneconomic prices to other industries whose products receive the protection it has been heretofore denied. Prices of gasoline to the consuming public will not only be unaffected but to some extent guaranteed by protection of the last remaining barrier to complete centralized control of the petroleum industry in all its branches.

In order that the study of the effects of a tariff may be more pertinent, an estimate of 1929 conditions is made in Table No. 8 based upon recent trends, as revealed in the following analysis.

TABLE NO. 7.—Analysis of supply and demand for all oils for the period December, 1927, to February, 1929 (thousands of barrels)

[Authority: Monthly Petroleum Reports, U. S. Bureau of Mines]

	1927		1928		
	December	January	February	March	April
<b>Stocks—Crude:</b>					
Domestic.....	461,720	468,551	472,841	470,369	477,670
Foreign—					
East coast.....	2,814	4,044	4,366	5,459	5,931
Gulf coast.....	1,303	1,485	1,507	1,508	1,330
Total crude.....	465,843	474,080	478,714	483,366	484,931
Natural gasoline.....	734	740	824	843	831
<b>Refined:</b>					
Gasoline.....	33,316	37,368	39,853	41,078	41,189
Kerosene.....	7,715	7,670	7,613	7,760	7,733
Gas oil and fuel oil.....	31,022	30,665	29,560	29,104	29,569
Lubricants.....	7,860	7,988	8,332	8,383	8,018
Wax, coke, and asphalt.....	3,580	3,490	3,499	3,739	3,654
Other finished.....	1,221	1,183	1,297	1,527	1,691
Unfinished.....	35,316	36,762	377,282	37,128	38,215
Total refined.....	123,030	125,126	127,436	128,719	130,109
Total stocks.....	589,607	599,916	606,974	612,928	615,391
<b>Supply—Crude:</b>					
Domestic.....	74,951	72,713	68,471	74,509	72,127
Imports—					
Mexico.....	1,327	1,210	963	1,542	1,204
Venezuela.....	3,510	3,283	3,574	3,885	3,397
Colombia.....	1,075	1,141	1,499	1,199	790
Others.....	298	511		219	270
Total imports.....	6,210	6,145	6,036	6,845	5,661
Total crude.....	81,161	78,858	74,507	81,351	77,788
Natural gasoline.....	3,433	3,405	3,324	3,471	3,467
Benzol.....	212	226	217	238	229
<b>Refined imports:</b>					
Gasoline.....	282	562	372	259	472
Kerosene.....	15	46	11	6	20
Gas and fuel oil.....	451	553	666	848	1,176
Lubricants.....	1				1
Other.....	7	4	5	22	11
Total.....	756	1,165	1,034	1,135	1,680
Total supply.....	85,562	83,654	79,102	86,198	83,194
<b>Demand—Crude:</b>					
Domestic.....	67,088	56,660	57,502	63,231	62,810
Exports—					
Canada.....	1,412	865	998	1,298	931
Others.....	305	367	245	232	372
Total exports.....	1,717	1,232	1,243	1,530	1,303
Bunker oil.....	4,264	3,783	3,751	4,236	4,275
<b>Refined exports:</b>					
Gasoline.....	3,154	3,713	3,341	4,016	4,111
Kerosene.....	1,254	2,350	1,551	1,852	1,912
Gas and fuel oil.....	3,828	4,175	3,420	3,969	4,211
Lubricants.....	784	934	841	837	1,059
Other.....	346	662	425	573	520
Total.....	9,366	11,734	9,578	11,247	11,813
Total demand.....	82,435	73,315	72,074	80,244	80,201

TABLE NO. 7.—Analysis of supply and demand for all oils for the period December, 1927, to February, 1929 (thousands of barrels)—Continued

	1928				
	May	June	July	August	September
<b>Stocks—Crude:</b>					
Domestic.....	477,741	477,567	476,492	476,049	474,777
Foreign—					
East coast.....	6,188	5,953	5,380	4,969	4,007
Gulf coast.....	1,141	1,123	1,386	1,165	1,399
<b>Total crude.....</b>	<b>485,080</b>	<b>484,643</b>	<b>483,267</b>	<b>482,183</b>	<b>480,183</b>
Natural gasoline.....	810	648	470	414	436
<b>Refined:</b>					
Gasoline.....	38,224	34,862	30,394	27,075	26,378
Kerosene.....	7,537	8,432	8,470	8,887	8,593
Gas oil and fuel oil.....	32,887	36,085	36,410	39,236	39,000
Lubricants.....	8,060	7,832	7,667	7,711	7,742
Wax, coke, and asphalt.....	3,630	3,594	3,642	3,615	3,460
Other finished.....	1,392	1,130	1,200	857	748
Unfinished.....	38,762	38,380	40,657	39,596	39,732
<b>Total refined.....</b>	<b>130,492</b>	<b>130,315</b>	<b>128,440</b>	<b>126,977</b>	<b>126,553</b>
<b>Total stocks.....</b>	<b>610,382</b>	<b>615,606</b>	<b>612,183</b>	<b>609,574</b>	<b>607,172</b>
<b>Supply—Crude:</b>					
Domestic.....	75,218	72,526	75,426	77,829	76,404
Imports:					
Mexico.....	1,723	1,704	1,496	1,366	1,578
Venezuela.....	4,083	3,727	4,809	3,600	4,347
Colombia.....	855	880	1,271	807	1,086
Others.....	105	242	303	368	129
<b>Total imports.....</b>	<b>6,766</b>	<b>6,553</b>	<b>7,878</b>	<b>6,141</b>	<b>7,140</b>
<b>Total crude.....</b>	<b>81,984</b>	<b>79,079</b>	<b>83,304</b>	<b>83,970</b>	<b>83,544</b>
Natural gasoline.....	3,471	3,355	3,431	3,445	3,488
Benzol.....	235	231	228	233	231
<b>Refined imports:</b>					
Gasoline.....	368	212	267	470	103
Kerosene.....	1	24	19	2	—
Gas and fuel oil.....	784	468	484	515	397
Lubricants.....	3	1	1	1	1
Other.....	7	7	10	10	7
<b>Total.....</b>	<b>1,163</b>	<b>712</b>	<b>781</b>	<b>1,007</b>	<b>598</b>
<b>Total supply.....</b>	<b>86,856</b>	<b>83,377</b>	<b>87,744</b>	<b>88,655</b>	<b>87,661</b>
<b>Demand—Crude:</b>					
Domestic.....	66,645	65,683	72,613	74,002	73,422
Exports:					
Canada.....	1,244	1,463	1,377	1,723	1,272
Others.....	249	416	292	160	233
<b>Total exports.....</b>	<b>1,493</b>	<b>1,879</b>	<b>1,669</b>	<b>1,883</b>	<b>1,505</b>
Bunker oil.....	5,013	4,307	4,110	4,564	4,031
<b>Refined exports:</b>					
Gasoline.....	5,812	4,808	5,167	4,563	4,637
Kerosene.....	2,057	1,655	1,834	1,678	2,060
Gas and fuel oil.....	3,612	4,238	4,261	3,420	3,226
Lubricants.....	1,063	1,095	1,063	813	808
Other.....	470	488	444	341	324
<b>Total.....</b>	<b>13,614</b>	<b>12,284</b>	<b>12,769</b>	<b>10,815</b>	<b>11,285</b>
<b>Total demand.....</b>	<b>86,365</b>	<b>84,153</b>	<b>91,167</b>	<b>91,264</b>	<b>90,263</b>

TABLE No. 7.—Analysis of supply and demand for all oils for the period December, 1927 to February, 1929 (thousands of barrels)—Continued

	1928			1929	
	October	November	December	January <sup>1</sup>	February <sup>1</sup>
<b>Stocks—Crude:</b>					
Domestic.....	476,692	477,325	479,270	483,356	489,822
Foreign:					
East coast.....	3,738	3,840	4,355	5,141	5,773
Gulf coast.....	1,344	1,507	1,776	2,294	2,435
Total crude.....	481,774	482,672	485,401	490,791	498,033
<b>Natural gasoline.....</b>	<b>402</b>	<b>404</b>	<b>608</b>	<b>741</b>	<b>821</b>
<b>Refined:</b>					
Gasoline.....	26,440	29,185	33,096	40,648	45,704
Kerosene.....	8,614	8,886	9,001	8,865	8,210
Gas oil and fuel oil.....	39,899	37,878	34,926	32,522	30,115
Lubricants.....	7,830	7,921	8,340	8,649	8,534
Wax, coke and asphalt.....	3,535	3,795	3,901	3,766	3,821
Other finished.....	723	729	635	633	752
Unfinished.....	38,452	38,114	38,601	38,564	38,170
Total refined.....	125,193	126,505	128,530	133,667	135,209
Total stocks.....	607,369	609,581	614,539	625,199	634,043
<b>Supply—Crude:</b>					
Domestic.....	70,662	76,031	79,448	81,070	75,693
Imports:					
Mexico.....	1,240	1,060	1,283	784	529
Venezuela.....	4,227	3,054	4,091	5,622	4,791
Colombia.....	759	324	1,227	1,272	1,178
Others.....	477	670	196	357	315
Total imports.....	6,703	6,008	6,807	8,075	7,016
Total crude.....	86,365	82,039	86,255	90,054	82,709
<b>Natural gasoline.....</b>	<b>4,731</b>	<b>3,769</b>	<b>3,929</b>	<b>3,983</b>	<b>3,729</b>
<b>Benzol.....</b>	<b>215</b>	<b>211</b>	<b>253</b>	<b>250</b>	<b>233</b>
<b>Refined Imports:</b>					
Gasoline.....	388	304	420	499	498
Kerosene.....	55	20	20	38	30
Gas and fuel oil.....	320	411	646	335	462
Lubricants.....	1	1	3	1	4
Other.....	7	12	8	11	12
Total.....	771	728	1,097	884	608
Total supply.....	91,112	87,677	91,534	95,171	87,579
<b>Demand: Crude:</b>					
Domestic.....	74,072	68,241	71,329	65,854	63,279
<b>Exports:</b>					
Canada.....	1,632	1,292	1,335	1,507	1,354
Others.....	384	399	194	465	324
Total exports.....	2,016	1,691	1,529	1,972	1,678
<b>Bunker oil.....</b>	<b>4,538</b>	<b>4,235</b>	<b>4,235</b>	<b>3,915</b>	<b>4,232</b>
<b>Refined exports:</b>					
Gasoline.....	4,019	4,678	3,602	4,650	3,838
Kerosene.....	1,755	2,091	1,241	1,918	1,591
Gas and fuel oil.....	3,536	3,320	3,254	3,699	2,795
Lubricants.....	769	895	878	1,116	871
Other.....	340	314	308	331	411
Total.....	10,269	11,298	9,483	11,714	9,506
Total demand.....	90,015	85,405	86,576	83,455	78,715

<sup>1</sup> Unrevised

TABLE 8.—Analysis of supply and demand for all oils—Actual for the year 1928 and estimated for the year 1929 (thousands of barrels)

Stocks at end—		1928	1929
Crude:			
Domestic.....		470,270	503,002
Foreign.....		6,131	7,000
Total crude.....		485,401	510,002
Natural gasoline at plants.....		608	608
Refined:			
Gasoline.....		33,066	36,566
Kerosene.....		9,001	9,201
Gas and fuel oil.....		34,928	35,928
Lubricants.....		8,340	8,355
Wax, coke, and asphalt.....		3,961	3,041
Other finished.....		635	675
Unfinished.....		38,601	38,000
Total refined.....		128,530	131,764
Total stocks.....		614,539	642,374
<b>SUPPLY</b>			
Crude:			
Domestic.....		900,364	1,000,000
Imports—			
Mexico.....		17,279	15,000
Venezuela.....		46,976	100,000
Colombia.....		11,838	12,000
Others.....		3,490	3,500
Total crude imports.....		79,583	130,500
Total crude.....		979,947	1,130,500
Natural gasoline.....		42,285	47,000
Benzol.....		2,810	2,900
Refined imports:			
Gasoline.....		4,296	4,500
Kerosene.....		204	200
Gas and fuel oil.....		7,263	7,500
Lubricants.....		13	15
Other.....		110	120
Total refined imports.....		11,891	12,335
Total supply.....		1,036,934	1,102,735
<b>DEMAND</b>			
Crude:			
Domestic.....		857,440	995,000
Exports—			
Canada.....		13,430	18,000
Other.....		3,543	4,000
Total crude exports.....		18,973	22,000
Refined exports:			
Gasoline.....		52,897	50,000
Kerosene.....		22,066	25,000
Gas and fuel oil.....		44,462	48,000
Lubricants.....		11,075	12,000
Other.....		5,109	6,000
Total refined exports.....		135,599	147,000
Total demand.....		1,012,002	1,164,900

Authority: 1928—Preliminary Summary of Petroleum in 1928, United States Bureau of Mines; 1929—Estimated.

Following is the disposition of supply as estimated above for the year 1929.

TABLE 9.—Disposition of 1928 stocks and estimated 1929 supply together with estimated consumption (thousands of barrels)

	Stocks at beginning	Supply	Runs to stills	Adjustment
<b>Crude:</b>				
Domestic.....	479,270	1,000,000	902,000	-13,899
Foreign.....	6,131	130,500	116,000	-2,000
<b>Total crude.....</b>	<b>485,401</b>	<b>1,130,500</b>	<b>1,018,000</b>	<b>-15,899</b>
Natural gasoline at plants.....	608	47,000	40,000	
Benzol.....		2,900		
<b>Refined:</b>				
Gasoline.....	33,066	4,500		
Kerosene.....	9,001	200		
Gas oil and fuel oil.....	34,928	7,500		
Lubricants.....	8,340	15		
Wax, coke and asphalt.....	3,061	50		
Other finished.....	635	40		
Unfinished.....	38,601		50,000	+15,899
Losses.....				
<b>Total refined.....</b>	<b>128,530</b>	<b>12,335</b>	<b>50,000</b>	<b>+15,899</b>
<b>Total.....</b>	<b>614,539</b>	<b>1,192,735</b>	<b>1,108,000</b>	

	Output	Available stocks and supply	Consumption	Stocks at end
<b>Crude:</b>				
Domestic.....		563,371	60,369	503,002
Foreign.....		18,631	11,631	7,000
<b>Total crude.....</b>		<b>582,002</b>	<b>72,000</b>	<b>510,002</b>
Natural gasoline at plants.....		7,608	7,000	608
Benzol.....		2,900	2,900	
<b>Refined:</b>				
Gasoline.....	440,000	477,566	441,000	36,566
Kerosene.....	65,000	74,201	65,000	9,201
Gas oil and fuel oil.....	468,500	510,928	475,000	35,928
Lubricants.....	35,000	43,355	35,000	8,355
Wax, coke and asphalt.....	23,000	27,041	24,000	3,041
Other finished.....	10,000	10,675	10,000	675
Unfinished.....	33,500	38,000		38,000
Losses.....	33,000			
<b>Total refined.....</b>	<b>1,108,000</b>	<b>1,151,764</b>	<b>1,050,000</b>	<b>131,764</b>
<b>Total.....</b>	<b>1,108,000</b>	<b>1,774,274</b>	<b>1,131,000</b>	<b>642,374</b>

Estimated consumption is expressed in more detail as follows:

TABLE 10.—Details of estimated consumption for the year 1929 (thousands of barrels)

	Total consumption	Exports	Domestic sales	Used in operations
<b>Crude:</b>				
Domestic.....	60,369	20,000	34,369	6,000
Foreign.....	11,631	2,000	9,631	
Natural gasoline.....	7,000		7,000	
Benzol.....	2,900		2,900	
<b>Refined:</b>				
Gasoline.....	441,000	56,000	385,000	
Gas oil and fuel oil.....	475,000	48,000	427,000	
Kerosene.....	65,000	25,000	40,000	
Lubricants.....	35,000	12,000	23,000	
Wax, coke and asphalt.....	24,000	4,000	20,000	
Other finished.....	10,000	2,000	8,000	
<b>Total.....</b>	<b>1,131,900</b>	<b>169,000</b>	<b>956,900</b>	<b>6,000</b>

<sup>1</sup> Includes 55,000,000 barrels bunker oil put on ships engaged in foreign trade.

For the year 1929, based on February, 1929, prices, the value of crude petroleum to the producer and the costs of gasoline and fuel oil to the consumer would then be as follows:

Value of crude petroleum:	
Production (barrels).....	1,000,000,000
Price per barrel.....	\$1.25
Value.....	\$1,250,000,000
Cost of gasoline:	
Consumption (barrels).....	385,000,000
Price per gallon.....	\$0.195
Cost.....	\$3,153,150,000
Cost of fuel oil:	
Consumption (barrels).....	427,000,000
Price per barrel.....	\$0.75
Cost.....	\$320,250,000

It can not be assumed that the evils existing in the petroleum-producing industry can be corrected without in some measure disturbing the position of those who have been profiting from low crude prices. The effects of a tariff would indeed be widespread but would touch most vitally the domestic producer, the domestic refiner, and foreign producer, which last two are practically identical interests, the consumers of gasoline and fuel oil, and the export trade. Regardless of the extent to which a tariff would operate in excluding foreign oil, its effect upon those concerned would be relative, and so for a theoretical establishment of this relationship, it is assumed that prices of domestic products under protection of a tariff would revert to the level of February, 1926. No attempt is made to determine the extent of curtailment of imports, this date being assumed merely as that of recent years when imports exerted the least influence upon the domestic market.

As shown in Table 5 the average price for February 1926 of a certain grade of crude petroleum was \$1.88 per barrel. This price is sufficiently representative of all domestic fields in that \$1.88 was the weighted average price per barrel for all crude produced in the United States during the full year 1926. The average prices of gasoline and fuel oil as shown in this table are 20 cents per gallon and \$1.28 per barrel respectively. However, present business conditions are approximately 5 per cent below those of February 1926 which would reduce prices as of that date in corresponding degree when considered relative to the present time. Prices reflecting this change would be: Gasoline, 19.5 cents per gallon; fuel oil, \$1.22 per barrel, and crude petroleum, \$1.79 per barrel.

Assuming a tariff effective as of January 1, and the above prices as a result, the value of crude petroleum and the costs of gasoline and fuel oil as estimated for the year 1929, would then be:

Value of crude petroleum.....	\$1,790,000,000
Cost of gasoline.....	3,153,150,000
Cost of fuel oil.....	520,940,000

The figures immediately above when compared with those based upon February 1929 prices as heretofore shown indicate no effect upon the consumer of gasoline by imposition of a tariff, with a supposed gain to the domestic producer of \$540,000,000. Of this amount, \$200,690,000 would be borne as a loss by the consumer of fuel oil. The balance, after deducting a saving of approximately \$25,000,000 in expense of carrying stocks, and other incidental items, an amount of perhaps not more than \$300,000,000 would be a loss to the refiner. Such a loss would represent a reduction of not more than 5 per cent on the total refinery investment, which would be a hardship no greater than the reduction of profits to normal expectancy.

The loss to the consumer of fuel oil in the amount of \$200,690,000, while considerable, is distributed so widely as to be of no material consequence to any affected industry. Distribution of this amount to the various users of fuel oil, based upon the consumption for the year 1927, is shown in the table on the following page:

TABLE 11.—Allocation of increase in cost of fuel oil to various consuming groups

	1927 consumption, thousands of barrels <sup>1</sup>	Percent of total	Distribution of supposed 1929 loss, thousands of dollars
Railroads.....	70,094	21	42,145
Bunker oil, including tankers.....	88,215	25	52,179
Gas and electric power plants.....	29,775	9	18,062
Smelters and mines.....	6,831	2	4,014
Iron and steel products.....	17,197	5	10,035
Chemical and allied industries.....	2,100	1	2,007
Automotive industries.....	1,637	1	2,007
Textiles and their products.....	4,621	1	2,007
Paper and wood pulp.....	3,131	1	2,007
Logging and lumbering.....	2,370	1	2,007
Cement and lime plants.....	5,051	2	4,014
Ceramic industries.....	3,270	1	2,007
Food industries.....	7,143	2	4,014
Other manufacturing.....	11,353	3	6,021
Commercial heating.....	15,143	5	10,035
Domestic heating.....	6,377	2	4,014
United States Navy, transports, etc.....	6,506	2	4,014
Fuel by oil companies.....	43,453	12	24,080
Miscellaneous uses.....	9,353	3	6,021
<b>Total.....</b>	<b>333,760</b>	<b>100</b>	<b>200,690</b>

<sup>1</sup> Authority: National Survey of fuel oil distribution, 1927, United States Bureau of Mines.

It remains to consider the effect upon the export trade. Imports and exports of crude petroleum by countries of origin and destination are set out below.

TABLE 12.—Imports and exports of crude petroleum, by countries of origin and destination, for the years 1921 to 1928

[Thousands of barrels]

	1921	1922	1923	1924
<b>Imports:</b>				
Canada.....	1	1	72	.....
Dutch West Indies.....		735	810	1,188
Mexico.....	125,204	126,105	70,334	73,979
Peru.....			1,554	2,429
Trinidad and Tobago.....	69			.....
Others.....		377	225	161
<b>Total.....</b>	<b>125,364</b>	<b>127,308</b>	<b>82,015</b>	<b>77,775</b>
<b>Exports:</b>				
Argentina.....		83	018	1,241
Canada.....	7,167	8,104	8,826	10,992
Cuba.....	650	600	333	1,138
Dutch West Indies.....				128
England (United Kingdom).....	114	188	233	520
France.....	114			.....
Germany.....	377	495	332	351
Italy.....				119
Japan.....		52	544	837
Mexico.....		31	4,871	1,684
Panama.....	101	118	309	.....
Peru.....				252
Others.....	343	225	443	339
Exports of foreign oil.....	74	108	324	368
<b>Total.....</b>	<b>8,940</b>	<b>10,163</b>	<b>17,385</b>	<b>17,973</b>



TABLE 12.—Imports and exports of crude petroleum, by countries of origin and destination, for the years 1921 to 1928—Continued

(Thousands of barrels)

	1925	1926	1927	1928
<b>Imports:</b>				
Colombia.....		3,621	7,962	11,838
Mexico.....	55,049	40,398	20,019	17,279
Peru.....	1,825	3,044		
Venezuela.....	4,692	12,285	21,560	46,976
Others.....	258	1,034	2,842	3,490
Total.....	61,824	60,382	58,353	79,583
<b>Exports:</b>				
Argentina.....		227		
Canada.....	8,910	12,983	13,030	15,430
Cuba.....	928	434		
England (United Kingdom).....	145	65		
Germany.....	549			
Italy.....	165			
Japan.....	636	1,335		
Mexico.....	1,110	39		
Others.....	468	323	2,807	3,533
Exports of foreign oil.....	210	1	1	1
Total.....	13,335	15,407	15,844	18,964

Authority: Petroleum in 1922, etc., United States Geological Survey and Bureau of Mines.

It will be noticed that the principal sources of foreign supply of crude petroleum are Mexico, Venezuela and Colombia, others being relatively small, whereas our principal export market is Canada. Assuming retaliation on the part of those first named countries, no noticeable impression would be made upon the balance of trade. In any case, such loss would hardly exceed the gain to the government through collection of tariff duties.

CONCLUSION

The foregoing discussion has been very brief and particularly so in view of the seriousness of the subject. But regardless of the thoroughness with which the matter is studied, it is believed that no conclusion could be fairly arrived at other than that drawn herein. It has been necessary that the data presented be of a very general nature, yet each observation if followed to a final analysis would compel admission of the necessity and justice of a tariff.

Prediction of a shortage of domestic supply and the necessity for its conservation by encouragement of development and consequent exhaustion of foreign fields has been for many years an eloquent but unproved argument against imposition of a tariff. Geological discoveries opening up vast new potential producing areas, improved refinery practice increasing the yield of present production, development of processes for the manufacture of synthetic products, as well as progress in the exploitation of oil-shale deposits have proved the fallacy of the shortage prediction as striking as the unsoundness of the logic of protecting a home market against a home industry whose investment totals several billions of dollars. An investigation of potential resources will, on the contrary, reveal little need for anxiety as to ability to meet all future requirements.

The gasoline and lubricating content of foreign oils is not sufficient to bear upon prices of those products, even locally. At points nearest the East Coast refining centers where the great part of the imported oil is refined, the cost of gasoline is materially the same as at points served by other refining districts. Prices per gallon at service stations as of a recent date at three of the principal ports of entry for foreign oils were as follows:

	Cents
Boston.....	20
New York.....	21
Baltimore.....	22

Comparative prices at points farther removed from foreign supply were as follows:

	Cents
Chicago.....	16.0
Houston.....	18.0
Denver.....	20.0
Atlanta.....	23.0
Omaha.....	20.3
Ohio.....	20.0
New Orleans.....	18.5

It is only in the heavier distillates that foreign oils affect prices of domestic refined products. Whereas approximately only 2 per cent of the total estimated gasoline output of domestic refineries for the year 1929 will be the yield of foreign oil, over 20 per cent of the gas oil and fuel oil output will be from that source. As set out before, this surplus of heavy oil will maintain fuel oil prices at their present uneconomic level, and result in continued reflection of the refinery loss in prices of crude petroleum.

It is not altogether reasonable to assume that this unjust balance can long continue. Some measure of relief must soon be afforded the producer of crude petroleum, and there can be no greater guarantee that such relief shall not take the form of increased gasoline prices, than protection of domestic markets by curtailment of imports of foreign crude and its products.

## APPENDIX A

*Analysis of various grades of foreign and domestic crude petroleum*

	Recovery in per cent										
	A. P. I. gravity (degrees)	Per cent sulphur	Light gasoline	Total gasoline and naphtha	Kerosene distillate	Gas oil	Non viscous lubricating distillate	Medium lubricating distillate	Viscous lubricating distillate	Residuum	Distillation loss
<b>Mexico:</b>											
Cerro Azul Field.....	20.8	3.61	3.0	15.0	7.5	10.9	9.7	7.9	-----	48.1	0.9
(Southern Light Oil Dist.)											
Zurita Field.....	12.3	5.09	-----	6.8	-----	15.5	6.3	5.0	1.8	67.0	6.7
(Northern Heavy Oil Dist.)											
Venezuela: Mene Grande Field.....	16.0	2.65	-----	9.2	-----	16.6	7.4	6.7	5.0	-----	-----
California: Cat Canyon Field.....	15.9	4.13	-----	9.8	-----	25.6	5.6	5.6	7.8	-----	-----
Montana: Cat Creek Field.....	49.7	.36	0.0	63.2	10.3	6.2	-----	-----	-----	-----	-----
Ohio: North Lima District.....	38.0	.55	6.7	31.0	19.2	12.0	7.0	6.5	-----	-----	-----
<b>Oklahoma:</b>											
Cushing Field.....	39.8	.28	8.6	37.5	12.4	15.7	0.4	6.3	-----	-----	-----
Garber Field.....	45.6	.14	17.3	52.4	10.6	10.6	11.3	1.7	-----	-----	-----
Seminole Field.....	36.2	.47	7.4	34.7	11.6	13.8	9.3	6.2	.0	23.2	1.3
Texas: Yates Pool.....	30.0	1.61	4.3	22.2	5.0	18.5	9.8	7.0	10.0	25.7	1.8
Wyoming: Osage Field.....	37.6	.20	10.8	34.8	10.3	14.9	8.0	8.0	-----	-----	-----

Authority: United States Bureau of Mines Technical Papers and Reports of Investigations.

## APPENDIX B

*Shipments of Venezuelan crude petroleum by companies for the year 1928 (partly estimated)*

Company	Shipments (thousands of barrels)
Venezuelan Oil Concessions (Ltd.) (subsidiary of Royal Dutch-Shell group).....	34,364
Lago Petroleum Corporation (subsidiary of Standard Oil Co. of Indiana).....	20,800
Falcon Oil Corporation.....	657
Gulf Oil Corporation and Creole Petroleum Corporation (subsidiary of Standard Oil Co. of New Jersey).....	12,553
Gulf Oil Corporation.....	4,096
Gulf Oil Corporation and Venezuelan Petroleum Corporation (subsidiary of Sinclair Consolidated Oil Corporation).....	7,800
Caribbean Petroleum Company (subsidiary of Royal Dutch-Shell group).....	12,233
British Controlled Oil Fields (Ltd.).....	1,688
General Asphalt Corporation.....	415
<b>Total.....</b>	<b>100,604</b>

## APPENDIX C

Mexico has ceased to be the chief source of foreign supply as various local factors have tended to discourage new development. Venezuela has assumed this position as well as second place among the oil producing nations of the world. In Mexico during 1928 the number of completions reached a low point for recent years and production continued to decline, awaiting settlement of existing difficulties. Development in Venezuela, however, continued and production increased, held only to its present high level by limited transportation facilities. Production of the two countries for the past 10 years has been as follows:

*Production of crude petroleum in Mexico and Venezuela for the years 1919-1928 (thousands of barrels)*

Year	Mexico	Venezuela	Year	Mexico	Venezuela
1919.....	87,073	424	1924.....	144,060	8,600
1920.....	163,540	457	1925.....	115,515	20,000
1921.....	193,393	1,078	1926.....	90,700	36,000
1922.....	182,278	2,117	1927.....	64,121	63,000
1923.....	149,858	3,700	1928.....	50,100	106,500

**STATEMENT OF H. B. FELL, ARDMORE, OKLA., REPRESENTING  
INDEPENDENT PETROLEUM ASSOCIATION OF AMERICA**

(The witness was duly sworn by the chairman of the special subcommittee.)

Senator EDGE. Are you going to cover a phase of this question that has not been covered by the three previous witnesses, or just generally?

Mr. FELL. Senator, I did not hear the first two witnesses nor did I hear more than a short part of Mr. Howard's testimony. I am the president of the Independent Oil Producing Co., and am here as representative of the Independent Producers Association as one of the vice presidents.

The question of a tariff on crude petroleum and its products imported into this country is a very important question in so far as the oil industry is concerned.

On June 10, 1929, at the oil conference called by President Hoover at Colorado Springs, to which the governors of the various States all sent delegations, and to which the various associations sent delegations, Governor Holloway, of Oklahoma, sent an official delegation of 10, in which were properly included representatives of the major companies, including the Standard group, representatives of the independents, and representatives of the royalty owners and the landowners.

This delegation after the conference made a report to Governor Holloway, which was a unanimous report written by Mr. James Veazy of the Carter Oil Co., Mr. E. W. Marland and by Mr. Pat Malloy, of Tulsa, an independent, in which they stated that unquestionably a very large majority of the independent producers, royalty owners and land owners were strongly and sincerely in favor of a tariff on crude petroleum and its products, and that they did not feel that it would be possible to get the various interests in the oil industry together on other problems of the industry until the tariff question was disposed of.

Senator EDGE. What do they mean when they say "disposed of"? When Congress decided it one way or the other?

Mr. FELL. Yes, sir; that was my understanding, Senator. I did not interpret it to mean action either favorable or unfavorable.

Senator KING. Mr. Fell, you are speaking of the conference at which Mark Requa presided?

Mr. FELL. Yes, sir.

Senator KING. Well, that conference was abortive of any results, was it not?

Mr. FELL. Absolutely, sir. I was present, sir.

Senator KING. You agree that it was abortive?

Mr. FELL. Absolutely.

Senator KING. Did Mr. Requa assent to the conclusion which you have just indicated, which would seem to imply that there must be a tariff?

Mr. FELL. Mr. Requa had nothing to do with that, Senator. This was a report submitted by the Oklahoma delegation to the Governor of Oklahoma upon their return to the State after the conference.

Senator EDGE. Will you put the names of the 10 members of your delegation in the record?

Mr. FELL. I do not know that I could remember them all.

Senator EDGE. Senator Thomas can do that.

Senator KING. I misunderstood you. I thought you said that this conference made a report.

Mr. FELL. No.

Senator KING. You are speaking of the report of the delegation from your State when they returned, to the governor?

Mr. FELL. Yes.

Senator KING. Because my understanding was, as you just indicated, that the conference was a failure, utterly abortive, and that no report was made.

Mr. FELL. No report was made except that there was a recommendation by the Oklahoma, California, and Texas delegations; those three delegations made a recommendation, which was not returned to the conference for action, but it was the recommendation of those three delegations that a further conference be held at some later date to discuss the matters which were taken up there.

Senator EDGE. Well, when you say the conference was a failure, or abortive, as the Senator used the term, you mean, as I understand it—correct me if I am wrong—that the conference, having been called, as I remember it, for the purpose of arranging some national policy by States—

Mr. FELL. Yes, sir.

Senator EDGE (continuing). To take control of conservation, failed in reaching an agreement so to do?

Mr. FELL. They adjourned without the accomplishment of any result.

Senator KING. Yes.

Senator EDGE. And that was the only object of the conference?

Mr. FELL. Yes. That was what I meant, that the conference adjourned without accomplishing any results.

Senator EDGE. Yes.

Mr. FELL. Now, according to my understanding, of course the tariff is for two purposes, revenue for the Government, and for the

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purpose of protecting our industries and enabling them to produce and sell their products in competition with foreign products and maintain the high standard of living in this country. It is also my understanding that one of the basic principles of our form of Government is also equality of opportunity, and it scarcely seems equitable to me to place a tariff on the products of industries from whom the oil producer must buy his products, and at the same time afford to the producer of domestic petroleum no protection whatsoever against foreign competition.

Now I am in favor, in principle, of a protective tariff. But as I stated, I feel that if there is to be a protective tariff it should be applied equitably to all industries in the United States of America.

Senator REED. Mr. Fell, have you any figures that can give us the comparative costs of production here and abroad?

Mr. FELL. I can give you some figures here, Senator, on production costs that were submitted by the Mid-Continent Oil and Gas Association in their 1920 figures.

Senator KING. 1920?

Mr. FELL. Yes, sir. Which you might feel would not be of any value. But the labor costs in the oil industry are practically the same as they were then.

Senator REED. Does that give the foreign costs as well?

Mr. FELL. It does not give the foreign costs. It gives in the Mid-Continent the cost of production, of \$1.67 a barrel, excluding the depletion. And it gives the cost of production in Pennsylvania, which you may be more familiar with than I am, of approximately \$3 per barrel. Those figures were taken from 21 producers, whose records showed they produced 25,860,403 barrels of oil from 8,628 wells located on 1,266 operated leases.

Now, the only information that I could give you on the foreign oil would merely be what I have been told, and that I do not think would be worth much.

Senator EDGE. It would not be evidence.

Mr. FELL. No. And you have heard that same information quoted here already.

The Bureau of Mines report for the first five months of 1929, which is given in the July 11 issue of the Oil and Gas Journal, on page 37, gives some very interesting information. It shows that during the first five months of this year the domestic production and imports of crude petroleum were 441,973,000 barrels. While the total demand, including the domestic consumption and exports, was 417,113,000 barrels. Making an excess, of course, of supply over demand, of 24,860,000 barrels. And practically all of the excess, as you have been told, is from the importation of foreign oil, which on account of cheapness of labor and transportation costs and large productivity of wells, can be delivered I think unquestionably at the Atlantic ports cheaper than the average well in the United States can produce it.

Now, the important thing that I would like to bring out to you gentlemen is this fact. Mr. Requa, the chairman of the conference that I referred to, stated in one of his addresses at that conference that from 3 to 5 per cent of the oil wells in the United States produced over 50 per cent of the oil, and that there are now 250,000 oil wells in the United States producing an average of less than one barrel per day.

Senator KING. How many of those wells were driven years ago in Indiana, Pennsylvania, some in Ohio and a few in Illinois, and quite a number in California and Louisiana, a few in Kentucky, some in Arkansas and a considerable number in Oklahoma?

Mr. FELL. Well, I could not give you that information, Senator, as to what the pro rata part was in each of the States.

Senator KING. But a large number were in Indiana and Pennsylvania?

Mr. FELL. Indiana, Pennsylvania, Illinois, Ohio, and West Virginia.

Senator KING. Wells, some of which were driven soon after Mr. Rockefeller began his operations?

Mr. FELL. Yes.

Senator KING. And driven by companies which he organized, or with which he was associated, and they have been producing right along, some of them, for 15 to 25 or 30 years. A few of them maybe 40 years. And gradually getting down to 1 or 2 gallons per day.

Mr. FELL. Yes.

Senator KING. Oh, you would expect that.

Mr. FELL. Yes, sir. That is bound to occur, as these subsequent figures here will show.

According to the United States Bureau of Mines figures there were 318,600 producing wells in 1926. There were 322,338 wells in 1927, and approximately 330,000 wells in 1928. Now those wells produced an average of  $7\frac{1}{2}$  barrels per day. That is the average production per well in the United States. But 250,000 of them produced an average of less than one barrel per day. So that you can readily see that the decline in the productivity of these wells is quite rapid, and that the backbone of our known developed oil resources in this country is in those 250,000 wells. Those are known resources which are developed. And the productivity of those wells has now reached, you might say, a straight line. There is not the rapid decline that there is immediately after a well is brought in and as the gas pressure is exhausted.

They will get down to a certain point and they will produce, as some of these Pennsylvania wells have produced for years, three-quarters of a barrel or a barrel of oil a day. Now those particular wells can not be operated at a profit. It is going to result in the necessity ultimately of the operators who only have wells of that character to abandon those wells, which would mean the abandonment of developed known oil resources in our own country. And I think that that is one of the important things that should be considered in the proposition of conservation—is to conserve what we already have.

Senator KING. Well, I confess, if you will pardon the interruption, that I can not quite follow your argument. I am sure that you mean to draw the conclusion that those vanishing wells with comparatively high cost of production measured by the limited amount produced should be maintained by the imposition of a tariff so that the limited amount produced shall bring a higher price in the market?

Mr. FELL. Yes, limited amount, Senator, to the amount of about 80,000,000 barrels per year, which if a reasonable return was received for that production could be operated at a profit.

Senator KING. Is it your theory that we must adjust our legislation, if we legislate at all, with reference to those vanishing wells? May I say by way of illustration, to convey my idea, that is the con-

tention of some of the mine owners particularly in Wales and in Derbyshire in Great Britain. Those mines were being exhausted. They had gone down to the depths. I have been down in many of those mines myself. Some of them have been operated a hundred years or more.

To operate them, because of the unfavorable physical conditions—slate was encountered, and the roofs caved in, and so on—it was insisted by some that a price ought to be fixed by the Government for coal so high that the coal produced from these mines could be sold at a profit, though in so doing it would give extortionate prices to the producers of coal in the mines where you could mine your coal so much cheaper. Now you certainly can not apply that policy with respect to our oil wells or any other industry, can you?

Mr. FELL. No, sir, only within economic limits. There would, of course, be a point beyond which it would be impossible to place a tariff that would protect indefinitely the productivity of wells. And when that economic limit was reached of course it would be necessary to abandon it irrespective of anything else.

Senator EDGE. Does not this economic problem face you folks in your natural desire to make a profit on your product? Should there be an imposition of a dollar a barrel on oil, thus making it cost, as testified to by a previous witness, perhaps \$2 a barrel more to the consumer, would it not be a fact that the coastwise trade, which is the greatest consumer of the present imported fuel oil now, would be unable anyhow to avail itself of your product? They would be either compelled to continue using the imported oil because of the prohibitive freight rates to either coast, or transpose their machinery, changing it into coal burners, which of course would be terrifically expensive, and I would say from a nonprofessional standpoint, not very practical. Having heard more or less the interest in the tariff of these coal producers I doubt very much whether any concern would do it, and of course with the coal there would be exactly the same problem of transportation from the mines to the coast.

Now, I was wondering whether if you received this tariff it would greatly benefit you or stop the importation of oil? They would have to pay another dollar for it, would they not? In other words, they would continue using imported fuel oil?

Mr. FELL. Do you think that the figures on the effect that higher prices of crude oil had on the prices of the ultimate products would in any way answer that question?

Senator EDGE. How is that? I do not know that I follow you.

Mr. FELL. Do you think that the effect that a difference in price in crude oil has in the past had on the price of the refined products would be any criterion as to what you might expect would be the results of going back to that price?

Senator EDGE. I am afraid I can not answer that question. I would be very glad to have your view. I do not claim to have any knowledge. I am seeking knowledge.

Mr. FELL. What I mean is this, Senator. When oil, we will say, for example, was 50 cents or a dollar a barrel more than it is now, that would give us a criterion as to what we might expect would be the result of a dollar a barrel more for oil at this time in the cost to the consumer of the refined products.

Senator EDGE. In the cost to the consumer of the refined products, Well, just how that would be pyramided I can not answer.

Senator KING. From the testimony of the preceding witnesses, and especially Congressman Howard, let me put a concrete case to you as to what I think the effect would be of raising the price of oil on the refined products. Suppose you were producing oil and at the same time were a refiner. A tariff was imposed on oil as the result of which crude oil was raised \$1 a barrel, or 95 cents a barrel, right up to the limit of the tariff imposed. I come for the purpose of making a contract running over quite a period of time for the purchase of gasoline and lubricating oils and other products of the crude oil. I am sure you would say to me, as a shrewd business man, and it would be entirely proper, "Mr. King, I will have to charge you more for the gasoline and those products than I did last year, because there is a tariff on oil of a dollar a barrel. While it is true I do not import—I produce all the crude oil which I refine—nevertheless my oil in the market is worth just as much as any other person's oil, so that I shall have to charge you upon the basis of my crude oil being worth whatever the tariff permits—say, \$2 or \$2.50." And so you would pass on to me and I would pass on to the ultimate consumer the increased price as the result of the increased price of the crude oil in virtue of the tariff. Now is that not true?

Mr. FELL. I could not do that, Senator, for this reason: That would be the logical and the desirable thing for the independent to do. But he has to sell his refined products in competition with the general market which has been fixed. He could not, because he paid more for the crude oil, get more for his refined products than what the market was.

Senator EDGE. Well, but no; the market would be higher. The world's market price because of this duty would be presumably higher. So the independent would get the same raise, if he was a refiner, that the large refiners would get, would he not?

Senator KING. There may be fluctuations.

Senator EDGE. Yes; there may be fluctuations, of course.

Senator KING. But obviously when you increase the tariff upon the raw material as a general rule that is passed on in the semifinished and the finished product to the ultimate consumer. Otherwise there would be not benefit in the tariff. They want an increase of the tariff to get a higher price. With a higher price on the raw material they immediately want a higher price, or a compensatory duty upon the finished or semifinished product, and pass it on to the consumer. And I can not see why that general rule should not apply in the oil field.

Senator EDGE. Do you not think we had better let the witness tell?

Senator PINE. Let the record show what actually happens.

Senator EDGE. Yes; I would be glad to have the witness go on.

Mr. FELL. I will give you the total results, and then if you care to go into the details I will be glad to do it.

In February, 1926, the average price of crude petroleum, exclusive of California, which is not included since the California market is geographically isolated and therefore much less subject to foreign oil influence, was \$1.88 per barrel, while in February, 1929, three years later, it was only \$1.25 per barrel, or a decline in the price of crude petroleum of 33½ per cent. The average price of gasoline at service



stations in Washington, New Orleans, San Francisco, Tulsa, was 20 cents per gallon in February, 1926, and 19½ cents per gallon in February, 1929, or a decline of only one-half cent a gallon, or 2½ per cent. The average price for fuel oil, however, declined from \$1.28 per barrel in February, 1926, to 75 cents per barrel in February, 1929, a decline of 41.4 per cent.

Senator EDGE. And what is it now, about? A little over a dollar, is it not?

Mr. FELL. Yes.

Senator KING. Do you mean crude oil, Senator?

Senator EDGE. Fuel oil.

Senator KING. Yes.

Mr. FELL. It then seemed apparent that the increase in the importation of heavy foreign oil, free of duty, has been responsible for a 41.4 per cent depression of fuel oil prices, because gasoline has changed scarcely any. That is, the more volatile substances taken from the oil have changed scarcely any in price. In the same period the prices for domestic crude, capable of much higher yields of gasoline, declined 33½ per cent in price. A great part of this decrease, in view of the shown stability of gasoline prices, can not be anything but an unjust impression upon the domestic producer of refinery loss brought about by lowered fuel oil prices. Do you see how it works back?

Senator EDGE. I follow you.

Mr. FELL. Now that is the point. The ultimate consumer—we will take your lubricating oils. You are paying the same for lubricating oils to-day at the filling station that you were paying back in 1926 when the price of crude oil was 33 or 34 per cent higher than now. So these changes in the crude oil do not control the gasoline or lubricating oil prices.

Senator EDGE. In that case it would be assumed that the producers were making less profit than they were a few years ago?

Mr. FELL. The producers of crude petroleum?

Senator EDGE. No; you mentioned the producers of lubricating oil?

Mr. FELL. Oh, they were making less profit on the lubricating oil a few years ago and on the gasoline, than they are now.

Senator EDGE. When they were paying more for crude?

Mr. FELL. Yes, when they were paying more for crude they were making a smaller profit; yes, sir.

Senator EDGE. But you say the price has not changed even though the crude price has fluctuated?

Mr. FELL. Yes.

Senator EDGE. And it is naturally to be assumed that their profits varied with that condition?

Mr. FELL. Yes; they are buying the oil cheaper and they are selling the gasoline and the lubricating oils at the same price that they were selling them at in 1926.

Senator KING. Let me ask you a question. Do you mean to say that the gasoline, kerosene, fuel oil, and lubricating oil manufactured and sold in the United States is made out of that seventy-odd million barrels that we import?

Mr. FELL. Do I mean to say that all of it is?

Senator KING. Well, any considerable part of it.

Mr. FELL. Well, there were 79,000,000 barrels, approximately, imported in 1928. What percentage of that was made into fuel oil or into gasoline or into kerosene of course I am unable to say.

Senator KING. Well, is not the major portion of its used by our ships and by our utilities? For instance, one of the witnesses from Savannah, Ga., testified to the enormous quantity of fuel oil used in that section and its beneficial result in the development of manufacturing institutions.

Senator EDGE. The figures given under oath here show that of the 79,000,000 barrels of crude oil imported the American oil-burning vessels engaged in foreign trade alone burned 23,000,000 of it, without considering any factory interests or coastwise interests.

Mr. FELL. The shipping interests alone consumed 23,000,000.

Senator EDGE. Would that include all shipping interests?

Mr. FELL. I do not know.

Senator EDGE. I do not think so. I think only part of the shipping interests.

Senator KING. There is some testimony before us indicating large consumption by manufacturing institutions, in Massachusetts, for instance, and in Connecticut, and I mentioned Savannah, Ga. So I want to be corrected, because I do not have the figures in my mind, but my recollection is that an inconsequential amount of the imported oil is used for gasoline, kerosene, fuel oil or lubricating oil. Maybe used considerably for fuel oil.

Mr. FELL. How could we determine that, Senator, unless we had the figures of the importing refineries as to the recoveries they actually got out of that oil? Now we used a great deal more than 70,000,000 barrels of fuel oil in the United States.

Senator KING. Of course.

Mr. FELL. We used a great deal more than that. But we do not know what percentage of that foreign oil that they are bringing in they are making into gasoline. We do know this. I might give you these figures taken from the Oil and Gas Journal for the first five months of this year, that might be of interest. We do know that the gasoline imports increased 36.8 per cent over last year. Now this is not crude oil or fuel oil. Gasoline manufactured outside of the United States and imported into the United States increased 36.8 per cent. We know that kerosene imports in that same period increased 7.1 per cent. We know that fuel oil and gas oil imports increased 41.7 per cent. And we know that lubricating oil imports increased 250 per cent. And the petroleum wax imports increased 55½ per cent. Now on the exports, without a tariff—we have no tariff now—yet during these same five months fuel oil and gas oil exports decreased 22.2 per cent. Kerosene exports decreased 12.2 per cent. Lubricating oil exports decreased 1.5 per cent. And petroleum wax exports decreased 37.4 per cent.

Senator EDGE. Yes; but the total exports are considerably more, which has been brought out several times, than the imports.

Mr. FELL. Yes; considerably more. But decreasing due to the fact that these companies are building and have built refineries in other countries.

Now we feel that a tariff on oil will stabilize the industry, and not only be of advantage to the industry, but be of advantage to a large part of the country—the farmers through increased value of their

properties, the merchants and manufacturers through their increased business that they would get through the petroleum industry.

Now it does seem as though the independent domestic producing industry should be relieved of the ruinous burden of excessive refinery profit, as shown by the figures which I gave you, Senator Edge, of that difference in the prices, and of contributing fuel oil at uneconomic prices to other industries whose products receive the protection denied to the oil industry.

Now I am sorry that the chairman had to leave. It is my understanding from the newspapers—I do not know whether it is true, but it is in the newspaper reports, that Senator Reed has asked or is going to ask for an increase in tariff on iron and steel or its products.

Senator KING. I do not think you can assume that as the basis of an argument.

Mr. FELL. No; I preface my remarks there by saying that I did not know that to be a fact at all.

Senator EDGE. Of course the newspapers are assuming that this tariff bill is to be the highest on record, and a few other things, and we are all now busily engaged in getting information to write it. There is no one that has any justified authority to say what it is going to be.

Mr. FELL. No. The only reason that I was particularly interested in the iron and steel products is that the oil industry, of course, consumes an enormous amount of iron and steel products. Practically everything that we use is from the iron and steel industry. And, of course, that industry is protected, which necessitates our paying more for those products than if there was not a tariff on them. As has been brought out here, a tariff will, of course, increase the price of things. That can not be helped. It has increased the price to us of the iron and steel products. The price to us of woolen goods has increased. There is a tariff on lots of our foodstuffs, which the oil men have to pay, which is the same as everybody else.

Senator EDGE. No one questions the fact that a tariff increases the price of commodities, generally speaking.

Mr. FELL. Yes; I think we are all agreed on that.

Senator EDGE. However, right along that same line, in preparing a tariff bill do you recognize that some consideration should be given to the basic economic conditions of the many, many types of commodities that we must consider? In other words, I think I brought out this morning that on our free list—and I would like to have your view on this—much more than 50 per cent, I think the accurate figures are 72 per cent of the free list to-day, just exactly the same as petroleum, is competitive in this country. In other words, that there are being produced the same type of goods, or raw materials, or whatever it might be. And yet it is on the free list the same as petroleum. Now do you recognize that in writing a tariff bill, even from a protectionist standpoint, a committee must consider basic economic conditions in addition to the fact that you very well established—and I do not question it at all—that your industry is not in the flourishing condition that we would like to see it in, and you think that a duty might help you, but when we consider that duty we must consider it in the same relationship as the 72 per cent that are already on the free list. You recognize that obligation on our part, do you not, as one who believes in protection?

Mr. FELL. Yes, sir. I see that. And I also see where you undoubtedly consider the consumers. And that was the reason that I desired to bring out that point so strongly, that in the past an increase in the price of crude oil has not affected the gasoline consumer.

Senator EDGE. Well, there have been fluctuations up and down.

Mr. FELL. Of small amounts; yes.

Senator EDGE. I can not answer as to that. I do not want to argue with you anyhow—that is not our job—that that would be subject to some correction because of the fluctuations.

Mr. FELL. Yes; there are some small fluctuations. I could give you the figures on that.

Now of course the importing companies I do not think have suffered in this situation as it exists now the way the domestic producers have suffered. I say that for this reason, that I have noticed items in some of the financial papers and statements by executives by their stockholders in which they state that their great and unusual profits in 1928 were due to the fact that they were able to buy Oklahoma and Texas crude oil at a much lower price and been able to sell the refined products at about the same price, with the exception of fuel oil, which was lower.

Now I think another thing that the committee should consider is the unemployment situation. That, of course, is a factor. And I presume that that is a matter which is self-evident; not a matter which it is necessary to go into.

Cheap fuel oil is another factor. The cheap fuel oil, of course, has had a very detrimental effect, I think to some extent, on the coal industry, because the fuel oil has replaced coal in many places, as the Senator mentioned, and in the ships.

Now I do not know—and I have been trying to think in studying this matter over—of any arguments that could be brought out against a tariff on oil that would not be applicable to other commodities. At Colorado Springs of course the matter of national defense was discussed. That all of our resources should be conserved. But I would not think that that should apply to petroleum any more than iron and steel, which is a necessary commodity for national defense, copper, or any of our raw materials.

Senator KING. May I interrupt you just a moment? I find in the Tariff Summary that the imports of crude petroleum in 1920 were more than 1,000,000,000 gallons in excess of the imports in 1928.

Mr. FELL. Yes.

Senator KING. The imports in 1920 being 4,459,000,000 gallons, plus. In 1921, five and a half billion gallons. In 1922, 5,346,000,000 gallons. In 1923, 3,443,000,000 gallons. In 1924, 3,266,000,000 gallons. And in 1928, 3,350,000,000 gallons. So that the imports of crude petroleum were considerably less in 1928 than they were in 1920, 1921, 1922, or 1923, and substantially the same as in 1924. They dropped down in 1925, 1926, and 1927.

Mr. FELL. That is very true, Senator. And after you get through I would like to state about that.

Senator KING. Yes, I am asking for information. It would indicate that the complaint about the great depression in the industry now, if it was predicated upon imports, would scarcely be sustained, because in 1920, 1921, 1922 and along in there the impression was at least that that was the time of halcyon days of the petroleum industry.

Mr. FELL. No, sir; 1921 was the year that the price of Mid-Continent petroleum dropped from \$3.50 a barrel to \$1 a barrel; 1921 was the time that there was a concerted effort made not only by the independent producers, but by the major operating companies throughout the Midcontinent Oil and Gas Association and a brief was presented here at Washington asking for a tariff on crude petroleum. And the industry was at that time facing the same problems that they are facing now so far as the domestic producer is concerned. There was a very strong effort made in 1921 to get a tariff on crude petroleum, and if I remember correctly it was included in the bill and was finally taken out—I think that President Harding wrote a letter requesting that it be repealed from the bill in 1921.

Senator KING. Well the fact was that in those early days, 1920, 1921, and 1922 and 1923, there was an enormous increase in production in Southern California. They opened up large fields, Santa Fe and Long Beach.

Mr. FELL. Yes.

Senator KING. And in Caspar, Wyo., in the Salt Creek fields there was an enormous production.

Mr. FELL. Yes, sir.

Senator KING. So that in this business, as in other business, you have your peaks and your subsidences.

Mr. FELL. But you also had large importations in those days.

Senator KING. But the importations have decreased.

Mr. FELL. They decreased, but they have started up again, I think.

Senator KING. Yes, there are more in 1928.

Mr. FELL. In 1929 they are increasing over 1928.

Senator KING. Proceed. Excuse me.

Mr. FELL. Another fact, of course, that you are not considering there, Senator, is the fact that back in 1920 and 1921 they were only recovering probably 23 per cent gasoline, whereas now they are recovering about 50 per cent gasoline—47.3 per cent I think is the average.

Senator EDGE. Are you a refiner?

Mr. FELL. No, sir, we are just producers.

The point that I have desired to stress, which I think is one of the most important facts to be considered, is the fact that an import tariff on the importation of this crude petroleum to foreign countries is not going to be reflected materially in the price to the ultimate consumer.

I would like in closing to extend my remarks by filing this petition?

Senator EDGE. As a brief?

Mr. FELL. Yes; as a brief, submitted by the Independent Petroleum Association of America, F. E. Tucker, executive secretary.

Senator EDGE. That may be done.

Mr. FELL. I appreciate the courtesy extended me and thank the committee for it.

(The brief referred to is as follows:)

**BRIEF OF THE INDEPENDENT PETROLEUM ASSOCIATION OF AMERICA**

*To the Congress of the United States:*

We desire to call the attention of the Congress to the proposed tariff schedule with relation to a tariff on crude petroleum.

The production of crude petroleum in the United States, for the year 1928, was 900,364,000 barrels with an estimated value at the source of production of

\$1,167,394,000, which places the petroleum industry as one of America's greatest industries and crude petroleum as one of her greatest natural resources. This industry naturally affects a large portion of this country and naturally the welfare of this industry is of vital interest to the Congress of the United States as well as to the people.

The industry is divided into two general classes. First, the producer, sometimes classified as the independent producer, whose interests are generally the production and sale of domestic petroleum, and, second, companies who not only produce and refine their own products but purchase and refine oil produced by other companies, controlling pipe lines which are the principal means of transporting the crude petroleum who also import petroleum produced in foreign countries.

At the end of the year 1928, we had in the United States 330,000 wells producing 900,364,000 barrels of oil with a daily average of 7.5 barrels. Of this number of wells approximately 250,000 average less than one barrel per day, per well. On account of the present price of crude petroleum these small wells are being produced at a loss to the operator and unless the market is improved must be abandoned. In the event they should be abandoned there would be an actual economic loss of about 80,000,000 barrels of high-grade oil per year.

As against the 900,364,000 barrels of oil produced in the United States, we had a domestic demand of 812,764,000 barrels of oil, leaving a domestic production, in excess of demand, of 87,600,000 barrels. At the same time we imported (largely from South American countries) 79,583,000 barrels; making a total excess over demand of 167,183,000 barrels.

Imported oil is of low grade and is produced in foreign countries under cheap labor conditions and it can be delivered in the United States at a price much below the actual cost of production of domestic oil.

As a result of this condition the industry in America is now suffering and in many places great numbers of laborers are now out of employment, and owing to the low price of domestic crude there naturally follows the tendency to encourage wasteful and uneconomical use thereof.

This petition is presented by a portion of the first group above mentioned, sometimes called the independent producer, although we must admit we are far from "independent." Once we become the owner of a lease we must follow up this possession with development or the royalty owner will cancel our lease. Then we are dependent upon a tariff protected industry to furnish us our supplies at prices fixed by them; and when oil is found we are dependent upon the second group above mentioned to furnish us a market and transportation; and the price we receive is posted by these companies without consultation with us.

We therefore ask you to consider our needs and suggested remedy as follows:

#### THE REMEDY

As was said in the report of the Federal Trade Commission, in response to Senate resolution of June 3, 1926 \* \* \*

"In general as to the prices of crude petroleum this inquiry tends to establish the conclusion that the price movements for the longer periods are substantially controlled by supply and demand conditions, but that these conditions are reflected quite imperfectly in shorter periods, partly because crude prices are determined by the decisions of a few large purchasing companies among which there is generally little real competition. With respect to refined products, at least in local sale and distribution, the price conditions reflect even less closely the actual changes in supply and demand, so far as they can be measured by concrete statistical facts."

This statement is taken from the brief submitted on behalf of the Mid-Continent Royalty Owners Association and is ably supported by tables fully set forth in their brief, which tables are hereby referred to but, for the sake of brevity, are not copied here.

In a petition submitted to the Finance Committee of the United States in the summer of 1921, when this question was before the Senate committee, Mr. Harry H. Smith, acting for said association, said:

"1. The independent domestic oil industry is in a critical condition. Over-production, in which is included imports, attended by under-consumption has so increased the stocks on hand and decreased the income of the operators as to cause demoralization. A tariff is requested not merely to prevent financial loss but, fundamentally, as a conservation measure, and for purposes of stabilization. Oil being a natural resource of limited quantity, and the business of producing it

being one of the most hazardous attended with greater risks and uncertainty, its quick restoration after an extended period of depression is difficult, if not impossible. This country can not, therefore, afford to permit known domestic sources of supply to be abandoned or lost through any preventable economic disease.

"2. The oil industry, during the war, and, before the larger price advances, had been speeded up to meet domestic and allied demands. Huge sums were invested in extensions of plants, acreage, and development resulting in discovery of new producing areas and increased refining and marketing facilities. The annually recurring supply of crude oil now and hereafter available from wells drilled during that period of stimulation is an asset which should be utilized or conserved, but which will be largely dissipated or lost if a flood of imported oil is allowed to demoralize the industry so as to cause the abandonment of such wells by reason of inability to operate them at a profit. When once abandoned they can not, as a rule, be rehabilitated.

"3. Since the European demand for petroleum and its products has seriously fallen off and since petroleum is a volatile product, the overproduction and storage of which involves a serious loss, it is necessary that there be a curtailment of production at the sources of supply in the Western Hemisphere. It would be unjust and uneconomic to ask the producers in the United States to curtail production while at the same time permitting the markets of the American producer to be supplied by an uncurtailed production in Mexico and other nearby countries.

"4. The domestic production of crude petroleum in the United States now equals and probably will this year exceed by considerable amount, the domestic consumption. By 'domestic consumption' we mean the consumption of petroleum and its products within the borders of the United States and do not comprehend within this term exports from the United States. It is not altogether improbable, however, that the domestic production for 1921 will be sufficient to supply both the domestic demand and the export trade. Under these circumstances the importation into the United States of great quantities of cheaply produced petroleum of other countries for other than export purposes is having and will continue to have a demoralizing effect upon one of the greatest of our domestic industries.

"5. Foreign countries alone can not supply the United States with the petroleum products required. A policy on the part of this Government must be adopted insuring the people a supply of oil in the future. It is suicidal to place this country at the mercy of any foreign country for its supply of oil. Nature has given some foreign countries, Mexico and others, the cheapest kind of oil production. Mexico's average per well is 2,600 barrels per day. The average in the United States is less than five barrels. Admittedly we can not compete. On the other hand Mexico and all the other countries combined can not furnish the oil needed in the United States to-day, not to mention the future.

"6. Right now the decision must be made by Congress determining whether or not the oil supply for this country shall come from the United States or foreign countries. It is not only the question of ruining all of the independent oil interests, but closing forever most of the producing wells of the United States. The producing formations in Mexico are of a totally different type than those of the United States. The Mexican production is yielded from salt-water pressure and a very loose sand so that the oil is produced in huge volume at a very rapid rate followed by sudden cessation of production. Should Mexican production, therefore, suddenly cease after having caused the abandonment of a large number of American wells, this country would be left without an adequate supply of oil.

"7. Unrestricted imports, resulting in decreasing domestic production, will tend to deliver control of the oil situation to the small but powerful group of producers of foreign oil. With the independent American producer eliminated, a foreign oil monopoly would assert itself, and, uncontrolled and uncontrollable by Congress, would exact tribute from American consumers far in excess of any possible increase of price that might result from the imposition of an import duty levied now and before American wells are abandoned.

"8. The independent producer is now an important factor in domestic production. In 1919 he produced 80 per cent of the oil coming from wells in the United States according to figures compiled by the Federal Trade Commission. Official figures for 1920 are not available but it is reasonable to presume that he maintained his position during that year. He is now, however, being forced by low prices and foreign competition to sell his better properties to larger, better financed

concerns and to abandon his older or less productive properties. A tariff is vitally necessary to the continued existence of the independent American oil producer and refiner and the healthy competition created by them in normal times.

"9. Known domestic deposits of crude oil which have been tapped can only be obtained for use through continuous operation. The fugacious character of oil and the certainty of destructive water encroachment in abandoned or inoperative wells demonstrate this fact. Should imports so demoralize the market as to cause abandonment and consequent loss as above indicated what would this country do in case of war? It would be unfortunate to place this country in time of war at the mercy of foreign oil operators or foreign fields for a petroleum supply for its Army and Navy.

"10. The United States is the greatest producer, refiner, and consumer of oil. At present with conditions normal, production and consumption would be fairly well balanced. The oil is of high grade, yielding about the right proportions of gasoline, kerosene, fuel oil, and other refined products to supply the respective demands for each of said products. Mexican oil is of low grade, yielding little gasoline and huge quantities of other products. Its importation disturbs and disrupts an otherwise well nigh perfect equilibrium. It creates an oversupply of some of the lesser important refined products but does not cheapen the price of gasoline to the American consumer. By adding to the overstock of other products it tends to make gasoline (the active commodity) carry more and more of the cost of refining while the accumulations of gas, oil, fuel oil, etc., absorb and freeze up capital which might otherwise alleviate the present strained financial condition.

"11. Products made from any imported oil are not distinguished from American oil products of that kind and do not sell at a lower price because of being made from imported oil. Foreign oil products sell on values established by American oils and not on any factor governing their own production or cost. Because of low initial cost and the integration of companies producing and refining it, foreign oil receives preference by refineries, causing a storing of American oil and a consequent backing up of domestic crude, stagnation of markets and deterioration in storage.

"12. The cheap labor, rapid rate of production resulting in low cost per barrel, and nominal transportation costs enable producers of Mexican crude to offer their oil at principal American markets at less than American operators can produce oil and pay a living wage to American workman. The production of petroleum as a factor in the total employment of labor is important in New York, Pennsylvania, West Virginia, Ohio, Indiana, Illinois, Colorado, Montana, Idaho, Kentucky, Tennessee, and Arkansas, and is a principal factor in Kansas, Oklahoma, Texas, Louisiana, California, and Wyoming. When we add to this list the States in which refineries are located we find that thirty, or a majority of the States of the Union are interested in producing or refining both so that territorially as well as numerically this country and its citizens are interested in having the domestic oil business stabilized.

"13. A tariff on imports of petroleum is important from the aspect of the revenue it will produce. When we consider that total imports of crude and refined oil in 1920 exceeded 108,000,000 barrels and on the basis of the first three months of 1921 will exceed 150,000,000 barrels this year, it becomes at once apparent that enough revenue will be created to allow Congress to dispense with some of the more obnoxious domestic or internal taxes now in force.

"14. Finally, with the United States occupying a position of preeminence in the oil industry of the world, which commanding place has been made possible by the activity and funds of the domestic producer and investor, it would seem unwise and uneconomic, if not ungrateful and inconsiderate, for the Government to adopt a policy of encouragement of the development of foreign oil fields by a few to the distinct embarrassment, loss and possible annihilation of the independent domestic industry. Such would be the result of a policy of free trade and the donation of the great American market to investors in foreign fields in a mistaken attempt to attain control of foreign supplies at the expense of home production. We claim American markets for American producers by right of creation and past faithful, efficient service in peace and in war.



"We are submitting herewith certain statistical facts and information in support of the propositions above stated.

"TARIFF COMMITTEE OF THE MID-CONTINENT  
OIL & GAS ASSOCIATION,

"By HARRY H. SMITH, *Secretary.*"

The condition has not changed greatly since then. It is true that owing to peculiar conditions in Mexico they are not sending so much oil to the United States but Venezuela and Columbia have a fast increasing production that promises to be equally as disastrous to our domestic market if they are permitted to have free access to our market.

It is our idea that the remedy is to control these imports by placing in our tariff schedule a tariff on crude oil of at least \$1 per barrel and an advalorem duty on the refined products of at least 50 per cent, based on the value of the refined products in the United States.

*Imports of crude oil into the United States, by year, years 1910 to 1920, inclusive*

	From Mexico		From other countries		Total, barrels
	Barrels	Per cent	Barrels	Per cent	
1910.....	(1)	.....	(1)	.....	571,000
1911.....	(1)	.....	(1)	.....	1,561,000
1912.....	(1)	.....	(1)	.....	6,911,000
1913.....	(1)	.....	(1)	.....	16,978,000
1914.....	(1)	.....	(1)	.....	16,913,000
1915.....	17,478,000	96.36	661,000	3.64	18,139,000
1916.....	20,125,000	96.77	672,000	3.23	20,797,000
1917.....	30,048,000	99.74	79,000	.26	30,127,000
1918.....	37,719,000	99.95	17,000	.05	37,736,000
1919.....	52,662,000	99.84	85,000	.16	52,747,000
1920.....	106,175,000	100.00	Negligible	.....	106,175,000

<sup>1</sup> Not shown separately.

Imports: 1921, 125,364; 1922, 127,308; 1923, 82,015; 1924, 77,775; 1925, 61,824; 1926, 60,382; 1927, 58,383; 1928, 79,583.

Authority: Petroleum in 1922, etc., United States Geological Survey and Bureau of Mines.

Most of this oil comes from Mexico and Venezuela and the amount imported now is not so great as in 1922 when it reached its peak. However, our own production and consumption have increased in such ratio as to leave the balance between a profit and serious loss represented by the import figures.

WHO WILL SUFFER BY THE TARIFF?

It has been argued that if a tariff is placed on oil that it will be passed on to the consumer of gasoline and lubricating oils and the "man with a Ford car" will pay the bill. This statement is not consistent with the history of the relation of the price of crude to that of gasoline.

The following table correlates the prices for the years given:

	1923	1924	1925	1926	1927	1928
Crude: Oklahoma-Kansas at wells.....per barrel..	\$1.44	\$1.45	\$1.68	\$1.88	\$1.28	\$1.20
Gasoline: Retail tank-wagon, 50 cities.....per gallon..	.18	.17	.18	.19	.15	.16
Lubricants: Cylinder 600D in tin cans.....per quart..	.22	.29	.29	.26	.25	.24

Authority: Survey of Current Business, United States Department of Commerce.

*Prices of gasoline, fuel oil, and crude petroleum of various grades and at various points for the months of February, 1926, and February, 1929*

	February, 1926	Percentage of increase (+) or de- crease (-)	February, 1929
<b>Gasoline service stations, cents per gallon:</b>			
Washington.....	21.0	-5	20.0
New Orleans.....	20.5	-4	19.5
San Francisco.....	20.0	-5	19.0
Tulsa.....	19.0		19.0
Average.....	20.0	-2.5	19.5
<b>Fuel oil, dollars per barrel:</b>			
Oklahoma-Kansas 24-26°.....	\$1.25	-40	\$0.68
North Texas 24-26°.....	1.25	-46	.68
North Louisiana 18-20°.....	1.18	-36	.75
Arkansas 16-20°.....	1.10	-32	.75
Gulf Coast.....	1.70	-47	.90
Chicago 22-20°.....	1.23	-45	.68
Average.....	1.28	-45	.75
<b>Crude petroleum, dollars per barrel:</b>			
Oklahoma-Kansas 30-30.9°.....	2.04	-41.4	1.20
Gulf Coast, grade A.....	1.50	-20	1.20
Illinois.....	2.12	-32	1.45
Panhandle 34-36.9°.....	1.50	-39	.92
Average.....	1.88	-33.5	1.25
<b>California, dollars per barrel:</b>			
Fuel oil, 15-30°.....	1.01	-18	.85
Crude petroleum: Long Beach 30°.....	1.46	-14	1.25

Authority: Oil and Gas Journal.

It will be seen by the above tables that the price of gasoline and lubricating oils does not go down in proportion with the prices of crude.

In the last few years new processes in extracting gasoline has increased the extractable percentage of gasoline content per barrel, which requires only about 59 per cent as much crude to get a gallon of gasoline as under the old methods. Also gasoline is now being extracted from natural gas. We quote from The Oil Industry To-day, prepared by the American Petroleum Institute, January, 1929, as follows:

"The refining and natural gasoline branches of the industry have made great scientific advances and refinery equipment and refining practice bear little resemblance to the industry a decade ago. An outstanding development is that of 'cracking.' By cracking fuel oil and gas oil derived from the crude oil in straight refining, a new prolific source of gasoline supply has been added and has thereby decreased the drain on the crude oil sources.

"In recent years new types of furnaces, pipe, stills, intricate fractionating equipment, many kinds of heat exchanges and other mechanical perfections have entered into the refining of petroleum. The industry has built up a new large source of gasoline in equipping leases with natural gasoline plants in connection with the saving and utilization of natural gas and the application of the gas-lift system in oil recovery. \* \* \*

"Thus the industry established new reserves to be drawn upon as conditions of demand warranted.

"Through cracking and improved refinery practices the industry has conserved hundreds of millions of barrels of crude oil for future use. For example, to have met the total demand for gasoline alone in 1927, with gasoline derived solely from the usual process known as straight refining, 1,425,000,000 barrels of crude oil would have been required. The demand was actually met with about 850,000,000 barrels. The difference, or 575,000,000 barrels, or 40 per cent, of crude oil, was conserved. Also, the industry built up a new large source of gasoline in equipping leases with plants to extract natural gasoline from the natural gas and in the application of the gas lift system in oil recovery."

You perhaps own a car and notice what you pay for gasoline. Have you noticed the price of gasoline go down or any change in the price of lubricating oil when the price of crude goes down? No! But this is passed on to the producer

of crude oil. In a speech by Wirt Franklin, president of this association, delivered on June 11, 1929, at the afternoon session of the conference called by President Hoover at Colorado Springs, he said:

"The major companies have not suffered to any appreciable extent because of the low price for crude oil, but on the other hand the executives of some of these companies have stated in some of their public statements sent to stockholders, said statements being published in the Wall Street Journal and other financial papers, that their great and unusual profits for the year 1928 had been occasioned by the fact that they had been able to buy cheap crude oil in Oklahoma and Texas, and at the same time had marketed the refined products, with the exception of fuel, at about the same price as before.

"I believe that American markets for crude oil should be kept for American producers of crude oil. There is no argument against a tariff on crude oil that can not be made against a tariff on anything else. For instance, why should we not conserve iron? It is indispensable to national defense. Why not remove the tariff on iron and steel products, allowing their free importation from England, France, and Germany, and save our own iron ore safe in the mines for that future time when it may be needed? If this were done the oil producers of the United States could buy their casing, machinery, engines, and other oil-well supplies at a much less price, and at the same time, wouldn't this be a fine way to collect our war debts from England, France, and Germany? They could soon pay us the \$10,000,000,000 now owing by exporting to us all of our needs in steel products. Why not in truth save all of our natural resources, the products of our mines, lead and zinc and all the rest, and import from foreign countries our requirements thereof? This would be as reasonable a course to pursue as to save our crude oil in the ground while we import from foreign countries to supply domestic markets."

It is true that a tariff will cause an added price on fuel oil, but this commodity is used by the manufacturing industry, all of whom depend on the tariff for the protection of their own industry.

The fuel oil is displacing coal in many factories of the country and is thereby materially affecting the coal industry. In a speech before the House committee on Tuesday, May 21, 1929, Hon. W. H. Sproul, Governor of Kansas, said:

#### "IMPORTED CHEAP CRUDE PETROLEUM PUTS COAL MINES OUT OF BUSINESS

"The 79,583,000 barrels of imported crude petroleum produced more than 40,000,000 barrels of fuel oil. This fuel oil took the place of coal in the furnaces of industries along the Gulf and Atlantic coasts. Four barrels of fuel oil produces the same quantity of heat as 1 ton of coal. The 40,000,000 barrels of fuel oil was therefore equal to 10,000,000 tons of coal. One coal miner upon an average probably could mine 3 tons of coal per day. The average number of days per year that miners are employed in mining is 200. One miner in 200 days could produce 600 tons of coal. It would require, therefore, 10,000 miners one year to produce 10,000,000 tons of coal, which was displaced by the 40,000,000 barrels of cheap fuel oil imported in 1928 from Mexico and South American countries. Upon an average it would require twice as many men one year to transport and deliver the 10,000,000 tons of coal to its ultimate place of consumption. Thus we see the importation in 1928 of 40,000,000 barrels of fuel oil, displacing and putting out of employment 50,000 American workmen for the period of 200 days, or one coal miner's year. This, of course, is only a portion of the very harmful result of the importation and the placing upon the fuel market without import duty so much cheap fuel."

There is no certainty that a substitute for gasoline will not be found. Mr. J. Edgar Pew, formerly president of the American Petroleum Institute, said (as quoted by Congressman Hastings in the *Royalty News* for June, 1929):

"The oil industry, in the opinion of many, has more to fear in the future from competition either of by-products from substitutes or by the use of other sources of power not yet developed than it has from the exhaustion of the oil supply."

A news item of recent date told of a Detroit plane making a flight using an engine adapted to the use of fuel oil with an expense for fuel of one-sixth of the cost of gasoline.

#### CONCLUSION

In conclusion we will add that there is no argument for a tariff on any commodity now protected that does not apply to crude petroleum.

This is a real conservation measure. When the producer has a great number of small wells that are no longer on a paying basis because of the price of crude

being below the cost of production, then there is nothing left for him to do but abandon his wells. When we shut down and abandon 250,000 wells, those wells are lost to our country for all time and we must replace this oil with the cheap foreign oil and at the expense of our own laborers.

This petition is presented by the Independent Petroleum Association of America, an organization whose membership at this time comes from six of the leading oil-producing States of America. And we urgently ask full and fair consideration of our problem and that the Congress of the United States place a tariff on crude petroleum and its refined products as herein requested.

Respectfully submitted.

THE INDEPENDENT PETROLEUM ASSOCIATION OF AMERICA,  
By F. E. TUCKER, *Executive Secretary*.

### STATEMENT OF H. L. GANDY, WASHINGTON, D. C., REPRESENTING THE NATIONAL COAL ASSOCIATION

(The witness was duly sworn by Senator Edge.)

Senator EDGE. I think you have been here all day, Mr. Gandy.

Mr. GANDY. Yes.

Senator EDGE: You have heard all this testimony. Now we want you to give us anything you want to give us, but if you can introduce anything that has not been covered it will be appreciated.

Mr. GANDY. I was trying to do that, Senator.

Senator EDGE. Go ahead.

Mr. GANDY. I am the executive secretary of the National Coal Association, which is a nation-wide organization of bituminous coal-mine operators. With the permission of the committee I will undertake just to touch a few of the high points in my statement and let the statement go in the record.

Senator EDGE. That is quite satisfactory.

Mr. GANDY. I take it that I do not need to take any time in dwelling on the importance of the bituminous coal mining industry of this country. It is one of the major industries. It has 600,000 employees. An investment running into the billions of dollars. And it comes into this picture, if I may use this expression, because of the fuel oil situation.

The bituminous coal industry has been going through a depression that you are familiar with, caused by many factors, one of which is this fuel oil proposition. Fuel oil in 1928 in this country amounted to something more than 454,000,000 barrels, which, if coal had been used, would have accounted for something in excess of 113,500,000 tons of coal.

Senator KING. Do you mean out of the 900,000,000 barrels produced, 400,000,000 plus?

Mr. GANDY. Plus the imports.

Senator KING. Yes, 400,000,000 plus were used for fuel purposes?

Mr. GANDY. Were used for fuel purposes. Now the foreign oil that is coming into this country is a very low grade. That has been touched on heretofore. Production of this foreign oil and the importation is increasing. The Venezuelan production to-day is running in excess of 6,000,000 barrels a month.

Senator EDGE. You say it is increasing. We have the figures. I do not want you to repeat them. But it has not increased materially, has it?

Mr. GANDY. Well, it was approximately 80,000,000 barrels last year, and it will go way beyond that this year.

Senator EDGE. You are anticipating an increase in the future?

Mr. GANDY. Yes; based on the months thus far this year.

Senator EDGE. I see. It is not on the annual amount received previous to last year?

Mr. GANDY. Well, last year it was greater than the year previous.

Senator EDGE. Somewhat, yes.

Mr. GANDY. Now, this Venezuelan production, strange to say, is coming from a small tract of about 750 acres thus far, with a proven field of wide area in extent there.

To show you how this has affected the coal industry, the price of fuel oil in this country was \$1.46 a barrel in 1925. It was \$1.14 in 1927. It was 91.3 cents in 1928. There have been some contracts made in the seventies, and I am told of one railroad receiving its oil at a Gulf port at 60 cents.

Senator EDGE. Well, the present price, my understanding is, is \$1.05. Is it not?

Mr. GANDY. \$1.05 is the bunker price in New York City.

The bituminous coal industry accepted as philosophically as it could this domestic fuel oil competition, but it viewed with very great apprehension and concern the fuel oil that is imported, produced in lands beyond the sea.

Now, taking the bunker oil situation, there has been something said here about that.

In May of this year, as quoted in the marine journals and Government reports, the price of bunker oil at North African ports was \$2.52; at British ports, \$2.34; in the Argentine, \$2.07; in Cuba, \$1.60; the Canal Zone; \$1.25, in New York, \$1.05; approximately one-half of the imported petroleum coming into the port of Greater New York at the low price. So that as against the European price of oil for bunker purposes in New York it would have to be raised from \$1.05 up to \$2.34 before there would be any parity there. So you will see that all boats are not on a parity when they bunker at any given place. The quoted price in New York is \$1.05 a barrel, but the actual competitive price you will find upon investigation is many times lower than that, and deliveries are being made on board ship, I am told, as low as 85 cents a barrel.

In this period of great stress for the industry that it is my privilege to speak for, we have the feeling that we were entirely within our rights in appealing for a measure of protection against the importation of cheap foreign oil. It not only deprives the working man of his day's work, the railroads of the transportation of the fuel, but goes all up and down the line of our long chain of business and industry.

Senator EDGE. Mr. Gandy, you perhaps have heard me ask this same question of several witnesses, and it is particularly appropriate in your case, as you represent the coal industry. I should like to have your view as to how it would work, as to whether to any great extent it would really help the coal industry, as has been pointed out by previous witnesses. A large percentage of the 90,000,000 barrels, or whatever it may be, of imported oil, is being used either by factories on the coast or by the merchant marine on the Pacific and the Atlantic. I think that is clearly admitted, is it not, or at least that is my understanding of what has been said by other witnesses. It is also well known that to bring your coal—or let me read you a sentence or two. This is the testimony of Mr. White before our committee:

The bunker price of coal to-day in Boston and Providence is \$5 a ton. It costs 40 cents a ton for delivery to the consumer. Oil is bought on the basis of

\$1.05 a barrel to \$1.10. We figure, and I think accurately, that four barrels of oil will do the work of a ton of coal. That means \$4.20 as against \$5 to begin with.

Without going into other figures, what is your answer to that statement so far as the practical benefit to the coal industry is concerned?

Mr. GANDY. I take no exception to his figures. Even on those figures a raise in price of fuel oil of approximately 25 cents a barrel would put the two very nearly on a parity.

Senator EDGE. You must also consider, and I do not want to take your time, that it requires a tremendous expense for changing equipment in order to come back to the use of coal.

Mr. GANDY. Yes; I realize that, and some will do it and some will not. It is an economic proposition. We are faced not only with the present marketing facilities, but we are hearing of transportation by pipe line of this foreign oil back from the coast in order to serve industries back in the interior.

Senator EDGE. Do you mean to say that you would not expect the coastwise business to be benefited?

Mr. GANDY. We are now threatened with pipe line delivery back in the interior, in Pennsylvania and in your State, Senator Edge.

Senator EDGE. Oh, you are threatened with pipe line delivery of imported oil?

Mr. GANDY. Yes, sir.

Senator EDGE. Very well. Go on and tell your story.

Mr. GANDY. That is my story, gentlemen of the subcommittee.

Senator EDGE. Do you wish to file a brief?

Mr. GANDY. Yes, sir; I have done so.

Senator EDGE. Thank you.

(The brief referred to is as follows:)

BRIEF OF HARRY L. GANDY, WASHINGTON, D. C., REPRESENTING NATIONAL COAL ASSOCIATION

I represent the National Coal Association, the nation-wide organization of bituminous coal mine operators. I appear before you to present the reasons why the bituminous coal industry believes that it is justified in asking that the tariff bill now under consideration include among its provisions an adequate duty upon imported petroleum and gas and fuel oil.

Both on account of its magnitude and because of the difficult times through which it has been passing, the bituminous mining industry is deserving of your most careful consideration. The investment in bituminous mine operation is approximately \$3,000,000,000. Nearly 600,000 wage earners are engaged in the industry, as well as some 35,000 salaried men about the mines and in the offices of the companies. More than 3,000,000 people are directly dependent upon the industry for their daily living, and operators' expenditures for supplies and materials in connection with mine operation, and the personal expenditures of 635,000 people for needed articles of consumption are a substantial factor in the total demand for goods and services.

Moreover other industries—and especially transportation—are greatly affected by conditions in the bituminous industry. Bituminous coal constitutes the largest single item of traffic of the railroads of the country, and traffic of a highly profitable nature. The earnings of that traffic are disseminated through the pay rolls and other expenditures of the railroads and serve as a stimulus to many other lines of productive operation.

Finally, the importance of the industry is not adequately indicated even by its magnitude. There is no possible substitute for bituminous coal as the industrial fuel of the Nation, and more households use it for heating purposes than use any other form of domestic fuel. Surely, I need not apologize for inviting your

sympathetic consideration of conditions which impair the prosperity of so large and important an industry.

During the decade that has elapsed since the close of the World War, the bituminous mining industry has had to contend with a number of adverse conditions, for the existence of which it was itself in no way responsible. In patriotic response to the war need of coal, the industry rapidly increased its productive capacity to a point far in excess of what was needed to meet peace-time demands. After the close of the war the elimination of such excess capacity began, but, because of the permanent character of coal mine investments, it has necessarily been a slow and costly process.

New conditions were continually arising to make the process more difficult. On the one hand improved mining methods, mechanization and electrification of coal mine operations have been adding to the capacity of the better mines, while at the other extreme high cost operations were being eliminated. Moreover, the market for bituminous coal, while perhaps not actually declining, has failed to advance in proportion to the growth of industry and transportation. On the one hand improved methods of preparation and combustion have brought about great economies in the use of coal until in many lines not much more than half the coal consumption is required for the performance of a given amount of work that was required 10 years ago. On the other hand rival sources of power have encroached upon what was in pre-war times the nearly exclusive market for bituminous coal. Of these substitutes for coal the most important have been hydrogenated electricity and fuel oil. Facing this condition of excess war capacity, increased efficiency of mining and the falling off in the rate of expansion of the consumption of bituminous coal, the industry has had to make profound readjustments. Under the circumstances, the progress that it has made toward stabilization is noteworthy.

The competition of fuel oil to which I have just referred has been one of the most serious factors in the bituminous coal situation. This competition has been growing more intense with the increase in the quantity of fuel oil seeking a market. The average annual production of fuel and gas oil in the United States in the three years 1919, 1920, and 1921 was 207,560,000 barrels, while the average for the three years 1926, 1927, and 1928 was 394,672,000 barrels. If we convert oil into bituminous coal with the usual rate of equivalence of four barrels of oil to the ton of coal, we find that during the earlier period oil was displacing approximately 52,000,000 net tons of coal per year, while during the latter period it was displacing 98,668,000 net tons of coal. In the year 1928, 454,000,000 barrels of oil were consumed as fuel, displacing 113,500,000 tons of coal.

This competition of oil with coal has varied in intensity in different fields of consumption. For use as bunker fuel the substitution of oil for coal has been carried far, as is shown by the fact that at the present time nearly three-fourths of the tonnage passing through the Panama Canal consists of oil-burning vessels. The next most effective competition is in the field of heating of offices, apartments and residences, where the alleged convenience, comfort, and regularity of operation of oil heating have overcome a difference in cost favorable to the use of bituminous coal. In both of these fields coal is making every possible effort to hold on to its market, in the former through the use of pulverized fuel and in the latter through the introduction of mechanical stokers.

Ordinarily, where coal is abundant and the delivered price cheap, oil makes little headway, and on the other hand in sections of the country adjacent to the highly productive oil fields of the West and South, the inroads of oil are much more marked. In the industrially developed East it has been along the Atlantic seaboard that bituminous coal has met with the most determined competition of oil as industrial fuel. The center of this competition is found in those seaboard towns to which petroleum can be easily transported by water.

In spite of the rapid increase in the available supply of fuel and gas oil and the resulting intensity of competition between that fuel and bituminous coal, the bituminous industry succeeded until recently in adapting itself to such competition and arriving at a fair degree of stabilization. It is now face to face with a new source of competition, and it may be frankly stated that it has not yet become sufficiently stabilized to be able to face the new situation with equanimity.

The source of the new competition is the large and growing importation of petroleum and fuel oil from the countries around the Caribbean Sea. Even as recently as 1924 imports from these countries, Colombia, Venezuela and the Dutch West Indies, amounted to little more than a million barrels. In 1926 they amounted to about 16,000,000 barrels; in 1927 they had increased to 29,500,000

barrels, and in 1928 to the enormous total of 58,809,000 barrels. It is against this flood of oil, produced under conditions with which neither the oil nor the coal industries of this country, with American standards of living to maintain, can hope to compete, that the bituminous industry desires protection.

Moreover, there seems to be no limit to the future increase in imports from these countries. According to information published in the Oil and Gas Journal, an authoritative petroleum trade publication, there are enormous untouched reserves awaiting development. According to that authority, the Lagunillas field of Venezuela, which is now producing about 50 per cent of the output of the country has been proven productive for a distance of 8 miles with an indeterminate width of several miles. The present large output from that field, aggregating 6,000,000 barrels a month, comes from a drilled area of only 750 acres. It is difficult to conceive the possibilities of production from a field of that extent and richness.

Production of petroleum in Venezuela has steadily increased in quantity until it is now running at a rate around 150,000,000 barrels a year. Each month shows an advance over the month before. The production in May, 1928, was 8,784,123 barrels. In May, 1929, the amount had increased to 12,038,164. Similar conditions exist in Colombia. The only limit upon the quantity of oil to come out of that general territory seems to be set by the available transportation facilities.

This new Caribbean oil is a particularly harmful competitor of bituminous coal because of its physical constitution. It is what is known as a low grade oil. It yields a comparatively slight percentage of refined products through the ordinary processes of distillation. It is estimated that only approximately ten per cent of the crude petroleum is taken off as gasoline by the topping process; the remaining 90 per cent enters directly into the market as fuel oil in competition with bituminous coal.

This sudden influx of large quantities of a low grade oil has had the effect on the price of fuel oil that one would naturally expect. This price has fallen rapidly year by year since the Caribbean oil began to come in. In 1925 the average refinery price of fuel oil, as reported by the Department of Commerce, was \$1.46. In 1927 it had declined to \$1.14, in 1928 to 91½ cents, while during the last half of 1928 the average was only 84½ cents.

On the basis of the equivalence of 1 ton of coal to 4 barrels of oil, these fuel-oil prices correspond to coal at a delivered price of \$5.84 a ton in 1926, \$1.56 in 1927 and \$3.65 in 1928. Thus, the bituminous industry, which had learned by painful experience to meet the competition of fuel oil selling as it did, for a long period, at around \$1.50 a barrel, suddenly finds itself face to face with intensified competition with that fuel selling to-day at \$0.85 a barrel.

But this average price for fuel oil reported in market statistics, just because it is an average of many grades of oil in many localities, fails to reveal the remarkably low figures at which fuel oil from Venezuela and the West Indies is being delivered to consumers at or near Atlantic and Gulf ports. Trade papers carry reports of contracts for Venezuela fuel oil entered into by industrial establishments at a price as low as 78 cents a barrel, and one railroad is reported to have contracted for a full year's requirements at the astoundingly low figure of 60 cents a barrel delivered. If this price is converted into an equivalent coal price, the result is a price of \$2.40 a delivered ton of coal.

A coal price in these seaboard cities scaled down to meet such prices for oil as those quoted above would yield little if anything in excess of the freight charge on the coal from the mine to the point of consumption. The freight charge on bituminous coal from the Birmingham district of Alabama to the nearest Gulf ports is \$1.80 a net ton; the lowest rate from Central Pennsylvania to any New York harbor terminal, that at South Amboy, is \$2.44 a net ton; while the lowest rate from any bituminous coal field to any Atlantic port is \$2 a net ton. These transportation charges are equivalent to the delivered cost of fuel oil quoted above, or approximate it so closely as to leave an entirely inadequate return for the operators shipping the coal.

The situation may be summed up as follows: The bituminous mining industry, with an investment of billions of dollars, and employing hundreds of thousands of men, is rapidly losing some of its important established markets through the importation of vast quantities of low-grade oil produced under conditions which would be intolerable to American workers. The industry has in the past accepted the competition of domestic oil philosophically. It has no patience with the prospect of losing more of its markets to oil competition when the benefits are to be enjoyed by producing concerns located in countries with intolerably low



standards of living. A moderate duty on imported petroleum and fuel oil will preserve those markets for American industry, and it is for such protection that we are appealing to-day.

If the imposition of a duty on this Venezuelan petroleum would have the effect of substantially adding to the cost of gasoline to the American people, that circumstance would need to be given considerable weight. However, as has already been pointed out, the recovery of gasoline from Venezuelan oil is extremely slight, constituting on the average less than 10 per cent of the crude petroleum from which it is extracted. A duty which would have the effect of substantially checking the influx of this low-grade oil, with a great benefit to the bituminous mining industry in its competition with fuel oil, would have a negligible effect upon the price of gasoline. Roughly speaking, only one-tenth of the duty imposed upon crude petroleum would fall upon the gasoline contained in it, and under the conditions under which gasoline is marketed in this country to-day, it would require a very high duty on crude oil to have any effect upon the retail price of gasoline.

Moreover, even in the case of crude oil the result would be largely confined to the Atlantic seaboard. Even there the effect would be not to raise prices above the normal level but to restore prices to the level prevailing before the beginning of this influx of this petroleum produced under un-American conditions. We are not asking for a duty as a means of raising prices, but solely as a means of maintaining prices and thereby preserving natural bituminous coal markets for the bituminous industry.

It has been argued that a duty on imported petroleum such as we are asking for would impose additional costs upon American shipping, which costs they would find it impossible to meet in competition with the shipping of other countries. Before that statement is accepted at its face value it is well to give due consideration to two circumstances. The first of these is that the price of fuel oil which we are hoping to see established through the imposition of the duty asked for by us is not an abnormally or unprecedentedly high price but is only the price prevailing before the influx of Caribbean oil. While these prices were prevailing American shipping seemed to be able to stand up in competition with the shipping of other countries.

The second fact to be considered is this: The price of bunker oil today is lower in New York than it is in any of the ports of the countries with whose shipping we have to compete. The following figures are typical: In May, 1929, the price of bunker oil per barrel was \$2.52 in North African ports, \$2.34 in British ports, \$2.07 in Argentine, \$1.60 in Cuba, \$1.25 in the Canal Zone and \$1.05 in New York City. The cost of bunker oil in New York is so much lower than it is in other ports that vessels of foreign register naturally make a practice, when practicable, of filling their bunkers in New York rather even than in their own home ports. The price of oil in New York harbor would have to be raised \$1.29 a barrel before it would be as profitable for an English vessel to bunker at a British port as at New York.

Foreign and domestic shipping alike is buying its oil in American ports whenever it can do so. English vessels do not buy oil at \$2.34 per barrel in England to compete with American vessels buying oil at \$1.05 a barrel in New York City, but both vessels alike buy their oil so far as possible at that port on their route where such oil can be bought most advantageously. The elaborate argument, based on the claim that any increase in the price of oil in New York caused by the imposition of a duty on imported oil, would constitute a proportionate handicap in the competition of American with foreign shipping, is without any justification in fact.

It is probably true that the imposition of a duty upon imported fuel oil would increase somewhat the cost of such oil in the domestic market above its present abnormally low level. If that fact constitutes a conclusive argument against a duty on oil it is difficult to see any justification for duties on any class of imports. It is the purpose of such duties to prevent prices from falling below the point where the American producer can pay to his workmen a wage which will enable them to maintain their standard of living and do their part as consumers of the products of industry. To maintain that no duty should be levied which would result in higher prices, regardless of conditions under which imported commodities are produced, and regardless of the effect of such imports upon American standards of living, is to nullify the entire principle of protection.

The position of the bituminous mining industry on this matter may be briefly summed up as follows: The industry has been going through a period of stress and strain for reasons for which it was not itself responsible. The war, the loss

of market through improved methods of combustion, increased mining capacity brought about by mine mechanization, the competition of rival sources of power, especially hydrogenerated electricity and fuel oil, have one after another brought upon the industry serious problems of readjustment. After going through such a strenuous experience the industry is in no condition to cope with additional difficulties.

The present rapidly expanding importation of low-grade oil from the Caribbean Sea is subjecting it to such additional difficulties. Its legitimate interests can be protected by a moderate duty on imported petroleum. Such a duty would have its maximum effect upon the price of fuel oil at and near the Atlantic seaboard, but would have a negligible effect upon the price of gasoline to automobile users and would in no way handicap American shipping in competition with ships of foreign countries.

The bituminous mining industry on account of its size, its large capital investment, and the large number of people directly and indirectly depending upon it, is entitled to every possible consideration. A duty on imported petroleum that would preserve normal bituminous markets for the bituminous industry as against the influx of foreign oil would be in all respects in accordance with the economic principles underlying the whole policy of protection.

In order that the committee may have readily available a record of the rapid increase in the importation of oil from the Caribbean countries, I am filing herewith a table, showing imports of crude petroleum for each of the years 1924-1928, inclusive, distributed by the country of origin of the imports. The briefest examination of this table will reveal the phenomenal increase in imports from the Dutch West Indies, Colombia, and Venezuela during the past three years.

*Imports of crude petroleum into the United States, by sources, 1924-1928, in barrels of 42 gallons*

Imported from—	1924	1925	1926	1927	1928
Adon.....				63,816	
British India.....				13,330	
Canada.....	169	3,640	5,260	10,504	
Cuba.....				7	
Chile.....			119,000		
Colombia.....	68		3,620,720	7,062,000	11,833,025
Dutch West Indies.....	1,185,823	3,273,719	7,087,747	10,136,248	21,959,387
Ecuador.....			143,827		
Italy.....				0	
Irish Free State.....			68,711		
Jamaica.....				115,000	
Mexico.....	73,078,584	55,018,032	40,398,454	26,019,048	17,581,211
Other British West Indies.....			75,280	72,468	
Peru.....	2,429,729	1,824,843	3,043,560	1,886,474	1,224,125
Paraguay.....				73,000	
Trinidad and Tobago.....	180,781	254,433	404,184	451,467	
Uruguay.....			218,216	146,585	
Venezuela.....		1,418,630	5,197,300	11,423,575	21,987,319
All other countries.....	10	45	65		2,143,605
Total.....	77,775,173	61,824,242	60,382,330	58,382,632	70,766,672
Total importations from Dutch West Indies, Colombia, and Venezuela.....	1,185,801	4,692,349	15,905,767	29,521,823	58,809,731

### BRIEF OF GEORGE W. LEWIS, REPRESENTING THE UNITED MINE WORKERS OF AMERICA

Mr. HOWARD. Mr. Chairman, Mr. Lewis is the legislative agent of the United Mine Workers of America. You understand that through some misunderstanding we only had notice of this hearing Saturday. I telegraphed Mr. Lewis and have here a telegram which is sent to me:

Acknowledging your wire, regret circumstances will prevent me being in attendance at hearings Wednesday and Thursday. I suggest, however, in lieu of my attendance, you have read into record copy of letter from president of United

Mine Workers of America to all Members of the Senate. This letter constitutes a fair statement of the position of the United Mine Workers of America and very effectively portrays the attitude of the organization.

I might say that this telegram is signed by George W. Lewis, legislative agent of the United Mine Workers of America. I also ask leave to file with the clerk of your subcommittee the brief furnished by Mr. Lewis as representing the United Mine Workers of America.

Senator EDGE (presiding). The brief will be included in the record. (The brief referred to is as follows:)

INDIANAPOLIS, IND., June 9.—John L. Lewis, president of the United Mine Workers of America, has sent the following letter to all members of the United States Senate:

"As president of the United Mine Workers of America, and speaking for that organization, I earnestly urge upon the Senate and House of Representatives of the United States Congress the vital necessity of a tariff on the import of foreign-produced petroleum oil imported into the United States. As I request that in the preparation of a tariff law, a task with which Congress is now engaged, you provide for such tariff on oil. This action will be in the best interests of the general public of the United States, because it will aid very greatly in affording employment for many thousands of now idle men in the coal-producing industry, thus enabling these men to earn a living for themselves and their families."

The free importation of cheap oil from foreign countries into the United States has had a depressing effect upon American produced coal, and we see no good reason why this great, vital, fundamental American industry should be thus penalized in favor of foreign industry and foreign labor. There is no question but that consumption of many millions of tons of coal have been displaced by the use of oil produced in the United States. This, of itself, has done vast injury to the coal industry. To permit the continued free entry of many more millions of barrels of foreign oil simply means still further shrinkage in the consumption of American coal and the wrecking of this great American industry. Just how this thing works will be made clear when I point out that the 431,067,000 barrels of fuel oil used in the United States in 1927 displaced 110,000,000 tons of coal, or approximately 20 per cent of the normal output of American coal mines. Even this displacement was so disastrous as to close a vast number of mines and to throw many thousands of mine workers out of employment. And, now, if this Government permits the continued free entry of foreign produced oil, it will mean the closing down of more mines and the unemployment of more thousands of men.

When hundreds of thousands—,ye, millions— of men are out of work, as is the case at present, there must necessarily follow a slump in business and commerce of the country. These men, with no opportunity to earn a living, have no money to spend. They can not buy the products of mills, factories and shops. They can not trade with local merchants and business men. Consequently, the entire business and industrial structure of our country suffers from business depression. Especially is this true in those countless communities, once prosperous, but now practically bankrupt, where coal mines either are wholly idle or operating but a few hours a week and where the earnings of coal-mine workers have shrunk almost entirely, if not altogether, to the vanishing point. Coal is produced in 30 States, and these conditions exist in each and every one of these 30 States. We contend that the Congress should not take any step that would further aggravate this intolerable condition, and this is what would happen if foreign oil were given continued entry free of tariff duty into the United States.

We contend, further, that it is the duty of Congress to protect the interests of American labor rather than that of foreign labor. Americans are not employed to any appreciable extent in the production of oil in foreign countries. Wages paid for labor performed in the production of oil in those foreign countries goes to inhabitants of those countries. They receive American money for producing oil that would be shipped duty-free into the United States and throw thousands more American workmen out of employment. There would be no justice in such a plan from the standpoint of the best interests of the American public. On the other hand, an adequate tariff on foreign oil, whether it comes from Mexico, South America or anywhere else, would strengthen the demand for American oil and American coal for fuel purposes in this country, and it would mean employment, earning power, food, clothing, shelter, education, and progress

for countless thousands of good, loyal American citizens. It would mean a revival of the coal industry, now so near to the industrial graveyard. It would mean improvement in industry, trade, commerce, and transportation. It would mean more business for the merchants and business men of the 30 coal producing States. I may state it clearly as to our position that these considerations far outweigh any benefit that could possibly accrue to the people of the United States by permitting foreign oil to enter this country duty-free.

Our understanding of the matter is that tariff duties are levied for two purposes, viz; to raise revenue for the Government and to protect American industry and American labor from the destructive competition of pauper-wages paid to labor in many foreign countries. I do not hesitate to say that Congress can find no other American industry that needs this kind of protection to-day more than does the fuel industry.

Therefore, in the name of the United Mine Workers of America, and in behalf of American labor, I again earnestly urge that Congress levy an adequate tariff duty on the import of foreign oil into the United States.

**STATEMENT OF CARROLL H. WEGEMANN, NEW YORK CITY,  
REPRESENTING AMERICAN COMPANIES PRODUCING OIL  
ABROAD**

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. WEGEMANN. In considering a duty on crude oil and its refined products imported into the United States, it seems to me that one of the most important points to be considered at first is the position of the United States with reference to its reserves. The Federal Oil Conservation Board has stated that we have 18 per cent of the world's reserves of crude oil; also that we are producing 68 per cent of the world's production.

Our whole modern civilization, of course, is built on cheap power, which has been furnished by our crude-oil supplies. We have been, and are, the greatest producers of crude oil in the world.

We also probably have the highest industrial civilization in the world to-day, and that industrial civilization has been made possible by the cheap power furnished by crude petroleum.

With that picture in mind, I would like to briefly outline the results of this tariff. Of course, the obvious first result is an increase in the price of fuel oil, and all refined products of oil to the consumer.

An increase in the price of crude oil will, of course, cause an intensive development of our own fields. We are at the present time importing into this country about 91,000,000 barrels of crude oil from foreign fields. This import will have to be made up from our own fields. Any increase in the price of crude oil will inaugurate an intensive wildcatting campaign, and our own reserves will be depleted so much the sooner.

We have had overproduction in the oil industry for a number of years. It may be of interest to you to know the reasons for that overproduction. To begin with, we have greatly increased our ability to drill wells. We can drill wells now in half the time they could have been drilled a few years ago.

Senator REED. Why?

Mr. WEGEMANN. Because of the improvements in drilling machinery; improvements in drilling methods and drilling machinery. We have more tools to meet emergencies.

Senator SMOOT. And experience, too.

Mr. WEGEMANN. We have larger rigs, heavier casing, and accumulated experience, as Senator Smoot points out, of the years. We can drill the wells faster and we can drill them deeper. We can tap stands now that were beyond the reach of the drill a few years ago, and we can do it economically.

Geologists and scientists have developed new methods for finding oil. A few years ago that depended entirely on the indications on the surface of the ground. We had to find rock outcrop before we could tell where there was oil. Now we have the seismograph, which depends for its action upon the detection of certain vibrations that pass through the rock strata. We have the magnetometer, which depends on the magnetic attraction of certain minerals which different beds contain. We have the torsion balance, which depends on the difference in the specific gravity of various rocks beneath the surface.

These are all intricate instruments, but they have been satisfactory, and to-day we are finding, through the use of these instruments, a great many new fields. This is particularly true in the Salt Dome country along the Gulf coast.

So that the present overproduction of oil is due to our ability to find and exploit the fields. It is as foolish to say that because we are producing a great quantity of oil we have unlimited resources, as it was to say that because we were killing buffalo by the hundreds of thousands, we had an unlimited supply. In the old days our ancestors said the buffalo could not be exterminated, but they disappeared in three years.

It is true that our pools and our sands are limited in number. Every pool that we tap and exhaust in a few months is just one less reserve. It has taken countless ages of time for this oil to accumulate. Unlike the metals, when oil is used, it is gone forever. We mine iron, and we use it, and we still have the iron, but when we extract oil and consume it it is gone. It is impossible for that oil to be re-accumulated in the rocks, under great ages of time.

The statement has been made by one of the gentlemen who is a proponent of a tariff on oil that we have reserves which will last this country for an indefinite period. That statement is also linked with the observation that in his opinion this country will produce more oil, or as much oil, in the future as it has done in the past. That, at least, gives us a basis for argument. Suppose this country does produce, in the future, as much oil as it has produced in the past. We have produced, according to the Bureau of Mines, since 1859, in the last 70 years, 11½ billion barrels of oil.

I had one of our statisticians take the production, consumption, and the exports for the last five years, and extend that curve. He informed me that in the next 10 years we would need 13 billion barrels, or 1½ billion barrels more than this country has produced since the beginning of the oil industry.

One gentleman said that we had oil enough to last this country 500 years. That statement has been made. I doubt very much if he stopped to figure what his statement involved. It has been stated by numerous authorities that in our oil shales we had an unlimited supply; that in our vast lignite deposits of the West we had an unlimited supply; that in the oil remaining in the sands of the exhausted pools, we had a great supply.

True, but we have not a supply which can be produced economically and can place gasoline on the market at anywhere near its present price. It is the price of this fuel which is going to determine the quantity which is used and the variety of uses in which it is employed.

It is obviously impossible to mine oil shale, or coal to distill it, and then to take the distilled product and refine it, and have a product which will cost anywhere near the price at which we can produce oil as it comes from the well, at 5,000 or 10,000 barrels a day.

Senator REED. We have heard a great deal about the distillation of oil from shale.

Mr. WEGEMANN. Yes.

Senator REED. Has anyone experimented enough with it to determine at what price it could be produced?

Mr. WEGEMANN. Experiments have been made. Of course, the oil-shale industry in Scotland is very old. There, however, they were able to use the by-products, which were fertilizers, and use them nearby in agriculture, and to carry a part of the expense of mining by those by-products. Of course, our principal oil-shale reserves lie in Colorado, Wyoming, and Utah, in a country which is at a great distance from our principal agricultural centers.

There have been some experiments made in oil shale in our own country, but up to the present time it can be definitely stated that oil shale can not in any way compete with petroleum as it comes from the well.

Senator REED. You still have not answered my question. How high would gasoline have to get in order to make an oil-shale industry possible commercially?

Mr. WEGEMANN. That estimate would be more or less of a guess on my part. I think I can say three times its present price.

Senator SMOOT. No; not three times the present price. I think in Colorado they can produce it for from 20 to 25 cents a gallon; I mean, extract the gasoline from the shale. My information is that if gasoline was between 20 and 25 cents, they could produce it from shale. Of course, that is prohibitive now.

Mr. WEGEMANN. Of course, we should consider this also, that in the enormous quantities in which this is used it would take a vast army of workmen to produce enough for the use of this country.

Senator SMOOT. I think we have shale enough to last for a great many years. We have mountains of it.

Mr. WEGEMANN. We have. We have vast reserves of oil shale, but the point which I am making is that for our own future we must maintain a sufficient oil reserve to compete with foreign oil.

Senator REED. Doctor, you have said the importations last year were 91,000,000 barrels.

Mr. WEGEMANN. Yes.

Senator REED. From what countries of origin did that come?

Mr. WEGEMANN. Principally from Mexico and South America—Venezuela.

Senator REED. What distribution would you make among the countries? That is, did 30,000,000 barrels come from Venezuela, for example? Do you remember the distribution?

Mr. WEGEMANN. I do not remember offhand the distribution of last year.

Senator SMOOT. A great percentage came from Mexico.

Mr. WEGEMANN. The Mexican production is declining at the present time. Venezuela is rapidly increasing. Of course, the distribution would vary from month to month last year, because of the great increase in Venezuelan production and the decrease in Mexico.

Senator REED. Is there anything else?

Mr. WEGEMANN. I would like to call attention to one or two of the fallacies which have been presented in briefs on this subject.

One gentleman mentioned that in this country there were 250,000 wells which were producing less than a barrel a day. He stated that at the present price of crude oil these wells could not be pumped, or were pumped only at a loss; that if the present price of crude oil were not raised, these wells would have to be abandoned and the wells lost. Understand, these wells are producing less than a barrel a day.

Senator REED. Which wells are those?

Mr. WEGEMANN. These are the small wells in the country, which are mentioned in one of the briefs favoring a tariff on oil, the argument being made that unless the price of crude oil is raised, 250,000 wells must be abandoned and lost to the country.

I wish to call attention to the fact that these wells are principally in Pennsylvania, New York, Ohio, and Indiana, where the prices of oil run from \$2.45 to \$4 a barrel; that these wells are on small farms; that they are pumped at a very small cost; and that closing any of the wells for a considerable period does not injure them. In fact, many of these wells are pumped only once a month. Wells do not go to water when they are shut in. They are not injured, and I feel that the statements which were made in support of what purported to be a conservation measure can not be substantiated by the facts.

I should like to mention also that the foreign oil which is being imported into this country is produced by American companies. The statement has been made by the United Mine Workers of America that they are competing in coal mining with foreign oil produced by cheap foreign labor.

Our foreign oil in Mexico and South America is produced by American companies and it is produced by American drillers. A driller in Venezuela costs his company \$20 a day, as against \$12 in this country. The tool dressers, gaugers, and all the other American employes of the fields get proportionately more than they do in this country. Cheap foreign labor, or peon labor, is used only in combatting the jungle, in clearing roads, in combatting the difficulties that are met in the Tropics, which are not present in this country, and, where present, as in some of the Southern States, are met by Mexican and negro labor.

The statement that this foreign oil is produced by cheap foreign labor is without foundation in fact. The statement that the foreign oil is produced from very shallow wells, which can be drilled cheaply, is without foundation in fact. The wells in Venezuela are between 2,000 and 3,000 feet in depth, and they cost \$50,000 to drill.

We have, in our American companies which are producing foreign oil, the greatest relief in the future, when our oil supplies are giving out. The encouragement of these companies, which are working in foreign fields, and which, in the future, will supply the needs of the United States, should be had.

Senator REED. With what company are you connected?

Mr. WEGEMANN. I am with the Pan-American Petroleum & Transport Co.

Senator BARKLEY. Do you occupy any position with the American Petroleum Institute?

Mr. WEGEMANN. I do not, I was for 10 years a member of the Geological Survey. I have been an expert on mineral fields for 22 years.

Senator SMOOT. Thank you very much.

(Mr. Wegemann submitted the following brief:)

*To the Members of the Finance Committee of the United States Senate:*

GENTLEMEN: There has been presented for your consideration a proposed amendment to the tariff bill which would impose a duty of \$1 per barrel on crude and fuel oil and 50 per cent ad valorem on refined products imported into the United States. In the following brief notes I shall endeavor to outline the probable effects of such a tariff on the conservation of our greatest national resource.

In 1928, according to the Department of Commerce, the United States produced 900,000,000 barrels of petroleum and imported 91,000,000 barrels. Our consumption was 816,000,000 barrels, including 51,000,000 barrels furnished ships in our harbors, and our exports 150,000,000 barrels.

In considering our production it should be borne in mind that many of our fields, particularly in Texas and California, are capable of producing at a much more rapid rate than at present. The immediate result of the exclusion of foreign oil from this country would be the opening up of these fields, which constitute part of our crude oil reserve.

The avowed intention in imposing a tariff on oil is to raise the price of petroleum and its refined products in this country. From this increase in price, which would be felt by people in every walk of life, our domestic producers may reap a transitory benefit, but at the expense of the future oil supplies of the Nation and to their own ultimate detriment. By decreasing our reserves they will shorten the lives of the companies they control.

As to our foreign exports, the large marketing companies in America have been for some time engaged in building up an important foreign trade in petroleum products, and they will undoubtedly continue to meet the requirements of their foreign markets by drawing more heavily on our domestic supply.

As to the effect of the proposed tariff on the price of coal: Consumers were burning oil in preference to coal two years ago, when fuel oil cost \$1.65 per barrel, against its present price of \$1.05. It is doubtful, therefore, if the temporary increase in price which might result from the exclusion of foreign oil would materially help the coal miners, who are largely responsible for the dilemma in which they now find themselves. Uncertainty of an adequate coal supply in the past, due to dissension in the coal industry, has been an important factor in the increasing use of fuel oil as a substitute for coal in domestic heating and in manufacturies, and this in spite of the fact that oil fuel cost more per heat unit than coal.

Much has been said regarding the effects on labor conditions in this country of the importation of foreign oil. Here let it be considered that the more important oil companies are refiners and marketers, as well as producers of crude oil, and that their major profits are derived from refining and marketing rather than from production. Men are employed in this country and dividends paid to American stockholders on the handling of imported oils, as well as on the handling of oils produced from American fields.

Ninety per cent of the oil imported into the United States is produced by American companies employing white American labor and American-made material. It is shipped in American tankers, employing American officers and crews. The allegation that imported oil is produced by cheap foreign labor is without foundation in fact. It required skilled labor to produce oil and Americans are admittedly the only skilled oil men in the world. An American driller in Venezuela costs his company in wages, board, transportation, and hospitalization, \$20 a day, as against \$12 in this country. Costs of tool dressers, gaugers, mechanics, and other field workers are proportionately higher.

Peon labor is employed principally in clearing jungle, building roads, and meeting the many adverse conditions of life and work in the Tropics, which are not usually found in the United States, and, where found, are met by negro and



Mexican labor. The books of one American company show that since 1925 it and its subsidiaries paid a total of \$39,998,706.60 for American material and its transport by American companies in one foreign field alone.

The above statements are made to make clear a subject concerning which there is evident misapprehension. After all, the nationality or pay of coal miners in this country, as against oil-field workers in Mexico or Venezuela, or the present price of a ton of coal or a barrel of crude, are unimportant matters as compared to the future of the Nation, which is absolutely dependent on our oil supply. It has been truly said that petroleum won the World War. In Report No. 3 of the Federal Oil Conservation Board to the President of the United States, America's situation is concisely described as follows:

#### AMERICA'S RELATIVE SITUATION

"The United States is preeminently the chief producer of oil in the world. During 1928, Texas and Oklahoma each produced more petroleum than the three leading foreign countries—Venezuela, Russia, and Mexico—combined. The total production of the 20 oil-producing States was about 68 per cent of the world's crude oil production, while our domestic consumption, exclusive of the addition to storage, was approximately 64 per cent of the world total. Contrasted with these large percentages for a single country are the figures for all the other countries, whose demand for petroleum products must now tend to increase possibly even more rapidly than our own demand. Roughly the United States is producing and consuming twice as much petroleum as the rest of the world. Our distribution of oil to other countries, chiefly in the form of refinery products, is a large and notable item in world trade.

"Neither the high rate of domestic consumption nor the excess of exports over imports would be disquieting if the petroleum resources of the United States bore anything like the same ratio to the world's resources as the production ratio of 68 per cent. According to the present opinion of our best geologists, our total resources, instead of being 68 per cent of those of the world, are not more than 18 per cent. If our petroleum reserves are not to be drawn upon at a faster rate than those of all other countries, our resources should be several times larger.

"The obvious inference is that the United States is exhausting its petroleum reserves at a dangerous rate. If the international comparison is made, this country is depleting its supply several times faster than the rest of the world. How real is the danger expressed in this fact and what remedy can be devised are questions confronting the American people as they plan for the future. At least, the effort should be made to propose measures that will minimize and delay the undesirable future outcome of this excessive drain upon a limited though admittedly large reserve. In this planning for the future the principal units of the oil industry itself, with their large refinery capacity and distribution systems, both domestic and foreign, have a stake second only to that of the Nation, and may well be counted on to join forces in the common interest. The depletion rate of our own resources can be brought more into accord with that of foreign resources only in one way—by importing a greater quantity of crude petroleum. The present imports of Mexican and South American crude oil come largely from American operators and, while not obtained from United States oil sands, they are the product of American engineering and enterprise. Cooperation in the development of foreign oil fields, through technical assistance and the further investment of American capital, would seem to be a logical conservation measure."

The statement just quoted has been made only after exhaustive study and contrasts strongly with many statements current among us as to our "unlimited supplies of crude oil." The present overproduction has blinded the eyes, not only of the public at large, but of the oil men themselves, to the consequences of our spendthrift methods in handling our petroleum reserves. The cause of this temporary overproduction is briefly this:

Practically all of the oil structure which can be located by surface geology have already been outlined. There are, of course, many structures which give no surface indication of their presence, and these it is impossible to locate by the usual methods of field geology. In the past few years, however, there have been developed geophysical methods of prospecting which depend for their operation on the differences in gravity of various rock beds below the surface, the rate at which vibrations travel through these beds or the magnetic attraction exerted by minerals which they contain. By these methods it is now possible to locate oil structures in areas which five years ago would have been prospected only by random drilling. During the last few years also the keen competition

for leases in areas known to be oil bearing has driven prospectors to take greater chances than usual in absolutely virgin territory. The result has been the opening of several major fields.

It is this intensive campaign of wild-cat drilling, aided by modern scientific methods, which is enabling us now to discover and exploit new fields so rapidly that for the moment the supply seems inexhaustible. But there is a limit. It has taken vast periods of time for nature to form the oil pools which we exhaust in a few months; and once used, the oil, unlike the metals, is gone forever. We may, by deeper drilling, open new sands in the sedimentary series, but these are limited in number. Below the sediments everywhere lie the ancient igneous rocks which do not carry oil. We may, by improved methods of exploration, find more pools in the areas underlain by oil-bearing beds, but such areas are limited in extent as compared to the great area of our country. Every pool which is exhausted means one less in our reserve. Our fathers thought the buffalo of the plains could never be destroyed, but they disappeared in three years. Many of us remember the vast white-pine forests of Michigan, Wisconsin, and Minnesota. They are gone.

It has been predicted here that our stores of petroleum in the ground in the States now producing will furnish sufficient oil to meet all requirements for an indefinite period to come, and this prediction is linked with the statement that the United States will produce more oil in the future than in the past. If this happy prophecy prove correct, we have at least a basis for estimate. From 1859 to April 30, 1929, this country produced, according to the Bureau of Mines, 11,530,030,000 barrels of oil. In 1928 we consumed, exclusive of our exports but including oil furnished to ships in our harbors, 816,000,000 barrels. There is no reason to assume that our exporters will abandon the foreign markets which they are actively building up, and our exports should, therefore, be taken into account. Using the curve of consumption for the past five years, and extending this curve, our statisticians estimate that this country will consume in domestic consumption and export trade 13,000,000,000 barrels in the next 10 years—an amount 1,500,000,000 greater than the total oil produced in the United States in the 70 years since 1859. If, therefore, the most optimistic estimate which has been made before you is correct, we will be at the mercy of our foreign competitors in 10 years. Oil is the most essential factor in our industrial life which has made us preeminent among the nations of the world; and when to supply this factor; without which we must cease to be a world power, we are compelled to look to foreign nations already jealous of our position, let us beware.

The British view of our situation may be inferred from the following quotation from an article entitled, "Britain's Hold on the World's Oil," by E. Mackay Edgar, published in *Sperling's Journal*, September, 1919:

#### AMERICA SHUT OUT

"What, therefore, it comes to is that, with the exception of Mexico, and, to a lesser extent, Central America, the outer world is securely barricaded against an American invasion in force. There may be small isolated sallies, but there can never be a massed attack. The British position is impregnable. All the known oil fields, all the likely or probable oil fields, outside of the United States itself, are in British hands or under British management or control or financed by British capital. We shall have to wait a few years yet before the full advantages of the situation begin to be reaped. But that the harvest will eventually be a great one there can be no manner of doubt. To the tune of many million pounds a year America before very long will have to purchase from British companies, and to pay for in dollar currency, a progressively increasing proportion of the oil she can not do without and is no longer able to furnish from her own stores. If the fall of the pound on the New York money market has not been stayed long before then, the British control of the greater part of the world's oil will not only suffice to arrest it, but will go a long way toward reestablishing the old exchange equilibrium. We are dealing, remember, with very big figures. I estimate that if their present curve of consumption, especially of high-grade products, is maintained, the Americans in 10 years' time will be importing 500,000,000 barrels of oil a year. At \$2 a barrel that means an annual payment of \$1,000,000,000 per annum, most, if not all, of which will find its way into British pockets. I invite the pessimists to put that into their pipes and smoke it."

The same thought is more tactfully expressed in a recent interview with Santiago Conzalez Cordero, subchief of the petroleum section of the Mexican Department of Industry, Commerce, and Labor and published in the *Oil Weekly* of June 14 of this year.

"The United States reminds me of the prodigal son, of whom we read in the Bible. Your country has inherited vast riches in petroleum and other natural resources, which are now being squandered in a most wasteful way. When your inheritance has been spent, you will have to return to Mexico; and then—

"And then what, Señor?

"Then you will have to look to Latin America for your crude supply."

In September, 1926, the Federal Oil Conservation Board, composed of Secretaries Work of the Interior, Davis of War, Wilbur of the Navy, and Herbert Hoover of Commerce, reported to the President, in part, as follows:

"While the production of oil upon our own territory in obviously of first importance, yet in failure of adequate supplies the imports of oil are of vast amount. The present imports from Latin-American fields amount to about 62,000,000 barrels annually of crude oil, against which we export about 84,000,000 barrels of products. The fields of Mexico and South America are of large yield and much promising geologic oil structure is as yet undrilled. That our companies should vigorously acquire and explore such fields is of first importance, not only as a source of future supply, but supply under control of our own citizens. Our experience with the exploitation of our consumers by foreign-controlled sources of rubber, nitrate, potash, and other raw materials should be sufficient warning as to what we may expect if we should become dependent upon foreign nations for our oil supplies. Moreover, an increased number of oil sources tends to stabilize price and minimize the effect of fluctuating production."<sup>1</sup>

The entire structure of our economic civilization is built upon the use of machinery in the production of the necessities of life and in their transportation. Petroleum has become not only the lubricant but the motive power of this machinery, which must cease to operate when the cost of petroleum becomes excessive. Nor is there known to-day any substitute which can compete on an economic basis with petroleum as it comes from the well. Automobiles, aeroplanes, the gas-driven machinery of the farm and factory, the oil burning ships of our Navy and our commerce, are such commonplace matters that it is difficult for us to visualize a return to the coal age of a generation ago. It would be a catastrophe indeed if after having built up the most marvelous civilization the world has ever known we should be forced to give it over to our wiser neighbors who have not squandered their resources while we ourselves sink back dependent upon them for our greatest source of power.

I therefore appear before you in opposition to a tariff on oil, and to urge upon you the necessity of admitting all foreign oil duty free as a conservation measure which is of vast importance to the future of the United States.

Respectfully submitted.

CARROLL H. WEGEMANN  
(For 10 years specialist on mineral fuels,  
United States Geological Survey).

CITY OF WASHINGTON,  
District of Columbia, ss:

On this 9th day of July, 1929, appeared before me Carroll H. Wegemann, personally known to me, and being duly sworn he deposes that he wrote and signed the foregoing statement; that said statement is true as to matters stated upon his own knowledge and as to matters stated upon his information and belief he believes them to be true.

[SEAL.]

FRANK DE NUNZIO,  
Notary Public.

SUPPLEMENTAL BRIEF OF CARROLL WEGEMANN, NEW YORK CITY, REPRESENTING AMERICAN COMPANIES PRODUCING ABROAD

Carroll Wegemann, being duly sworn deposes and states that he has read the transcript of the hearing before the special subcommittee on paragraph 1730—Petroleum Committee on Finance, United States Senate, held on Thursday, July 18. That among a number of inaccurate statements made by witnesses

<sup>1</sup> This statement is readily brought up to date by changing the second sentence to read:

"The present imports from Latin American fields amount to about 79,000 barrels annually of crude oil, against which we export about 126,000,000 barrels of products."

In 1926 exports were 35 per cent in excess of crude imports. To-day they exceed imports of crude oil by 59 per cent in point of tonnage.

In value our 1928 imports of crude oil cost us \$90,413,284. Our exports brought us \$525,536,787—a favorable trade balance of \$435,123,503.

then appearing, he notes two misleading statements which are of sufficient importance to be corrected in the record, which statements are as follows:

(1) In the evidence of Hon. E. B. Howard, he states:

"We think that right here it might be of interest to the committee and the public to know just who and how few interests there are engaged in importing oil into this country. For your information on this subject we quote from a brief prepared by the Mid-Continent Royalty Owners Association of America, for submission to Congress, as follows:

*Shipments of Venezuelan crude petroleum by companies for the year 1928 (partly estimated)*

Company	Shipments (barrels)
Venezuelan Oil Concessions (Ltd.) (subsidiary of Royal Dutch-Shell group).....	34, 364, 000
Lago Petroleum Corporation (subsidiary of Standard Oil Co. of Indiana).....	26, 800, 000
Falcon Oil Corporation.....	657, 000
Gulf Oil Corporation and Creole Petroleum Corporation (subsidiary of Standard Oil Co. of New Jersey).....	12, 553, 000
Gulf Oil Corporation.....	4, 096, 000
Gulf Oil Corporation and Venezuelan Petroleum Corporation (subsidiary of Sinclair Consolidated Oil Co.).....	7, 800, 000
Caribbean Petroleum Co. (subsidiary of Royal Dutch-Shell group).....	12, 233, 000
British Controlled Oil Fields (Ltd.).....	1, 686, 000
General Asphalt Corporation.....	415, 000
<b>Total.....</b>	<b>100, 604, 000</b>

"A study of this table, which was compiled from official files, discloses that only nine companies, every one of them subsidiaries of the Standard Oil Co. and its associates, except two, are the only American companies benefited by a condition that has brought depression and financial ruin to thousands of American independent producers, royalty owners and wage-earners of the oil industry. We especially call your attention to the fact that the exceptions referred to are foreign owned corporations—The Royal Dutch Shell Corp., owned largely by the English Government, and the British Controlled Oil Fields (Ltd.); and also to the fact that of the 100,604,000 barrels estimated to have been imported into this country from Venezuela during 1928, 48,283,000 barrels of it were imported by these two foreign-owned and controlled companies.

With these facts before us is it surprising that we are asking an American Congress for protection?"

The above statement is inaccurate. One of the companies mentioned can be characterized as a partly-owned subsidiary of the Standard Oil Co. of Indiana. The Creole is a partly-owned subsidiary of the Standard Oil Co. of New Jersey. Not one of the remaining companies is a subsidiary of the "Standard Oil Co." The V. O. C. and the Caribbean Petroleum Co. are, in fact, subsidiaries of the Shell group.

The figures are not, as the declarant would have it inferred, figures of imports into the United States from Venezuela, but are an estimate of the total export from Venezuela to the whole world during 1928, a large proportion of which, notably of the production of the Dutch Shell subsidiaries, went to Europe. The statement "of the 100,604,000 barrels estimated to have been imported into this country from Venezuela during 1928, 48,283,000 barrels of it were imported by these two foreign-owned and controlled companies" is therefore evidently based on a misapprehension of the declarant, Mr. Howard, and untrue. The misleading nature of this statement can be checked by reference to the official figures of the Department of Commerce which show a total importation into the United States from Venezuela and its deep-sea shipping station in Dutch West Indies during 1928, of only 49,596,274 barrels of oils of all grades.

The fact is that of the total amount of oil imported into the United States during 1928 a small fraction over 10 per cent was produced by companies other than American corporations financed by American capital and operating with American workmen, tools and equipment.

(2) The statement—

"This imported product has not had a tendency to, and has not, in fact, reduced the price of gasoline to the American consumer \* \* \* In this table we have used prices of crude oil produced closest to point of consumption of gasoline. We

invite your study of it and believe it will convince that the price of gasoline is influenced very little by the price of crude oil, but results almost entirely from trade manipulations. The table referred to follows:

Point	Tank-wagon price gasoline	Crude oil prices	Crude oil, used field
New York City.....	16	\$0.95	Foreign.
Newark, N. J.....	14	.95	Do.
Chicago, Ill.....	14	1.26	Mid-Continent.
Pittsburgh, Pa.....	16	3.99	Pennsylvania.
Louisville, Ky.....	15	1.50	Kentucky.
San Francisco.....	16	1.11	California.
Dallas, Tex.....	11	1.26	N. Texas.
New Orleans.....	10.5	1.26	Louisiana and Arkansas.
Denver, Colo.....	15	\$0.90-1.57	Rocky Mountain.
Salt Lake.....	18.5	\$0.90-1.57	Do.
Butte, Mont.....	19.5	\$0.90-1.57	Do.
Baltimore.....	14	.95	Foreign.
Boston.....	16	.95	Do.

It is not a correct statement that "prices of crude oil closest to point of consumption of gasoline" have been used. The Mid-Continent and Pennsylvania fields are nearer the Atlantic coast cities than is any foreign field. In particular reference to the column under "crude oil used," which caption would lead the reader to believe that all the gasoline used in New York City, Newark, Baltimore, and Boston was derived from foreign crude oil, it is pertinent to state that a very small percentage of such gasoline was in fact derived from foreign crude oil.

In all the Eastern Seaboard cities 80,119,000 barrels of gasoline were used in 1928. The total import of gasoline for 1928 into the whole United States was only 4,297,774 barrels. From the 58,766,000 barrels of imported crude oils remaining after deducting the 21,000,000 barrels used in the manufacture of asphalt (from which no commercial gasoline is produced as a general rule), no more than 11,753,000 barrels of gasoline were extracted. Therefore, the total contribution of gasoline from foreign crude to the whole United States did not exceed 16,050,474 barrels, which is only 20 per cent of the total gasoline used in the Atlantic seaboard cities and States in 1928.

This fact, derived from official United States Government figures, makes it evident that the effect of gasoline imported or produced from imported oils was to lower the price of gasoline in the eastern ports. Without this contribution to their supply, our Atlantic cities would have been dependent entirely upon the Pennsylvania, Mid-Continent and California fields, which last year furnished at least 80 per cent of the gasoline there consumed, and on account of freight and handling, would have paid for such gasoline a price considerably higher than the price prevailing in the other cities mentioned in the declarant's list. In other words, in the belief of the deponent, the availability to Atlantic seaboard cities of foreign gasoline and gasoline from foreign crude oils to the extent of 20 per cent of their gasoline needs did, in fact, lower the price they would otherwise have paid, and keep the price of their gasoline on a parity with that of our central cities.

CARROLL H. WEGEMANN.

Sworn to before me this 22d day of July, 1929.

WILLIAM J. WILLMOTT,  
Notary Public, Nassau County.

### STATEMENT OF J. B. KLUMPP, NEW YORK CITY, REPRESENTING THE AMERICAN GAS ASSOCIATION

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. KLUMPP. I have a brief, but I want to state our case, representing in this case not the farmer, but 53,000,000 people who are not farmers.

We represent the American Gas Association, which is the manufactured-gas industry. We have 650 companies in our organization,

and manufacture out of oil 61 per cent of all the manufactured gas in the United States.

The CHAIRMAN. You appeared before the House committee; did you not?

Mr. KLUMPP. I appeared before the House committee in 1921; yes.

The CHAIRMAN. Whatever you say, say outside of that. We have that before us.

Senator BARKLEY. He said he appeared before the House committee in 1921.

Mr. KLUMPP. I did not appear before the present House committee. We had no appearance at all.

Senator KING. You appear here in opposition to a tariff on oil?

Mr. KLUMPP. We are opposed to a duty on oil, because the tariff proposed will add to the cost of oil and to the cost of gas 12 cents a thousand cubic feet for all gas made outside of the Pacific coast, and 20 cents a thousand to the gas made on the Pacific coast from the California oils. They use 7 gallons of oil per thousand, and the rest of the United States uses 3 gallons of oil per thousand. An advance or 2½ cents on the crude oil makes an advance of about 4½ cents on gas oil. We have no substitute.

Everything else is in the sworn brief which I will file.

(Mr. Klumpp submitted the following brief:)

**BRIEF OF THE GAS OIL COMMITTEE OF THE AMERICAN GAS ASSOCIATION OPPOSING THE IMPOSITION OF AN IMPORT DUTY ON PETROLEUM**

This association is acting on behalf of about 650 of the largest gas companies manufacturing about 90 per cent of the gas made in the United States. The basis for this opposition is the fact that petroleum, or its products, is used in the production of about 61 per cent of all the city gas manufactured in the United States, and it is our earnest request that no action be taken favoring the imposition of an import duty on petroleum. Any duty would tend to restrict the quantity of gas oil that will be available and necessary for the production of the 273,000,000,000 cubic feet of gas that must be manufactured yearly from this oil.

**QUANTITY OF GAS OIL USED**

The quantity of gas oil used in gas manufacture amounts to about 24,000,000 barrels a year, which has been the average amount used for the past six or seven years. The reason this quantity has not increased yearly is due to the large installations of coal gas and by-product coke oven gas plants.

The quantity of gas oil required by the gas companies on the Atlantic seaboard is about 60 per cent of the total of all gas companies' requirements, in the Mississippi Valley about 20 per cent and on the Pacific coast about 20 per cent. Therefore, it will readily be seen that a duty on oil aimed to protect production and supply in the Mid-Continent Field will impose a severe burden, particularly upon all the gas oil sold to those gas companies located on the Atlantic seaboard or closely adjacent thereto, where practically the entire amount of gas oil is delivered by water from fields other than the Mid-Continent.

**AFFECT OF DUTY ON COST OF GAS**

Any duty imposed upon crude oil or gas oil will be reflected in the selling price of crude oil and its various products, so that a duty of, say, 42 cents a barrel or 1 cent a gallon on crude oil, will tend to increase the price of gas oil 1½ cents per gallon (see Chart 9) and would result in an increase in the price of manufactured gas of about 5 cents per thousand cubic feet to 54,000,000 people in the United States. In the same proportion, an increase of \$1 a barrel would increase the cost of gas about 12 cents per thousand cubic feet, and there would be no way to escape this increased cost, as no substitute for gas oil or petroleum products has yet been found.

## GAS OIL DIFFERS FROM FUEL OIL

Authoritative statistics showing the quantity of oil refinery products produced and delivered, combine gas oil and fuel oil under one heading, so for this reason it is impossible accurately to determine the amount of gas oil available, since the largest proportion of fuel oil is not gas oil. Fuel oil includes heavy residuals remaining after the distillation of the crude oil, "cracked" oils from which the increased gasoline production is now being obtained, and heavy crude oils that are not fit for gasoline production or gas manufacturing purposes.

## SHORTAGE OF GAS OIL CAUSED BY GASOLINE DEMANDS

When the process of crude oil refining consisted of simple distillation, that portion of distillate obtained between kerosene and lubricating oil was sold as gas oil. However, with the introduction of the cracking process in refining, the gas oil portion is still further reduced to gasoline and a heavy residue useless for gas-making purposes remains.

The subjection of gas oil or fuel oil to the cracking process is analogous in results to the subjection of gas oil to the gas-making process, in that heavy and ungasifiable residuums are left; gasoline being the desired product in the former instance, and gas the desired product in the latter instance.

As the demand for gasoline increases, a stringency in gas oil for gas-making purposes must be expected, since it is the same constituent which makes oil valuable for either gasoline or gas-making purposes. Even to-day, some of the largest producers of gas oil have refused to bid on gas oil contracts for the gas companies, due to the fact that their gas oil is needed for gasoline production. Hence, any restriction on the production or supply of crude or gas oils will be reflected in the cost of manufacturing gas for the gas consumer.

The general use of automobiles has increased by leaps and bounds and their use will necessitate the increased production of gasoline, and in order to produce this gasoline, the oil companies will have to adopt the most modern methods of oil cracking. Thus will the remaining gas oils be called upon to further the gasoline production and a gas oil shortage may be anticipated by the gas companies.

## COAL GAS INSTALLATIONS EXPENSIVE

In the gas industry, the only substitute for carburetted water gas is coal gas, produced in coke oven plants or retort plants. The least expensive type of coal gas plant requires an investment about twice that for a carburetted water gas plant of corresponding capacity, and considerable more investment is necessary for coke oven plants; so that to replace all water gas plants would necessitate an enormous duplicate investment and would require many years to complete. Coal-gas plants must be operated continuously and therefore are used as base load plants. Peak loads and unusual demands must be carried by the carburetted water gas plants.

Coal gas plants, however, are being rapidly installed in certain localities and coke oven plants are also being installed where the situation is large enough to provide a coke market and a large gas demand, but the increase in total capacity hardly meets more than the increasing demand for gas. Therefore, unless the gas manufactured in the present carburetted water gas plants contains considerably less oil per thousand cubic feet, no diminution in the total demand for gas oil by the gas companies can be expected.

One very important controlling factor which affects the installation of coal gas plants, is the disposal of large quantities of excess coke produced which must be marketed at reasonable rates to make these installations commercially possible. A great increase in the installation of this type of gas-producing plant would create a large overproduction of coke and by-products which it would be impossible to market at rates sufficient to make the cost of gas thus produced reasonable or feasible.

## THE GAS INDUSTRY A PERMANENT INDUSTRY

The gas industry is a permanent industry. It has thousands of millions of dollars invested in supplying practically every city home in the United States with a fuel necessary for domestic use. Gas service provides fuel and heat delivered in a way that relieves human effort as no other fuel service can, and every exertion must be made to continue this gas service to the American householder at a price that must be reasonable and within reach.

A good supply of gas oil is necessary to manufacture a sufficient quantity of gas to maintain this service. The oil supply in this country should be conserved and not used up in such quantities as to-day's production indicates. All restrictions to the importation of foreign petroleum should be opposed and, wherever possible, these foreign crude oils should be produced to add their quota to supply the great demands of the world. The United States should not be called upon to so intensively draw on its remaining and fast depleting oil resources.

#### GAS OIL REQUIREMENTS TO CONTINUE

It is evident from the foregoing that the manufacture of carburetted water gas will necessarily be continued for a long time. Therefore, the gas industry must look for a continuance of a large supply of good gas-making oil, as nothing can take its place. To get this supply, every effort should be made to guarantee its production or importation.

#### IMPORTATIONS NECESSARY TO MAKE UP DEFICIT

These charts show the importations that have been necessary during the last 10 years to keep up the deficiency between the production in this country and the demand for oil products. Any restrictions placed upon oil imports render continued operation by a large percentage of manufactured gas companies throughout the country more difficult, especially those on the Atlantic seaboard. This hinders the gas companies in the proper performance of their duty to the community and places an undue and unnecessary financial burden upon the gas consumers in the United States.

The following charts explain graphically the facts set forth in this brief. The material for these data and charts was secured from the following sources: The United States Geological Survey; the United States Bureau of Mines; the United States Bureau of Census; American Petroleum Institute.

COMMITTEE OF THE AMERICAN GAS ASSOCIATION,  
D. D. BARNUM, *Boston*,  
R. B. BROWN, *Chicago*,  
J. B. KLUMPP, *Philadelphia*, *Chairman*.

COUNTY OF PHILADELPHIA,  
*State of Pennsylvania*, ss:

J. B. Klumpp; being duly sworn, deposes and says that he prepared the within brief;

That the data pertaining to the gas industry and the oil used thereby were obtained from the records of the American Gas Association; and

That the data pertaining to the oil production, imports, and exports in the United States, were obtained from United States Government publications, as indicated therein; and

That the facts set forth in the foregoing brief are true and correct to the best of deponent's knowledge, information, and belief.

J. B. KLUMPP.

Sworn to and subscribed before me, a notary public, this 8th day of July, A. D. 1929.

HENRY GROSS, *Notary Public*.

Commission expires January 18, 1933.

#### CHART 1.—WORLD'S PRODUCTION OF CRUDE PETROLEUM

This chart shows the great proportion of the world's crude petroleum that the oil wells of the United States have produced in the last 30 years.

The United States has been brought about by intensive development to meet our needs for home consumption and for exportation of refined products. It means that we are rapidly using up our resources, while all the other countries are conserving theirs. An import duty would create additional demands on our remaining resources and increase the speed at which they are being depleted.



[Millions of barrels]

	World's production of petroleum	Total United States production	Per cent United States		World's production of petroleum	Total United States production	Per cent United States
1900.....	149	63	43	1915.....	432	281	65
1901.....	167	69	41	1916.....	458	301	66
1902.....	182	89	49	1917.....	503	335	67
1903.....	195	100	52	1918.....	504	356	71
1904.....	218	117	54	1919.....	556	378	68
1905.....	215	135	63	1920.....	689	443	64
1906.....	213	126	59	1921.....	766	472	62
1907.....	214	166	63	1922.....	859	558	65
1908.....	245	179	63	1923.....	1,016	732	72
1909.....	299	183	61	1924.....	1,014	714	70
1910.....	328	209	64	1925.....	1,069	764	71
1911.....	344	220	64	1926.....	1,097	771	70
1912.....	352	223	63	1927.....	1,261	901	72
1913.....	385	248	64	1928.....	1,323	902	68
1914.....	408	266	65				

CHART 2—WORLD'S PRODUCTION OF PETROLEUM

This chart shows the world's production of petroleum for the past three years. It indicates the principal sources of supply other than the United States. The countries supplying oil in smaller quantities than indicated on the chart are given in the table below:

	1926		1927		1928	
	Million barrels	Per cent	Million barrels	Per cent	Million barrels	Per cent
United States.....	771	70.3	901	71.5	902	68.2
Venezuela.....	37	3.4	63	5.0	106	8.0
Russia.....	64	5.9	77	6.1	88	6.7
Mexico.....	90	8.2	64	5.1	50	3.8
Persia.....	36	3.3	40	3.1	42	3.2
Rumania.....	23	2.1	26	2.1	31	2.3
Netherland East Indies.....	21	1.9	26	2.1	28	2.2
Colombia.....	6	.6	15	1.2	20	1.6
Peru.....	10	1.0	10	.8	12	.9
All others.....	37	3.3	39	3.0	44	3.2
Total.....	1,095	100	1,261	100	1,323	100

CHART 3—DEFICIENCY IN DOMESTIC PRODUCTION OF CRUDE OIL

This chart shows the deficiency in crude oil production in the United States to meet its annual needs.

This deficiency has fluctuated widely during the past nine years, as shown below, and has varied from an excess of a fraction of 1 per cent in 1923 to a deficiency of one-seventh of our entire production in 1926.

It shows, in spite of the enormous production in the United States, that there is not enough oil to meet our requirements, and that it is necessary to import crude petroleum from other countries.

Any duty on the oil imported would tend to restrict importation and increase domestic production to meet this deficiency, and with the restriction of imports, a higher price for crude and gas oils would be created.

[Millions of barrels]

	United States production of crude oil	Consumption and exports, all oils	Deficiency in crude oil
1921.....	472	519	47
1922.....	557	593	36
1923.....	732	730	12
1924.....	714	780	66
1925.....	794	812	48
1926.....	771	877	106
1927.....	901	904	3
1928.....	902	960	67

1 Excess.

## CHART 4—PETROLEUM IMPORTS

This chart shows the crude petroleum imported into the United States to meet the deficiency in United States. The refined petroleum imports are also shown, but these are a very small proportion of the total refinery output.

[Millions of barrels]

	Crude petroleum	Refined oils	Total
1910.....	53	1	54
1920.....	106	3	109
1921.....	125	4	129
1922.....	130	6	136
1923.....	82	18	100
1924.....	78	17	95
1925.....	62	16	78
1926.....	60	21	81
1927.....	58	13	71
1928.....	80	12	92

## CHART 5—PETROLEUM EXPORTS

This chart shows the petroleum products exported from the United States. The large proportion of exports are refined products. The crude oil exports are incidental and are to border countries.

MILLIONS OF BARRELS

	Crude petroleum	Refined oils	Total
1910.....	6	56	62
1920.....	0	69	73
1921.....	10	61	71
1922.....	11	62	73
1923.....	17	83	100
1924.....	18	98	116
1925.....	13	99	112
1926.....	15	114	129
1927.....	16	121	135
1928.....	19	131	150

## CHART 6.—NUMBER OF PRODUCING OIL WELLS IN UNITED STATES

This chart shows the number of producing oil wells in the United States at the end of each calendar year and the number of new wells brought in yearly.

The chart indicates that in spite of the thousands of new wells drilled each year, there is but little gain in the total number of producing wells, as a corresponding number of producing wells are being exhausted.

As of December 31

	Total producing wells	New producing wells		Total producing wells	New producing wells
1920.....	258,600	24,222	1925.....	306,100	16,523
1921.....	274,500	14,350	1926.....	318,600	18,935
1922.....	284,880	17,338	1927.....	317,621	14,571
1923.....	290,100	16,279	1928.....	317,100	12,492
1924.....	299,100	15,544			

CHART 7.—CRUDE OIL RUN TO REFINERY STILLS

This chart shows the total crude oil run to refinery stills in the United States and the volume of foreign crude oils included in these runs for the last seven years.

This foreign oil was necessary to meet the deficiency in the crude oil production run to the refineries to meet the demands for refined products.

Any increase in the cost of crude oil, imported or domestic, will be reflected in the cost of refined products.

Millions of barrels

	United States oil	Foreign oil	Total
1919.....	(1)	(1)	362
1920.....	(1)	(1)	434
1921.....	(1)	(1)	443
1922.....	426	75	501
1923.....	538	43	581
1924.....	508	64	644
1925.....	699	41	740
1926.....	734	45	779
1927.....	779	50	829
1928.....	835	78	913

<sup>1</sup> Not available.

CHART 8.—THE DIFFERENCE BETWEEN THE WHOLESALE PRICES OF GAS OIL AND GASOLINE

This chart shows the difference between the wholesale prices of gas oil and gasoline in Group 3 or the Mid-Continent refined oil market.

The cost of cracking gas oil into gasoline is about 5 cents per gallon, which indicates the value of gas oil for this purpose.

The chart shows that the difference in price between gas oil and gasoline has fluctuated around 5 cents per gallon for several years or ever since the advent of cracking, and therefore that gasoline users are in direct competition with gas-oil users.

Cents per gallon

	1921	1922	1923	1924	1925	1926	1927	1928
January.....	9.25	10.32	9.07	7.00	4.75	6.20	4.65	3.3
February.....	12.41	11.10	10.64	7.87	8.45	6.35	4.18	3.6
March.....	13.90	11.34	10.86	7.66	8.00	6.06	3.07	3.6
April.....	11.64	12.45	9.05	7.76	0.12	5.80	3.64	4.2
May.....	10.45	14.40	8.66	7.21	8.10	7.23	3.70	4.8
June.....	9.80	15.03	9.20	6.58	8.94	7.42	4.00	5.3
July.....	10.30	14.68	7.02	5.82	6.66	6.94	4.22	6.0
August.....	10.35	11.77	5.38	5.07	7.62	6.73	3.89	7.3
September.....	12.03	11.19	4.10	4.57	6.09	6.40	3.48	7.3
October.....	11.80	9.63	4.15	4.10	5.72	5.575	3.38	7.3
November.....	10.18	8.41	4.00	4.00	6.00	4.935	3.50	6.8
December.....	10.40	7.89	5.00	5.35	6.275	4.875	3.41	6.9

CHART 0.—COST OF GAS OIL TO GAS COMPANIES

This chart shows the average cost of gas oil to certain gas companies for the last eight years. It also shows the average cost of crude oil in this country.

It shows a distinct relation between the price of crude oil and gas oil and indicates that in the past gas-oil prices have been one and a half times the price of crude oil.

These gas-oil prices are for some of the larger gas companies. Many of the smaller gas companies paid higher prices.

*Cents per gallon*

	Average cost of gas oil to gas companies	Average price of crude oil in United States		Average cost of gas oil to gas companies	Average price of crude oil in United States
1921.....	8.72	4.10	1925.....	5.52	4.00
1922.....	5.95	3.80	1926.....	5.72	4.50
1923.....	5.61	3.20	1927.....	5.80	3.30
1924.....	5.28	3.40	1928.....	5.60	3.10

(The charts referred to are filed with the committee.)

#### STATEMENT OF JOHN S. WELLER, REPRESENTING THE SOUTH PENN OIL CO. AND PENN MEX FUEL CO., PITTSBURGH, PA.

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. WELLER. I do not intend to cover the ground that has already been covered.

I would like to offer the brief of John F. Hays, secretary of the South Penn Oil Co., of Pittsburgh. That was presented before the House committee on tariff readjustments.

Senator SMOOT. Is it in the House hearings?

Mr. WELLER. Yes.

Senator SMOOT. There is no necessity of putting it in again, so long as you call attention to it.

Mr. WELLER. There is only one phase of this tariff, as affecting oil, about which I care to be heard, and it is not confined entirely to the interests of my clients. I am appearing here as a witness, in a sense, generally.

The South Penn Oil Co., as you know, is one of the oldest producers of oil in the world, and it has no foreign production.

Senator BARKLEY. What company is that?

Mr. WELLER. The South Penn Oil Co. It has no foreign production. The Penn Mex Fuel Co. is a subsidiary, and has, for production, exclusive Mexico. That is how the South Penn interest is involved. The South Penn is not even a manufacturer of oil directly. It has stock interests in the manufacturing companies.

But my experience has been this. I have during the last 14 years had a great deal of negotiations with the Latin American countries and Mexico, regarding oil contracts. My people have been successful in obtaining concessions and contracts. We have felt that the policy of our Government has been to encourage its citizens to go to foreign fields to develop oil as a conservation proposition, and in order that we should not be excluded by the efforts of foreigners in obtaining foreign fields of operation.

Possibly the most likely field for the oil of the future will be found between northern Chile and Colombia, which includes the Maracaibo Basin. The Americans have obtained concessions covering a large acreage in this territory, notwithstanding they have been contested by foreigners.

In Ecuador we have a concession for one company to explore and exploit about 7,000,000 acres; and in Colombia about one and one-half to two million acres.

Negotiations are pending for a concession in Peru, across the Andes, in the tableland, and we are met with opposition from foreign sources. If it is necessary I can give you their names.

In Colombia at one time there was an effort to give a monopoly of the oil business to an English enterprise. Perhaps you recall the negotiations. We negotiated there for a while, until the United States protested, and retired.

It is not necessary to mention any names. Instead of England getting a monopoly on the oil fields of Colombia, the United States, through its citizens, has—

Senator SMOOT. England has a monopoly, however, in quite a number of countries of the world, has she not?

Mr. WELLER. Yes; but I am speaking of the Latin American countries. Perhaps I should have prefaced my remarks by saying that nearly all the imports of oil into the United States come from the Dutch West Indies, Venezuela, Colombia, and Mexico. We are not concerned about the imports of Europe. At least we are not affected by them.

Senator REED. No Persian oil is brought here?

Mr. WELLER. No.

I am not going into figures, but 90 per cent of the oil imported is produced by American companies, using American labor, in the main, and American material. There is no essential difference between the American company producing oil in foreign countries and the American company producing oil in this country, except in favor of the United States, namely, that we take the oil from the foreign soils and conserve our own oil. But in every other respect they are on the same basis.

Senator BARKLEY. You also bring it here and refine it, do you not?

Mr. WELLER. Yes. I was about to say that one of the advantages is that we bring the petroleum here in its crude state, refine it, and get the benefit of the labor in doing that.

Senator REED. Are any of these American companies now refining oil in Mexico, Venezuela, or Colombia?

Mr. WELLER. I am not positive about that, Senator. I think in Mexico they are refining oil, but that is chiefly for the American trade.

Senator REED. There was a small refinery at Tampico, I believe.

Mr. WELLER. Oh, yes. There are two or three very large refineries there, but my impression is that they were used mostly for the local trade of Mexico. There are gentlemen here who can answer that more specifically.

Senator BARKLEY. In view of the fact that a certain amount of crude oil is lost in the refining, would it not be economically cheaper to refine it in the country where it is produced, and not have to pay

freight to the United States on that portion of the crude oil which is lost in refining?

Mr. WELLER. Those are questions that I would prefer not to discuss, because I am not quite familiar enough with the subject. It is subject to this consideration. If you want fuel oil, it would be best to bring the crude here, I would say. If you want gasoline alone, it would be a different proposition.

Senator SMOOT. No; I do not think it would be a different proposition then, because the freight rate on the gasoline, the way it is shipped into this market, the way this market demands it, is higher upon the gasoline than it is upon the crude oil.

Senator REED. These companies all run their own tankers.

Senator SMOOT. They all run their own tankers.

Mr. WELLER. To finish my statement, I would say that it would be very embarrassing to go to these governments that have the oil lands—they are national lands, as a rule—and ask for concessions when the United States imposed a tariff upon the product which we would produce there.

Senator SMOOT. Thank you very much.

#### **STATEMENT OF G. H. POWDER, REPRESENTING THE BALTIMORE ASSOCIATION OF COMMERCE, BALTIMORE, MD.**

(The witness was duly sworn by the chairman of the subcommittee.)

The CHAIRMAN. Did you testify before the House committee?

Mr. POWDER. I did not.

The CHAIRMAN. This is new matter that you desire to present?

Mr. POWDER. Yes; it has not been presented before the House committee.

The CHAIRMAN. That is all right. We will use the House hearings the same as we do our own, so do not repeat what was said there.

Mr. POWDER. This is new material.

I am representing the Baltimore Association of Commerce, which in turn speaks in this instance for the 2,000 industrial concerns of Baltimore, many of them users of petroleum products. The association itself has a membership of 3,300 who are supporting this protest against taking crude petroleum from the free list.

I have here a short brief which I wish to file for the record.

(The brief referred to appears at the end of Mr. Powder's oral statement.)

Mr. POWDER. In oral statement I should merely like to point out the port of Baltimore is dependent for about 25 per cent of its business on crude petroleum, and about 50 per cent of the total business in crude petroleum which we handle is composed of imported foreign crude. Of the imports of about eight and one-half million tons of crude oils into the United States, Baltimore handles about 15 per cent; and our interest, therefore, is a very great one—in particular, the interest of the shipping of the port.

We have on the water front in Baltimore a total of 10 large oil establishments which send and receive large quantities of petroleum. These establishments were originally located in Baltimore because of the shipping and port facilities incident to the movement of imported crude; and their investment in Baltimore is dependent to a very large measure on the continuance of that movement.

I should like to make one further oral statement in regard to this matter.

Very recently the Association of Commerce of Baltimore instituted a program of port development in Baltimore with the War Department. The matter contained in that program was predicated largely on the needs of the carriers of bulk petroleum from foreign countries coming into the port.

Very recently the final recommendations have come from the War Department on this program, and they give us about two and a half millions of dollars for new expenditure on improvement of channel and anchorage conditions. That improvement, as I mentioned before, is based to a very considerable degree on the needs of these bulk foreign oil carriers; and we feel that that is a major point which should be considered by this committee in regard to removing crude petroleum from the free list and certainly causing a serious interruption or a cessation of the flow of crude petroleum to the United States.

For the further information of your committee I should like to file a statement showing the port business in petroleum of all Atlantic ports. I feel that it might be of interest for you to observe the amount of that business which is now being conducted on the Atlantic coast.

The CHAIRMAN. It will be put in the record at this point.  
(The statement referred to is as follows:)

*Foreign and intercoastal trade in petroleum of Atlantic coastal districts during fiscal year 1928*

FOREIGN

[Authority: U. S. Shipping Board. Quantities shown in cargo tons]

District	Imports	Rank	Exports	Rank	Total	Rank
Massachusetts.....	1,507,683	2	1,415	8	1,509,298	4
New York.....	1,626,021	3	1,503,562	1	3,030,483	2
Pennsylvania.....	1,097,225	5	998,460	2	2,095,685	3
New Jersey.....	3,555,423	1	888,342	3	4,443,765	1
Maryland.....	1,201,685	4	155,551	4	1,357,236	5
Virginia.....	44,809	8	10,487	5	55,296	8
South Carolina.....	356,051	0	7,012	0	363,063	0
Georgia.....	25,200	9			25,200	9
Florida.....	263,009	7	4,472	7	267,481	7

INTERCOASTAL

District	Inbound	Rank	Outbound	Rank	Total	Rank
Massachusetts.....	307,495	4	235	4	307,730	4
New York.....	1,453,638	1	18,560	2	1,472,204	1
Pennsylvania.....	724,737	2	21,194	1	745,931	2
Maryland.....	695,197	3	3,347	3	698,544	3
Virginia.....	88,206	5	139	5	88,345	5
Florida.....	13,360	0			13,360	6

COMBINED FOREIGN AND INTERCOASTAL

Massachusetts.....	1,905,378	3	1,650	8	1,907,028	5
New York.....	2,980,560	2	1,522,128	1	4,602,688	1
Pennsylvania.....	1,821,962	5	1,019,654	2	2,841,616	3
New Jersey.....	3,555,423	1	888,342	3	4,443,765	2
Maryland.....	1,896,882	4	158,898	4	2,055,780	4
Virginia.....	133,015	8	10,626	5	143,641	8
South Carolina.....	350,051	0	7,012	0	363,063	0
Georgia.....	25,200	9			25,200	9
Florida.....	270,369	7	4,472	7	280,841	7

*Importations of foreign crude petroleum at the principal Atlantic coast customs districts during the calendar year 1927*

[Authority: U. S. Department of Commerce. Quantities shown in cargo tons]

Customs district	Quantity	Rank
New York <sup>1</sup> .....	3,843,421	1
Maryland.....	1,111,742	2
Massachusetts.....	1,002,342	3
Philadelphia <sup>1</sup> .....	631,579	4
South Carolina.....	516,825	5
Florida.....	120,810	6
Georgia.....	55,500	7
Virginia.....	27,750	8

<sup>1</sup> Includes part of New Jersey.

(Mr. Poudier submitted the following brief:)

**BRIEF OF THE BALTIMORE ASSOCIATION OF COMMERCE**

The Baltimore Association of Commerce, representing in its membership the combined business and commercial life of Baltimore, opposes the taking of crude petroleum from the free list in the pending tariff bill because of the serious consequences to Baltimore shipping and to the port and industrial activity of the city from such action.

The water-borne activities of Baltimore in crude petroleum represent one of the essential departments of port activity and contribute in large measure to the shipping and commercial welfare of the city.

The total imports of crude petroleum into the United States for the year 1927 were 8,150,000 tons. Of this total, Baltimore imported 1,111,742 tons, ranking second among Atlantic ports in the volume of crude oil imported, and receiving 13.7 per cent of the entire crude oil imports of the United States.

Crude petroleum imports at Baltimore during the above period represented 47.7 per cent of the total of 2,342,425 tons of crude oil received by water at that port. This is a graphic illustration of the vital part which imports of that petroleum play in the water-borne oil activities of the port.

The amount of crude petroleum imported at Baltimore in 1927, 1,111,742 tons, represented 25 per cent of the total import business of the port, which amounted that year to 4,452,413 tons of cargo. This proportion of one-fourth of its total port cargo tonnage demonstrates the dependence of Baltimore as a port on the importations of crude petroleum. It follows that were the flow of such imports cut off or substantially reduced by prohibitive tariff duties, that the Port of Baltimore would be severely handicapped and impeded in its growth.

During the calendar year 1927, a total of 2,804 vessels of 7,441,751 net tons entered this port in foreign and domestic waterborne traffic. Of these, 711 vessels of 2,051,559 net tons entered direct from foreign ports. Of the direct foreign entrances, a total of 204, or 29 per cent, were tankers bringing crude petroleum; and of this total, 105, or more than 50 per cent, were carriers of foreign crude oil.

Baltimore has three major oil refining establishments on its waterfront—the Standard Oil Co., the Continental Oil Co., of Maine, and the Mexican Petroleum Co. These plants also engage in the manufacture of asphalt. Their total number of employees is approximately 1,850. There are seven oil receiving stations of large size on the waterfront, and Baltimore is one of the most important seaboard points in the United States for the receipt, refining, and distribution of crude petroleum. Two concerns of international importance—the Asiatic Petroleum Co. and the Tidewater Oil Sales Co.—are proceeding with the construction of additional plants. The first of these will begin operations in July, 1929, and will represent an additional refinery for the port, while the latter will be a large storage and distribution facility.

The establishment at this deep-water port of the above industries was predicated to a considerable extent on the ability of the industries to receive essential shipments of foreign crude petroleum, and their contribution to the commercial progress of the city is based on the free and continuous movement of this commodity.

Under a program of harbor improvement, submitted to the War Department by the Baltimore Association of Commerce, Government recommendations for



new work in the amount of \$2,504,640 have resulted. Improvements in channel and anchorage facilities, contemplated under this program, are based to an important degree on the needs of the deep-draft petroleum carriers entering the port of Baltimore. It may be pointed out also that, for the accommodation of the shipping traffic of the port, including extensive oil tanker operations, the city of Baltimore in cooperation with the State of Maryland, has expended \$13,000,000 for navigation improvements and for the construction of additional port facilities. The city is now engaged on a program for commercial development of the harbor and its facilities, involving an eventual expenditure of \$50,000,000. The Federal Government itself has already expended \$10,000,000 for improvements to navigation in this harbor, and approximately \$2,000,000 for maintenance of such work.

This protest to your committee, on behalf of Baltimore, represents a present industrial production in the city of \$700,000,000 yearly, resulting from the operation of 2,090 industrial establishments, employing an average of 84,005 wage earners. The majority of these plants are large users of petroleum products and would be penalized by the price situation certain to result from a reduction or cessation of the flow of foreign crude petroleum into this country.

In summary, we respectfully invite your attention to the fact that the proposed tariff would seriously affect the oil industry of Baltimore, conceivably reduce the tonnage imports of the port of Baltimore by one-fourth, depreciate the usefulness of the large harbor improvements made and being made, and promote unemployment; and this, it is submitted, without any great benefit to any other section.

We further submit that Baltimore is not peculiar in her situation, but that most of the ports along the American seaboard would experience similar adverse effects on their shipping and port activities if crude petroleum be taken from the free list; and it is, therefore, respectfully urged that the proposed tariff be not imposed.

Respectfully submitted.

RALPH C. HUDSON, *President.*

Sworn and subscribed before me a notary public of the State of Maryland, July 12, 1929.

GERTRUDE C. BRADLEY.

#### STATEMENT OF EDWIN H. BROWNLEY, REPRESENTING THE AMERICAN OIL CO., BALTIMORE, MD., AND OTHERS

(The witness was duly sworn by the chairman of the subcommittee.)

Senator SMOOT. You want to speak on petroleum products?

Mr. BROWNLEY. Yes, sir.

Senator SMOOT. The products, or just the oil?

Mr. BROWNLEY. I want to speak on the question of the tariff. We are opposed to the imposition of a tariff on petroleum products.

Senator SMOOT. Do you want to file a brief?

Mr. BROWNLEY. Yes; I want to file a brief.

Senator KING. You are in harmony with the views of the gentleman who appeared before you?

Mr. BROWNLEY. I am entirely in accord with him. I was out of town and could not be here yesterday.

Senator REED. Mr. Brownley, we have not had a syllable of testimony in favor of a duty on petroleum. We have had about 10 witnesses opposed to it.

Mr. BROWNLEY. If you should have any witnesses on the other side I shall be very glad to come back again to show you the unwisdom of any such course on the part of this committee.

Senator SMOOT. It has been very well pointed out, in my opinion.

Mr. BROWNLEY. May I ask permission to file this brief? I have not sworn to it yet.

Senator SMOOT. You present that as if it were sworn to?

Mr. BROWNLEY. Exactly, sir. I swear to it here. Is that sufficient?

Senator SMOOT. Yes.

(Mr. Brownley submitted the following brief:)

BRIEF OF THE AMERICAN OIL CO. AND THE LORD BALTIMORE FILLING STATIONS (INC.), BALTIMORE, MD.

COMMITTEE ON FINANCE,

*United States Senate, Washington, D. C.*

GENTLEMEN: The American Oil Co. and Lord Baltimore Filling Stations (Inc.), both Maryland corporations, with general offices located in Baltimore City, and both being distributors of refined oils, do hereby enter our appearance before your committee in opposition to the proposal to impose a tariff on crude oil and petroleum derivatives, and advocate and urge that such products be retained on the free list.

Both the American Oil Co. and Lord Baltimore Filling Stations (Inc.) have for a long time been engaged in the wholesale and retail distribution of refined oils, gasoline, motor fuel, and lubricating products in Maryland and the District of Columbia; and the American Oil Co., in addition to its operations in Maryland and the District of Columbia, maintains large storage facilities and avenues of distribution in the States of Pennsylvania, New Jersey, Delaware, Virginia, West Virginia, North Carolina, and portions of Ohio.

From the point of view of these companies the imposition of a tariff on petroleum products or crude oil is economically unsound, and will impose an undue hardship on the refineries and oil distributors located on the Atlantic seaboard and elsewhere, depriving them of a free market on imported oils and kindred products, and raise the price of petroleum products to the cost of millions of consumers.

We therefore urge that the proposed amendment seeking to impose a tariff on crude oil and petroleum products be rejected and that petroleum and its derivatives be kept on the free schedule of the 1929 tariff bills for the following reasons:

1. A tariff would tend to injuriously affect the value and volume of foreign trade in the port of Baltimore.

2. A tariff would discourage, if not prohibit, the import of foreign oils, and thereby injuriously affect an American producing industry, American shipping, and discourages the ownership or/and control of foreign oil fields by American capital.

3. The importation of foreign oils should be encouraged. Petroleum and its derivatives on the free list will help toward conservation of our national resources.

In support of these conclusions the following facts and figures are respectfully submitted:

The imposition of a tariff on foreign importations of petroleum would add to the tax burden on the farmer, the automobile owner, and the general public in all branches of trade. The policy of this Government should be to protect the people and American industry whether engaged in domestic or foreign trade. Ways and means of taking taxes off the people should be devised. The imposition of additional taxes should be frowned upon unless it be clearly shown that such taxes are needed for governmental purposes or are imposed to protect domestic industry from foreign invasion. This burden of proof the proponents of the policy of tariff imposts on petroleum products can not meet. The practical effect of a tariff at this time on petroleum would be to increase the profits of the owners of the present stock of crude oil and refined oils in storage in this country, estimated to be more than 649,000,000 barrels, at the cost of the ultimate consumer. May I ask why should we, for the temporary possible benefit and the doubtful enrichment of a small group of American producers and refiners, penalize the tax-burdened public?

Conservation of our oil resources should be our thought and effort. To our tariff advocates this phase of the matter seems to concern their little. The depletion of our oil reserves is not a mere possibility but, on the contrary, our Government reports show this to be a glaring probability unless we take steps to remedy the conditions. Our 1929 Federal oil conservation report shows that our total oil reserves are 18 per cent of the world's resources. The United

States Department of Commerce reports show that the United States produces 68 per cent of the world's production of crude oil and that we consume and export 73 per cent of the world's production. These figures indicate that with but one-fifth of the world's resources available within our borders, the United States is furnishing over two-thirds of the world's production while the are consuming almost three-fourths.

Under these conditions should we barricade our ports to the free entry of petroleum? The answer is obviously no. Further, considering the matter, it should be of interest to know that in 1928 90 per cent of the oils of all classes imported into the United States was produced by American companies, backed by American capital, American labor in the main, American supplies and equipment. It has long been the policy of the United States (so it has been said) to protect American industry, and we take this to mean protection of American industry engaged in foreign trade. American shipping is a part of American industry and should therefore be included. According to Lloyd's registry the American tankers owned by American companies, engaged in foreign oil shipping, are 12 per cent in number and 21 per cent in tonnage of the total American merchant marine.

No more striking example of the injurious effect on American shipping can be pictured than the imposition of a penalty under the pretense of a tariff on the petroleum products produced by American companies in foreign fields and shipped to the United States in American ships. May I ask why should this important branch of American industry and American shipping be penalized?

A tariff on foreign crude petroleum, although nation-wide in its scope, would with particular severity affect the value and volume of business in the port of Baltimore. Importation of crude and refined oils into the port of Baltimore in 1928 amounted to 9,008,004 barrels, or 10 per cent of the total petroleum imports into the United States, or 25 per cent of the total volume of imports into Baltimore. This volume of business is handled by refineries located at Baltimore and the recovery of asphalt, road oil, and other derivatives distributed over the Atlantic seaboard; Baltimore yearly recovers for the benefit of industry more than 500,000 barrels of asphalt and road oil, and markets millions of barrels of fuel oil for bunker furnace and heating purposes, besides employing alone in foreign crude-oil distillation and handling more than 1,000 men.

A tariff on foreign crude oil would seriously affect this business, add to the number of unemployed, and for all purposes and intent close down this industry at the port of Baltimore.

In conclusion we urge that no benefit can come to the people as a whole, or to the oil producers, refineries, and distributors through the imposition of a tariff duty on a commodity which is so universally required and used by the industries and the people of this country.

Respectfully submitted.

THE AMERICAN OIL CO.  
LORD BALTIMORE FILLING STATIONS (INC.),  
EDWIN H. BROWNLEY, *General Counsel.*

### STATEMENT OF WALTER N. MAGUIRE, REPRESENTING THE PETROLEUM HEAT & POWER CO., STAMFORD, CONN.

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. MAGUIRE. Mr. Chairman and gentlemen of the committee, I represent the Petroleum Heat & Power Co., manufacturers of oil burners. This company has an investment of over \$5,000,000 in the manufacture of oil burners.

I understand, from the figures of the American Oil Burner Institute, that there is an investment of approximately \$110,000,000 in the manufacture and distribution of oil burners in this country.

The manufacturing of oil-burning equipment has increased by leaps and bounds during the last 10 years. There is an argument from the standpoint of economy, but there is also the argument in their favor from the standpoint of cleanliness of operation, and various other advantages about the home that put it in a class with the elec-

tric refrigerator, the vacuum cleaner, and so forth. It is a modern proposition.

We ask that fuel oil be maintained on the free list, and that no tariff be placed upon it, for four reasons, two of which have been covered by previous speakers, and to which I will not allude. I shall confine myself to the two reasons which are especially applicable to this industry.

In the first place the continued success of this oil-burner industry is dependent upon the maintenance of a low fuel-oil cost. To raise the cost of fuel oil, which a tariff would do, would be to make it more difficult to sell oil burners, because the cost of oil burning at the present time is about equivalent, from the standpoint of financial economy, and to raise it would make it more difficult to sell them. It is a proposition of convenience of operation, as contrasted with economy, and there is about a balance at the present time.

Senator SMOOT. What do you mean by financial economy?

Mr. MAGUIRE. In comparison with other fuel substitutes. The proposition is one of selling an oil burner from the standpoint of cost of operation, as compared with other fuels. One of the other fuels would be coal.

Senator SMOOT. It is much higher now than coal or coke.

Mr. MAGUIRE. Yes; the other conveniences of operation offset it. But to increase the cost would make it more difficult to sell them, because that rather intangible thing of balance between convenience and cost of operation is rather difficult to size up.

Senator BARKLEY. How much difference is there in the cost? I have tried both. I have not found much difference, except in the cost of installing a burner.

Senator SMOOT. There is more difference than that.

Senator BARKLEY. My coal bill was more than my oil bill.

Senator SMOOT. It was not in my case.

Mr. MAGUIRE. I operate an oil burner myself, and I find that the cost is just about the same, sir. I think it is largely a matter of the manner of operation. Under certain circumstances it can be kept lower, but there is about a balance, from the standpoint of the ordinary man.

We believe that putting a duty on oil will make it more difficult to continue the success of this oil-burner industry. We ask, for that reason, that it be left on the free list.

(Mr. Maguire submitted the following affidavits:)

AFFIDAVIT OF ELLIOT G. KINGSBURY, SECRETARY OF CHAMBER OF COMMERCE,  
OF STAMFORD, CONN.

JULY 10, 1929.

STATE OF CONNECTICUT,  
County of Fairfield, ss:

Elliot G. Kingsbury, being duly sworn, deposes and says:

1. He is secretary of the Chamber of Commerce of Stamford, Conn.  
2. The board of directors of said chamber of commerce have authorized him to file a protest against a proposed amendment imposing a tariff upon crude oil and fuel oil imported into this country.

3. The reasons which the chamber of commerce submits for consideration of this committee in support of its request are as follows:

(a) The imposition of a tariff on fuel oil will increase its cost substantially to the consumer in New England and along the Atlantic seaboard. Increasing the cost of oil will result in an increase in the cost of other fuels. It is desirable to have several sources of fuel, so that any disturbance affecting the supply of one

type of fuel will not seriously hurt the community. The maintenance of a low fuel oil will help to assure a reasonable cost for coal and other types of fuel.

(b) The imposition of a tariff on oil will stimulate production in this country, resulting in earlier exhaustion of the country's petroleum resources than would otherwise be the case.

(c) The imposition of a tariff on fuel oil, increasing its cost to the consumer, would seriously affect a Stamford industry, the Petroleum Heat & Power Co., which has an investment of over \$5,000,000, and any harmful effect upon the oil-burner industry would affect said company and thereby affect the welfare of Stamford, where the main plant of Petroleum Heat & Power Co. is located.

ELLIOT G. KINGSBURY.

Personally appeared Elliot G. Kingsbury, signer of the foregoing affidavit, known to me to be the secretary of the Stamford Chamber of Commerce, and made oath to the truth of the statements therein contained, on this 10th day of July, 1929, before me.

[SEAL.]

MORTIMER L. DOOLITTLE,  
Notary Public.

AFFIDAVIT OF HARVEY C. DEVER, FIRST VICE PRESIDENT OF PETROLEUM HEAT & POWER CO.

JULY 8, 1929.

STATE OF NEW YORK,  
County of New York, ss:

Harvey C. Dever, being duly sworn, deposes and says:

1. He is first vice president of Petroleum Heat & Power Co., a Delaware corporation, known to the trade and hereinafter referred to, as Petro. This company has its plant at Stamford, Conn., and is engaged in the business of (a) manufacturing oil-burning equipment for homes, factories, apartments, and commercial buildings, and (b) supplying fuel oil for heating purposes. Recently Petro acquired the assets of American Nokol Corporation. Petro's total assets now exceed \$5,000,000.

2. Petroleum Heat & Power Co. respectfully urges that crude oil and fuel oil be continued on the free list, as in the past, and that a proposed amendment imposing a tariff thereon be defeated.

3. The reasons which Petro submits for consideration of the Senate Finance Committee in support of its request are summarized as follows:

(a) To increase the cost of fuel oil by imposing a tariff of \$1 a barrel would virtually ruin the oil-burner industry, which has a tremendous investment. The success of this industry is dependent upon the maintenance of a low cost to the consumer of the fuel oil used in connection with oil burners.

(b) The retention of fuel oil on the free list will keep its price down, and will prevent any substantial increase in coal or other fuel prices.

(c) The retention of fuel oil on the free list will permit importation of fuel oil from outside fields and will help conserve our own resources.

(d) Petro derives its supply of fuel oil from an American company in the Venezuelan field encouraged by the Government of this country to invest its capital there, to develop petroleum resources outside of this country to assure our future supply, and to prevent early exhaustion of our own petroleum resources.

4. The growth of oil burning for domestic heating purposes during the last decade has been phenomenal. The following tabulation from the National Survey of Oil Distribution, issued by the United States Bureau of Mines, shows this growth:

*Oil consumption for domestic heating*

	Barrels
1923 (heating season).....	2, 818, 000
1924 (heating season).....	5, 021, 000
1925 (heating season).....	8, 829, 000
1926 (calendar year).....	9, 080, 000
1927 (calendar year).....	12, 377, 000

The 1927 demand for gas oil and fuel oil for commercial and domestic heating called for 21,520,724 barrels, as compared with 16,779,582 barrels in 1926.

This growth is due to the recognition of the many advantages of using oil burners, including elimination of the ash problem, relief to women in the home in care of furnaces, ability to get heat up quickly, and economies in operation, which

place them in the same class with other time and labor saving devices, such as the electric ice box, the electric washing machine, and the vacuum cleaner.

5. A tariff of \$1 per barrel would increase by millions of dollars the cost of oil in New England and along the Atlantic seaboard where oil burning has been most extensively developed. The consumption of fuel oil in the New England, Middle Atlantic, and South Atlantic States during 1927, according to the Bureau of Mines, was 107,817,431 barrels.

6. It is of advantage to the country at large to have two sources of fuel supply—oil and coal. One source is a check on the other and insures reasonable prices to the public for both commodities. There have been coal strikes in the recent past, and parts of the country, especially New England, have suffered from lack of fuel, and coal has soared in price. These conditions have contributed greatly to the adoption of fuel oil. The surest method of keeping down the cost of fuel, both coal and oil, and avoiding evils that come from coal strikes, is to keep oil on the free list, insuring an ample supply at a reasonable cost.

7. An increased price on fuel oil, brought about about by a tariff, would bring about decreased importations and stimulate production in this country greatly, with the consequent earlier exhaustion of our own supply.

8. Petroleum Heat & Power Co., by virtue of the foregoing facts relative to the oil-burner industry and the fuel problem in its larger aspects, respectfully urges that crude oil and fuel oil be continued on the free list as in the past, and that the proposed amendment imposing a tariff thereon be defeated.

PETROLEUM HEAT & POWER CO.,  
By HARVEY C. DEVER, *First Vice President.*

Personally appeared Harvey C. Dever, signer of the foregoing affidavit, known to me to be the first vice president of Petroleum Heat & Power Co., and made oath to the truth of the statements therein contained, on this 8th day of July 1929, before me.

(SEAL.)

HELEN G. THOMAS,  
*Notary Public.*

### STATEMENT OF GEORGE M. ROMMEL, SAVANNAH, GA., INDUS- TRIAL COMMISSIONER FOR THE CITY OF SAVANNAH

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. ROMMEL. Mr. Chairman, I am appearing as the industrial commissioner of Savannah, representing the industrial committee of Savannah, the city of Savannah, and the Savannah Board of Trade.

I shall not present to you an elaborate brief nor an elaborate volume of statistics. I wish to give you the picture of the development in a famous old southern city which has learned that its future rests largely on the development of its industries.

Savannah has heretofore been known mainly as a marketing center—lumber, first, which has passed largely on account of the cutting of the virgin timber; naval stores, which hold their own; cotton, which in the last five years has been going through a very difficult period. In spite of this difficult period which the cotton industry has passed through, every indication which can be used to measure community progress shows an advance. Bank deposits, bank resources, number of automobiles registered, the use of public utilities, the number of freight cars loaded and shipped out, newspaper circulation—practically every measure that we can get of a community's advance shows more business in 1928 than in 1924. Why?

The industrial committee of Savannah made a survey last winter of the industries, and there we found the answer. We voluntarily gave everybody an opportunity to tell us what their books showed in the gross sales, the average number of employees, and the amount paid for wages and salaries for each of the past five years. Twenty-two concerns responded in full. The reports of those 22 concerns

out of a total of some one hundred and forty and odd showed that they had an advance in the five years of 31.1 per cent in gross sales, of 21.6 per cent in average number of employees, and 22.5 per cent in the amount paid for wages and salaries. There is the answer.

The CHAIRMAN. Yes; that is the answer. Now, what do you want about mineral oils?

Mr. ROMMEL. I am coming to that right now.

We have learned that in spite of the fact that we are a long way from the coal fields, we can produce electric current and sell it in Savannah at lower rates than any other steam-operated plant on the south Atlantic coast and at lower rates than any plant run as a public utility on the Gulf coast. Our rates for wholesale power to large manufacturing interests in Savannah will compare favorably with the hydroelectric rates in Georgia and the Carolinas, and are cheaper than some of them. The answer, sir, is crude oil, fuel oil that we are using to generate our current.

The CHAIRMAN. And you want it free?

Mr. ROMMEL. There are used to-day in Savannah approximately a million and a half barrels of fuel oil.

Senator KING. Imported, principally?

Mr. ROMMEL. It comes to Savannah on contract. The contract price for that fuel oil is the New York price for grade bunker C; and the guaranteed maximum during the period of this contract is \$1.07 f. o. b. customer's tanks, Savannah.

The CHAIRMAN. Where do you buy most of it?

Mr. ROMMEL. That is bought through the Gulf Refining Co. They have their terminal right there in Savannah, and they take it to the consumer's tanks.

As long as we have that sort of a picture, sir, as long as there is no duty on crude oil or fuel oil, we believe that we are in a position to develop our industries with reasonable rates for fuel and power.

That, sir, is my story.

Senator KING. Do you use any Alabama coal for the development of your industries?

Mr. ROMMEL. Oh, yes; there is a large quantity of coal used there; but the largest users of fuel in Savannah have changed from coal to oil on account of this favorable contract, which is possible with oil on the free list.

#### STATEMENT OF H. B. WALKER, REPRESENTING THE AMERICAN STEAMSHIP OWNERS' ASSOCIATION

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. WALKER. Mr. Chairman, I represent the American Steamship Owners' Association, and I will file a list of the members of the association with the secretary; also a list showing what lines are engaged in the foreign trade, the coastwise trade, and the intercoastal trade.

(The lists referred to are as follows:)

##### LIST OF MEMBER COMPANIES OF THE AMERICAN STEAMSHIP OWNERS' ASSOCIATION, NEW YORK

American-Hawaiian Steamship Co., 8 Bridge Street, New York, N. Y.  
 American Line Steamship Corporation, 1 Broadway, New York, N. Y.  
 American South African Line (Inc.), 39 Cortlandt Street, New York, N. Y.

American Sugar Transit Corporation, 117 Wall Street, New York, N. Y.  
 Argonaut Steamship Line, 26 Beaver Street, New York, N. Y.  
 The Atlantic Refining Co., 260 South Broad Street, Philadelphia, Pa.  
 Barber Steamship Lines (Inc.), 17 Battery Place, New York, N. Y.  
 Bliss, Dallett & Co. (Red "D" Line), 82 Wall Street, New York, N. Y.  
 A. H. Bull Steamship Co., 115 Broad Street, New York, N. Y.  
 Calmar Steamship Corporation, 25 Broadway, New York, N. Y.  
 Chile Steamship Co. (Inc.), 25 Broadway, New York, N. Y.  
 Cities Service Transportation Co., 60 Wall Street, New York, N. Y.  
 Clyde Steamship Co., Pier 36 North River, New York, N. Y.  
 Colombian Steamship Co. (Inc.), 17 Battery Place, New York, N. Y.  
 Colonial Navigation Co., Pier 44 North River, New York, N. Y.  
 Dollar Steamship Co., 230 California Street, San Francisco, Calif.  
 Eastern Steamship Lines (Inc.), India Wharf, Boston, Mass.  
 Freeport Sulphur Transportation Co., 52 Wall Street, New York, N. Y.  
 Grace Line (Inc.), 10 Hanover Square, New York, N. Y.  
 Great Northwestern Shipping Corporation, 39 Broadway, New York, N. Y.  
 Gulf Refining Co., 21-24 State Street, New York, N. Y.  
 Luckenbach Steamship Co. (Inc.), 44 Whitehall Street, New York, N. Y.  
 C. D. Mallory & Co. (Inc.), 11 Broadway, New York, N. Y.  
 Mallory Steamship Co., Pier 36 North River, New York, N. Y.  
 Matson Navigation Co., 215 Market Street, San Francisco, Calif.  
 Moore & McCormack Co. (Inc.), 5 Broadway, New York, N. Y.  
 Munson Steamship Line, 67 Wall Street, New York, N. Y.  
 New York & Cuba Mail Steamship Co., foot of Wall Street, New York, N. Y.  
 New York & Porto Rico Steamship Co., 25 Broadway, New York, N. Y.  
 North Pacific Division of the Grace Line, 10 Hanover Square, New York, N. Y.  
 Ore Steamship Corporation, 25 Broadway, New York, N. Y.  
 Pan American Petroleum & Transport Co., 122 East Forty-second Street, New York, N. Y.  
 Panama Mail Steamship Co., 10 Hanover Square, New York, N. Y.  
 Peninsular & Occidental Steamship Co., Florida Life Building, Jacksonville, Fla.  
 Pocahontas Steamship Co., 1 Broadway, New York, N. Y.  
 Southern Pacific Steamship Lines, Pier 49, North River, New York, N. Y.  
 Southern Steamship So., 321 Commercial Trust Building, Philadelphia, Pa.  
 C. H. Sprague & Son, 33 Broad Street, Boston, Mass.  
 Standard Oil Co. (California), 200 Bush Street, San Francisco, Calif.  
 Standard Shipping Co., 26 Broadway, New York, N. Y.  
 Standard Transportation Co., 26 Broadway, New York, N. Y.  
 Strachan Shipping Co., Brunswick, Ga.  
 Sun Oil Co., 1428 South Penn Square, Philadelphia, Pa.  
 The Texas Co., 17 Battery Place, New York, N. Y.  
 Tide Water Oil Co., 11 Broadway, New York, N. Y.  
 Union Oil Co. of California, Union Oil Building, Los Angeles, Calif.  
 Union Sulphur Co., 33 Rector Street, New York, N. Y.  
 United Fruit Co., 1 Federal Street, Boston, Mass.  
 United States Steel Products Co., 30 Church Street, New York, N. Y.  
 Vacuum Oil Co., 61 Broadway, New York, N. Y.

JUNE 30, 1929.

The following list of members of the American Steamship Owners' Association is divided into those engaged (1) in foreign trade, (2) coastwise trade, and (3) intercoastal trade:

FOREIGN TRADE

American South African Line (Inc.).	Gulf Refining Co.
American Sugar Transit Corporation.	C. D. Mallory & Co. (Inc.).
The Atlantic Refining Co.	Matson Navigation Co.
Barber Steamship Lines (Inc.).	Moore & McCormack Co. (Inc.).
Bliss, Dallett & Co. (Red "D" Line.)	Munson Steamship Line.
A. H. Bull Steamship Co.	New York & Cuba Mail Steamship Co.
Chile Steamship Co. (Inc.).	North Pacific Division of the Grace Line.
Cities Service Transportation Co.	Ore Steamship Corporation.
Colombian Steamship Co. (Inc.).	Pan American Petroleum & Transport Co.
Dollar Steamship Co.	
Eastern Steamship Lines (Inc.).	Panama Mail Steamship Co.
Grace Line (Inc.).	Peninsular & Occidental Steamship Co.
Great Northwestern Shipping Corporation.	Standard Oil Co. (California).



Standard Shipping Co.  
 Standard Transportation Co.  
 Strachan Shipping Co.  
 Sun Oil Co.  
 The Texas Co.  
 Tide Water Oil Co.

Union Oil Co. of California.  
 Union Sulphur Co.  
 United Fruit Co.  
 United States Steel Products Co.  
 Vacuum Oil Co.

## COASTWISE TRADE

American Line Steamship Corporation.	Munson Steamship Line.
Clyde Steamship Co.	New York & Porto Rico Steamship Co.
Colonial Navigation Co.	Pocahontas Steamship Co.
Eastern Steamship Lines (Inc.).	Southern Pacific Steamship Lines.
Freeport Sulphur Transportation Co.	Southern Steamship Co.
C. D. Mallory & Co. (Inc.).	C. H. Sprague & Son.
Mallory Steamship Co.	Union Sulphur Co.
Moore & McCormack Co. (Inc.).	

## INTERCOASTAL TRADE

American-Hawaiian Steamship Co.	Luckenbach Steamship Co. (Inc.).
American Line Steamship Corporation.	Munson Steamship Line.
Argonaut Steamship Line.	United States Steel Products Co.
Calmar Steamship Corporation.	Williams Steamship Co. (Inc.).

Mr. WALKER. At the present time, according to figures published by the United States Department of Commerce, there are under the American flag 1,755 seagoing merchant vessels of 500 gross tons and over, aggregating in all some 9,000,000 gross tons, which are oil burning; in other words, more than 87 per cent of the entire total tonnage of American seagoing ships.

Senator KING. You are appearing on the question of oil?

Mr. WALKER. Petroleum.

Senator KING. You want no tariff on that?

Mr. WALKER. No tariff.

The American Steamship Owners' Association, whose members operate a majority of the privately owned vessels under the American flag, have a very real interest, therefore, in the proposal before this committee that a duty of \$1 per barrel be placed on the "imports of crude and fuel petroleum."

We believe that in at least two ways the imposition of a duty on petroleum imports would work an injustice upon the American ship-owner by adding to the handicap of the already excessive operating costs he is forced to shoulder in competition with foreign tonnage:

First. By resulting in an increase in the price of fuel oil.

Second. Through the gradual depletion of our national petroleum resources which would necessarily follow, and which not only is in direct opposition to the efforts toward conservation being made by the Government and the oil industry alike, but which would also have the ultimate effect of leaving the industry and, consequently, the shipowner solely dependent upon foreign sources of supply.

Last year 79,767,000 barrels of crude oil were imported into the United States. Had the duty of \$1 per barrel on crude imports been in effect during that period it would have meant a bill of nearly \$80,000,000 for some one to pay.

Nearly one-half of this tremendous inflow of raw product was refined into fuel oil. Since the shipping industry is by far the largest user of fuel oil, it requires no intricate mathematics to see that a

considerable portion of this \$80,000,000 duty would have fallen on the American shipowner.

American oil-burning vessels engaged in foreign trade alone burned 23,263,915 barrels of oil fuel during the year 1928.

Senator KING. Mr. Witness, I was going to suggest that you simply file that statement.

Mr. WALKER. I just wanted to get these high spots before you, if I might.

Senator SMOOT. We have it all anyway. You can just put that in the record.

(The remainder of the statement is as follows:)

The receipted bill for that fuel shows a total of over \$20,000,000. The ships flying the American flag and engaged in foreign trade are already seriously handicapped by reason of higher American construction and operating costs. Is it fair to add to this burden?

That, however, is only half the picture. Vessels under United States registry engaged in the coastwise and intercoastal trades consume annually another 27,000,000 barrels, raising the total fuel bill to something like \$50,000,000. The total additional cost which the American shipping industry would have to bear is a staggering blow which, we confess, we are at a loss to know how to meet.

So much for the theoretical side. What would actually happen, of course—and this, apparently, is the aim of the bill—would be to make impossible the importation of foreign oil into the United States. Naturally, the oil refiner is not going to pay \$1 per barrel extra for his raw product if he can help it.

What is the answer? The call for domestic crude is going to result in a gradual depletion of supply with its accompanying rise in prices. So that not only the shipowner but all users of petroleum products suffer in the end.

American tankers now enjoy a large percentage of the total international water-borne oil traffic. We are an important factor in this phase of world shipping, nearly 30 per cent of the total tanker tonnage afloat being under the American flag. The chief reason for this is, of course, that the United States is both the greatest consumer and the largest refiner of petroleum and its products. There can be no doubt but that the imposition of the proposed duty would give an impetus to the construction of refineries abroad. Naturally, with their lower marine construction and operating costs, foreign countries are going to use their own vessels and we will have the pleasant picture of oil being transported to the refineries and markets of the world in tankers built abroad and operated under foreign flags—a trade which it will be exceedingly difficult, if not impossible, to regain.

The effect of such a tariff upon the present nation-wide efforts toward conservation is, of course, of more concern to the oil industry than to the members of the American Steamship Owners' Association. It is impossible, however, for us not to be interested in how the thing is going to work out and not to be somewhat concerned over what appears to be inevitable outcome should the proposed tariff go into effect.

According to a report of the Federal Conservation Board, dated February 25, 1929, the United States now produces 72 per cent of the world's crude petroleum and consumes approximately 65 per cent. Our known resources are but 13 per cent and these are now being exhausted at a dangerous rate. State and Government officials and the oil industry itself are making every effort to reach a comprehensible, workable plan for oil conservation.

In the midst of this, a measure is introduced which promises to materially reduce if not entirely shut off nearly 80,000,000 barrels of raw product annually imported from abroad. Immediately it seems the pendulum is going to swing the other way. Instead of overproduction and efforts toward conservation, we should then have a heavy call upon our already dwindling domestic supply. How long it would be before our natural resources were exhausted and the country forced to depend upon foreign fields—particularly in time of war—few will attempt to predict. But the future is not pleasant to contemplate.

We fail to see that the placing of a duty on crude petroleum will produce any result other than that of increased costs of petroleum and its products to the consumer, and the further depletion of our oil reserves. This association stands, therefore, unalterably opposed to any attempt to levy a duty on crude

petroleum, irrespective of the amount, and respectfully desires to direct the attention of the members of this committee to the urgent need, which it believes they must recognize, of conserving our oil resources so that the Nation shall not be solely dependent, either in time of peace or in time of emergency, upon foreign sources of supply.

The Federal Oil Conservation Board has suggested a remedy—conservation by increased imports of crude petroleum.

We, therefore, strongly urge the retention on the free list in the tariff law of 1929 of:

"PAR. 1730. Oils, minerals; petroleum, crude, fuel, or refined, and all distillates obtained from petroleum, including kerosene, benzine, naphtha, gasoline, paraffin, and paraffin oil, not specifically provided for."

Respectfully submitted.

AMERICAN STEAMSHIP OWNERS' ASSOCIATION.

### STATEMENT OF ALBERT R. WHITE, TAUNTON, MASS., REPRESENTING THE ASSOCIATED INDUSTRIES OF MASSACHUSETTS

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. WHITE. I will file a copy of my brief.

Mr. Chairman and gentlemen, my story perhaps is a little different from the others.

The Associated Industries is the largest trade organization in the State of Massachusetts. It has 1,500 members, very many of whom burn oil, and have ever since 1915.

Up in New England we have viewed with some amusement the proposal to protect apples and our sacred fish, the cod; but when we get to oil it is not a matter of amusement.

The CHAIRMAN. It is another story?

Mr. WHITE. It is entirely another story.

The bunker price of coal to-day in the ports of Boston and Providence is \$5 a ton. It costs 40 cents a ton for delivery to the consumer. Oil is bought on the basis of \$1.05 a barrel to the large consumers. We figure, and I think accurately, that four barrels of oil will do the work of a ton of coal. That means \$4.20 as against \$5 to begin with.

The transportation end is even more important to us than that. So far as I know, in our own plant we have never burned anything but foreign oil. The oil comes into Providence on tankers, and we take it with trucks, with trailers, and haul it into our works.

Senator EDGE. Where is that oil imported from?

Mr. WHITE. Most of it that we get comes from Tampico.

Senator EDGE. From Mexico?

Mr. WHITE. Yes; most of it.

Senator EDGE. Could you get a similar crude oil of domestic production?

Mr. WHITE. The freight rate would be prohibitive. Oil moves sixth-class.

Senator EDGE. You could get the oil, but the freight rates from the sources of supply to Massachusetts would be prohibitive?

Mr. WHITE. Absolutely prohibitive. It costs 11½ cents a hundred to haul it 25 miles. That is the reason we use trucks. We can do it for 5 cents a hundred.

The cost of changing over would be tremendous. In my own plant we burn about 200,000 barrels a year. The Pacific Mills, which are bigger than we are in textiles, burn about 600,000 barrels a

year. It would cost us nearly \$200,000 to change back to coal; and the oil supply is dependable. In the old days coal was not dependable. We paid anywhere from \$5 to \$25 a ton; and it has been one of our saving graces in New England, in manufacturing, to have this fuel oil for the factories located on the rivers and on the seacoast.

The CHAIRMAN. Is that all?

Mr. WHITE. That is all.

(Mr. White submitted the following brief:)

#### BRIEF OF THE ASSOCIATED INDUSTRIES OF MASSACHUSETTS

The Associated Industries of Massachusetts has a membership of about 1,500 manufacturing industries of all kinds. The association is nearly 15 years old. Many of the members burn oil for fuel and have burned it for years and they have requested the executive committee to authorize an appearance before the Senate Finance Committee to advocate the retention of petroleum and its products on the free list as it would bring considerable hardship to its membership who burn oil for fuel to have their fuel bills increased.

New England with its coast line and few navigable rivers is favorably situated to use fuel oil which comes from Mexico and South American points as the cost of transportation is comparatively cheap and the handling charges are simply the cost of pumping the oil from the tankers into the storage tanks.

During the war and afterwards, because of the exceedingly high prices of coal, inadequate railroad facilities for bringing it inland from tide water points, a situation arose which caused many manufacturing plants in Massachusetts to abandon the use of coal and install oil-burning equipment so that at the present time many of our plants haven't any facilities whatever for handling coal. Time has shown that in the long run our manufacturing plants are better off, both financially and from the point of view of continuous supply, burning oil rather than coal, so that oil has become a standard fuel for many plants, and during the entire period the price has almost without exception been reasonable taking into consideration all the circumstances, for the consumer.

We have seen coal fluctuate from \$5 a ton to \$25 a ton "alongside" and we have seen the time when we couldn't get it at \$25 a ton because the railroads had to confiscate it for their own use.

It is a generally accepted fact, under proper conditions, that 4 barrels of fuel oil of 42 gallons each will make as much steam as 2,240 pounds of good grade soft coal. To-day coal can be bought in the ports of Providence and Boston at \$5 a ton and the bunker price of oil is \$1.05 a barrel, making a differential in favor of the oil on a basis of 75 cents a ton over coal, but that is only a part of the story. Inland freight rates on both coal and oil in New England are high. It costs 95 cents a ton for a haul of 25 miles inland by rail and 4 barrels can be hauled by trucks with trailers the same distance for 62 cents, while if the 4 barrels were in a tank car for the 25-mile journey it would cost \$1.42 for the transportation, so that our Massachusetts situation is favorable for water-borne oil directly to the plants on the coast line and on the rivers, and for plants under 50 miles inland truck transportation in conjunction with the water-borne oil. Ocean freight rates which are absorbed in the bunker price of oil are exceedingly cheap where the shipments are from Mexico and South American points. Illustrating that point the average freight rate on cargoes on from nine to ten thousand tons of fuel oil from Tampico, Mexico, to New York for the last five years has been 30 cents a barrel; to Providence 30½ cents a barrel, and to Boston 32 cents a barrel.

A barrel of oil will weigh approximately 198 pounds. There is a commodity rate from Galveston and points near by in Texas to New England points of 76 cents a hundred so that it can be easily seen that railroad transportation to New England for fuel oil is out of the question.

From certain Venezuela points to New York the fuel-oil rate is about 27 cents a barrel; to Providence, 27½ cents a barrel, and to Boston 29 cents a barrel.

From certain shipping points in the United States of Colombia the rate to New York, Providence, and Boston is a cent barrel higher than from Venezuela points.

In this fuel-oil situation the mid western producer can not help himself as long as the Interstate Commerce Commission requires oil to move as sixth-class freight.

The present situation in relation to the production of oil in this country is an argument for its retention on the free list. Statistics show that in 1928 the United States exported 50 per cent more fuel oil than it imported and that only 9 per cent of the fuel oil used in this country was imported. It is, therefore, believed that Congress will see that New England is not asking for anything unreasonable when it asks that fuel oil be retained on the free list as one of those raw commodities that in justice to all should be on the free list.

The obvious purpose of the coal producers to take oil from free list is to increase the production and price of soft coal and our membership feels that it would be just as sensible for the State of Massachusetts to legislate that we should go back to burning gas for lighting purposes in our factories, and so if foreign oil is taxed at a dollar a barrel we can not afford to use it.

It may be worth while to show just what hardship it would work in specific instances. The plant with which the writer is associated has burned oil for perhaps 14 years; its average consumption per year is 200,000 barrels. If in addition to its present price for fuel oil it had to pay out \$200,000, that sum represents an amount greater than it ever paid its palmiest days in dividends.

It would also cost \$200,000 to erect a coal trestle, coal-discharging facilities, automatic hoppers, and changing the boilers over to burn soft coal. This is typical of what would happen to many of our textile plants.

A very large textile company like Pacific Mills is said to consume 600,000 barrels of fuel oil a year.

For the first period in many years our oil-burning manufacturing plants in Massachusetts located on or near the coast line have been free from interrupted service either because of strikes on the railroad or strikes at the coal mines, and this feeling of security is worth much after the experiences of the past where plants had to shut down because of interrupted coal supply, and the competition between coal and oil for fuel is such that neither the coal or oil industry can afford to ask prohibited prices and still do business.

Respectfully submitted.

ASSOCIATED INDUSTRIES OF MASSACHUSETTS,  
By ALBERT P. WHITE, *Vice President.*

JULY 6, 1929.

COMMONWEALTH OF MASSACHUSETTS,

*Bristol, ss:*

Then personally appeared the above-named Albert R. White, known to me to be the person he represented himself to be, and made oath to the truth of all statements made by him as of his own knowledge, and said that he believed all statements made by him upon information are true to the best of his knowledge and belief.

[SEAL.]

HARRY S. BRIDGFORD, *Notary Public.*

My commission expires March 25, 1932.

## BRIEF OF THE AMERICAN AUTOMOBILE ASSOCIATION

The American Automobile Association, composed of 1,015 affiliated clubs, located in every State of the Union, at its twenty-seventh annual meeting held at Buffalo, N. Y., July 1, 2, 1929, unanimously adopted the following resolution:

### "PROPOSED TARIFF ON PETROLEUM IMPORTS

"Proposals are now being made by certain interests before the Senate Finance Committee to levy an import duty on crude and fuel oil, gasoline, lubricants, kerosene, and all derivatives of crude petroleum. The object of these proposals is naturally to produce higher prices for these products. The American Automobile Association therefore protests against the levying of any import duty on such products, and formal action before the Senate Finance Committee in the interest of the users of gasoline of this country is authorized."

In support of this declaration of policy, your attention is respectfully directed to the following points:

First. The proposed duty would place a grave burden upon the motor-vehicle owners of the Nation.

The proponents of the tariff on petroleum and petroleum products—a thing which is unprecedented in the tariff history of the United States—frankly admit

that their reason for seeking such a tariff is to secure higher prices for petroleum and its products.

It can not be denied that this means that the American motorists and other consumers of petroleum must pay the higher prices if the proposed duty goes into effect.

It has been estimated that should the proposed import duty be levied that the retail price of gasoline would be increased at least 2 cents per gallon. During 1928 the gasoline consumption in the United States reached a total of approximately 12,000,000 gallons. This would mean an additional tax upon the consumers of gasoline of approximately \$240,000,000 annually.

Special taxes levied against the motorists of the Nation in 1928 reached the staggering sum of \$785,386,170. Every State in the Union has now in effect a gasoline tax ranging from 2 cents to 6 cents per gallon. With increases recently made by various State legislatures, the national motor vehicle tax bill in 1929 will amount to approximately \$900,000,000, representing an increase in the past five years of approximately 80 per cent.

The motorists have so far submitted to this enormous tax burden in order that the Nation might have a national system of surfaced highways. With 24,500,000 motor vehicles in operation in this country to-day and with the saturation point not yet reached, it is common knowledge that our national system of highways must be extended to meet the growing demands of transportation. This means that special taxes levied against American motorists will continue to mount.

These conditions are cited to show that the American motorist is now and will continue to be overburdened with motor-vehicle taxation, and the proposal to place an import duty on petroleum and its products, affecting, as it does, not merely the owners of automobiles but every farmer who uses a tractor for the purpose of carrying on his daily work, is, we submit, nothing less than unthinkable.

Second, Such a proposed policy to levy an import duty on petroleum and its products is contrary to the oil-conservation program enunciated by the United States Government.

In 1928 there was produced in the United States 902,000,000 barrels of petroleum and imported into this country 91,560,880, making a total of 993,560,880 barrels. There was consumed and exported during the year 1928, 966,013,000 barrels, thus leaving for crude and refined storage 27,553,880 barrels. These figures prove that were it not for the fact that approximately 91,000,000 barrels of petroleum is now being imported into the United States annually there would be a shortage of supply. A tariff duty on petroleum imports would unquestionably seriously curtail, if not actually stop, any further importation of this essential product, thus making it necessary for the United States to materially increase its present production program.

The total petroleum resources of the United States constitute only 18 per cent of the world's estimated supply, while in 1928 it produced 68 per cent of the world's demand. This means that the United States is exhausting its petroleum resources at a dangerous rate. In the face of this condition it is submitted that if the United States is to conserve its petroleum resources and be independent of foreign-oil domination, no handicap should be placed upon the development of the American oil industry in foreign countries.

CITY OF WASHINGTON,

*District of Columbia, ss:*

Ernest N. Smith, being first duly sworn, on oath deposes and says that he is executive vice-president of the American Automobile Association; that he has read the foregoing statement and knows the contents thereof; that the matter and things therein stated of his own personal knowledge are true, and those upon information and belief he believes to be true.

ERNEST N. SMITH.

Subscribed and sworn to before me this 13th day of July, 1929.

[SEAL.]

J. ALWYN BROWN.

*Notary Public.*

**BRIEF OF MARK COOPER, REPRESENTING THE COOPER CORPORATION, SALISBURY, MD.**

COMMITTEE ON FINANCE,  
*United States Senate.*

GENTLEMEN: I am one of the hundreds of contractors engaged in the laying of asphalt roadways throughout the Eastern States. The asphalts we use run from light road oils to ordinary heavy asphalts. Their consistency depends upon their content of lighter oils.

A release of the Department of Commerce on June 11 of this year, copy of which I will leave with you, states that 60 per cent of all the asphalt used in the United States is produced from imported heavy crude oils and that 93 per cent of all the asphalt produced on the Atlantic seaboard of the United States is produced from foreign oils.

Road building is to-day a matter of enormous interest to States, counties, and municipalities.

Farm bureaus are taking an extreme interest in the development of the cheapest possible roads to enable farmers to reach their markets and social centers every day in the year. Asphalt is the only material which can meet this requirement.

Cement roads are excellent for State roads and principal highways. Although originally constructed of cement, there is only one material with which they can be repaired, namely, asphalt. Every crack, every upheave, every ravelling, every break in the shoulder, must be repaired with asphalt.

But, the cement road is so costly that it is necessarily laid as narrow as compatible with ordinary safety. The ordinary cement road is only 16 feet in width. In rural communities where the principal traffic is farm trucks, trucks can not safely pass on the ordinary cement road, and in muddy weather when the shoulder is soft a cement road in farming districts is lined with farm trucks, or automobiles pushed to the side by farm trucks bogged in the ditch.

Ordinary country roads of 26 to 30 feet in width are being made into hard roads by asphalt-surface treatment, at about one-sixth of the cost of the narrower concrete road.

Asphalt is the one material which offers hope to the farmer of safe and rapid communication in farming districts. The average cost of asphalt is to-day around \$13 a ton.

It takes 10 barrels of heavy crude oil to make 1 ton of the average asphalt. Of the 70,000,000 barrels of crude oil imported in 1928, 21,000,000 were used in the manufacture of asphalt. A tariff on crude oil of \$1 per barrel would result in an increased cost of \$7 to \$10 per ton for asphalt. This is prohibitive. The result would be that the asphalt contractor like myself, the small town, the farming community, and the county would be forced to pay a higher price. And, at that, the asphalt production of the United States would have to look to domestic crude oils for its supplies.

Last year, the greatest year of oil production in the United States, there was only enough native asphalt-bearing oil to produce 40 per cent of the total needs of the United States. It is impossible to produce all the asphalt we need from native oils.

Any tax whatsoever on asphalt-bearing foreign crude oils would end road-building programs and particularly would end the plan of farm relief now being developed by the Farm Bureau Federation and the Asphalt Association of America and would insure a continuance of the present impassable roads in rural communities.

As a constructor of country roads, I enter my protest against the levying of a tribute upon their construction in the form of a tariff on the raw material on which they absolutely depend.

MARK COOPER.

TALBOT COUNTY,  
*State of Maryland, ss:*

On this 13th day of July, 1931, appeared before me Mark Cooper, personally known to me, and being duly sworn he deposed that he signed the foregoing statement; that as to matters therein stated on his own knowledge the statement is true and that as to matters stated on his information and belief he believes them to be true.

[SEAL]

GEORGE SEYMON, Jr.,  
*Notary Public.*

My commission expires May 4, 1931.

## CRUDE PHOSPHATES

[Par. 1737]

## STATEMENT OF JOHN T. BURROWS, NEW YORK CITY, REPRESENTING THE PHOSPHATE-ROCK INDUSTRY

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. Burrows. Mr. Chairman and gentlemen, I am vice president of the International Agricultural Corporation, and represent that company, as well as a group of miners, constituting about 90 per cent of the phosphate-rock industry in this country. We are asking that phosphate rock be removed from the free list and that a duty of \$4.90 a gross ton be imposed.

Our industry at present is active in Florida, Tennessee, Utah, Idaho, Wyoming, and Montana. We have a capital investment of about \$67,000,000, and give direct employment to about 3,500 men.

In 1927 our production amounted to 3,000,000 tons, with a value of over \$11,000,000. All of this was transported by the railroads, with an addition to their revenue of about \$5,000,000; and about 9,000,000 tons by coastwise vessels, with an addition to their revenue of \$2,000,000.

During the year beginning in August, 1927, there were substantial imports of phosphate from the French protectorate of Morocco, where the French Government exercises a monopoly in the mining and marketing of phosphate rock.

Senator KING. What year did you say?

Mr. Burrows. Beginning with August, 1927.

Senator SMOOR. Did you say you were representing the agricultural interests?

Mr. Burrows. The International Agricultural Corporation, and about 90 per cent of the phosphate miners.

Senator EDGE. Are you directing your testimony to paragraph 1769?

Mr. Burrows. No; 1640, under the old tariff law.

Senator SMOOR. Page 307.

Senator KING. Mr. Burrows, there were only 9,000 tons, or a little over, imported in 1928.

Senator REED. No, Senator. It is the figure above that—37,000.

Senator KING. I said in 1928.

Senator REED. Thirty-seven thousand six hundred tons of crude phosphate rock.

Mr. Burrows. There never has been any necessity for any duty on phosphate rock until this French Government monopoly started in business in 1921. Since that date they have increased their tonnage from 8,000 tons in 1921 to 1,300,000 in 1928. These importations, while not very large, would have been much larger if it had not been for the active opposition of the industry in this country. The miners here invoked the antidumping law, and the Secretary of the Treasury ruled that there was dumping, and that the business of mining phosphate rock has been and is likely to be injured. The importers appealed from that.

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Senator SMOOT. How could there be any dumping here when it was free?

Mr. BURROWS. Because the Treasury ruled that they were selling below the market price in their own country.

Senator REED. What duty was put on it?

Mr. BURROWS. There was an average duty of \$2.86.

Senator KING. What authority was there for that?

Mr. BURROWS. As I understand it, under the antidumping law, if there is any evidence that a product is being sold in this country at a price below the market price, the wholesale price, in their own country in the usual course of trade, then there is evidence of dumping.

Senator KING. Even if it is on the free list?

Mr. BURROWS. Even if it is on the free list.

Senator KING. Then you can put a tariff on it?

Mr. BURROWS. That is right.

Senator EDGE. How do you explain the fact—if I have the proper table here—that the imports dropped from 17,000 to 9,000 in the last year?

Mr. BURROWS. The imports have gradually increased.

Senator EDGE. Phosphate rock, crude, in 1928, 37,000—

Mr. BURROWS. There is no doubt that there would have been at least 200,000 tons dumped in here if it had not been for our action in taking the course we did with the Treasury Department.

Senator REED. Mr. Burrows, the invoice price of this in Morocco is \$10.39. Apparently the going market price in the United States, f. o. b. mines, is about \$6.50 a ton. That does not sound like very dreadful competition.

Mr. BURROWS. The figures you are quoting, I believe, are misleading. That price of \$11 is the market price in Europe, not the market price f. o. b. mines, or f. o. b. the port in Morocco.

Senator SMOOT. Of course, that is the case with all our figures with respect to the foreign price.

Mr. BURROWS. The imports to this country were sold at \$7 at Baltimore, and that evidence is in the Treasury Department to-day. It can be obtained.

Senator REED. That is why they said it was dumping.

Mr. BURROWS. That is why they said it was dumping.

Senator REED. And they have put on the duty to protect it. If there is no dumping, you are not in the slightest danger. Is that not right?

Mr. BURROWS. That is true, but that case has now been appealed to the Customs Court, and the Treasury Department was overruled in the lower court. It has been taken up to what they call the third division now.

Senator KING. Mr. Witness, phosphate is a growing need in agriculture, is it not?

Mr. BURROWS. Absolutely.

Senator KING. For fertilizer.

Mr. BURROWS. Absolutely.

Senator REED. We have been exporting it to the tune of nearly 1,000,000 tons a year, to Germany and the Netherlands.

Mr. BURROWS. Our export business in 1913 was about one million three or four hundred thousand tons. It is gradually decreasing, due to the active competition of this French Government monopoly. They are reaching out for the phosphate markets of the world.

Senator REED. They do not seem to have reached very successfully, when our exports are thirty times our imports.

Mr. BURROWS. That would seem so; but it is not a question of what they have imported into this country. It is a question of what they would have imported and what they will import unless we are able to keep them out.

Senator KING. One of your answers implied that they got more for it in Europe; that the European price was higher than the domestic price. Why do they not sell in Europe instead of bringing it here?

Mr. BURROWS. They have increased their business from 8,000 tons in 1921 to over 1,000,000 tons, as I said before, and practically all that is going into Europe.

Senator EDGE. How are you going to help the farmer by putting a duty on it?

Mr. BURROWS. I do not think the farmer will be injured in the slightest by putting a duty on it.

Senator SMOOT. If he has to pay more for his phosphate he will be penalized.

Mr. BURROWS. That is true, temporarily, but if this American industry is destroyed—

Senator SMOOT. If it is temporary, then it will help you only temporarily.

Senator KING. Is not this an old business? Have you not been working at it for years?

Mr. BURROWS. This industry started in 1867, in this country.

Senator KING. Phosphate is rather plentiful. You state it is cheap. You do not have to pay anything for it. Nature has deposited it there.

Mr. BURROWS. The reserves in the United States are sufficient to last this country over 2,000 years. There is no danger of there ever being a shortage in this country; but if this Government monopoly, with their convict labor at 26 cents a day, is able to destroy the American industry, there is no reason to think that the story of every monopoly will not be repeated, and prices will be raised, to the subsequent damage of the farmer.

Senator KING. Mr. Witness, do you know that the miners of the United States, and the mining corporations, can mine copper ore, for example, in Utah, for considerably less than 50 cents a ton?

Mr. BURROWS. That does not, of course, apply to the phosphate rock business. We are not afraid of any mining corporation in the world in this business if we can have fair competition. But we do not consider it fair competition when you ask American labor to compete with convicts and Arabs, and American capital to compete with an industry subsidized by the French Government, and which has the use of government military railroads and other facilities for handling its products.

Senator KING. Where are the phosphate deposits in Morocco?

Mr. BURROWS. They are about 90 miles in from the coast, from the port of Casa Blanca.

Senator KING. If you do not think there is competition in the manner of production of phosphate in Morocco, with American production, I do not see your point. We are so much more advanced and our methods of mining are so superior that I can not conceive that the wild Arabs over there, of whom you speak—

Mr. BURROWS. That is true. They have the finest French engineers in charge of those mines.

Senator KING. I can not conceive that those wild Arabs would compete with the Americans in the production of phosphate.

Senator EDGE. You do not think you are in immediate danger with the importation at the present moment being approximately 1 per cent?

Mr. BURROWS. We feel that we are in serious danger. I think that if there is no protection, this industry can not possibly survive.

Senator SMOOT. Is there anything else you desire to say?

Mr. BURROWS. I wish to file a brief.

Senator SMOOT. That may be done.

(Mr. Burrows submitted the following brief:)

#### BRIEF OF THE PHOSPHATE ROCK INDUSTRY

Section 1640 of the free list of the tariff act of 1922 provides as follows: "Phosphates, crude and apatite."

We desire that this paragraph be repealed and that a provision for a duty on phosphate rock be inserted into the law as follows:

"Phosphate rock (phosphorites, collophane, and apatites), shall be subject to a specified duty of \$4.93 a long ton."

#### SUMMARY OF REASONS DEMONSTRATING NECESSITY FOR THE DUTY ASKED

1. In 1927-28 there appeared at the port of Baltimore, Md., for the first time in history, substantial imports of phosphate rock from Morocco.

2. These shipments were by the Office Cherfien des Phosphates, a French Government monopoly in Morocco.

3. This concern employs convict and Arab labor at wages of 26 and 32 cents a day and enjoys Government subsidy and tax exemption, and the further advantage arising from transportation by Government-owned military railroads and Government-owned port facilities in Morocco.

4. Any decrease in American production due to foreign competition will materially increase American costs.

5. Moroccan costs, including rail and water freight to Baltimore (as shown in brief filed by us before the Ways and Means Committee of the House in February, 1929) are actually \$4.93 per gross ton less than present American costs.

6. Conditions in the American industry: (a) Three favorably located fields with abundant supply of this essential plant food for thousands of years insure low prices to the American consumer.

(b) Efficiency of management and skill of engineers of the American producer are second to none in the world, but the American producer can not compete with a Government monopoly hiring labor at 26 to 32 cents a day and enjoying Government subsidy, Government transportation, and tax exemption.

(c) American miners appearing on this brief employ a capital investment of \$67,000,000 and 3,500 men. They produced in 1927, 3,168,000 long tons, valued at \$11,234,803. Transportation of the product to ports and factories of the interior added at least \$5,000,000 to the revenue of the railroads and \$1,800,000 to coastwise vessels registered under the American flag.

(d) Formerly the American industry was able to export a substantial part of its production and at one time furnished fully 90 per cent of the world's supply of phosphate. Export tonnage is now of no practical importance due to Moroccan competition.

(e) The total tonnage produced and marketed by the American miner was practically the same in 1927 as it was in 1913. The Moroccan competitor, who is now subjecting the American industry to unfair competition, has increased his tonnage from 8,000 tons in 1921 to 1,330,000 tons in 1928.

(f) The Moroccan mines have the capacity and have shown a determination to dominate the high-grade phosphate markets of the world. They will be able to accomplish this solely by reason of advantages of Government subsidy and tax exemption and the employment of cheap Arab and convict labor.

(g) Eventually both domestic and foreign markets will be lost to the American producer unless he is granted the protection asked.

The only possible basis for refusing the protection asked is that the importation of foreign phosphates at cheap prices will for a time reduce the price of manufactured phosphates in this country. Whatever slight or temporary advantage there may be to agriculture in this result will be sufficient to destroy an important American industry and to throw out of employment many hundreds of skilled and unskilled workers. Moreover, any such benefit will not be permanent because the history of all monopolies is that once they gain control of a market by underselling they will then proceed to put up the price higher than that charged by those whom they have destroyed. Finally, we consider it is not good policy that the people of this country be dependent upon a foreign Government monopoly for this essential plant food. Sound policy requires the encouragement of American capital in the exploitation of this great natural resource of our country and in the development of new processes for the economical production of fertilizer, and the discovery of new ways in which these crude deposits of phosphate rock can be used in the arts and in science.

In the brief filed by us with the Ways and Means Committee of the House in February, 1929, we discussed in detail the reasons supporting this application for duty. We would welcome an opportunity to furnish proof of the facts stated in that brief and in this one.

Filed in behalf of the following companies:

American Agricultural Chemical Co., 420 Lexington Avenue, New York, N. Y.

Anaconda Copper Mining Co., 25 Broadway, New York, N. Y.

Armour Fertilizer Works, 111 West Jackson Boulevard, Chicago, Ill.

Atlas Fertilizer Co., Columbia, Tenn.

Baugh Chemical Co., 25 South Calvert Street, Baltimore, Md.

J. Buttgenbach & Co., Dunnellon, Fla.

C. & J. Camp, Ocala, Fla.

Charleston Mining Co., Richmond, Va.

Coronet Phosphate Co., 99 John Street, New York, N. Y.

Davison Chemical Co., Garrett Building, Baltimore, Md.

Dunnellon Phosphate Mining Co., Dunnellon, Fla.

Federal Chemical Co., Louisville, Ky.

Hoover & Mason Phosphate Co., 8 South Michigan Avenue, Chicago, Ill.

Independent Chemical Co., 33 Pine Street, New York, N. Y.

International Agricultural Corporation, 61 Broadway, New York, N. Y.

Mutual Mining Co., Brunswick, Ga.

National Fertilizer Association, 616 Investment Building, Washington, D. C.

Phosphate Mining Co., 110 William Street, New York, N. Y.

F. S. Royster Guano Co., Norfolk, Va.

Ruhm Phosphate & Chemical Co., Mount Pleasant, Tenn.

Schuler & Webster, Columbia, Tenn.

Southern Agricultural Chemical Corporation, 61 Broadway, New York, N. Y.

Southern Phosphate Corporation, Garrett Building, Baltimore, Md.

Swift & Co., Union Stock Yards, Chicago, Ill.

## PLASTER ROCK OR GYPSUM

[Par. 1740]

### STATEMENT OF HARLAN W. RIPPEY, ROCHESTER, N. Y., REPRESENTING DOMESTIC PRODUCERS OF GYPSUM

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. RIPPEY. I represent domestic producers of gypsum. Preliminarily, I would say that we are interested in paragraph 205.

Senator KEYES. Is that page 34 of the bill?

Mr. RIPPEY. I do not recall the page of the bill. It is paragraph 205 under Schedule 2.

Senator KEYES. I thought we were taking up the free list.

Mr. RIPPEY. I was just making a preliminary statement to cover the situation.

Senator COUZENS. That refers to plaster rock, gypsum rock ground.

Mr. RIPPEY. Yes. Just before 205 was reached, Mr. McLeash, representing the United States Gypsum Co., and others representing some other importers, and myself here agreed that if agreeable to the subcommittee, of which Senator Edge was chairman, it would be advisable to have both paragraphs heard before the full committee. We talked with Senator Edge and Senator Reed about the matter—at least I did—and they said that that arrangement would be made. Now, that is why 205 has not been discussed before and why it would be taken up along with paragraph 1740.

Senator COUZENS. Because you want this put on the free list? Is that the idea?

Mr. RIPPEY. No, we want some changes in subdivision (a) of that paragraph.

Senator WALSH. You think the subjects are correlated?

Mr. RIPPEY. Yes, sir.

Senator KEYES. Ground gypsum is in 205, is it not?

Mr. RIPPEY. Yes; it relates to ground and calcined gypsum.

Senator WALSH. In other words, that subcommittee referred the discussion of this paragraph 205 to the discussion under the free list of the subject of gypsum?

Mr. RIPPEY. That is correct.

Senator COUZENS. You may proceed.

Mr. RIPPEY. I have been counsel for domestic producers for over a year in connection with the subject of tariff on gypsum.

Senator WALSH. Would you mind telling us how many domestic producers there are?

Mr. RIPPEY. There are 38, according to the Department of Commerce Bulletin of July, 1928. There are 38 domestic producers of gypsum having 84 plants, of which 60 were active in 1927.

Senator WALSH. Where are they located?

Mr. RIPPEY. All over the United States.

Senator WALSH. Does your brief show those locations?

Mr. RIPPEY. Yes. I wish you would just glance at these maps that we have prepared [producing maps].

Senator WALSH. Are the largest plants in western New York?

Mr. RIPPEY. Western New York had, up to 1928, produced about one-third of all the gypsum produced in the United States.

Iowa is the second largest producing State.

You will notice from the map here that east of the Mississippi the States of New York, Ohio, Virginia, and Michigan are the four principal gypsum-producing States.

Senator WALSH. What percentage of the consumption of gypsum is produced domestically?

Mr. RIPPEY. In 1928 slightly under—I do not have the figures yet from the Department of Commerce, but the estimate that was given to me by the Department of Commerce and the Tariff Commission was slightly under 5,000,000 tons domestic production; whereas, the

importations were 1,028,000 short tons, most of which came from Nova Scotia, Canada—all except, I think, something like 60,000 tons on the west coast.

Senator WALSH. Most of the importations that come from Nova Scotia find their place of destination along the eastern seaboard, particularly New England and New York.

Mr. RIPPEY. Along the eastern seaboard down as far as Norfolk, Va. The reports are that a plant is about to be constructed at Savannah, Ga., to take care of some of the Nova Scotia material.

Senator WALSH. Will you state how many people are employed in the industry in this country?

Mr. RIPPEY. I can only give an estimate. The estimate has been made of about 50,000.

Senator WALSH. I personally do not know how gypsum is mined. I am not familiar with that. Can you tell me very briefly about it?

Mr. RIPPEY. In the United States, with the exception of a small area in the West and with the exception of a place in the upper part of Michigan, all gypsum is mined at different distances under the surface. In western New York I think it is between 25 and 50 feet, on an average, under the surface. Of course, the material is wet. All the problems of mining occur in this industry in the United States, such as drainage questions, long haulage underground, hoisting to the surface, carrying to the crusher and the processing at the mouth of the shaft, loading on to cars, and of course hauling long distances by freight to the principal market; whereas, in Nova Scotia and in San Marcos, Mexico, the material is produced by open-surface quarrying. I think the matter that was presented before the House Ways and Means Committee, as well as the records that are here from the Department of commerce, indicate that the face of this gypsum rock—it is soft mineral rock—is as high as 100 feet at some points in Nova Scotia, and it is blasted by face blasting; that is, a large portion of the face of the rock is taken off at a single blast. It is thrown down on the surface of the quarry; the largest pieces are either reblasted or broken into smaller pieces, and then it is shoveled by steam shovel into cars and hauled to the crusher, where the primary crushing—and, as we have maintained all through this tariff controversy, the primary manufacturing operation—is performed and the material is reduced uniformly to sizes varying from 3 to 4½ inches maximum, both in Nova Scotia and in San Marcos, Mexico, before importation.

The material is then hauled by boat to the ports on the eastern seaboard or on the western seaboard.

The first great advantage that the importers have, of course, arises out of this method of procuring the material and out of their cheap haulage from the point where the material is produced to the principal markets.

Senator WALSH. The difference in water rates as against freight rates?

Mr. RIPPEY. Yes. The freight rate from western New York and from Port Clinton, Ohio, I believe, to New York City, is \$3.50 a ton, and the rates vary up to \$4.50 at other points along the Atlantic seaboard.

We had an estimate made by an engineer who is thoroughly familiar with the industry, and who had in fact laid out one of the plants of

the importers, as to the cost of quarrying and passing the material through the primary crushing operation in Nova Scotia and loading it upon boats, and the figure which was given to us by him was 61 cents per ton. We also have quotations from the Whitney Co., of New York, who deliver a considerable amount, if not all of the material, from Nova Scotia to the Atlantic Gypsum Products Co., one of the importers here, and they have quoted a maximum carriage charge of \$1 per ton on small lots, small boat loads, ranging from 2,000 to 3,000 tons each, and of 75 cents or less to any point on the Atlantic seaboard on boat loads ranging from 5,000 to 6,000 tons. Based upon those figures, we have attempted to maintain before the House Ways and Means Committee and elsewhere that the cost of importers to bring into the ports along the Atlantic seaboard the partly manufactured material, the material that had gone through the first reducing process, was \$1.36 per ton.

I had cost sheets given to me from four typical gypsum plants in western New York and I consolidated those costs. The cost, including freight on similar material, the cost to western New York producers to deliver to the Atlantic seaboard, averaged between Norfolk, Va., up to Portsmouth, N. H., was \$6.33 per short ton.

Senator WALSH. As against the invoice price of \$1.50 for Nova Scotia?

Mr. RIPPEY. You mean the declared price for the importers?

Senator WALSH. Yes, on gypsum.

Mr. RIPPEY. The Atlantic Gypsum Co. declared their value at \$1.50 at one point and \$1.13 at another point, average for the year 1928; whereas the United States Gypsum Co. has declared—that is, on the long ton—the United States Gypsum Co. declared their price slightly over a dollar.

Senator COUZENS. Did that pay any duty?

Mr. RIPPEY. That paid no duty. That has been admitted free.

Senator COUZENS. The controversy is as to whether that should have come under the \$1.40 rate or not?

Mr. RIPPEY. Yes. Now, will you permit me just to state some facts?

Senator COUZENS. Yes.

Mr. RIPPEY. Of course gypsum has been imported from Canada for over a hundred years in small quantities in our early history. Up to 1922, for a period of more than 25 years, there was a duty on crude gypsum. Now gypsum has been classified throughout our tariff history in this way: Up to 1897, as I recall it, it was always classified as unground, ground, and calcined; three specific classifications. My recollection is that it was in 1927 that the term "unground" was discarded and the word "crude" was substituted in its place, and since that time it has been classified as crude, ground, and calcined.

A duty was placed on crude gypsum in 1897, and it has remained on crude gypsum until 1922 in varying amounts, not a large amount, but in 1922 it was placed upon the free list. During all of this period there was a duty in varying amounts upon ground and calcined gypsum. In 1922 the act fixed \$1.40 a ton under paragraph 205. The importers have asserted that they were not represented, although, I mean the domestic producers have asserted that they were not represented, although they expected to be represented in 1922 before Congress, and that it was probably because of that lack of representa-

tion, as much as any other reason, that crude was taken off the dutiable list.

Up to 1922 Mr. Sewell Avery, or his father, who in turn have represented the gypsum industry in this country largely, or prior to and since 1897, appeared before Congress, and it was through the elder Mr. Avery's efforts that crude gypsum was placed on the dutiable list, and it was through the efforts of the younger Avery that the matter was properly presented to the House and to the Senate at the time that other bills were enacted. In 1922 Mr. Avery did not appear, contrary to the assumption of other domestic producers that he would look after their interest as formerly, and it developed that at or about that time negotiations were pending for the purchase by the United States Gypsum Co. of one of the then chief importers from Nova Scotia. It appeared at the House hearings, on the statement of the representative of the United States Gypsum Co., that that particular importer was not taken over until one or two years after the 1922 tariff act. But in any event, the Canadian mines records and the records of our own country failed to disclose that any crushing of any of this material, of this raw material, was done in Nova Scotia prior to 1922, as to any of the stuff that was brought to this country; that is, the stuff that was brought to this country was brought just as it came from the quarry and in large chunks, of course, running down to fines, as there would be some fine in it. That was exactly the situation in 1922 when this last tariff act was enacted.

The importations began to increase but not in large quantities— not in serious quantities—until about 1925 to 1926 or 1927, and in 1926 the importations from Nova Scotia began to affect the domestic industry. Up to that time this country had absorbed the amount of gypsum produced here, as well as the amount that had been imported from Canada, without any serious effect upon the market, apparently.

The serious effect upon the domestic producers of the increasing imported material began to show itself seriously in 1927, and in the fall of 1927 the domestic producers joined together and made application to the Secretary of the Treasury for a reclassification of the importations, claiming that the material which was brought in and which had been crushed in Nova Scotia was, in fact, partly manufactured, and under the classification which Congress had given to gypsum it was not crude but must be ground, under familiar decisions of the courts. The matter was then thoroughly investigated. The Government sent an agent to Nova Scotia to investigate the manner of securing the material and crushing it.

I might say that it was not until 1922 or later than the importers installed crushing machinery in Canada. That appears from the Canadian mines reports of Nova Scotia and New Brunswick.

Senator WALSH. What was the ruling?

Mr. RIPPEY. This matter dragged along until June 12, 1928, at which time the Treasury Department ruled that this material was in truth ground gypsum and was dutiable at \$1.40 per ton. Application was thereafter made by the importers for a rehearing, and before that decision was published the rehearing was had, and everybody, I guess, that was interested, nearly, in the industry appeared; over 200 pages of testimony were taken, and I think there were some



two or three hundred pages of briefs put in, besides pretty nearly a carload of gypsum as exhibits.

In October, 1928, the Treasury Department modified its previous ruling by saying that it was partly manufactured material, and as such was dutiable under paragraph 214 at 30 per cent ad valorem; that it was neither crude nor ground but that inasmuch as Congress had not drawn any distinction between crushed gypsum, which is partly processed, and ground gypsum, it should be held dutiable under paragraph 214.

Subsequent to that, and without any hearing, any general hearing at which the importers and the domestic interests were present, the Undersecretary of the Treasury overruled both decisions and held that it was entitled to free entry under paragraph 1643 of the old act.

Senator WALSH. On the free list.

Mr. RIPPEY. That is the situation that we are in now.

There are three things that we feel must be done if the domestic industry is to be saved.

First, that crude must be taken from the free list. Now, you notice that with crude on the free list it is impossible for the domestic producers to have an investigation made of the foreign and domestic costs through application to the President under either the old act or under the House bill; whereas, if crude were on the dutiable list an application could be made either under the old act or under the House bill, if that should become law, to have an investigation made of costs both in foreign countries and in this country, and determine whether or not any protection should be granted to the domestic producers.

So that the first step which we ask here is that crude be removed from the free list and placed upon the dutiable list with a sufficient duty to meet the difference in the foreign and domestic costs, and at least in a sufficient amount to allow the domestic interests to compete.

Senator WALSH. What duty do you suggest?

Mr. RIPPEY. \$3 a ton, if our figures are correct.

Senator WALSH. That is twice as much as is levied in paragraph 205 on the ground or calcined.

Mr. RIPPEY. Yes. We ask that the compensatory duties be increased on the ground and calcined.

Senator WALSH. Those duties would have to be changed?

Mr. RIPPEY. Yes. Now, the second thing is that we desire to have this material classified, specifically classified. Nobody knows at this time—that is, so that we can act intelligently upon it—whether it is crude or ground. The Treasury Department is uncertain on the matter, from its decisions, and we ask to have paragraph 205 amended so as to provide for a duty of \$3 per ton on crude material, beginning in the paragraph itself, specifying that crude material means run of mine or run of quarry. We ask that crushed gypsum be inserted with ground gypsum as a specific classification and that crushed gypsum be defined as any primary or secondary mechanical reduction, and we ask that \$3.75 per ton be placed upon that material.

We ask that there be added to calcined gypsum, wall plasters, gypsum blocks, and that a duty of \$4.50 per ton be placed upon those, and that wall board, plaster board, composed wholly or in chief value of gypsum, be dutiable at \$4 per 1,000 square feet.

Senator WALSH. What is the duty now?

Mr. RIPPEY. It comes in now under 35 per cent ad valorem, as manufactures. Let me say here, just so as to clear that particular feature of this question up: Gypsum in processing or in manufacturing is one of reduction only. Nothing else is done to it except reducing it. Of course it passes through reducing machines and through sieves and that sort of machinery, but it is a process of reduction from the time it comes from the mine or the quarry until it becomes finally pulverized. There are uniformly stated to be three stages in that reduction process: What they call the primary crushing or grinding, where the material is reduced to maximum sizes of about 4 inches; the secondary crushing or grinding, where the sizes are reduced to from one-quarter to 1½ inches, depending upon different mills that are used; and the final pulverizing, where the Raymond mills and disintegrators and other machines are used to reduce it to powder.

Up to that point there is no chemical change in the material at all, and for various commercial purposes at some stage during that reduction process products have resulted, commercial products have resulted, such as land plaster, retarders for Portland cement, flux for blast furnaces, and so on. When it goes further and into wall plaster, it has to be calcined, and by calcining they remove some portion of the water content. As a result we get wall plaster, sometimes called stucco, and later, with the admixture of other materials and by other processing, we get wall board, plaster board, and something like a hundred different products of gypsum.

Senator WALSH. Which one is the most extensively produced, wall board?

Mr. RIPPEY. No; it has a larger value, but wall plaster is the largest amount; the largest amount of gypsum goes into wall plaster.

Senator WALSH. Is the use of wall board increasing very much?

Mr. RIPPEY. Yes, very fast. According to the minerals division of the Tariff Commission, about \$87,000,000 is the value of the wall board in the United States in 1927.

Senator COUZENS. Is all that which you are stating in your brief?

Mr. RIPPEY. Most of it is in my brief, yes. I really did not want to take so much time. You asked me the question as to how this came up, and perhaps I have overstepped.

There is just one more point that I want to make here. It has been claimed through the hearings here that importations on these two coasts do not seriously affect the interior. Now, prices have been decreasing until it was conceded before the House Ways and Means Committee that the domestic plants all through the United States were operating at a loss. That is the situation. A number of them are in a very serious financial condition. One plant in Port Clinton, Ohio, reported to me that they lost during 1928 a little over \$200,000. At the same time the United States Gypsum Co. and the Standard Gypsum Co. have been extraordinarily prosperous.

Senator KEYES. What do you mean by "extraordinarily prosperous"?

Mr. RIPPEY. The United States Gypsum Co. reported a net profit of \$6,000,000 during 1928, or approximately over \$7 per share on its capital stock. They manufacture some other products, such as paint and lime products, but that cuts a small figure. They are all from gypsum base, and if they lost money—of course, I have never

seen an itemized financial statement of the United States Gypsum Co., and I do not think any has been presented at any of these hearings, but if they, as they stated before the House Ways and Means Committee, have been losing money on their 24 domestic plants, they must have made far in excess on the imported material, far in excess of \$6,000,000, so as to absorb their losses in the interior and still report a net profit of \$6,000,000 on their operations in 1928.

Senator WALSH. Are the sales of Nova Scotia gypsum confined to the eastern seaboard?

Mr. RIPPEY. Yes, practically so. That is, it extends back—they have shipped some material into Pennsylvania to the Lehigh cement district in Pennsylvania.

Senator WALSH. And the market for crude gypsum domestically produced is from the western part of New York to the Mississippi Valley?

Mr. RIPPEY. There is practically no market for the western New York people except along the seaboard. You see, 60 per cent of the gypsum in the United States is used in these seaboard cities.

Senator WALSH. What you are trying to do, then is to get a tariff duty which will in part offset the disadvantages of the domestic producers because of the advantage which the importer has in cheap water rates as against your heavy freight rates?

Mr. RIPPEY. Substantially so. Manufacturing costs are practically the same.

Now, if there are any questions you would like to ask I will be glad to answer them if I can.

Senator WALSH. Are the Nova Scotia mines owned by American capital?

Mr. RIPPEY. Yes.

Senator WALSH. Entirely?

Mr. RIPPEY. Well, I am not quite sure that the large Canadian company is not selling some of its material to some of the importers. I think that will develop later.

Senator WALSH. Do some of the domestic mine owners of gypsum maintain factories and produce gypsum products, manufactured products?

Mr. RIPPEY. Practically every one of them does; yes.

There is just one more thing I want to touch upon. A good deal of talk was had before the Ways and Means Committee by a man named Priddy, from Norfolk, Va. I did not know anything about the facts in regard to the material that was used in that section at the time of the House hearings. In 1927—this is not in my brief, and if I can just make mention of this I will be brief—in 1927 there was 40,668 tons imported into Norfolk, valued at \$37,512. In 1928 there was 30,430 tons imported to the same place, valued at \$40,418. That was largely used in the manufacture of land plaster. Now, there are two mines in Virginia that have for many years furnished material for all of that section and the South. One of them is owned by the United States Gypsum Co., which also is the chief importer.

Another appearance that will be heard to-day is the Rutland Fire Clay Products Co. I have a package of their chief product here which I bought for 25 cents here in Washington to-day, and which, if that was their entire consumption—if it took up their entire consumption of gypsum, which is very small, would run into about \$200

a ton. Now, I can not see where they fit into this picture at all in opposition to the domestic industry.

Senator COUZENS. Is Mr. Kellar here?

Mr. RIPPEY. Mr. Kellar will not be here. I might say that we assumed that the hearings could not be reached before to-morrow. That was the advice I had from Mr. Stewart. I did not know that this was going to be divided up into subcommittees. And Mr. Wilson is not here and is not going to appear until to-morrow, so you can cross him off. Neither is Mr. Brown here.

Senator COUZENS. Do they have the same story to tell that you have, practically?

Mr. RIPPEY. Well, Mr. Kellar is from the west coast, but Doctor Ellerbeck will take his place. You will find him later on the list. And Mr. Wilson is from the South, representing the Texas interests. (Mr. Rippey submitted the following brief:)

#### BRIEF OF DOMESTIC PRODUCERS OF TARIFF READJUSTMENT ON GYPSUM

The paragraphs under consideration are 205, 214, 1440, and 1643 under the 1922 act, and paragraphs 205, subdivisions (a) and (d), and 1740 under H. R. 2667.

Since the tariff act of 1922 conditions in the gypsum industry have so materially changed that tariff readjustment is imperative if the industry is to avoid destruction through the invasion of free foreign gypsum. We understand that one of the purposes of the special session of Congress was to readjust the tariff provisions upon such articles as needed protection, due to changed conditions since the 1922 tariff act, so as to place the domestic interests on as nearly an equal footing with the foreign products in our own market as possible.

To meet the needs of the domestic gypsum industry it is essential, first, that crude gypsum should be removed from the free list and an adequate tariff duty imposed upon the importation of crude gypsum to enable the domestic producers to compete with the foreign material in the principal markets in this country; second, to classify and definitely define crude, crushed, and ground gypsum; and, third, to provide compensatory duties upon articles manufactured from raw gypsum so as to enable those fabricating from domestic raw material to meet the competition imposed by foreign gypsum.

This requirement will be met by striking out paragraph 1740 of H. R. 2667 and by amending subdivisions (a) and (d) of paragraph 205 (H. R. 2667) so as to read as follows:

"PAR. 205. (a) Plaster rock or gypsum, crude (run-of-mine or quarry), \$3 per ton; crushed (any primary or secondary mechanical reduction) or ground, \$3.75 per ton; calcined, wall plasters, gypsum blocks, \$4.50 per ton; wall boards, plaster boards, composed wholly or in chief value of gypsum, \$4 per 1,000 square feet.

"(d) Statues, statuettes, and bas-reliefs, wholly or in chief value of gypsum or plaster of Paris, not specially provided for, 50 per centum ad valorem; manufactures of which gypsum or plaster of Paris is the component material of chief value, not specially provided for, 35 per centum ad valorem."

Subdivision (b) relates entirely to Portland cement. Subdivision (c) covers Keene's cement in which we are interested, and we ask that that subdivision of paragraph 205 remain the same as in H. R. 2667.

Subdivision (d) of the House bill takes care of manufactures only where plaster of Paris enters in. Plaster of Paris is calcined gypsum. There are many manufactures of raw (uncalcined) gypsum, such as cement retarder, flux for blast furnaces, agricultural gypsum, etc., not provided for, and the subdivision should be consequently amended as indicated.

Gypsum is a soft mineral rock found in many parts of the world. It is and has been found in quantities sufficient to meet the needs of all time in some or all of 22 States of the United States (see map). It has been mined or quarried for at least three-quarters of a century in this country. New York State produced in 1925 nearly one-third of the entire volume of domestic gypsum. Iowa was the second largest producing State.

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In 1927 the invested capital in the United States in the industry was about \$150,000,000, and the retail value of the products of the industry had reached more than \$150,000,000 annually. The Department of Commerce bulletin of July 11, 1928, reports 38 producers of gypsum in the United States having 84 plants, of which 60 were active in 1927.

According to authorities and literature on the subject, rock gypsum is classified according to its state into—

1. *Crude gypsum*.—This is the raw material from fines to great chunks just as it comes from the mines or quarries.

2. *Crushed or ground gypsum*.—This term is used to denote the raw gypsum in all physical states during the reduction processes, while unchanged chemically, from run-of-mine or quarry. It has various uses, principally for land plaster, as a retarder for Portland cement, and as flux in blast furnaces.

3. *Calcined gypsum*.—This term is used to denote gypsum after it has been chemically changed by "boiling" or "cooking" and the removal of a large percentage of the water content. This has been called "plaster of Paris" since early in the thirteenth century. It was known by no other name until recently and was the only term used to denote calcined gypsum in the early United States tariff acts. It is sometimes called "stucco," "plaster," or "calcined plaster." It is used for wall plaster, in the manufacture of building blocks and wall and plaster board, and has many other and varied uses in the industrial arts.

The manufacturing process by which the crude run-of-mine or run-of-quarry lump gypsum is converted into finely pulverized material before calcination is one of reduction only by the successive use of primary and secondary crushing or grinding machines and final pulverizing mills and cooperating devices.

Eckel, a standard authority on gypsum, in his work on Cements, Limes, and Plasters (2d ed., 1922), at page 40 et seq., thus describes the manufacturing processes:

"GRINDING GYPSUM AND PLASTER" \* \* \*

"the gypsum is finely pulverized before calcination. This pulverizing is usually accomplished in three stages" \* \* \*. "The three stages are:

"(1) The lump gypsum, as quarried, is crushed to 2 to 4 inch size in a Blake, Gates, or other coarse crushers.

"(2) The product of the coarse crushers is fed to reducers of the coffee-mill type, which crush it to about ¼ inch or so.

"(3) The final pulverizing is accomplished in either buhrstone mills, Sturtevant rock emery mills, or Stedman disintegrators. These reduce the gypsum so that from 55 to 65 per cent will pass a 100-mesh sieve, and it is then ready to be fed to the kettles."

Throughout our tariff acts, gypsum, according to its state, has been classified as (1) unground, (2) ground, and (3) calcined, until 1897, when the word "crude" was substituted for the word "unground." The Century Dictionary defines "crude" as "being in a raw or natural state; not fitted for use by cooking, manufacture, or the like; not altered, refined, or prepared by artificial process;" and Webster defines "crude" as "in a natural state;" and it is defined in 12 Cyc. 985 as "in its natural state; \* \* \* not altered, refined, or prepared for use by any artificial process."

Any mechanical reduction or alteration of the rock from its natural state renders it "ground" within the meaning of the tariff acts. (Hoxie, T. D. 2573; Lewis German & Co. v. U. S., 128 Fed. 467; U. S. v. Graser-Roth, 164 Fed. 205; In re Gardner, 72 Fed. 494; U. S. v. Spellman, T. D. 31320; T. D. 31531; Union Carbide Co. v. U. S., T. D. 37396, 33 Treas. Dec. 328.) A tariff duty was levied on crude gypsum from 1897 and it was during this period that the great advance in the domestic industry took place. There has been a duty on ground and calcined gypsum since 1893.

The Customs Bureau has found that there is (since 1922) a commercial article known as "crushed gypsum," representing an intermediate stage of reduction between run-of-mine and finely pulverized. (Exhibit F.)

Gypsum has been imported in crude form for more than a century. Neither Canadian Mining Reports nor American Reports show any record, as far as diligent search discloses, that any raw gypsum prior to 1922 had undergone any mechanical processes or reduction before importation, except T. D. 2573, when, on December 28, 1876, the Secretary of the Treasury held that "Cracked rock plaster" was "not in the unground or crude state but has advanced to a condition resembling, to some extent at least, ground plaster." (See Exhibit E.)

Upon the hearings preliminary to the 1922 tariff act (Senate Hearing p. 1333-1390; House hearing, p. 441-443), the importers, contemplating the installation of crushing machinery in Canada, asked to have crushed gypsum specifically classified and placed on the free list, which Congress refused to do. Having in mind the above decisions, the fact that the imports were exclusively in run-of-mine or finely pulverized or calcined form, the former without any mechanical processing whatever, the conclusion is inevitable that Congress, by leaving the classification (1) crude, (2) ground, and (3) calcined, intended that gypsum mechanically crushed and thereby reduced and partly manufactured should be classified as ground gypsum, which it most nearly resembled, and would thus be dutiable at \$1.40 per ton. Had the Treasury so construed the law before the domestic industry was demoralized, there is no doubt such demoralization would never have occurred. It was so construed in 1928 (Exhibit F.), but later overruled. With the duty imposed on all classes of gypsum prior to 1922, the importations of foreign gypsum did not seriously affect the growth of the domestic industry.

Immediately or shortly after the enactment of the 1922 tariff act, the United States Gypsum Co. installed crushing machinery in Canada designed to reduce the big chunks found in the run-of-mine form to maximum sizes of 4 inches, and began bringing this crushed material, which had passed through the first step of the manufacturing operation, into this country, and it was admitted free of duty as crude material. Subsequently the Atlantic Gypsum Products Co. was organized and began importing similar material partly manufactured, and in or about 1925 the Standard Gypsum Co. installed crushing machinery at San Marcos, Mexico, and began importing the crushed and partly manufactured material into Long Beach, Calif., and Seattle, Wash. Thus the importers were enabled to do part of their manufacturing with cheap foreign labor, with which American labor could not compete. Mechanical loading machinery was installed at the foreign open surface quarries, doing away with the expensive hand loading, and the material became easy to unload at the American ports, through the use of clam-shell buckets and other mechanical devices, at a saving of at least 50 per cent over former costs. Their costs were so reduced in 1928 that the partly manufactured material should have cost, on an average, not to exceed \$1.36 per short ton delivered to the fabricating plants along the Atlantic and Pacific coasts, whereas, on account of expensive hauling charges and the expenses and hazards of underground mining, trucking, car loading, and unloading in the United States the domestic producers could not deliver similar material to the principal eastern and western coast markets at a cost under \$6.33 per short ton. (Exhibit C.) As manufacturing costs in this country are substantially the same at different points, this cost advantage ran through all manufactured products, with the result that the domestic producers could not compete in the principal markets for gypsum in the great cities along the eastern and western coasts, where at least 60 per cent of the gypsum in the United States is used.

The producers in the Eastern States and in the Rocky Mountain States have been practically driven out of profitable business, while the importers, it would appear, have been making extraordinary profits on the foreign material. The report of the United States Gypsum Co. for 1928 showed a net profit in excess of \$6,000,000, and it is said that similar large proportionate profits have been made by the Standard Gypsum Co. in the West. The chief importer is the United States Gypsum Co., which also has about 25 domestic plants scattered throughout the different States. Mr. MacLeish stated, on the hearings before the House Ways and Means Committee, that it had lost money on its domestic plants. Losses in the interior market have been made up by profits on the foreign material. The gross profits of this one concern on gypsum must have been far in excess of \$6,000,000 to enable it to absorb its losses in the interior and at the same time report more than \$6,000,000 net profit on its whole operations. Its other enterprises, it is believed, such as a comparatively small lime and paint business, can not account for any substantial amount of the net profits reported. No report has been submitted to Congress showing its profits in subsidiary lines, if any. It was conceded by all concerns, both the domestic producers and the importers, that the domestic plants have been operating at a loss for at least two years. One concern in Ohio reports a net operating loss for 1928 of over \$200,000. The Universal Gypsum & Lime Co., of Chicago, with plants at Fort Dodge, Oakfield, N. Y., Newburgh, N. Y., and elsewhere, have passed into the hands of receivers; two large operating plants in New York have closed down entirely. One plant in Wyoming has passed through bankruptcy; another has been closed down. Plants in South Dakota, Texas, California, and Kansas are reported not operating, and

other plants are operating only part time. The Nephi Gypsum Co., of Utah, reports only 21 per cent of normal production in 1928. The New York State plants using domestic rock only, of which there were nine, exclusive of those closed, report that their production has decreased more than 25 per cent and that they are operating at a loss, except the United States Gypsum Co., which reports their large board plant at Oakfield operating without loss; labor throughout the industry has decreased 50 per cent, and in the New York area the wages of those remaining in the industry has decreased 28 per cent.

According to Government reports, the value of gypsum produced in the United States was the smallest in 1927 since 1923; in 1927 there was a decrease in value of uncalcined gypsum of 14 cents per ton from its value in 1926, and of calcined gypsum of 10 per cent, or 84 cents per ton. Gypsum specialties, as a whole, showed an increase of 5 per cent in quantity of sales, but a decrease of 11 per cent in value. The 1928 selling prices dropped 25 per cent below 1927, and were below cost of production and below pre-war prices.

The peak of domestic production was reached in 1925, when 5,678,302 short tons were produced. This tonnage, plus 634,423 short tons of imported material, was absorbed by the United States market, although the domestic market began to show the effect of the influx of the foreign material. Commencing in 1926, the importers began to seriously oversupply the market with an ever-increasing flood of foreign cheaply produced, cheaply handled, partly manufactured, and cheaply transported raw material, until in 1928 the market was demoralized. Imports increased from 50,653 short tons in 1918 to 634,423 short tons in 1925, and to 1,029,000 short tons in 1928, an increase of 2,000 per cent in 10 years and an increase of nearly 100 per cent in the 3 years from 1925 to 1928. During the same period the volume of domestic production sharply declined, there being over one-half of a million tons less produced in 1928 than in 1925. From 1923 to 1928, inclusive, the percentage of importations of crude gypsum to domestic production increased from 9.43 to 21.53 per cent. The importation in 1928 of ground or calcined gypsum was nominal, being only 9,000 tons, or 0.23 per cent of domestic production.

In 1923 imports from Canada equaled 33 per cent of the New York State production; in 1927 these imports had reached 50 per cent of New York State production, and nearly 100 per cent in 1928, while, from January 1, 1925, to December 31, 1928, New York State production had decreased nearly 13 per cent, although importation from Canada had nearly doubled.

Since 1923 great mills for fabricating the foreign material have been constructed and are in operation or are in process of construction or design, as stated by the importers at previous hearings, at Portsmouth, N. H., Boston, Mass.; New Brighton, N. Y.; Philadelphia and Chester, Pa.; New York City; Savannah, Ga.; Long Beach, Calif.; and Seattle, Wash. Other water-front plants are at Chicago, Ill.; Detroit, Mich.; and Buffalo, N. Y. Thus, with a cost advantage of nearly \$5 per ton, the importers are now prepared, or will shortly be prepared, to supply all the principal markets in the United States with gypsum products at a price with which the domestic producers can, under no circumstances, compete.

Considerable discussion has taken place as to the relative costs of the foreign and domestic raw material. The Atlantic Gypsum Co. submitted a maximum cost of Nova Scotia gypsum delivered at Chester, Pa., of \$3.88. No such cost is properly chargeable against the Nova Scotia material. This material is delivered for them (in part at least) by J. F. Whitney & Co., of New York City, which has fixed for us a maximum delivery charge of \$1 per ton on 2,000 to 3,000 ton deliveries, and of 75 cents or less on 5,000 to 6,000 ton deliveries. Thus the material can be delivered in quantities to any point on the Atlantic coast and unloaded for a maximum charge of 75 cents per ton. It can be quarried, crushed, and delivered upon the boat in Canada at a maximum charge of 61 cents per ton. (Exhibit C.) The declared foreign value of importations of the Atlantic Gypsum Products at Philadelphia, Pa., in 1928, has been given us as \$1.50 per ton, and at Portsmouth, N. H., at \$1.13 per ton.

The Connecticut Adamant Co. asserted before the House Ways and Means Committee that it cost them \$4.50 per ton to lay down the Nova Scotia gypsum in New Haven. According to Government reports, there was shipped into New Haven 14,210 long tons of gypsum from Nova Scotia in 1928 at a declared value of \$13,611, or \$0.958 per ton. This was the value declared by the importer. Add to this the known maximum competitive cost of quantity carriage and unloading of 75 cents per ton, and we have a total cost of \$1.708 per long ton, or \$1.52 per short ton.

The United States Gypsum Co. in 1928 declared an average foreign value of \$1.10 per ton. The Financial World on July 3, 1929, page 14, gives the United

States Gypsum Co.'s cost of transportation at 90 cents per ton. Owing their own boats, they make their own prices. Mr. Avery said at the hearing that the foreign cost was \$1.

The Department of Commerce has furnished figures which show that the average declared foreign value of all foreign crushed and partly manufactured gypsum imported in 1928 was \$1.38 per long ton, or \$1.25 per short ton.

Importations are by the long ton, and these customs declarations of value are presumed to be the market value, at the time of exportation from Canada or Mexico, at which similar merchandise was freely offered for sale to all purchasers in the principal markets of those countries. (Sec. 402, act of 1922.)

The domestic producers are certain that they can procure, crush, and deliver to the Atlantic ports of the United States, Nova Scotia material similar to that brought in by the eastern importers at a price which should not be in excess of \$1.36 per short ton. (Exhibit C.) Likewise, an analysis of the cost of the New York State producers consolidated into a single unit establishes an average cost of delivering material similar to that imported to points on the Atlantic coast, where the importers are dumping their material, of \$6.33. (Exhibit C.) Thus the importers have a cost advantage on the East coast of \$4.97 per short ton. According to figures produced by the Standard Gypsum Co. and by the Nephi Gypsum Co., the cost advantage which the Standard has over the domestic producers of the West is \$3.20 per short ton.

We respectfully submit that alleged cost figures submitted by the importers are so at variance with known facts that they are unreliable. They do not furnish us with details—with cost sheets. It might be pertinent to say that had Congress left crude gypsum on the dutiable list in 1922, an application might have been made by the domestic producers to the President, and the Tariff Commission would have investigated and determined foreign and domestic costs and might have thereby furnished Congress with accurate and reliable data as to foreign costs.

Space is too limited to go into detail of the decrease of the selling prices of all of the many gypsum products. The effect of the ruinous competition of foreign gypsum is illustrated in a typical case of wall plaster in the Eastern markets.

The following table shows the costs of New York and Ohio producers here represented per short ton (including freight and sacks), delivered, and the selling prices in 1928:

Place	Cost	Selling price
Newark, N. J., and New York City.....	\$11.25	\$10.50
Washington.....	12.05	11.80
Boston.....	12.25	11.50

It will be noticed that the selling prices did not drop to a point where the importers should be satisfied to reap a reasonable profit. The prices were placed just below the cost of the domestic producers, regardless of foreign costs.

Selling prices of wall plaster have been constantly falling throughout the country since 1922. Average prices in New York City at the end of each year were typical, and were as follows:

1922.....	\$15.00	1926.....	\$13.00
1923.....	14.50	1927.....	12.50
1924.....	14.00	1928.....	10.50
1925.....	14.00		

While the costs of the domestic producers were frequently less in the interior where freight hauls were shorter, nevertheless, the selling prices were from 1926 on sufficiently below cost to drive them out of their local markets.

While the wall plaster is one of the chief products of the industry, it is a comparatively small item in building construction. For example, a typical illustration is the New York Life Building, which cost about \$7,000,000 and used only 2,500 tons of wall plaster. Less than 1 per cent of the cost of building construction is wall plaster. Even with an additional cost to the consumer of \$3 per ton, selling prices would be subnormal and still out of harmony with other building costs.

The need for new classification and accurate definition in the new tariff bill is as imperative as is the removal of crude gypsum from the free list and the fixing of adequate tariff duties.



In 1927, not being able to procure relief by application to the President under section 316 of the law of 1922, because the jurisdiction of the President is limited to the dutiable list, the domestic producers applied to the Secretary of the Treasury for a reclassification of the imports under section 516, subdivision (b), asserting that the crushed material being brought in was in fact ground gypsum and thus dutiable at \$1.40 a tone under paragraph 205. This application was regularly referred to the Commissioner of Customs, who had an investigation made by United States Government agents in Canada, as to the methods of quarrying and manufacturing employed by the importers before sending the material out of that country. All the facts, procured by Government forces, were submitted to the legal bureau which, in the light of the previous ruling of the Treasury Department on gypsum (Ex. E) and court decisions (cited supra) and the apparently fixed state of the law both in this country and Canada, handed down an opinion which was embodied in the letter of Mr. E. W. Camp under date of June 14, 1928 (Ex. F), which says that the crushed and partly manufactured material was "ground" gypsum, not crude, and dutiable at \$1.40 per ton. It will be noted that the above decision was in accord with Canadian rulings holding that crushed and partly manufactured gypsum, when Americans sought to import it into Canada, was subject to duty as "ground" gypsum and not admissible free as "crude." The Canadian tariff act classifies gypsum identically the same as ours, viz: (1) crude, (2) ground, and (3) calcined.

It will be noticed, also, that attention is called to the fact that Congress did not furnish a clear-cut definition of the terms "crushed" and "ground" and thereby the confusion arose in the Treasury Department in classifying the imports.

The foregoing decision (Ex. F) was withheld from publications on the application of Canadian authorities and the importers and a rehearing granted. The records of the Treasury Department show that over 200 pages of testimony was taken. Witness after witness was called by the importers. None were sworn by the domestic interests who relied upon the investigation made by United States Government agents. In spite of all the efforts of the importers over several months, the department still adhered to its previous ruling that the material as imported was partly manufactured but modified their ruling to this extent that it was properly classifiable under paragraph 214 and dutiable at 30 per cent ad valorem. (Ex. G.) This decision was given wide publicity, published in the United States Daily and financial papers but, before it could take effect, was mysteriously suppressed. Nevertheless, the department still adhered to its ruling that the material was, in fact, partly manufactured but held that it did not receive enough manufacturing to come within the meaning of either paragraph 205 or 214. We are now to understand the law to be manufacturing is not manufacturing if it operates only to aid the importer in handling. (Ex. H).

The question of whether manufacturing is done in Canada or Mexico is a pertinent one on the question of classification. We maintain that all processes of reduction are manufacturing processes. In this the Treasury authorities evidently agree. All textbook writers and authorities so hold. So do the courts. The distinction the Treasury Department tries to make to sustain its last decision is that "the operations in Canada in bringing gypsum to a crushed state" does not dispense with any operations here. What are the facts? An examination of the description given in Exhibit F by the United States agent of the crushing operations in Canada cover exactly the primary crushing operation described by Eckel, supra. If the big lumps are crushed down in Canada to pieces of maximum diameter of 2 to 4 inches each, certainly the same crushing is not required or even possible here. That much of the reduction can be done only once. To say that the same crushing must be again done in this country is not true. The big chunks mined here go through the same primary crushing operation that similar run-of-mine material goes through in Canada.

As is said in T. D. 37396:

"It is also clear, we think, from the testimony that if it were shipped from Canada in the form in which it was taken from the earth or in the form in which it is left after the sand blasting process, it would have to go through the same crusher in this country that it had to go through in Canada before shipment. Hence, it would seem clear that it was partially manufactured before shipment. This process increases its value for it would have to go through the process after it arrived in this country, the expense of doing that is saved by its having passed through the process in Canada."

See also T. D. 31321 where it is said:

"If grinding be a process of manufacture we see no good reason for saying that crushing is not equally so. The operations are similar, the main difference being that in grinding the substance treated is more finely pulverized than is

ordinarily understood to result from the crushing process. It is rather a difference in degree than otherwise."

However, in view of the latest ruling of the Treasury Department (Ex. H) no relief can be procured under the present tariff law.

Neither can the domestic producers procure any relief in a lowering of freight rates. On February 28, 1929, upon application of the eastern domestic producers, opposed by all the importers in the East who are now here seeking free gypsum, the Eastern Trunk Line Association refused to grant relief. Similar rulings have been made in the West.

It was asserted by the United States Gypsum Co., before the House Ways and Means Committee and repeated by Mr. Avery here, that the State geologist of New York had asserted that New York gypsum is practically exhausted. This statement was not only misleading but an apparent attempt to deceive. It was immediately called to the attention of the State Department of Education and it wrote that no such conclusion could be drawn from the State bulletin in question. (See Ex. I.) On the contrary, the State geologist says that the aggregate resources in New York State are "indefinitely large."

A careful check by all western New York producers since the hearing before the Ways and Means Committee has established the fact that there is an adequate supply in the territory between Rochester and Buffalo for all needs of the eastern markets on the basis of the peak production in 1925 for a period of 150 years. This does not take into consideration vast undeveloped gypsum beds referred to in the report of the State Geologist, east of Rochester of a stretch of nearly 100 miles.

It is claimed by the United States Gypsum Co. that the Canadian gypsum can not penetrate into the interior of the country.

When Mr. Avery was before the House Ways and Means Committee in 1908 the following occurred:

"Mr. UNDERWOOD. I mean, how far can the Nova Scotia Gypsum penetrate the country away from the seaboard in competition with the American gypsum?"

"Mr. AVERY. It does now penetrate to the points reached by the Erie Canal and Great Lakes, and is sold in competition with the product of the Kansas properties which in my estimation produce a better product than Nova Scotia sends to this country.

"Mr. UNDERWOOD. Where would it compete with the Kansas product?"

"Mr. AVERY. In Cincinnati, Detroit, Cleveland, Chicago, and Buffalo."

This was when Mr. Avery was seeking a tariff on gypsum and the freight rates in western New York to the Atlantic coast were in the neighborhood of \$2 per ton as against \$3.50 to \$4.50 at the present time.

Mr. Avery has asserted on the present hearing, as we recall his testimony, that Nova Scotia gypsum is superior to the domestic gypsum. In 1908 he said:

"The gypsum business is practically a wall-plaster business, and for wall-plaster purposes Nova Scotia gypsum is not as good as the gypsum found in the State of New York. That is a positive fact, and it can be determined by any one familiar or even unfamiliar with this subject."

He also indicated by his testimony that a tariff on gypsum would cause it to be supplanted by lime in the Boston district. In 1908 the following occurred:

"Mr. CLARK. As a matter of fact, a real good article of ordinary lime that has a high cement quality in it is nearly as good for plastering purposes as this gypsum, is it not?"

"Mr. AVERY. No sir; for 100 reasons it is not, and it has been practically eliminated as a wall material.

"Mr. CLARK. The reason that is has practically been eliminated, if it has been, is that you gentlemen can make this gypsum so cheaply that it has driven the ordinary lime out of the market?"

"Mr. AVERY. No, sir. It has succeeded in every market in spite of the fact that lime is cheaper."

And this occurred when Mr. Avery and other domestic producers, as he says, were successfully shipping in gypsum from western New York to the Atlantic coast cities whereas he now maintains that the Atlantic coast cities would be unable to have any gypsum in the event that it was not secured from Nova Scotia.

Throughout all these hearings the importance and number and interests of the domestic producers have been belittled by the importers. There are 23 domestic producers directly represented by the committee which is seeking this tariff, according to Mr. Lenzi, scattered over the entire country. In addition, the Certain-teed Products Co., with 11 plants, and being the second largest domestic

producer, has indicated in Exhibit B that they desire an adequate tariff protection or must otherwise procure the material from Canada and the Blue Diamond Co., of Los Angeles who are one of the largest producers and dealers in the diversified products of gypsum as shown by Exhibit J are likewise interested in tariff protection. As we figure the matter up this represents over 40 per cent of the domestic industry, the United States Gypsum Co., accounting for over 50 per cent of the balance.

We have attached hereto and made a part hereof Exhibits A to J, inclusive, in support of the foregoing brief.

The committee presenting this application in behalf of the domestic producers of gypsum are Frederick G. Ebsary, of Scottsville, N. Y.; M. A. Reeb, Buffalo, N. Y.; John A. Kling, Cleveland, Ohio; Thomas F. Breen, Fort Dodge, Iowa; Ashley F. Wilson Fulfurias, Tex.

Respectfully submitted.

DOMESTIC PRODUCERS OF GYPSUM,  
By HARLAN W. RIPPEY,  
*Of counsel, Rochester, N. Y.*

GEORGE W. LENCI,  
*Secretary to committee.*

STATE OF NEW YORK,  
*County of Monroe, City of Rochester, ss:*

Theodore Curtis being duly sworn deposes and says that he is vice president of the Empire Gypsum Co.; that he has read the foregoing memorandum; that the same is true as to the facts therein stated, to the best of his knowledge, information and belief.

THEODORE CURTIS.

Sworn to before me this 15th day of July, 1929.

MILDRED A. FARRELL,  
*Commissioner of Deeds.*

#### EXHIBIT A

The committee representing the domestic producers represent the following concerns: American Gypsum Co., Cleveland, Ohio; American Keene's Cement Co., Salt Lake City, Utah; Arizona Gypsum Plaster Co., Douglas, Ariz.; Atlas Gypsum Co., New York City, N. Y.; Cardiff Gypsum Plaster Co., Fort Dodge, Iowa; Colorado Portland Cement Co., Denver, Colo.; Ebsary Gypsum Co. (Inc.), Newark, N. J.; Empire Gypsum Co., Rochester, N. Y.; Federal Gypsum Co., Des Moines, Iowa; Gulf Gypsum Co., Falfurias, Tex.; Jumbo Plaster & Cement Co., Sigurd, Utah; National Gypsum Co. (Inc.), Buffalo, N. Y.; Nephi Plaster & Manufacturing Co., Salt Lake City, Utah; Niagara Gypsum Co. (Inc.) Buffalo, N. Y.; Oakfield Gypsum Products Co., Syracuse, N. Y.; Oklahoma Portland Cement Co., Denver, Colo.; Pacific Portland Cement Co., San Francisco, Calif.; Phoenix Gypsum Co. (Inc.), Basom, N. Y.; Texas Cement Plaster Co., Oklahoma City, Okla.; Tidewater Gypsum Co., Houston, Tex.; Three Forks Portland Cement Co., Denver, Colo.; Wasom Plaster Co., Fort Dodge, Iowa; Wyoming Cement Plaster Co., Basin, Wyo.

#### EXHIBIT B

CERTAIN-TEED PRODUCTS CORPORATION,  
100 EAST FORTY-SECOND STREET,  
*New York, May 28, 1929.*

Mr. H. W. RIPPEY,  
*314 Powers Building, Rochester, N. Y.*

DEAR SIR: Our attention has been called to the struggle that has been going on before the Ways and Means Committee of Congress on the part of certain domestic gypsum producers to secure a duty upon imported gypsum and to the fact that we have been represented as being disinterested.

We believe that a substantial duty should be levied upon the importation of crude gypsum along the lines indicated by the domestic producers at the time of their appearance before the Ways and Means Committee. We are the second largest producers of gypsum in the United States and all of our operations are confined to domestic materials. We believe that the fact that gypsum can be imported into the United States and delivered to many of the principal markets cheaper than the domestic producers can deliver to the same markets does not operate to the advantage of the users of gypsum products.

Prices, in fact, are fixed at the plants of the domestic producers, and on the Atlantic seaboard the price has always been established on the basis of prices

f. o. b. plants in western New York, and extra profits accruing from lower costs on imported gypsum have apparently been used to further the warfare on domestic products. No sort of benefit from imported gypsum has accrued to date to the consumers of gypsum products so far as our information goes.

We must prefer to develop and continue to operate with our domestic products, which will be ample for many years, but in the event that protection is not given to domestic producers, we must engage in importation and reduce our workings in domestic products in order to reach an equal basis of competition. We feel that it is much better in the interest of the people, as a whole, that the employes at domestic plants and in domestic mines be allowed to continue employment at the best pay possible rather than be thrown out by a reduction of this domestic work with a reduction of production in domestic materials and an increase in importations. Further than this, we have large investments in plants, which will be subject to great depreciation if they can not be allowed to compete fairly.

We will be very glad to have you present the foregoing as our views on the matter in case the question should arise concerning our attitude in the matter.

Very truly yours,

GEORGE M. BROWN, *President.*

### EXHIBIT C

*Table showing comparative costs to importers and domestic producers to lay down raw crushed gypsum in principal eastern markets*

Operation	Canadian rock (quarried in Nova Scotia and New Brunswick)		Domestic rock (mined in New York State)	
	Cost per ton	Total cost per ton <sup>1</sup>	Cost per ton	Total cost per ton <sup>1</sup>
Material: Gypsum per ton.....	\$0.02		\$0.0927	
Labor:		\$0.02		\$0.0827
Superintendence.....	.0416		.0862	
Stripping <sup>2</sup> .....	.035			
General mine labor, proping, etc. <sup>3</sup>			.1944	
Drilling and blasting.....	.02		.2198	
Loading.....	.085		.3273	
Hauling.....	.053		.0768	
Crushing and stocking.....	.035		.0972	
Shipping.....	.018		.0428	
		.2876		1.0115
Expense:				
Fuel and power.....	.037		.0895	
Supplies.....				
Explosives.....	\$0.032		\$0.1442	
Miscellaneous.....	.015		.0166	
Repairs.....	.047		.1608	
Office expenses.....	.035		.1437	
Taxes and insurance.....	.0058		.0515	
	.02		.1125	
		.1448		.5580
Total operating cost <sup>4</sup> .....		.4524		1.6822
Fixed overhead:				
Interest, depreciation, obsolescence, and amortization <sup>5</sup> .....	.1585		.2204	
		.1585		.2204
Total cost f. o. b. steamer in Canada or cars New York State.....		.6109		1.9026
Average shipping cost Atlantic ports from Portland to Norfolk and unloading.....		.7500		4.427
Total cost at calcining plants at principal markets of domestic producers.....		1.3609		6.3296

<sup>1</sup> Domestic costs are average of 4 typical gypsum plants in New York State of efficient construction and management plus scheduled freight rates and can be verified from records. Importers' costs are average and are furnished from engineers. Canadian sources, records, actual operations and quoted shipping rates.

<sup>2</sup> No stripping in New York State.

<sup>3</sup> Open quarrying only in Canada. All underground mining in New York State.

<sup>4</sup> Importers' fixed overhead based on capital expenditure of \$250,000 for typical plant of modern equipment; domestic overhead based on actual capital expenditure of the 4 typical plants, with standard accounting methods for computing amortization, depreciation, and obsolescence.

<sup>5</sup> Principal importer owns boats carrying rock and can fix any cost desired for transportation in making its computation. Where neither quarries nor boats are owned by importers \$1 per ton f. o. b. Nova Scotia is the quoted price to purchaser from Canadian producer and \$0.75 per ton is the quoted average shipping and unloading charge to points to and between Portsmouth, N. H., and Norfolk, Va. These quoted prices include profits of producer and shipowners.

## EXHIBIT D

In Exhibit C we have fixed the quarrying cost in Canada at 0.6109 cents. This is based on larger tonnage and cheap labor. A similar quarrying operation in the United States which may be considered typical, with higher labor cost and the small tonnage of 100 tons per day, cost, in 1926, 52 cents per ton.

The costs of the western New York producers (Ex. C) are substantially the same as those of the United States Gypsum Co. at the Oakfield, New York plant, as shown in their brief submitted to the House Ways & Means Committee on February 22, 1929, as appears from the following table:

Items	United States Gypsum Co., Oakfield, N. Y., plant	Other western New York producers
<b>CRUSHED GYPSUM</b>		
Operating cost.....	\$1.59	\$1.6822
Fixed overhead.....	.08	.2204
	\$1.67	\$1.9026
Average freight charges from western New York to points between Portsmouth, N. H., and Norfolk, Va.....	4.10	4.10
Unloading.....	.327	.327
	4.427	4.427
Total cost, delivered.....	6.097	6.3296
<b>WALL PLASTER</b>		
Operating cost.....	4.41	4.6106
Fixed overhead.....	.67	.2204
	5.08	4.813
Bags.....	3.00	3.00
Average freight charges from western New York to points between Portsmouth, N. H., and Norfolk, Va.....	4.10	4.10
Total.....	12.18	11.931

Attention has been called to the fact that the principal markets of the domestic producers are along the Atlantic and Pacific coasts. The importers have claimed that the imported rock does not affect the domestic markets. This is completely refuted by the fact that there was a drop in prices of wall plaster between 1926 and 1928 from \$12.30 to \$10.70 at Los Angeles where the Standard Gypsum Co. was dumping its Mexican rock while the price of \$14.40 at San Francisco, where there were no importations, remained the same and that the prices of wall plaster in New York City where the Nova Scotia material was dumped dropped from \$13 in 1926 to \$10.50 in 1928. The above prices include freight charges and the cost of bags.

## EXHIBIT E

TREASURY DEPARTMENT,  
December 28, 1876.

SIR: Your letter of the 21st instant is received, transmitting the appeal (7820d) of T. W. Hoxie & Co. from your decision assessing duty at the rate of 20 per cent ad valorem on certain so-called cracked-rock plaster, imported per "Nelson" on the 8th instant, which the importers claim to be exempt from duty under the provision (Heyl, 1711) for "plaster of Paris, or sulphate of lime unground."

It appears from the special report of the appraiser that the said plaster is not in the unground or crude state but has advanced to a condition resembling to some extent at least ground plaster. This is evident, as stated by you, from the fact of the article being called and invoiced by the term "cracked rock-plaster."

The department therefore rejects the said claim of the importers and decides that the merchandise, being otherwise unenumerated, is dutiable at the rate of 20 per cent ad valorem under the provision (Heyl, 1816) for all articles manufactured, in whole or in part, not otherwise provided for.

Your decision is therefore affirmed.

I am, very respectfully,

B. H. BRISTOW, *Secretary.*

COLLECTOR OF CUSTOMS, *Boston, Mass.*

## EXHIBIT F

JUNE 12, 1928.

The COLLECTOR OF CUSTOMS,  
New York, N. Y.

SIR: Reference is made to your letter of March 2, 1928, and previous correspondence relative to the tariff classification of crushed gypsum.

A firm of attorneys representing producers of gypsum in this country has protested to the department against the admission free of duty of crushed gypsum as crude gypsum under paragraph 1643, the attorneys claiming that crushed gypsum is properly dutiable as ground gypsum under paragraph 205 of the tariff act of 1922, or alternatively, under paragraph 214 of the said act as an earthy or mineral substance, wholly or partly manufactured. In your letter of December 7 last you inclosed a report from the appraiser at your port who stated that "all of the merchandise imported through the port of New York as crude gypsum is, in fact, crude, with natural quarry-run pieces varying in size from very large to very small pieces" and that it is being returned free of duty under paragraph 1643, and the appraiser in his report expressed the opinion that gypsum crushed to 2-inch sizes is not ground gypsum within the meaning of that term as used in paragraph 205. As approximately 85 per cent of the gypsum imported into this country which is classified as crude gypsum has its origin in Canada the department requested the supervising agent at Montreal to have an investigation made and a report forwarded to the department as to the methods used in the preparation of gypsum shipped to the United States from Canada.

It appears from the supervising agent's report that formerly gypsum rock was broken into pieces of a size that could be lifted and loaded by a man (termed "man size"), but the investigation developed that the rock from several quarries is now hauled to a crushing plant where it is dumped first into a "jaw crusher," which breaks the gypsum into fragments still of considerable size; and that it then goes by conveyor to a gyratory crusher which further reduces it to a maximum size of approximately 4½ inches. One plant uses a jaw crusher and then rolls the resulting fragments-between rollers which further reduced them in size so that they are not over 3 inches in thickness but are occasionally a foot or more wide. The crushed gypsum is then carried up an incline on an endless belt carrier to the storage buildings and thence by another system of belts to the loading pier and then loaded onto the boat.

The supervising agent's report on the methods of handling this gypsum, which is now being classified as crude gypsum, agrees with those outlined in the publication of 1926, Report on the Mines, Department of Public Works and Mines, Halifax, Nova Scotia. This publication gives the various methods at the different quarries and in describing that of the Newark Plaster Co. (Ltd.), whose product is shipped to Newark, N. J., states that before shipment the gypsum is all passed through the crusher set at 2½-inch opening and is then elevated and screened, the sizes one-fourth inch and under being discarded and the oversize conveyed to storage bins and shipped in the crude form. The methods described in the third paragraph of this letter is the one used by the Canadian Gypsum Co., and other quarries are using substantially the same same method of handling this gypsum.

Paragraph 205 provides that ground or calcined gypsum shall be subject to duty at the rate of \$1.40 per ton while paragraph 1643 provides that crude gypsum shall be admitted free of duty, but there does not appear to be any clean-cut definition of the term "ground," so that it may be differentiated from "crushed" and the distinction would seem to be one of degree and that the term "ground" is used to describe something which has been reduced to smaller sizes that would be indicated by the use of the word "crushed." After a very careful consideration of this question and as the department is of the opinion that the provision for gypsum, crude, is intended to cover the article as it is taken from the quarry and not when it has been subjected to any further process, it is of the opinion that gypsum which has been crushed is properly dutiable as ground gypsum within the meaning of the tariff act and I will state for your information in this connection that this conclusion is in harmony with an order-in-council of the Governor General of Canada, dated March 16, 1909, that broken gypsum rock, not ground, such as would pass through a half-inch screen, was properly dutiable under item 294 of the Canadian customs tariff as gypsum, ground, not calcined. This order-in-council was based upon an appeal from the decision of the Canadian Board of Customs dated January 12, 1909, which ruled that broken gypsum rock, not ground, was free of duty as gypsum, crude, under item 292 of the said act.

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For the reasons stated you are directed to assess with duty as ground gypsum under paragraph 205 gypsum which has been crushed after having been taken from the quarry. However, as it is now the practice to admit this gypsum free of duty as crude gypsum you should continue to pass it free of duty if entered for consumption or withdrawn from warehouse for consumption within 30 days after the date this letter is published in the weekly Treasury Decisions.

Respectfully,

E. W. CAMP,  
*Commissioner of Customs.*

Approved June 12, 1928.

CARL T. SCHUNEMAN,  
*Acting Secretary of the Treasury.*

EXHIBIT G

OCTOBER 16, 1928.

The COLLECTOR OF CUSTOMS,  
*New York, N. Y.*

SIR: In a letter dated June 12 last, the department advised you that in its opinion crushed gypsum was properly dutiable as ground gypsum at the rate of \$1.40 per ton under paragraph 205 of the tariff act, but as it was the practice to admit crushed gypsum free of duty as crude gypsum you were authorized to continue that practice until 30 days after that letter appeared in the weekly Treasury Decisions. However, so many protests were received by the department from importers of crushed gypsum that it deemed it wise to withhold publication of the letter of June 12 and to grant a hearing to importers and others concerned, which hearing was held in the Bureau of Customs on July 20 and was attended by importers and domestic producers of gypsum.

Much testimony was submitted by importers in support of their position as to what is ground gypsum within the meaning of paragraph 205, and samples were filed by them illustrating what in their view is "ground" gypsum and "crude" gypsum, and later briefs were filed by the attorneys representing the importers and the domestic producers. The briefs submitted have been read with care, as well as the authorities cited therein, and have been of assistance to the department in reaching its conclusion as to the correct classification of this crushed gypsum.

As stated above, it is and has been the practice under the present tariff act to admit free of duty crushed gypsum of the character and subject of its letter of June 12 as crude gypsum, but it is the contention of domestic producers that it is dutiable as ground gypsum at the rate of \$1.40 per ton under paragraph 205, whereas the importers contend that the crushing of the gypsum is for purposes of expeditious handling and that it is still crude within the meaning of that term as used in paragraph 1643. It has also been suggested that even if it be held that the gypsum is not "ground" as that term is used in paragraph 1643, nevertheless the crushing of the gypsum is a process of manufacture and that the product is accordingly dutiable as an earthy or mineral substance partly manufactured and dutiable at the rate of 30 per cent ad valorem under paragraph 214.

As indicated, the department in reviewing the case has given this matter careful consideration and has reached the conclusion that the merchandise is neither dutiable as "ground" gypsum within the meaning of paragraph 205 nor free of duty as "crude" gypsum within the meaning of paragraph 1643. In the opinion of the department the term "crude" gypsum should be limited to that article as quarried and that any process subsequent to that, whether it be merely for convenience in transportation or as the initial process in the complete manufacture of gypsum, does not change the fact that by this process of crushing the gypsum has been advanced in value and improved in condition. Note the decision of the United States circuit court, *U. S. v. Graser-Rothe* (164 Fed. Rep. 205), involving the classification of so-called granite or terraze produced by crushing the waste of marble quarries and sifting or sorting it into various sizes. The court in holding the merchandise dutiable as a manufactured article under section 6 of the tariff act of 1897 quoted with approval the opinion of General Appraiser Howell as follows:

"The merchandise as imported has been converted from a comparatively valueless article into a commodity of use and value by a process of manufacture specially designed for the purpose. Labor and machinery have been used in

producing it, and because of the manufacturing process it has acquired a new name and a new use. It is therefore no longer a crude mineral, but is a manufactured article."

While, as stated, the department is of the opinion that this merchandise is excluded from free entry as crude gypsum, it is not in accord with the contention of domestic producers that the mere crushing of the gypsum constitutes "ground" gypsum within the meaning of paragraph 205. In the opinion of the department the association of the words imposing duty on plaster rock or gypsum, "ground or calcined," at the same rate indicates that in the contemplation of Congress ground and calcined were substantially the same, at least so far as cost of production is concerned, and it can hardly be presumed that Congress intended to impose the same rate of duty on gypsum which had been merely crushed as upon the last process of manufacture of gypsum—that is, ground or calcined.

For the reasons above stated crushed gypsum is neither crude nor ground, and in this connection it is deemed pertinent to call attention to the fact that the trade magazine *Rock Products*, in its price lists of various mineral products, quotes the prices per ton on "crushed gypsum," "ground gypsum," "agricultural gypsum," etc., showing that there is an article well known in the gypsum industry which is bought and sold as "crushed" gypsum.

In regard to the question whether the mere crushing of this gypsum is a process of manufacture, attention is invited to the *Rossmann* case, T. D. 31321, involving the classification of marble chips, in which this language is used:

"If grinding be a process of manufacture we see no good reason for saying that crushing is not equally so. The operations are similar, the main difference being that in grinding the substance treated is more finely pulverized than is ordinarily understood to result from the crushing process. It is rather a difference of degree than otherwise."

Attention is also invited to the decision of the Board of United States General Appraisers (now the United States Customs Court), T. D. 37396, which overruled the protest of the importers that stone which had been put through a process of crushing before importation to reduce it in size to pieces varying from one-half to 10 inches in diameter was entitled to admission free of duty as a crude mineral within the meaning of paragraph 549 of the tariff act of 1913, the board holding that it was properly dutiable under paragraph 81 of the said act which corresponded to paragraph 214 of the present tariff act. General Appraiser Hay in this decision stated that the merchandise was an earthy or mineral substance and that although it had to be further crushed before brought to the use to which it was to be put in this country, and that further crushing process would be done in this country, it was, nevertheless, a partly manufactured article. In discussing this question he used this language:

"It is also clear, we think, from the testimony that if it were shipped from Canada in the form in which it was taken from the earth or in the form in which it is left after the sand-blasting process, it would have to go through the same crusher in this country that it had to go through in Canada before shipment. Hence it would seem clear that it was partially manufactured before shipment. This process increases its value, for it would have to go through the process after it arrived in this country, the expense of doing that is saved by its having passed through the process in Canada."

It is true that in this decision the general appraiser held that the merchandise was free of duty but it was held to be free of duty under another provision of the tariff act of 1913—that is, as sillicic acid under paragraph 387.

Following the decision cited, and for the reasons stated, the department has reached the conclusion that crushed gypsum is dutiable at the rate of 30 per cent ad valorem under the provision in paragraph 214 of the tariff act for "earthy or mineral substances wholly or partly manufactured" and the department's ruling addressed to you under date of June 12 is modified to the extent that 30 days after the date this letter appears in the weekly *Treasury Decisions* you are directed to assess duty upon crushed gypsum at the rate of 30 per cent ad valorem under paragraph 214 of the tariff act of 1922.

Respectfully,

A. W. MELLON,  
*Secretary of the Treasury.*

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## EXHIBIT H

FEBRUARY 4, 1929.

The COLLECTOR OF CUSTOMS,  
New York, N. Y.

SIR: In a letter dated June 12, 1928, the department advised you that in its opinion crushed gypsum was properly dutiable as ground gypsum at the rate of \$1.40 per ton under paragraph 205 of the tariff act, but as it was the practice to admit crushed gypsum free of duty as crude gypsum under paragraph 1643 you were authorized to continue that practice until 30 days after the letter appeared in the weekly Treasury Decisions. However, so many protests were received from importers of crushed gypsum against the proposed assessment of duty on crushed gypsum that it was deemed wise to withhold publication of the letter of June 12 and to grant a hearing to importers and others concerned so that the question might be fully considered and the department might have the benefit of the arguments of both sides. This hearing was held in the Bureau of Customs on July 20, was largely attended by importers and domestic interests, and much testimony was taken and samples submitted.

At the hearing the importers contended that the crushed gypsum imported into this country from Canada was entitled to admission free of duty as crude gypsum and samples were filed by them illustrating what in their view is ground gypsum within the meaning of paragraph 205 and what crude gypsum within the meaning of paragraph 1643. Later briefs were filed by the attorneys representing the importers and the domestic producers and these briefs have been read with care, as well as the authorities cited therein, and have been of assistance to the department in reaching its conclusion as to the proper classification of crushed gypsum.

The importers contend that as the crushing of the gypsum is for purposes of expeditious handling and for ease of transportation, it is not a process of manufacture and that the gypsum is still crude within the meaning of that term as used in paragraph 1643. The domestic producers, on the other hand, contend that even if it be conceded that the process of crushing was for the purpose of facilitating the handling of the gypsum, nevertheless the crushing is a process of manufacture, and that even if it be held that in its condition as imported the gypsum is not "ground" as the term is used in paragraph 205, it is an article wholly or partly manufactured and dutiable as such at the rate of 30 per cent ad valorem under paragraph 214 of the tariff act.

The department, in its letter of June 12 above referred to, invited attention to the fact that there does not appear to be any clear-cut definition distinguishing articles crushed from articles ground, and that these terms are frequently used to describe the same process. It would appear, however, by reference to the standard dictionaries that while the terms "crushed" and "ground" are used interchangeably, the word "ground" is ordinarily used to describe an article reduced to fine particles or which has been pulverized.

In the opinion of the department the term "ground," as used in the tariff act, is intended to refer to a product which is, in the condition imported, ready for its ultimate use and does not apply to an article, even though crushed, if the preliminary crushing is merely for ease and economy in handling and convenience in transportation. In support of this attention is invited to the decision of the United States Circuit Court for the Southern District of New York, T. D. 25917, which held that refuse cork which had been coarsely ground for greater convenience in shipping was not a manufacture of cork within the meaning of paragraph 448 of the tariff act of 1897, but was still waste and dutiable as such under paragraph 463 of the said act.

Referring to the suggestion of the domestic interests that if crushed gypsum is not dutiable as ground gypsum under paragraph 205, it is, nevertheless, dutiable as an earthy or mineral substance under paragraph 214, I think that a careful reading of the decisions holding that the crushing of rock is a manufacture will show that the decisions are predicated upon the finding of fact that the rock in its condition as imported was ready for its ultimate use, and the only exception to this line of decisions that has come to the department's attention is T. D. 37396, which held that stone which had been put through a process of crushing to reduce it in size varying from one-third of an inch to 10 inches was not a crude mineral but was a manufactured product, notwithstanding it was not ready for its ultimate use but was subjected to further processes after it reached this country. It is proper to note with respect to this decision that the importers could not file an appeal for a review of the decision because the merchandise was held to be free of duty under another paragraph of the tariff act—that is, as silicic acid under paragraph 387 of the tariff act of 1913.

The term "crude" as used in the tariff act has been the subject of much litigation and the courts have ruled upon many different articles and have ruled that the fact that an article has been subjected to manufacturing processes does not of itself exclude it from classification as crude, nor is the term "crude" confined to something which is in a natural or raw state. In *Merch v. United States*, T. D. 34549, the court states that crudeness is a relative term and whether an article is crude is to be determined, not by the processes which brought it into being, but by the additional processes to which it is submitted after its creating in order to fit it for its chief or only use. This announcement would seem to apply with particular aptness to crushed gypsum.

On account of the importance of the issue involved in this case the department has given careful consideration to the arguments advanced by the conflicting interests and has granted several hearings since that of July 20, and in addition had a further investigation made by an investigating officer of this department who followed the various operations from the time the gypsum was quarried in Canada until its complete manufacture in this country. The purpose of this investigation was to determine whether the operations in Canada in bringing the gypsum to a crushed state dispensed with operations in this country.

A very exhaustive report was submitted by the investigating officer and from a perusal thereof the department is not inclined to the view that the crushing in Canada would be held by the courts to be a process of manufacture, and this conclusion would seem to be justified in view of the report of the investigating officer that the cost of the crushing in Canada is approximately 2 cents per ton, and the report of the officer would seem to be in harmony with a monograph published by the deputy inspector of mines in Canada, dated January 8, 1926, in which he gives the value of lump gypsum as \$1.80 per ton and the value of the crushed as \$1.82 per ton. The investigating officer also states in his report that the costs of the operations in Canada are approximately one-half of 1 per cent of the total cost of operations.

In view of the foregoing, and the reasoning announced in the decisions cited above, the department has reached the conclusion that crushed gypsum of the character the subject of its decision of June 12, 1928, is neither crude gypsum nor gypsum wholly or partly manufactured, but is crude gypsum within the meaning of paragraph 1643 and entitled to admission free of duty as such under the said paragraph. For the reasons stated the department has concluded to withhold publication of its letter of June 12, supra.

Respectfully,

A. W. MELLON,  
*Secretary of the Treasury.*

#### EXHIBIT I

UNIVERSITY OF THE STATE OF NEW YORK,  
STATE DEPARTMENT OF EDUCATION,  
*Albany, April 12, 1929.*

MY DEAR MR. RIPPEY: Your letter of the 8th came just as I was leaving town but I had it referred to Mr. Newland, our State geologist. I have just had a memorandum from Mr. Newland, which reads as follows:

"The letter addressed to you by Mr. Rippey puts an interpretation upon certain statements in Bulletin 277 written by me, that is, so at variance with the purport of the article that I think he must have failed to read it.

"The statements he quotes are from a paragraph on page 46 of the bulletin, of which a copy accompanies this letter, and which perhaps might well be mailed to Mr. Rippey so that he may set himself right and also use it in connection with his work before the Tariff Commission. The paragraph has to be read in relation with the rest of the chapter dealing with the resources of gypsum to get the full and proper meaning.

"The gist of the matter is this: The gypsum products extend for 165 miles across central and western New York. The aggregate resources are indefinitely large. Up to the present time, however, the industry has confined its operations mainly to a single seam of high-grade gypsum in Erie and Genesee Counties, of which there are some 60,000,000 tons estimated to be left in the ground, sufficient to last, at the present rate of mining, for 40 years, or at the accelerated rate indicated by the recent growth of production for 20 or 25 years. Additional beds occur in the same area and are now being put to use, so that the estimate does not, and is not intended to, carry the implication that the actual life of the industry is thus limited.

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"The intent of the article was to call attention to the potential resources of the district as a whole which has been more or less overlooked in the concentration of mining in one small section, and to the fact that the supplies in the Erie-Genesee district could be conserved by utilizing some of the subsidiary deposits in addition to the main seam. The plan suggested is actually in process of realization, as two of the companies are now mining such additional deposits. Consequently, the estimate is already out of date.

"As to the advisability of writing to the Ways and Means Committee or the mineral tariff division, I am uncertain. Apparently they have the report before them and the article seems to me clear enough in its meaning not to require interpretation."

In accordance with Mr. Newland's suggestion, I am sending you a copy of the report. I trust that with this report and Mr. Newland's statement quoted above the matter may be cleared up. I am sending the report first class, as I judge you will wish it for use in presenting the matter to the Economic Congress next week.

Very sincerely yours,

FRANK PIERREFONT GRAVES.

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EXHIBIT J

LOS ANGELES, February 21, 1929.

Mr. H. W. RIFFEY,  
Rochester, N. Y.

DEAR SIR: We beg to acknowledge receipt of your letter of February 9 regarding the proceedings before the Ways and Means Committee in the matter of securing tariff on gypsum.

Our interest in the matter is purely local, and this company's relation to the subject is dependent on how such a tariff impost would affect a single competitor, the Standard Gypsum Co., of Long Beach. By reason of this localized condition, it was thought wise to refrain from taking part in the contention, but on reexamination of the testimony of Mr. Martin Uldall, representing the Standard Gypsum Co., of San Francisco, before the committee, his testimony (on pp. 741-744 of Schedule 2, published January 10, 1929), we believe, is so markedly erroneous that we feel the necessity of advising you wherein we take issue with him as it relates to the hearing.

Mr. Uldall's first statement, that a duty would be ruinous to his company, we feel is erroneous, because a duty of the amount contemplated would merely place Mr. Uldall on a comparative cost basis for his gypsum with the local manufacturers in southern California. His operation is at San Marcos Island; the labor is performed by cheap Mexican labor and transported by water to Long Beach and Seattle; and we know that the freight water haul is very much lower than the corresponding haul by rail which the other local companies are forced to use. This means that the tariff on gypsum would not make the cost of raw materials to his plant at Long Beach any greater than the cost of raw materials to the other companies' plants. It is our belief that the Standard Gypsum Co.'s cost on the finished product laid down in the Los Angeles market and the surrounding community would, with the tariff you are asking, be then on a par with the same costs of other companies, and for that reason we think that Mr. Uldall is in error in saying that a tariff impost would penalize his company.

While it is true that the Standard Gypsum Co. may not be able to compete in the sale of gypsum with the domestic cement companies, due to the interior location of the cement companies' plants, Mr. Uldall's company, by the same token, is able to reach other markets shut out to the local manufacturers, solely by reason of his low cost of crude gypsum and the fact that he can load direct to ocean-going carriers for deliveries to Australia, New Zealand, and other foreign ports where cement plants are operated.

In this connection of limiting markets, it might be an interesting observation for the committee to know that Mr. Uldall's company is known to be shipping gypsum into the Orient direct from Mexico, thereby preventing the local companies on the Pacific coast from reaching that same market; so that it is equally fair to assume that the business that the Standard Gypsum Co. is taking from the local companies in the Orient more than offsets any disadvantage that Mr. Uldall's company is meeting in not being able to reach the local inland cement plants with his product.

While it is true that the price of plaster in southern California is very low, due to extremely keen and intense competition, Mr. Uldall's contention that the price is regulated by local competitors is, we feel, very far wrong, as the price is being regulated in a very marked way by his own low-cost production and by the sales policy of the United States Gypsum Co., which policy we do not believe has any relation to cost but is merely a question of trying to maintain a certain tonnage in the market with a complete disregard to cost, profits, or any other premise of business. The United States Gypsum Co. no doubt would admit under pressure that their operation in southern California is at a loss and that the losses on the Pacific coast are absorbed in the large profits that they are able to secure in national business east of the Pacific coast.

We feel that Mr. Uldall's assertion in paragraph 4, that tariff means ruin to them, is erroneous and somewhat ridiculous, unless he feels that the profits from the Long Beach operation might be dissipated by a potential operating loss from his Seattle plant.

We hold no brief for the balance of Mr. Uldall's testimony as it deals in generalities, but it is very questionable whether all the ills that he seems to feel his company suffering from are due entirely to the penalties that might be imposed by a duty on gypsum.

We do not have information to question the truth of his statement in regard to the Standard Gypsum Co. owning their transportation units bringing gypsum from Mexico, but it is generally assumed that a very direct relationship exists between the transportation company and the Standard Gypsum Co. in some interlocking form; however, we can not substantiate that at this time, but we have always understood that a direct relationship, based on at least partial ownership, existed between those two companies.

We trust that this information may be of value to you, and, in the event that you would like to have it amplified, we would be very glad to try and furnish you with as many facts on this phase of the testimony as we can give.

Yours very truly,

BLUE DIAMOND Co.,  
W. W. McCOMB.

**STATEMENT OF SEWELL L. AVERY, REPRESENTING THE UNITED STATES GYPSUM CO., CHICAGO, ILL.**

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. AVERY. Mr. Chairman and gentlemen, I am president of the United States Gypsum Co., and I represent the importing gypsum concerns.

May I call your attention to the fact that the arrangement here calls for our presentation and that is followed by four importing members of the industry, who, as they are the proponents, we should like to follow, or, if it is desired that we precede them, that we have the opportunity of speaking on whatever they offer later.

Senator COUZENS. We can not have a debate very well, but you may present a brief following their testimony.

Mr. AVERY. Should we not follow them, to answer their arguments, inasmuch as they are proponents?

Senator COUZENS. Would you not prefer to present a brief, because the committee can not remember it all anyway.

Mr. AVERY. The point is that we just want to know what their arguments are, so that we may refute them, and you may then ask questions.

Senator COUZENS. Then the other side will want to be heard again.

Mr. AVERY. I think that would be quite reasonable, sir. Certainly, if they are proponents we should be able to hear what they have to say.

Senator WALSH. Are there other proponents present?

Mr. AVERY. They are all here and they are presumed to follow just an opening statement from me.

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Senator COUZENS. They are not listed on the schedule. Whoever made up the schedule did not list them that way. I am following the schedule the way it was printed and handed out by the committee. I think you had better go ahead and if you want to refute anything anybody else says you may do it by brief.

Mr. AVERY. Very well, sir.

I have reduced this, for the purpose of brevity, to something that will require but a very few minutes. We are asking that crude gypsum remain on the free list. It is a heavy rock used for the manufacture of building material, such as wall plaster, gypsum block, and plaster boards, which, gentlemen, are the same thing. It is also used as fertilizer, moderately.

Six million tons of rock, including imports, are produced annually and converted into finished products of a value of \$60,000,000. There are 60 plants with a daily capacity of 26,000 tons. They have an investment of \$125,000,000. Seven importers have an investment of \$35,000,000, of which \$30,000,000 is in plants on the seaboard. They import about 900,000 tons, with a value of about \$1,000,000, which is converted in the United States into manufactured products of a value of \$10,000,000.

The companies requesting this change in the tariff have an investment of about \$12,000,000, with a production of about 750,000 tons. Of these companies asking a duty only five of them sell anything on the Atlantic coast. They have an investment of about \$8,000,000, with an annual production of about 400,000 tons.

The industry does not employ 50,000 men; it employs 10,000 in the United States. The companies asking for a tariff employ about 1,000 men, and these native producers who sell anything on the seaboard employ about 500 men.

About 1,700 men are employed in the manufacturing plants on the seaboard. They employ about 300 men in their quarries in Nova Scotia. A group of mills is located where commercial deposits are found throughout the United States, and gypsum is found, gentlemen, in some 23 or 24 different States. It is well distributed. And the products are sold within an area controlled by freight rates, as with the cement mills. It is extremely heavy and the limit is a matter of freight.

There are two groups in the East. One is located near Buffalo, the other is on the seaboard, dependent on Nova Scotia rock. There are no gypsum products in New England. Western New York, near Buffalo, the nearest deposits to the east coast, can not adequately supply the seaboard markets because of its location 400 miles away. No native deposit is so located as to economically fill this demand. It was because of this situation that mills were established on the Atlantic seaboard, which with their predecessors have existed for over 100 years.

Thy gypsum industry in the United States started with Nova Scotia rock. Nova Scotia rock was first brought to the Hudson, and then carried in the small degree to which it was then used, in barrels for finishing and casting and molding, west. Later the native gypsum came into use with the new uses developed, and they continued to expand and take the business, driving the Nova Scotia rock back to the coast because of the economy their location commands. At the present time 85 per cent of all imported rock is used within 30 miles of the water itself—30 miles, 85 per cent.

The seaboard mills have no cost advantage over the western New York mills. We have determined, gentlemen, to give you our actual costs as recorded for the last year, 1928. We operate, I may say, the largest mill in the world near Buffalo. We are the largest native manufacturer—I am speaking for the Gypsum Co.—in that mill, which is the largest. We have the most economic producer in mine as well as in machinery. We are interested in the native gypsum. We continue to operate and to advocate ourselves a tariff; as Mr. Rippey has said, in protection of the industry on the basis of these investments, in the conviction that if we were given tariff protection the great march of the native gypsum could push the imported product into the sea and supply economically the people in the great cities along the Atlantic. That proved, after 15 years of effort, and the fullest investigation in Nova Scotia, to see what was the economic situation, an impossible affair. We could not take the New York City business, the Philadelphia, and Boston, and the whole eastern coast business; we could not, with our greatest economy and our biggest mills, change the uses of lime which have supplied those cities, because they could not get gypsum—we could not change them over to gypsum because we had not the economies.

Senator WALSH. During part of that time you had a tariff on crude gypsum, did you not?

Mr. AVERY. Part of the time we had a tariff to help us, but it proved of no avail, and the reason we did not appear to ask for it was because it was of no avail. We had not bought the mill, as has been intimated here. No one expected we were to come in and demand the thing. No one was deceived. We were not the ones, particularly. It was available for 50 manufacturers to come, and no one made any application. It is futile to put a tariff on it. It would merely deny to New York, except to a limited degree, the uses of gypsum. Boston to-day uses lime for its walls in great degree. We are putting a mill there in the hope that we can give them the benefit of an actual cementation wall. Otherwise they will continue as they have for years and import the minor matter they use in their tall buildings, because they must pay from Oakfield a freight of \$4.50 a ton. That is impossible.

Philadelphia is in the same situation, and New York in the last year or two only is swinging into the full use of gypsum which the whole country enjoys.

The tariff will penalize the consumer. It will not benefit any gypsum manufacturer except to a minor degree. It will destroy our industry in favor of building materials which gypsum, because of quality, habitually displaces. That is lime. You gentlemen are all familiar with the fact that in your early years you saw walls made, and most unsatisfactorily made, of lime. There is plenty of lime all along the coast. It is being displaced because gypsum at a higher cost is a superior article, but only the most minor advance will let gypsum maintain itself.

The seaboard mills have no cost advantage over western New York. The statement that you heard from Judge Rippey led you to belief that these water producing mills on the coast can make in New York plaster cheaper than we can make it in Buffalo. I am giving you the actual certified figures, and I am giving them to our competitors who, I assure you, gentlemen, are very eager to hear them.

In addition to the naturally high cost on the seaboard, 20 per cent by weight of the material transported in New York is water. Gypsum is made up 45 per cent sulphuric acid, 35 per cent calcium, and the remainder is water of crystallization. It forms chemical crystals, and it retains 20 per cent in its natural state. The single, almost the single purpose of gypsum, is to turn it with heat into plaster of Paris, and this is what we do. The material may be put in a pie pan on a gas stove, and if raised to 380° of heat this 20 per cent of water breaks to free moisture, goes off as steam, and the white powder you have left is plaster of Paris. This rock (a sample of gypsum) subjected to that less than 400° of heat will give up 20 per cent of crystallized water. What you have left is plaster of Paris. What you do with it is to put back the water, adding as much additional as you wish, to determine the consistency, and you spread it on these walls, just as it has been spread on these walls here, or you cast it into these forms, just as your ceiling has been cast, and the three elements being again together, the sulphuric acid, the calcium, and the water, it reverts to its rock form in such position as you cast it in 10 minutes, and is actually set. That is what is done.

When, consequently, we bring down rock from Nova Scotia, all our handling charge, all our freight, is carrying 20 per cent of material which, when we turn it into our one basic product, which is plaster of Paris, suffers a loss of 20 per cent. Native mills pay nothing on that except it goes off where it is manufactured immediately above the mines where stands the mill.

I will proceed to the cost. The lowest cost of crude material on the rock pile at the seaboard mill, including depreciation, normal depreciation, is \$2.69 per ton. I wish to make this clear. This rock, mined in the most modern way from the high beds in Nova Scotia, which we own ourselves, brought down in boats built particularly for that purpose, and unloaded at the lowest expense with the most modern machinery, the result of very heavy investments in the last few years, is put on our rock pile at \$2.69 in the year 1928, in the largest mill and the most economic mill on the coast. This compares with the largest mill, at Buffalo, N. Y., the native mill which we own, which did exactly the same thing and in exactly the same way, for not \$2.69 but for \$1.57. I wish thereby to refute on this evidence these misleading statements about the difference in cost. These are the two largest mills, the two best mills, doing business at the greatest advantage, and we stand on the record of the last year, with all our new equipment in, at a difference, as you can see, of about \$1.10.

Senator WALSH. Both mills owned and controlled by the same management?

Mr. AVERY. Managed by the same concern. We own both quarries. We own the boats the docks. We own it all from beginning to end. The Nova Scotia or other cost of wall plaster and rock is of little consequence, because no rock is sold without some preparation. Plaster of Paris is the basis of most of the things we make. The cost in these mills of the wall plaster is \$6.35 on the seaboard, as compared with our western mill of \$4.41. Are those figures clear? These are absolute costs in 1928 at both mills, \$6.30 on the importing mill at New Brighton; \$4.41 in western New York.

I should say, gentlemen, that this is unfair to other than those who happen to be operating so large a property. This is the lowest possible rate. This is lower, I am quite certain, than any other of these mills, these smaller mills included in this proposed change of tariff.

Senator WALSH. Now, with the Buffalo product that is shipped to the seaboard, what additional cost would there be on that?

Mr. AVERY. \$3.50.

Senator WALSH. Making a total of what?

Mr. AVERY. \$7.91.

Senator WALSH. As against what?

Mr. AVERY. We then have to add from our mill the same delivery, which costs us a dollar by lighters around the servicing of New York. That comes, I think, a little later. Likewise, the delivered cost of the finished product in New York City is greater to the seaboard producer; \$8.05 from the seaboard plants and \$7.91 from the western New York plant. I think perhaps that answers you better. These are matters of record.

That the business of the inland producer was not affected by duty-free rock is demonstrated by the growth of production, which increased from 3,700,000 in 1922 to 5,300,000 in 1927 throughout the United States, showing how the gypsum industry has grown. In western New York, those who are appealing against this tariff, it increased from 1,055,000 tons to 1,675,000 tons. There has been an increase of 41 per cent for the United States as a whole in the last five years, while New York State increased 58 per cent. There is the terrible suffering from tariff, or no tariff. The last figures just reported by the Bureau of Mines yesterday show 1,504,000 tons for New York, and 5,102,000 tons for the country as a whole.

Imports from 1922 to 1928 increased from 409,000 tons to 954,000 tons. That is the reflection of the great growth in metropolitan New York, about which I think we are all able to observe in passing through the city. It has been a wonderful growth, and the business there now and all over the country has started somewhat to shrink.

Since 1922 new plants have been built and the capacity of existing plants has been increased, among them the plants of those asking for a tariff. In western New York the Ebsary Gypsum Co., represented here, increased its capacity from 150 tons daily in 1922 to 700 tons in 1927; the Empire Gypsum from 300 tons daily in 1922 to 500 tons in 1927; the Niagara Gypsum from 150 tons daily in 1922 to 700 tons in 1927; the Oakfield Gypsum Products came into New York new in 1923 with a daily capacity of 300 tons, and the National Gypsum Co. came new in 1927 with a daily capacity of 600 tons. There were eight plants in operation in western New York in 1922 with much smaller capacities than to-day. They have all increased to where there are now 11 plants in operation, and this against no tariff.

Senator WALSH. The last witness stated that the industries that he represented were not prosperous.

Mr. AVERY. Yes, sir.

Senator WALSH. Is that a fact?

Mr. AVERY. Well, I prefer to leave that to him. The gypsum industry as a whole has been very satisfactory. During the war we had an extreme building demand, and you know. The result of that was that prices advanced to unusual high rates, and the building in-

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dustry in general was very prosperous. The normal and natural thing for them to do was to increase capacity, with the simple thought "More tons, more profits." That was done until the capacity exceeded the supply. Then a promoting element entered the industry and bought out their additional capacity long after it was needed. That has produced a very severe price condition throughout the industry, which started in the West two years ago and gradually swept over to the East.

Senator WALSH. Is your Buffalo mill proportionately prosperous with your New York mill?

Mr. AVERY. Yes, sir; more so. Very considerably more so. The most prosperous mill that the United States Gypsum Co. possesses is at Oakfield, and the New York mill, to the amount of investment, ranks well down, the difficulty being in New York that we have got half a mile of water front that is very expensive, wages are very high, building costs two or three times as high. We have those natural things to contend with, while gypsum is usually found in remote sections where the value of your land happens to be farming value.

Senator WALSH. Where is Oakfield?

Mr. AVERY. Oakfield is 7 miles from Batavia, about 38 miles out of Buffalo.

Senator WALSH. Between Rochester and Buffalo?

Mr. AVERY. Yes, sir. In 1926 alone new capital invested in the business, as stated by the Government reports, was \$20,000,000. Those were the native things. Much more was actually invested than the Government reported.

The mills on the coast, the importers of gypsum, are all American owned and operated. Without them New England and the north Atlantic seaboard would have no plants for the manufacture of building materials and gypsum. As it is impossible to ship the rock from western New York, the cost to deliver rock from western New York to seaboard or from any other known domestic supply is prohibitive. If such were not the case, developments of that kind would, of course, be made by the native manufacturers. These mills are already handicapped with higher rock-pile costs, and no tariff would facilitate the moving of crude rock from any native stores. No matter what tariff were put on, it would not alter these restrictive conditions in the location of the gypsum. They can not move their finished products to the territory served by western New York. Western New York ships right to the coast. New York City, with more investment for the same capacity, 85 per cent is within 30 miles of the water front. There is no trouble from imported gypsum.

Senator WALSH. Is gypsum being used as a substitute for lime?

Mr. AVERY. Yes; it is displacing it.

Senator WALSH. Are the lime interests in favor of a tariff on gypsum?

Mr. AVERY. I think they have not expressed themselves. I imagine now they have quit, given up the thought that they can retain the wall, except in New York, and gypsum is proceeding to displace them. They have been very active for many years trying to curb it, naturally.

There are native deposits in New York State near Buffalo, in Ohio near Cleveland, in Michigan, and in Iowa. In Michigan there are marvelous deposits on the lake shore which are very active, and these

are being brought thy water from near Kate Chay, Senator, by boats, where recently docks have been extended a mile and a third so that a draft of 28 feet is available, and that is taken in the same way to Chicago, and a mill will operate in about six weeks from Detroit.

The deposits in Iowa, Ohio, Michigan, and New York are quite extensive—I mean they are, except those in western New York, like most mineral deposits, they are exhaustless, practically. These deposits with the short haul supply the Great Lakes region and the Middle West, making it impossible for Nova Scotia gypsum 2,000 miles away to enter. The cost would be prohibitive.

As to the Pacific coast, there is only one importer with plants at Los Angeles and Seattle. We saw no advantage in this coast position. I may say I think it will be interesting, and perhaps those that I speak of would not object, to say that following the idea that the importation from an island in the Californian gulf, which has a fine deposit of gypsum, could economically supply the demand better than the native inside gypsum, a corporation was formed; this island, was manned with the latest machinery and is so operating to-day. Boat lines were engaged and mills were built in Los Angeles and in Seattle. The company had a very great difficulty in maintaining itself, and thinking that we, through our operation of this kind of thing on the eastern border, might do with it better than they, we were invited to consider its purchase. We put auditors on their books and geologists and miners on their deposits, and after several weeks it became apparent to us that they were under a great natural handicap, and particularly because of the allocation of the people along this narrow Pacific strip, that they had a good idea ahead of its time, and that only with a greatly multiplied people demand could that ever present an economy. The quantities they had or that they were able to get there would not let them manufacture advantageously. Consequently we did not purchase the property, and a year following that we ourselves built a new mill in western California, which I think is probably as strong a refutation of the idea that imported rock on the coast can destroy the native manufacturers there, as anyone could discover.

Our last plant on the Pacific coast was built at Midland after inspection of that entire proposition.

It has been stated that the seaboard plants are grinding or crushing rock in their quarries and so importing it partly manufactured. You gentlemen have just heard such an argument. May I take your time to tell you the truth about that thing? In old days, not many years ago, a gypsum quarry was operated by first removing the top earth which covers the gypsum very generally. In Nova Scotia the 100 feet that was mentioned previously is not uncovered. We average 50 feet of earth that must be removed before we can take this open face. Then this face of rock is drilled and with dynamite it is blasted. As it pours down, pieces as big as that mantel, mixed with dust and small sizes of all kinds—because gypsum is an easily broken rock, its geological field test is that you may scratch it with the nail of your thumb. It is very soft. The blast then brings down a great mass of powder and gravel and lumps, and here and there pieces larger than a piano. In the old days little blasts were made and men carried these things to carts, the carts to cars, the cars to boats. Modern quarry practice you are all familiar with. We now

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have the tractors, the steam shovel, the drag line for clearing, and one man will do the work of a hundred. That type of equipment is used not only in Nova Scotia—it is all American machinery—but at every other quarry that we have. We no longer pick it by hand.

Formerly the man-size rock was determined by his ability to lift it, but steam shovels now are put in there on tractors and they can get any place, and these pieces large and small, and the dust, are thrown into railroad cars, and when they approach the boat where they are to be shipped they are passed through breakers, the purpose being to reduce these large pieces so that they may be dropped 40 feet into the hull of a vessel in Nova Scotia, where the tide goes out and leaves our ship on the ground, to such sizes as this and smaller—not to do any first process; we do no first processing, but with our large pieces we do substitute for the blow of the quarryman's sledge. We now dump these cars that have been filled by these great steam shovels which will lift two or three tons, into a crusher which comes no closer together than five inches. It is not the purpose to make fines but to avoid fines, because fines are hard to handle in the boat, but the object is to break only to about this size or to five inches, so that it may go in the general mass, so that there will be no separation and all can be taken out by the customary scoops. The impression that you gentlemen have got that we would be using labor to do the first process of crushing is distinctly untrue. It is not justified in the minds of any gypsum man. No one who says that can know anything about gypsum. It is impossible. The cost will cover the question.

To pass this thing through this rock breaker of the large sizes—and only the large go through, the fine does not go through at all; it is sidetracked over a "grizzly," as they call it, a large bar—costs us less than two cents a ton. The labor economy depriving American labor is not, of course, one of the considerations.

The rulings of the department that you have listened to have not been well stated. The ruling is definitely that no preparation is made and that this is put on the free list after the greatest economies. It only got this consideration through a process that will be interesting to you to listen to.

A hearing was held by these gentlemen applying for this ground gypsum five inches thick, and they held sessions down here before the Treasury Department unknown to us for eight months, and we read the proposed rule of the Treasury Department in the New York Times to get our first information and to come down here and learn about it. The amount of junk, misinformation, and deception that had been practiced on those who had listened was such that only the aid of the entire industry and the carload of gypsum that has been mentioned to-day made it possible for us to show in samples how utterly impossible it was to produce ground gypsum in that way. Slowly the truth was determined and the material remained free. We have been subjected to that sort of abuse.

The rock in both this country and in Canada was formerly broken down by hand and carried man size to the mill, but with the advent of the steam shovel and the belt conveyor, quarries adopted the modern method of handling and loading, commencing about the year 1920. The steam shovel will pick up pieces of rock weighing a ton or more,

which are reduced by nippers or crushers, forming a mass of crude rock six inches down to dust. This reduction is made for the sole purpose of mechanical handling.

We use American manufactured machinery in our Canadian quarries, exactly the same type and the same make that we use in our quarries in the United States. No process of manufacture is done away with by any reduction of the rock in the quarry, and exactly the same operations are carried on at the mill with rock in the form in which it is now imported as were carried on when the rock was shipped man size. In all quarries, both domestic and foreign, such reduction is part of the quarrying cost, the actual cost of which is less than 2 cents per ton. Not a single ton of the rock is sold by any importer in the form in which it is imported. Not 1 ton of this crude material is sold in that shape. Cement companies use about  $3\frac{1}{2}$  per cent of gypsum for retarder in the setting of their cement, but even as they use it crude, this material has to be sized no larger than this, no smaller than that [indicating], with definite percentages. That whole process must be done, although it is in truth a crude thing, in a department of the mill which costs, I think, about \$200,000 just for pure separation machinery.

Senator WALSH. Is there any domestic crude gypsum sold in that form?

Mr. AVERY. That is the vast percentage of it, sir. This only goes where it happens to be cheap.

Senator WALSH. So that there are two classes of people owning gypsum mines; those that just mine the crude gypsum and sell it in the open market, and those that mine it for the purpose of turning it into manufactured products?

Mr. AVERY. I think, sir, that there is no one who tries to sell crude rock. The cement companies themselves mine a little and do not calcine it. But there is no sale for crude rock. No one would buy crude rock.

Senator WALSH. I thought you said there was.

Mr. AVERY. There is a sale for it after you have prepared it in a mill. And the construction of that mill, with the putting in of the power, would be such that they might go ahead and change it into plaster of Paris, which is really the basis of the entire industry.

Senator WALSH. That would be ground gypsum?

Mr. AVERY. Before calcination it is customarily ground, although sometimes in large rotaries, like in the manufacture of cement, it is sized and put through a mill rough.

The Treasury Department upon investigating the questions raised by certain native producers, found that the reduction in Canada did not dispense with any operations of manufacture in this country. That has already been reported.

It has been stated that there was an unlimited supply of gypsum in the United States. The only deposits in the northeast are in western New York, near Buffalo. The assumption is that if a \$3.50 tariff, or \$4.75 tariff on calcined plaster were to be put on here, all the New York business would then go to western New York. That is not so. The assumption would then be that western New York rock would be quite equal to taking care of that additional business. That is not so. The western New York runs about  $4\frac{1}{2}$  feet thick and lies in lenses between limestone, and is mined. These deposits of

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the first grade, which is the only one used, are quite limited, and I will take the liberty of reading a brief sentence here from the New York State survey published in September of last year, 1928, which sums up the situation as follows:

Considered in their entirety the resources are undoubtedly very large, although not subject to anything like an accurate estimate from present information. If mining were carried on without particular reference to the grade of rock, they would undoubtedly suffice for an indefinitely long period of future production, even at the accelerated rate prevailing in recent years. But another aspect of the matter is had if attention is directed to the known supplies of high-grade gypsum and to the steadily increasing drain upon these resources. One-fifth at least of the Erie-Genesee County acreage of the main seam has already been exhausted. The output has increased eightfold in 20 years. At the indicated rate the present resources would last for not over 20 or 25 years, at the present rate. High-grade rock is necessary for gypsum products and if western New York were required to supply the Atlantic Coast tonnage in addition to its present tonnage, the supply at the present rate of consumption would be exhausted in 15 years.

Our own supply—we have the largest mill—we figure may last us 20 years, and we are constantly searching for additional supplies and have gone as far as 10 miles from the mill to get it.

It appears that no native gypsum is available to supply the mills on the coast; that these mills are necessary to serve the seaboard market, and the western New York district is too far away to be an important factor in their development; that the cost of the crude rock to the Atlantic coast producer is greater than it is to the western New York producer; that there is no question of tariff involved, and application for a tariff is merely an attempt to penalize one group of American manufacturers in favor of another group of American manufacturers. A tariff would simply penalize the one group without benefiting the other. It would compel the consumer to pay more for his building materials; it would retard the development in the United States of gypsum products, and ultimately shut down American industries.

I should like to submit this brief also.  
(The brief referred to is as follows:)

#### BRIEF OF THE UNITED STATES GYPSUM CO.

JULY 9, 1929.

FINANCE COMMITTEE,  
*United States Senate, Washington, D. C.:*

We are asking that crude gypsum be left on the free list. In House bill H. R. 2067 it was left on the free list, paragraph 1740. It was also on the free list under the act of 1922, paragraph 1643.

Gypsum rock is a heavy rock which when ground and calcined is used principally in the manufacture of building materials, such as wall plasters, gypsum block, and gypsum wall boards. It is also used as a fertilizer when ground into a fine powder. The rock is found in many of the States and is also imported from Nova Scotia and New Brunswick, Canada, on the Atlantic coast, and from Mexico on the Pacific coast. The principal importations are from Canada.

There are 7 importing companies operating 12 plants—the Atlantic Gypsum Products Co., at Portsmouth, N. H.; New York City, N. Y.; and Chester, Pa.; the Connecticut Adamant Co., at New Haven, Conn.; the Newark Plaster Co., at Newark, N. J.; the Rutland Fire Clay Co., at Rutland, Vt.; the United States Gypsum Co., on Staten Island, N. Y.; Boston, Mass.; and Philadelphia, Pa.; the Universal Gypsum & Lime Co., at Newburgh, N. Y.; and the Standard Gypsum Co., at Long Beach, Calif., and Seattle, Wash. The companies on the Atlantic seaboard have their quarries in Nova Scotia and New Brunswick, Canada, and the Standard Gypsum Co., on the Pacific coast, has its quarries on San Marcos Island, Gulf of California, Mexico. All of these companies including their quarries in Canada and Mexico are completely American owned. They carry on their entire manufacturing operations in the United States.

The importers represent an investment of \$35,000,000, of which approximately \$30,000,000 is invested in mills and manufacturing plants on the seaboard in the United States. The United States Gypsum Co., the Universal Gypsum & Lime

Co., and the Standard Gypsum Co., in addition to their investments on the seaboard, have an investment of about \$70,000,000 in mines, quarries, mills, and manufacturing plants throughout the United States where commercial deposits of native gypsum are found—in western New York, Virginia, Ohio, Michigan, Iowa, South Dakota, Kansas, Oklahoma, Texas, Montana, Wyoming, Colorado, Nevada, and California. According to the last published figures these companies imported 954,000 tons of crude gypsum in 1928 of a value of about \$1,000,000, which were converted in the United States into manufactured products of a value of about \$10,000,000.

There are 60 active plants of varying capacities operating mines and mills throughout the United States. Of the companies requesting a change in the tariff, only five make any shipments to the Atlantic seaboard. These represent an investment of not more than \$8,000,000 with an annual tonnage of about 400,000 tons out of 6,000,000 tons produced. The companies asking for a tariff represent an investment of only \$12,000,000 out of a total of more than \$125,000,000, with a tonnage of about 750,000 tons out of a total of 6,000,000 tons.

The industry employs about 10,000 men in the United States. The companies asking for a tariff employ about 1,000 men and those manufacturers who sell anything on the Atlantic seaboard employ about 500 men. About 1,700 men are employed in manufacturing plants on the seaboard. They employ about 300 men in their quarries.

The mills for manufacturing gypsum products are located at the source of supply of raw gypsum. They are divided into groups situated at the minehead or quarry wherever commercial gypsum deposits are found throughout the United States. Another group, supplied with imported rock, is located on the seaboard. The area within which the manufactured products are distributed from each group of mills is controlled by freight rates, freight being the controlling factor of the competitive strength of any producing district. The United States is thus divided into a number of separate zones constituting the natural distributing territory for each producing district, two of which are found in the East, one with its center in western New York and the other on the seaboard where the plants receive their supply of crude rock from Nova Scotia. The plants on the coast are wholly dependent upon water transportation where the rock is loaded and unloaded at the water's edge and could not be supplied from western New York because of the prohibitive freight rates of \$3.50 per ton. The crude rock already costs more at the mill on the coast than it does at the mill in western New York.

The mills in the same group receive the crude material from the same source and there is no competition in the supply of crude material among the separate groups, either of the native supply or the imported material. The competition is in the manufactured products from the same group within the same producing area. Although western New York sells some of its manufactured products on the seaboard, the seaboard mills distribute only on the coast at or near the place where the mill is situated. None of the other mills in the interior distribute their products on the seaboard and there is practically no competition whatsoever between them and the mills using imported rock.

That free crude rock to the producers on the seaboard has not affected in any way the business of native producers is demonstrated by the growth of the business. In 1922 the total gypsum mined in the United States was 3,779,949 tons of a value of \$29,361,151, which increased in 1927 to 5,346,888 tons of a value of \$42,174,454, making a total increase throughout the United States of 41 per cent. In western New York district alone there were mined in 1922 1,055,302 tons of rock, which in 1927 increased to 1,675,501 tons, or an increase of 58 per cent.

A comparative statement of the production from 1913 to 1928 of the United States, New York State, and of the imports is shown in the following table:

Year	United States	New York	Imports	Year	United States	New York	Imports
	Tons	Tons	Tons		Tons	Tons	Tons
1913	2,398,508	529,627	447,383	1921	3,050,984	716,665	267,796
1914	2,476,465	523,368	369,214	1922	3,779,949	1,055,302	409,475
1915	2,447,611	540,914	336,856	1923	4,763,448	1,361,110	448,139
1916	2,757,730	579,827	254,131	1924	5,042,620	1,474,492	519,627
1917	2,690,226	606,288	240,269	1925	5,678,302	1,730,254	634,423
1918	2,057,015	531,038	50,653	1926	5,635,441	1,723,460	824,081
1919	2,420,163	591,153	171,733	1927	5,346,888	1,675,501	828,619
1920	3,129,142	780,295	282,486	1928	5,102,250	1,504,826	954,000

The statement was made that imports had increased from 50,000 tons in 1918 to 1,000,000 tons in 1928, which is misleading. It appears from the above table that in 1913, prior to the Great War, the imports were 447,383, and with the war postponement of building fell to 50,000 tons in 1918. In the period from 1913 to 1928 New York State production increased from 529,627 tons to 1,504,826 tons. From 1901 to 1928 New York State production increased from 119,565 tons to 1,504,826 tons and imports increased from 235,204 tons to 954,000 tons, or during a 25-year period the western New York producers increased their business 1,250 per cent while the Atlantic seaboard increased only 400 per cent.

On the seaboard, plants are located on valuable property with costly water frontage, where the investment per ton of producing capacity is two and one-half times that of the inland producer. Seaboard operation with its added expense in a congested district is not comparable with an operation in a rural district. In addition to the long water haul, the seaboard producer carries with each ton of rock approximately 20 per cent of water upon which is paid the cost of hauling, loading, and transportation. When the product is calcined the water is given off, leaving 80 per cent net weight of material actually transported. The cost in rock pile, as well as the cost of a finished ton of material ready for delivery, is more to the coast producer, and the delivery cost is also more, even including the freight rate which the inland producer must pay.

The plant, whether located at mine or seaboard, receives its crude material directly from the rock pile at the mill site, the cost of which is the base of all manufactured products. Without giving effect to the investment, costs including depreciation at Oakfield, N. Y., compared with similar costs at New Brighton, Staten Island, exclusive of sacks or bags, are as follows:

	Oakfield	New Brighton
In rock pile.....	\$1.39	\$2.69
Cement plaster (wall plaster) ready for shipment.....	4.41	6.35
Delivered in New York.....	7.91	8.05

And giving effect to the investment at both places, comparative costs are as follows:

	Oakfield	New Brighton
In rock pile.....	\$1.67	\$2.99
Cement plaster (wall plaster) ready for shipment.....	5.08	7.24
Delivered in New York.....	8.58	8.58

It was stated by the other side that the importer's rock pile cost was \$1.15 per ton, that the delivered cost of wall plaster to the western New York producer was \$11.25 per ton, including bags, and that the importer's delivered cost was \$8.85. The western New York producers are not familiar with the cost on the seaboard and their figures are erroneous. If bags at the regular price of \$3 per ton are deducted from their figure of \$6.85 per ton, there is left \$3.85 for a delivered ton of plaster, whereas the rock pile cost alone is \$2.69 and the finished cost without bags is \$6.35 to the importer. It appears from an analysis of their own figures and the actual costs as shown at Oakfield and New Brighton that the rock pile cost, the cost ready for delivery, and the delivered cost, are all greater to the Atlantic coast producers than to the western New York producers.

It is claimed that the western New York producers can not compete with the importers because of cheap labor. The minimum quantity of Canadian labor is used because of improved methods of American machine handling. The average daily wage paid in Canada this year is \$6.13 as compared with \$6.35 in western New York.

The markets in the large cities on the Atlantic coast were developed exclusively by the mills located on the seaboard which with their predecessors have existed for over 100 years. In New York State as late as 1895 there were produced only 33,587 tons of gypsum rock, sold mostly for land plaster, while during the same year calcining mills on the Atlantic coast imported for their own use, 192,549 tons of crude gypsum rock. The products of the western New York producing district have only entered the Atlantic seaboard cities to an

appreciable extent during the period of an unprecedented demand due to the great building boom following the war with prices far above normal for such products. The entire business on the Atlantic coast has been supplied from Nova Scotia to the extent of 90 per cent since the origin of the industry.

No native deposit is so located as to economically fill this demand, and in order to make the Nova Scotia supply available it has required great investments in modern mills in Portsmouth, Boston, New Haven, New York, Newark, and Philadelphia. The use of gypsum on the Atlantic coast is inadequately developed as compared with the rest of the Nation, even with the Nova Scotia supply, western New York never having been an important factor in the development of such markets.

In the whole of New England there are no gypsum deposits, and until the development by the Atlantic coast producers practically no gypsum products were sold in this area. This is evidenced by the low consumption of 5 pounds per square foot of floor space as compared with 12 to 15 pounds in other sections of the country and in some sections as high as 20 pounds per square foot. A similar condition exists in eastern Pennsylvania and New Jersey, where the consumption is only 7 pounds per square foot of floor space. Western New York has simply been too far away to ever develop these markets and they have been left for development by the erection of plants on the coast, which can only use Nova Scotia gypsum.

The western New York producers can not adequately supply the New York City market because of their location in another producing area 400 miles away, and because of their inability to render the necessary service or even to furnish the same quality of material to which the market has become accustomed. The rail haul of 400 miles is against the coast producers if they attempted to penetrate the western New York territory, and with their higher costs they can not. If the tariff is imposed and the seaboard producers are required to go out of business it would be impossible for the western New York producers to supply the market in the metropolitan district of New York or other coast centers.

The consumer on the coast has become accustomed to the white plaster made from the Canadian rock as distinguished from the dark plaster produced in western New York. In addition to this there is produced from a white rock found in Nova Scotia finishing, gaging, molding, and pottery plasters not produced elsewhere in the United States except in Kansas and Oklahoma. Of the total tonnage of plaster sold on the Atlantic coast approximately 20 per cent are white goods, which can not be produced by any of the eastern mills using native rock. Practically all walls in the New York metropolitan district are finished with white plaster, and the pottery manufacturers in New Jersey can use only the white goods for their molding. This market for white goods was established 100 years ago and long before native rock came into use as a wall plaster.

It was stated that the importers controlled the territory to a line about 300 miles from the Atlantic coast, based upon the erroneous statement that the average cost of gypsum laid down on the seaboard from Nova Scotia was \$1.36 per ton compared to \$6.32 per ton from western New York. As shown, the actual cost on rock pile is \$2.69 per ton on the coast and \$1.57 per ton in western New York. Furthermore, no crude rock moves from western New York to the coast, as it is impossible to supply the seaboard mills with rock from that source. The cost is prohibitive and no tariff could change that situation. No imported crude gypsum is shipped anywhere except to the mills on the seaboard.

The manufactured products, as stated, are distributed in the territory adjacent to the mills and within a hauling distance of not more than 30 miles from the coast. The cost of \$6.35 per ton of finished product to the cost mill compared with \$4.41 per ton to western New York renders the imported material non-competitive except within a short hauling distance where the seaboard manufacturers can tender the service necessary to sell their products. That these manufacturers distribute only in such limited territory is conclusive of the fact that they can not dominate the territory within the line above stated. An imaginary line has been drawn, based upon an erroneous statement of costs where it appears that the coast manufacturers do not actually distribute in such territory and in fact can not.

It is claimed that Nova Scotia gypsum will be taken into the interior through the Great Lakes. This is impossible. There are native deposits in New York State near Buffalo, in Ohio near Cleveland, and in Michigan and Iowa. The plants at Detroit and Chicago are to be supplied from quarries at Alabaster, Mich., on Lake Huron. These deposits, with a short haul, supply the Great Lakes region and the middle west, making it impossible for Nova Scotia gypsum, 2,000 miles away, to enter. The cost would be prohibitive.



It was stated by those asking for a tariff on crude gypsum rock that the coast producers are grinding or crushing the rock at their quarries and importing it as a partly manufactured material. These statements are incorrect. After the rock is unloaded at the mill it is crushed, ground, and calcined and manufactured into wallplasters and other building materials. The rock both in this country and in Canada was formerly broken down by hand and carried man size to the mill, but with the advent of the steam shovel and the belt conveyor all quarries, including those in the United States, adopted the modern method of handling and loading, commencing about the year 1920. The steam shovel will pick up pieces of rock weighing a ton or more which are reduced by nippers or crushers so forming a mass of crude rock from 6-inch sizes down to dust. This reduction is made for the sole purpose of mechanical handling, so the rock can be carried by belt conveyor into the ship and unloaded by clamshell shovel on the coast and in the interior by belt conveyor to the rock pile at the mill.

No process of manufacture is done away with by any reduction of the rock in the quarry and exactly the same operations are carried on at the mill with the rock in form as now imported as were carried on when the rock was shipped man size. In all quarries, both domestic and foreign, such reduction is a part of the quarrying cost. The actual cost of such reduction is less than 2 cents per ton. Not a single ton of the rock is sold by any importer in the form in which it is shipped.

The Treasury Department upon investigating the question, at the instance of certain manufacturers, found that the reduction in Canada did not dispense with any operations of manufacture in this country and that the rock was reduced for the sole purpose of handling and loading and for convenience in transportation. The appraisers' report stated that the merchandise consisted of rock crushed for the convenience of transportation only into various sizes ranging from 6 inches down to dust and was not advanced in value or condition. The department concluded that the rock as imported was neither ground nor partly manufactured, but was crude gypsum entitled to free entry.

The resources of gypsum rock in the East are limited. According to the New York State survey for 1925 and 1926 published in September, 1928, the resources of high-grade gypsum rock are found principally in Erie and Genesee Counties. It was estimated that in Erie and Genesee Counties there were perhaps 60,000,000 tons of high-grade rock yet to be mined. There is a large supply of low-grade rock not suitable for manufacture. The high-grade rock necessary for the manufacture of gypsum products, if used at the present rate of consumption, will last not more than 20 to 25 years. The New York State Museum, in its bulletin published in September, 1928, summed up this situation as follows:

"Considered in their entirety the resources are undoubtedly very large, although not subjected to anything like an accurate estimate from present information. If mining were carried on without particular reference to the grade of rock, they would undoubtedly suffice for an indefinitely long period of future production, even at the accelerated rate prevailing in recent years. But another aspect of the matter is had if attention is directed to the known supplies of high-grade gypsum and to the steadily increasing drain upon these resources. One-fifth at least of the Erie-Genesee County acreage of the main seam has already been exhausted. The output has increased eightfold in 20 years and more than doubled in the past five years. At the indicated rate the present resources would last for not over 20 or 25 years, even with allowance for a certain slowing up in the annual increase in production which is likely to be manifested in the future."

The business on the Atlantic coast has been built up on a high-grade rock from Nova Scotia and New Brunswick, and if this demand were supplied from western New York an annual tonnage of 800,000 would be added to the 1,675,501 tons now produced in that district. According to the estimates of the New York survey, the high-grade rock would then be exhausted in about 15 years at the present rate of consumption. If production increased in the next five years at the same rate as in the past five years the resources would be exhausted in less than 10 years. Western New York is the only producing section in the north-east-part of the United States east of the Allegheny Mountains and with the exhaustion of its high-grade rock the entire Northeast would be left without any resources.

Free crude rock has had nothing to do with the temporary depression in the gypsum industry. In the prosperous years following 1922 many new plants were built and the capacities of practically all existing plants were increased. In 1926 alone the new capital invested in the business, as stated by the latest Government reports, was \$20,000,000, most of which represented capital increases of concerns already in the field, and in addition thereto considerable money was

expended on plant improvement which did not find its way into the financial records outside of the companies concerned. In western New York the Ebsary Gypsum Co. increased its capacity from 150 tons daily in 1922 to 700 tons daily in 1927, the Empire Gypsum Co. from 300 tons daily in 1922 to 500 tons daily in 1927, the Niagara Gypsum Co. from 50 tons daily in 1922 to 700 tons daily in 1927, and the Oakfield Products Co. came in in 1923 with a daily capacity of 300 tons. The Universal Gypsum Co. came in in 1924 with a daily capacity of 800 tons and the National Gypsum Co. came in in 1927 with a daily capacity of 600 tons. There were 8 plants in operation in western New York district in 1922 where there are now 11 plants in operation.

The situation was summed up by the Department of Commerce, Bureau of Mines, when it said in its last report that the gypsum manufacturing industry had made its greatest growth within the last decade, and that the development had been rapid, extensive, and possibly beyond present requirements, but probably not inconsistent with the greatly increased consumption which was bound to come as the public learned more about the characteristics and quality of gypsum and its numerous uses.

The falling off of building has been followed by keen competition among the manufacturers with resultant low prices conceded by all companies. This situation exists not only in the eastern territory but to a much greater extent in all other producing districts throughout the United States, which are wholly unaffected by imported rock. The depression commenced in sections of the country where no products made from imported rock were sold, and the last section of the country affected was the eastern part of the United States. Products not made on the Atlantic coast have suffered the same as products produced at the seaboard plants. This is illustrated by the sale of gypsum tile, none of which is made by any seaboard company. Tile formerly sold in New York City at \$14 per ton and has recently been selling in the same market as low as \$6 per ton.

#### CONCLUSION

A duty of \$3.50 per ton on crude gypsum would make a new use of tariff duties. That rate is asked for the purpose of placing a handicap on competition in our own markets between our own people. The importing companies are American companies with their plants in the United States. They all supply the domestic markets adjacent to their plants.

The duties here asked for are to stifle competition. The companies located on the Atlantic coast are able under the present law to supply high-grade gypsum products to the immediate markets at prices with which other plants further inland say they can not compete. The purpose of a protective tariff is to aid in building up industries in the United States. Tariffs have never been employed to discriminate between States or localities within States.

The importation of crude gypsum free of duty is the privilege of every manufacturer of gypsum products in the United States whether they are located on the seaboard or inland. The companies here asking for the imposition of a prohibitive tariff have the same privilege of importing raw crude gypsum free of duty that the importers have. They are all American companies employing American labor, paying property and income taxes and supplying the American market with useful finished products. The fortunate location of a manufacturer adjacent to an American market is not a sufficient ground for a penalizing tariff.

Gypsum products have experienced a large growth in the building industry in the United States in the last 25 years. Raw gypsum is a cumbersome and expensive product to transport. The manufacturer must have his plant adjacent to the raw material or have facilities for getting the raw material cheaply into his plant in order to successfully and economically engage in business. Tariff duties are not employed to change the trend or alter the status of consuming markets. It would pervert the purposes of a protective tariff to use it in an effort to equalize production cost so as to enable an American producer who happened to be remote from an active consuming market to compete with another producer who happened to be adjacent to it, all in the United States.

If the Congress should begin to use tariff duties to place a handicap upon one American manufacturer or a group of American manufacturers in competition with other American manufacturers the purpose of our tariff policy would be so perverted that it would become wholly indefensible.

It appears that no native gypsum is available to supply the mills on the coast; that these mills are necessary to serve the seaboard markets, and western New York district is too far away to be an important factor in their development; that the cost of the crude rock to the Atlantic coast producer is greater than it is to the western New York producer; and that there is no question of tariff involved.

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We respectfully submit that paragraph 1740, plaster rock or gypsum crude, be left unchanged and that the tariffs provided for in paragraph 205 upon manufactured products are sufficient and require no alteration.

UNITED STATES GYPSUM CO.,  
By S. L. AVERY, *President*.

STATE OF ILLINOIS,  
*County of Cook, ss:*

Sewell L. Avery, being first duly sworn, deposes and says that he has read the foregoing brief, by him subscribed on behalf of the United States Gypsum Co.; that he knows the contents thereof; and that the same is true to the best of his knowledge and belief.

S. H. AVERY.

Subscribed and sworn to before me this 9th day of July, A. D. 1929.

[SEAL.]

ASTRID O. LYNUM,  
*Notary Public.*

My commission expires September 15, 1930.

**STATEMENT OF H. M. CHANNING, REPRESENTING THE ATLANTIC GYPSUM PRODUCTS CO., BOSTON, MASS.**

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. CHANNING. I represent the Atlantic Gypsum Products Co., of Boston, Mass.

Senator WALSH of Massachusetts. Where is this located, in Boston?

Mr. CHANNING. The main office is located in Boston. It has three plants—a plant in Portsmouth, N. H.; a plant in New York on the East River, at One hundred and fiftieth Street; and a third plant at Chester, Pa.

Senator WALSH of Massachusetts. Is it your plant that contemplates building another plant in Boston?

Mr. CHANNING. The United States Gypsum Co. has recently completed a plant in Boston, Senator, which began to operate this spring.

Senator WALSH of Massachusetts. Where is that located?

Mr. CHANNING. That is located up on the Mystic River on property bought from the Boston & Maine Railroad.

Senator WALSH of Massachusetts. All your plants are located where the crude gypsum can reach the plants by water.

Mr. CHANNING. The crude gypsum must originate on deep water. You can not interpose a rail haul and rehandling, and you can not have a rail haul handling on the unloading end of it. It must be located in your market.

I have been asked by one of the representatives of the industry, Mr. Gregory, representing four Norfolk, Va., manufacturers of fertilizer from gypsum, to say that he was unable to be present to-day. There are four fertilizer mills that manufacture fertilizers from gypsum principally for the peanut trade in Virginia and North Carolina.

Senator WALSH of Massachusetts. He appeared before the Ways and Means Committee, did he not?

Mr. CHANNING. No.

Senator WALSH of Massachusetts. Somebody did.

Mr. CHANNING. Mr. Priddy, of the T. W. Priddy Co. did, but Mr. Gregory of the Eastern Cottonseed Oil Co., was to be here to-day, representing those four manufacturers. He was advised that he would not be reached before Monday, so he went up to New York to-day, and a telegram from the clerk did not reach him, as he was

away from his office, and he has asked me to request that he might appear before this committee to-morrow. He will be here to-morrow.

I have also been asked to enter a protest against duty by the Newark Plaster Co. The Newark Plaster Co. is a concern located in Newark, N. J., which has been manufacturing high-grade plaster from New Brunswick rock for at least 50 or 60 years. They appeared at earlier hearings, and joined with me in a brief filed by my company in the House, and I think that brief and that testimony adequately gives this committee their position.

Senator WALSH of Massachusetts. I meant to ask the last witness—perhaps you can answer it—why the duty should not be taken off gypsum products.

Mr. CHANNING. Why the duty should not be taken off?

Senator WALSH of Massachusetts. Inasmuch as gypsum is on the free list.

Mr. CHANNING. I think you have, with calcined gypsum, a very comparable product with Portland cement. Our bagged calcined gypsum ready for use as wall plaster is pretty comparable with your other material, and your Portland cement, and I think it would work along the same line.

Senator WALSH of Massachusetts. Are there imports of gypsum products into this country?

Mr. CHANNING. There are, but with this \$1.40 the imports have been very slight. Once in a while you run into a cargo of land plaster from Germany, or of calcined material from Germany.

Senator WALSH of Massachusetts. Do you think if this present duty were removed the imports would rapidly increase?

Mr. CHANNING. I think that if you had a combination of prices at which we could make money here and no duty, that the imports, principally from Germany and from some other places, probably would begin coming in in considerable quantities.

Senator WALSH of Massachusetts. Of course an industry that has its raw products on the free list, and is willing to have its finished materials remain on the free list, must have a decided advantage.

Mr. CHANNING. I might say that where we own our large sources of supply in Nova Scotia, that if they were both on the free list we would probably manufacture in Canada, but we have no desire to give up our existing establishments, or to deprive our American labor of these industries that they have.

Senator WALSH of Massachusetts. That is probably what you would do—move to Canada.

Mr. CHANNING. There would not be any doubt about it. We would be forced to, just as the Newark Plaster Co. had to do when they could not get bottoms cheap during the war. They also had a small mill in Canada. They shipped down by freight, and gave up manufacturing here.

Senator WALSH of Massachusetts. I did not mean to divert you from your statement; I just wanted to make that inquiry.

Mr. CHANNING. I am glad to have you do so, Senator. Our view has been that the language as used in the 1922 act and as the House has left it was pretty well arranged by the importers. We are importers, but we are domestic manufacturers also.

Senator THOMAS. Did I understand you correctly to say that the existing mills were located where they could get water transportation for the raw material?

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Mr. CHANNING. The mills which use imported gypsum rock, sir, the ones that bring their rock in by water.

Senator THOMAS. Are there not mills in the interior that manufacture their raw product into the finished product?

Mr. CHANNING. But not using imported material.

Senator THOMAS. But there are interior mills.

Mr. CHANNING. Yes; there are some 50 interior mills located at mines or quarries. They are always located right at the quarry.

Senator THOMAS. How is the interest of those interior mills different from those located near water transportation if any?

Mr. CHANNING. How is it different?

Senator THOMAS. Yes; how will this proposed tariff affect the interior mills?

Senator WALSH of Massachusetts. That was rather extensively gone into during your absence, Senator Thomas.

Senator THOMAS. I am sorry I did not hear it.

Mr. CHANNING. In our judgment it will not affect in the slightest any mills except those located at Oakfield, N. Y., and on the western border of California, in southern California, Utah, and Nevada. We have a little line of mills along near the western edge of California toward the Pacific coast. Due to the weight of the material, it is costly stuff to move by freight, and, therefore, our markets are rather restricted. We have a good market in the large city where we land our crude rock, but we can not ship it in; and experience shows, as Mr. Avery said, that 85 per cent of the products of these seaboard mills is sold in a small area not over 30 miles away from the sea. Our New York mill sells 85 per cent of its output right there. We sell a little, and have for many years, in Providence, R. I. Outside of that there is practically not a pound that we move.

Senator WALSH of Massachusetts. Proceed.

Senator COUZENS. Are you going to file a brief?

Mr. CHANNING. I did not plan to. I had a brief covering what I presented in the House, and I did not want to duplicate.

Senator COUZENS. We do not want any repetition if we can help it.

Mr. CHANNING. We do not propose to. There is one thing I am going to repeat, and that is I am going to state to the committee that the Rock Plaster Co., in California, was one of the companies that two or three years ago began crushing gypsum in the form in which it is now, importing and shipping it in that form. In August, 1920, over two years prior to the 1922 act was passed—and I think that that statement, as far as my company is concerned, will remove the idea from the minds of the committee that this crushing was something that was not being done on a good scale when it had under consideration the previous act, the 1922 act. In view of what Mr. Avery said, I can cut my remarks down a little, perhaps.

Senator WALSH of Massachusetts. I think the committee is agreed that Mr. Avery presented his side of this question very fully.

Mr. CHANNING. I think he did.

Senator WALSH of Massachusetts. And admirably.

Mr. CHANNING. Yes.

Senator WALSH of Massachusetts. We may not all agree with him, but I think that is the agreement about his presentation.

Mr. CHANNING. I wanted to tell the committee that our company is really an effort to start a building materials industry in New Eng-

land primarily for local consumption, as we are in need of new industries. We started this in 1925, with the hope of adding other building materials. We were relying upon a continuance of free gypsum, gypsum having been taken from the duty list by a strong protectionist Congress, as we understood it, in 1922, and placed on the free list, only for the purpose of encouraging the building up of mills on the seaboard in territories which could not adequately be served with gypsum from interior points.

Senator WALSH of Massachusetts. I understand that New England has been slow to use gypsum products, compared with the rest of the country. Is that right?

Mr. CHANNING. I think the consumption of gypsum products in New England per square foot of building now is said to be 5 pounds against 7 pounds in the Philadelphia district, which is also slow, and running up to 20 pounds per square foot in other parts of the country, obviously for the reason that there was a \$4.50 freight rate from Oakfield.

There is one other slight correction I wanted to make. There was an insinuation in Mr. Rippey's argument in regard to ownership of sources of raw material in Nova Scotia. The United States Gypsum Co., which has 60 per cent or more of the imports, is a wholly American concern. We are 95 per cent an American concern. We have almost all the eastern Canadian production ourselves. We own it. We have got it; it is at the back door of our mills where we get our material; and we are selling at the present time practically all the crude gypsum used in the cement industry, and the gypsum industry, in eastern Canada—an American proposition, with American machinery and American supplies going up on our vessels. There is no question of any Canadian finger in that.

There is one thing that Mr. Avery did not state, and it is interesting to note that the distrust of the proponents came about probably through an increase in 1922 where these proponents only had 500 tons capacity when gypsum went on the free list, and these same proponents—five of these proponents—jumped from 500 tons to 2,300 tons on the post-war building boom; and now we run into a decline; and what can you expect is going to happen to them?

Senator COUZENS. Mr. Avery testified to that.

Mr. CHANNING. But he did not testify to what they started from, which was 500 tons, and jumped to 2,300 tons.

More than that, the National Gypsum Co., one of the proponents, which was the last to come in with 600 tons, announced quite publicly last summer when it looked as though a duty was going to be placed on gypsum through this classification—they announced that they had come in with a new mill in an already overproduced section where everybody was losing money, and that they were selling their full capacity, and making money, and that they had almost completed a 25 per cent further increase in their production.

Senator WALSH of Massachusetts. Is that offered to counteract the statement made a few minutes ago that the industry was not prosperous?

Mr. CHANNING. Yes. Here you have a new company breaking into the field and only producing 600 tons of it, and within a year they sell that output. What is the result to the other fellows? They are not getting the business. This new and energetic and

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able crowd, with low costs, are getting it. They do not come down here and testify before you, although they are one of the proponents.

And then I wanted to point out the situation in our trade which exists with Canada. As you all know, we are selling our products in Canada, and there is no better kind of a trade balance than crude gypsum. If there is, I do not know what it is. Crude gypsum is the most helpful and the least detrimental thing that we can take in trade from Canada, and the vessels going up there to come back with crude gypsum take up large amounts of fertilizer which enters free, a great deal of coal. Our vessels take up coal, and the other vessels take up coal.

Senator WALSH of Massachusetts. You can supplement anything you say by letter if you wish.

Mr. CHANNING. I am through. I do not want to add to your record, but I wanted to mention in the record a bulletin entitled "Recommended Minimum Requirements for Small Dwelling Constructions." It is a bulletin issued by the Bureau of Standards in 1923. I have special reference to pages 77 to 82. A special committee worked on building codes for towns and cities for small buildings. That recommended gypsum products for many uses.

Then I would like, if I might, to file with the committee a copy of the Treasury Department's decision of February 4, 1929, classifying the imports as crude gypsum. That was a final decision.

It may be convenient for the committee to have that in the record. Attached to it is a letter addressed to a Senator. I do not suppose that need go in the record.

**STATEMENT OF DAVID L. DEGGETT, REPRESENTING THE CONNECTICUT ADAMANT PLASTER CO., NEW HAVEN, CONN.**

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. DEGGETT. I represent the Connecticut Adamant Plaster Co.

The company I represent is a small, independent concern, which has a plant in New Haven, Conn., where we only operate within a radius of 50 miles. There is no supply of crude gypsum in New England. The nearest source of domestic supply of crude gypsum is in western New York, which is at least 400 miles away, and owned by our competitors.

We are in direct competition with the United States Gypsum Co., the companies represented by Mr. Channing, and the companies in western New York who are operating in this territory.

We strongly urge that crude gypsum be allowed to remain upon the free list.

Senator COUZENS. Did you appear before the House?

Mr. DEGGETT. I did; and I am not going to repeat. I am not going over ground I did there, because I assume you gentlemen are familiar with it. I simply wanted to give you the layout of our company.

Senator THOMAS. What is your understanding of the probable effect of this proposed tariff on your industry?

Mr. DEGGETT. The particular company I represent—if a tariff of \$3 were put upon it—would have to go out of the business of importing. We could not compete at all.

Senator THOMAS. And you have no domestic source of supply, so you would have to close your plant.

Mr. DEGGETT. We would. We would prefer to own a domestic source of supply. As a matter of general policy, I do not think any company should own assets in a foreign country if it could own them in their own country.

Senator WALSH of Massachusetts. I think the House record shows that you have invested \$130,000.

Mr. DEGGETT. That is correct.

Senator WALSH of Massachusetts. What does this \$3 represent in ad valorem duties?

Mr. DEGGETT. I am afraid I can not answer that.

Senator WALSH of Massachusetts. What is the import price of a ton of gypsum?

Mr. AVERY. About a dollar a ton, sir. It might be a little more than a dollar.

Senator WALSH of Massachusetts. Then the duty would be \$3, making the total cost \$4.

Mr. AVERY. Yes, 200 or 300 per cent.

Mr. DEGGETT. There is just one thing I want to add, and that is that before the Committee on Ways and Means Mr. McKinley W. Kriehg submitted a brief and a map. I am not sure whether that is the map that was shown you gentlemen before or not, but in it is a line depicting a zone, which, as I understand it, is supposed to represent that the importers are reaching into the territory of the domestic producer.

I can only speak for my own company, but it is absolutely untrue as, in the company I represent, at New Haven, Conn., due to the freight rates and the weight of the product, we are only able to do business within a radius of 50 miles of Connecticut.

One look at the map would give you the impression, at least, that our company was reaching out into western New York. That is totally untrue. The fact is that the western New York fellows are competing with us in our own market.

One effect of a tariff of \$3 upon crude gypsum would be that we would have to go out of business as a manufacturer of plaster, and the consumer would have to buy from the western New York men, who are over 400 miles away, and who can not render the service to customers that we can who are within 50 miles of them.

As I say, I do not want to go over the same grounds as I did before the Ways and Means Committee, which is fully set forth in the record. Therefore I shall not take up any more of your time. I want to thank you for the opportunity of presenting my views to you here.

**STATEMENT OF JAMES L. GERRY, NEW YORK CITY, REPRESENTING THE RUTLAND FIRE CLAY CO., RUTLAND, VT.**

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. GERRY. Gentlemen, I will take up very little of your time. I am here representing the Rutland Fire Clay Co., of Rutland, Vt. This company has an investment in Rutland, and also has a mill, or quarry, in Baedeck, Nova Scotia.

Senator WALSH of Massachusetts. You must have to get your crude gypsum by rail to Rutland.

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Mr. GERRY. We get it by water and rail.

Senator WALSH of Massachusetts. How can you get it by water to Rutland?

Mr. GERRY. From Nova Scotia to Boston, and from Boston to Rutland by rail, or across from Nova Scotia over the Canadian railroads and down from the Canadian border. That is practically all rail.

Senator WALSH of Massachusetts. What does it cost you?

Mr. GERRY. The crude gypsum on our rock pile costs us approximately \$5.35 a ton.

Senator WALSH of Massachusetts. If this duty is put on, it will increase the cost to \$8.35 a ton.

Mr. GERRY. If this duty is put on, so far as we are concerned, we would cease to operate. While we may not be large, and may not be important, yet, so far as we are concerned, our own business is quite important to us. Hence we come down here very earnestly protesting against the imposition of this duty.

Senator THOMAS. What is your investment?

Mr. GERRY. About \$150,000 at Rutland, Vt.

Senator THOMAS. How many men do you employ?

Mr. GERRY. Candidly, I am unable to answer that question. The situation is that primarily I was called in to represent the Rutland people by reason of the fact that I am practicing customs law, and was chief of the customs for five years.

That brings me to a consideration of the manner in which this case arose. Owing to the very able and efficient efforts of Brother Rippey, the issue was presented in such a manner to the Treasury Department that, in the first instance, this merchandise was held to be dutiable as ground gypsum, apparently on the theory that that attitude had been assumed by the Canadian Government, and, therefore, possibly without regard to propriety so far as the real, true interpretation of our customs laws were concerned, the ruling was put forth on the doctrine that if Canada could see to it that gypsum crushed was ground, then we had an opportunity to do the same thing, inasmuch as this gypsum was coming from Canada. Upon a full and fair hearing of the issues—

Senator WALSH of Massachusetts. Mr. Gerry, I do not think we are very much interested in that phase of the question.

Mr. GERRY. All right. In the final analysis, I wish merely to call your attention to the fact that the final letter of Mr. Mellon, which was introduced by Mr. Channing, had a typographical error in it to which I wish to call the attention of the committee, and that is that in the final paragraph the holding is "After considering all the facts that this gypsum is not ground" whereas the word "crushed" appears; and I will simply leave a copy of that letter with the reporter for the purpose of showing the correct.

Senator COUZENS. Have you finished?

Mr. GERRY. I have.

Mr. CHANNING. In view of the fact that Mr. Gerry has pointed out an error in the copy I have may I withdraw that copy and rest on the copy that he submits?

Senator COUZENS. You may.

(Mr. Gerry submitted the following letter:)

FEBRUARY 4, 1920.

The COLLECTOR OF CUSTOMS,  
*New York, N. Y.*

SIR: In a letter dated June 12, 1928, the department advised you that in its opinion gypsum was properly dutiable as ground gypsum at the rate of \$1.40 per ton under paragraph 205 of the tariff act, but as it was the practice to admit crushed gypsum free of duty as crude gypsum under paragraph 1643 you were authorized to continue that practice until 30 days after the letter appeared in the weekly Treasury Decisions. However, so many protests were received from importers of crushed gypsum against the proposed assessment of duty on crushed gypsum that it was deemed wise to withhold publication of the letter of June 12 and to grant a hearing to importers and others concerned so that the question might be fully considered and the department might have the benefit of the arguments of both sides. This hearing was held in the Bureau of Customs on July 20, was largely attended by importers and domestic interests, and such testimony was taken and samples submitted.

At the hearing the importers contended that the crushed gypsum imported into this country from Canada was entitled to admission free of duty as crude gypsum and samples were filed by them illustrating what in their view is ground gypsum within the meaning of paragraph 205 and what crude gypsum within the meaning of paragraph 1643. Later briefs were filed by the attorneys representing the importers and the domestic producers, and these briefs have been read with care, as well as the authorities cited therein, and have been of assistance to the department in reaching its conclusion as to the proper classification of crushed gypsum.

The importers contend that as the crushing of the gypsum is for purposes of expeditious handling and for ease of transportation, it is not a process of manufacture and that the gypsum is still crude within the meaning of that term as used in paragraph 1643. The domestic producers, on the other hand, contend that even if it be conceded that the process of crushing was for the purpose of facilitating the handling of the gypsum, nevertheless, the crushing is a process of manufacture, and that even if it be held that in its condition as imported the gypsum is not "ground" as the term is used in paragraph 205, it is an article wholly or partly manufactured and dutiable as such at the rate of 30 per cent ad valorem under paragraph 214 of the tariff act.

The department, in its letter of June 12 above referred to, invited attention to the fact that there does not appear to be any clear-cut definition distinguishing articles crushed from articles ground, and that these terms are frequently used to describe the same process. It would appear, however, by reference to the standard dictionaries, that while the terms "crushed" and "ground" are used interchangeably, the word "ground" is ordinarily used to describe an article reduced to fine particles or which has been pulverized.

In the opinion of the department the term "ground" as used in the tariff act is intended to refer to a product which is, in the condition imported, ready for its ultimate use and does not apply to an article, even though crushed, if the preliminary crushing is merely for ease and economy in handling and convenience in transportation. In support of this attention is invited to the decision of the United States Circuit Court for the Southern District of New York, T. D. 25917, which held that refuse cork which had been coarsely ground for greater convenience in shipping was not a manufacture of cork within the meaning of paragraph 448 of the tariff act of 1897, but was still waste and dutiable as such under paragraph 463 of the said act.

Referring to the suggestion of the domestic interests that if crushed gypsum is not dutiable as ground gypsum under paragraph 205, it is, nevertheless, dutiable as an earthy or mineal substance under paragraph 214, I think that a careful reading of the decision holding that the crushing of rock is a manufacture will show that the decisions are predicated upon the finding of fact that the rock in its condition as imported was ready for its ultimate use, and the only exception to this line of decision that has come to the department's attention is T. D. 37396, which held that stone which has been put through a process of crushing to reduce it in size varying from one-third of an inch to 10 inches was not a crude mineral but was a manufactured product, notwithstanding it was not ready for its ultimate use but was subjected to further processes after it reached this country. It is proper to note with respect to this decision that the importers

could not file an appeal for a review of the decision because the merchandise was held to be free of duty under another paragraph of the tariff act—that is, as silicic acid under paragraph 387 of the tariff act of 1913.

The term "crude" as used in the tariff act has been the subject of such litigation, and the courts have ruled upon many different articles and have ruled that the fact that an article has been subjected to manufacturing processes does not of itself exclude it from classification as crude, nor is the term "crude" confined to something which is in a natural or raw state. In *Merch v. United States*, T. D. 34549, the court states that crudeness is a relative term, and whether an article is crude is to be determined, not by the processes which brought it into being, but by the additional processes to which it is submitted after its creation in order to fit it for its chief or only use. This announcement would seem to apply with particular aptness to crushed gypsum.

On account of the importance of the issue involved in this case the department has given careful consideration to the arguments advanced by the conflicting interests and has granted several hearings since that of July 20, and in addition had a further investigation made by an investigating officer of this department, who followed the various operations from the time the gypsum was quarried in Canada until its complete manufacture in this country. The purpose of this investigation was to determine whether the operations in Canada in bringing the gypsum to a crushed state dispensed with operations in this country.

A very exhaustive report was submitted by the investigating officer, and from a perusal thereof the department is not inclined to the view that the crushing in Canada would be held by the courts to be a process of manufacture, and this conclusion would seem to be justified in view of the report of the investigating officer that the cost of the crushing in Canada is approximately 2 cents per ton, and the report of the officer would seem to be in harmony with a monograph published by the deputy inspector of mines in Canada, dated January 8, 1926, in which he gives the value of lump gypsum as \$1.80 per ton and the value of the crushed as \$1.82 per ton. The investigating officer also states in his report that the costs of the operations in Canada are approximately one-half of 1 per cent of the total cost of operations.

In view of the foregoing, and the reasoning announced in the decisions cited above, the department has reached the conclusion that crushed gypsum: of the character the subject of its decision of June 12, 1923, is neither crushed gypsum nor gypsum wholly or partly manufactured, but is crude gypsum within the meaning of paragraph 1643 and entitled to admission free of duty as such under the said paragraph. For the reasons stated the department has concluded to withhold publication of its letter of June 12, supra.

Respectfully,

(Signed) A. W. MELLON,  
*Secretary of the Treasury.*

**STATEMENT OF MARTIN ULDALE, REPRESENTING THE STANDARD GYPSUM CO., SAN FRANCISCO, CALIF.**

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. ULDALE. Inasmuch as I come from the far western part of the United States, and there are others here who will present the opposite side of this question, might not my testimony be postponed until I hear what they have to say, in order that I may know what part of their statement I must meet?

Senator COUZENS. We are taking the witnesses in the order in which they appear on the calendar published by the committee.

Mr. ULDALE. Then I will have to anticipate my defense.

Senator COUZENS. You may file a brief after they get through if you desire to answer any questions raised by your opponents. State whom you represent.

Mr. ULDALE. I am president and general manager of the Standard Gypsum Co. of California.

Senator WALSH. You represent this one company only?

Mr. ULDALE. That is all.

Senator WALSH. How large a company is it?

Mr. ULDALL. It has an invested capital of a little over \$2,000,000.

Senator WALSH. It is located in San Francisco?

Mr. ULDALL. The main office is. We have no plant in San Francisco.

Senator WALSH. Where is your plant?

Mr. ULDALL. We have three plants. One is in Nevada, one is at Long Beach, and one is in Seattle, Wash.

Senator WALSH. Are there any other companies in competition with you on the western coast?

Mr. ULDALL. Yes; but none of them use imported gypsum.

Senator WALSH. You are the only western coast company that uses imported gypsum?

Mr. ULDALL. Yes.

Senator WALSH. Where does your gypsum come from?

Mr. ULDALL. It comes from an island that belongs to the State of Lower California, Mexico. It is in the Gulf of California. The Island is called St. Margarets.

Senator WALSH. There are here in the room domestic producers of gypsum from the west coast where you come from.

Mr. ULDALL. Yes. However, I am here to prove conclusively that in so far as the Pacific coast is concerned, the importations of gypsum from Mexico will not in any way hurt or prove any detriment to a business of the domestic producer.

Senator WALSH. Do you own these gypsum deposits that you mentioned?

Mr. ULDALL. No. We have a concession from the Mexican Government. We pay a royalty on all we take out of there.

Before proceeding I will have to give you a little outline that will picture the situation on the coast. As I have stated, we have three plants. One is a domestic plant situated about 350 miles from San Francisco. The nearest place is a little town called Yerington. There is a mining camp there called Ludwig, but it is not a town.

Senator WALSH. You do not use any of the imported gypsum at that mill?

Mr. ULDALL. Oh, no, not there. That mill is located right on the deposit. So we are both domestic producer and importers also.

I will take it up by districts because we are so far apart.

The Long Beach plant supplies a very limited territory south of the Tehachapi Mountains, and that is a strip about 60 to 70 miles north of Los Angeles and farther south to San Diego.

The Seattle plant supplies only the State of Washington. We do ship a little into British Columbia, into Victoria and into Vancouver, from that plant in Seattle.

Senator WALSH. Is there a Canadian duty on the product?

Mr. ULDALL. There is on the finished product.

Senator WALSH. How much?

Mr. ULDALL. \$2.50 per ton on finished plaster.

The territory from the Columbia River, including Portland south to Bakersfield, to that line that I described before, is supplied by our plant in the State of Nevada. Therefore that territory would not enter into this discussion. We do not sell any products manufactured from imported rock in that territory; it is all supplied from our Nevada plant.

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I will take up the southern California territory first. I am going to give costs without depreciation, because when you start going into depreciation, it all depends upon how much has this man invested and how much has that man invested. One man can build a plant for less than another. I will assume, and I know it to be a fact, that all producers supplying the Pacific coast can mine or quarry the rock for \$1 per ton. We are all in the same position that way, because it is all quarrying out there. They are all fairly large quarries with large faces. There is no mining of gypsum in any place.

I will assume that that figure can be used as a basis for all of us. It costs us \$1 a ton on the ship at San Marques Island. The freight to Long Beach is \$1.50. Our unloading charge is 25 cents. It costs us 10 cents to get it into the stock pile. So there we have a cost of \$2.85 in our stock pile at Long Beach.

Long Beach has been pointed out in all the briefs, but that is not the big market. Los Angeles is the big market. That is where they complain we interfere with them. We have a freight rate of 80 cents that has to be added to the \$2.85. So that uses \$3.85 laid down in Los Angeles.

Now as to the domestic producers: Eliminating Utah—I will come to that later on, because a man who appears here is from Utah—eliminating Utah, they mine the rock for \$1 and they have a \$1.90 freight rate into Los Angeles, so they can lay a ton of crude rock in the city of Los Angeles for \$2.90 as against our cost of \$3.65. They are certainly not being hurt there. But the joke of it is that there is no crude gypsum used in Los Angeles. The plants that use it are five cement plants located outside of Los Angeles. The domestic producer has the same rate to those plants as he has to Long Beach, but when you go out of Los Angeles you pay \$1.80 to those cement plants where we can sell crude gypsum, which makes it a cost of \$4.65 as against their \$2.90. So we can not be hurting them there. The best part of it is that we do not sell any. It is not that we could not sell any if we could get a good price, because one of the main directors in one of the cement companies in that location is also a stockholder in our company. He has offered me the business, and I have turned it down because these prices that I have now do not provide for any profit of any kind. Whatever would be a proper profit for the domestic producer I would consider a proper profit for me. That would have to be added to this.

I do not know that we want to go into the manufactured product. It is a fact that most of it is sold as a manufactured product. My position is still worse there, because I have to pay freight—and when I say "I," I mean our company—on 20 per cent of water on the \$1.50, on the 25 cents unloading and 10 cents to get it into the stock pile. I have to add 20 per cent to those prices. It is also true that they add their freight rate on the finished product into Long Beach or Los Angeles or any intermediate territory from their mills.

So I think it must be plain to this committee that these imports can not be injuring the domestic producer. It is natural that we take some of the tonnage of these imports, and the only way you can help the domestic producer down there is to put such a duty on that the imports will be barred out entirely. Almost any duty that you can put on will bar us out. We have been losing money for four

years. We have not paid a nickel of dividends for four years on \$2,000,000; so if a duty is put on we will be just that much worse off.

We do not set the price. There is not a manufacturer on the Pacific coast who would stand up and say that the Standard Gypsum Co. had ever cut the price, and the facts of the case will tell you that that is so. We are not in position to cut the price. We are anxious to make money just like everybody else. You might say, "Why do you work?" I am something like Doctor Ellerbeck; I have my foot in it. We are not crying for sympathy. I did not come to you asking for that. If I can get a fair shake I will fight it out for myself.

We will go, now, to Seattle. There are just two producers from the coast, so far as I know—but I can not know because Mr. Rippey does not state whom he is representing. So far as I know, they are the Pacific Coast Portland Cement Co. and the Nephi Plaster Co. The Nephi Plaster Co. is represented here. The Pacific Coast Portland Cement Co. is not, other than through Mr. Rippey.

Now we will go back to the same dollar mining cost in the ship at San Marques Island. My costs are a little bigger than that, but I know that is what my cost ought to be. We have \$3 freight to Seattle, the same unloading charge. So a ton of rock in our stock pile in Seattle costs us \$4.35. There is just one line of crude rock sold in Seattle. There was a cement plant built there last year within half a mile of our plant. That is the only crude gypsum that is used in Seattle. All the rest is used at Bellingham.

We pay \$1.40 freight to Seattle, so that makes \$5.75 that it costs us to put a ton of rock to the cement plants. That leaves us a little profit, because the price up there is pretty good. It is set by the interior producers, and we follow that price. The nearest plant of a domestic producer in that territory, eliminating ours, is 900 miles away, over in Montana. They range from 900 miles to 1,250 miles from Doctor Ellerbeck's plant in Utah. Allow them a dollar for mining, \$4 for freight, and they can lay that rock down at these cement plants for \$5, where it costs me \$5.75.

We are certainly not in a position to hurt them any there.

On manufactured products these domestic plants all take a \$5 freight rate from all the plants. That covers from 800 miles to 1,200 miles. The railroads are very benevolent out there. They have sympathy for these people.

I want to state right here, gentlemen, that if it can be proven that I have made a misstatement of any material fact, disregard my testimony entirely. I am absolutely willing to have it proven by the books of all of us. I might be possibly out 10 cents on a freight rate, but that is as far as I will be out in my statement.

I think you are satisfied that we have no particular benefit in freight rates; that all this cheap water transportation is not so beer-and-skittley as you might be made to believe. If we have to manufacture it into plaster we have to pay 20 per cent freight on \$3.35 water. The domestic producers manufacture their product right at the quarry, like we do with our plant in Nevada. We do not transport by water.

Senator WALSH. Is your plant in Nevada financially more prosperous than your other plants?

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Mr. ULDALL. It is the only plant that has been able to keep us alive at all. We have to pay interest to the banks on borrowed money, and the Nevada plant has done that for us. It is the only one that has.

Now I will take up the case of the Pacific Portland Cement Co. That comes here grieved because we import gypsum and are hurting them. If I may have your patience just for a moment—it is probably just a little bit out of the way—the fact is that they were the only producer in the central territory that I described, back in 1922. They had had a plant out there in Nevada for 10 years. I saw an opportunity to start a plant. I was a small man; I didn't have much money. The minute I started that plant they immediately sent out word that I would not be allowed to live there. They were a \$12,000,000 corporation and I was a sailor and a piker and was going to be driven out of business. The day that I announced that I was going to ship they cut the price a dollar. That is the producer that is complaining because he can not live. Two months after that he cut it another dollar, and three or four months after that he cut it another dollar. I still kept on. I had a cheaply operated mill and everything was in my favor, not much overhead.

When that happened, naturally the plants located down in the southern part were also shipping in there. You see, they cross there. The southern plants ship into San Francisco and the San Francisco plants or the northern Nevada plants ship into the southern territory. Los Angeles is our biggest market on the Pacific coast. Naturally the producers down south became peeved at this concern cutting prices up there that they could not make any profit at, so they started cutting. It was getting pretty tough for me, of course, having a little bit of a plant.

Then this big, powerful company that is here complaining went down and bought themselves a deposit down in southern California at a place called Midlands, 220 miles from Los Angeles, and announced that they were going to put a mill there because prices were getting so that they could not ship from northern Nevada, which was a fact, because we had to pay \$5 freight rate down there.

Then I commenced to get scared. I said, "If they are going to have a plant down there and they are telling everybody that I am going to be killed, I have got to start looking around to see what I can do for myself."

It happened that up on Puget Sound there was a plaster company called the Pacific Gypsum Co., owned by Sam Perkins and some of his associates. They had been there for over 20 years. They had been bringing their gypsum from Alaska, but it happened that just that year the gypsum in Alaska played out and there was no more to be had. Mr. Perkins also at this time had tied up the San Marques concession with the idea that he could probably get plaster for this mill that he had located in Tacoma. There was no other place to get it. He could not go over into Montana and buy it from competitors. They would not sell their rock. I saw an opportunity there—at least I thought I saw it; I was probably not as wise as I thought I was at this time, but I thought it was impossible working so many plants on a big deposit like San Marques Island, because it requires a large tonnage. You can not operate on a small tonnage basis at an out of the way place like that, economically. I thought if I could put

a plant on the beach I would be doing two things; I would be offsetting this man that was going to drive me out of business completely, and at the same time we could save the Pacific Coast Gypsum Co. that had no gypsum for its plant. So in consequence of that we amalgamated the two companies and opened up San Marques Island to supply that plant up there.

This company that is coming here crying about these imports—that is the very company that drove me to become an importer. I would have been tickled to death to have stayed with that one plant out in Nevada. I could have made a little money. But the very company that drove me to become an importer is now here complaining about what we are doing to this big company—this little fellow that they were going to kill.

Well, that settles them.

The other man that appears here, my good friend Doctor Ellerbeck—we are all selfish; he wants all he can get and I want all I can get. All I can say is that I will have to anticipate his defense because I do not know what Mr. Ellerbeck is going to say. There was a letter or something written to Mr. Rippey, that is not signed and which is in the record as a sort of brief, and from the way I read it it must have been submitted by Doctor Ellerbeck. One of the items in that statement is that he has been in Utah for 40 years and there is another plant that has been in business some 20 years. Twenty years ago or 40 years ago the plaster market was nothing to brag about. In those days it was mostly for finishing, casting, and things like that, and a large territory was required to support a plant. It was natural for Mr. Ellerbeck, who lived in Salt Lake City, to find a big deposit and build a mill on it and ship to the coast like he does now.

After the Pacific coast started growing, San Francisco got to be quite a city and so did Los Angeles. The growth has been phenomenal, and gypsum wall plasters were coming into use. The consumption of course grew far greater, and it resulted in a number of plants being built inland from the Pacific coast. As a matter of fact, there are five plants scattered from the Mexican line in a string up to northern Nevada. All of those plants are from 400 to 700 miles nearer these consuming centers on the Pacific coast than are the plants of Doctor Ellerbeck; and there is also the Sigurd plant. These plants, forming a sort of wall in between Utah and the Pacific coast, all enjoy a freight rate of from \$2 to \$3 a ton less than these plants over in Utah.

These plants, gentlemen, can make \$2 profit. When Doctor Ellerbeck has to sell at cost is it logical to presume that they will put the price up to \$4 or \$5 in order to give Doctor Ellerbeck a profit in their market and let him take the tonnage? But still Doctor Ellerbeck comes here and claims that we are his competitors. We can not even compete with those fellows. He says we are holding him off the Pacific coast, when there are five plants strung in between him and the Pacific coast that enjoy a freight rate from \$2 to \$3 less than he does. Why blame it on us? We could go off the face of the earth to-morrow and he would still have the same competition in the Seattle, San Francisco, and Los Angeles markets.

So I do not think that he can justly say that whatever his ills may be—and I do not doubt that he has some—are due to our importations. I will admit that he deserves sympathy, but we can not live on sym-

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pathy, although the railroads have been awfully sympathetic with him. They haul his freight for half a cent a ton mile. If the railroads back here would give the New York producers the same rate, they would come into New York for \$1.75.

Senator WALSH. Utah is sacred ground.

Mr. ULDALL. It is a beautiful State; I am not belittling Utah any.

If a man makes a blunder, which might not have been a blunder at the time, but if it becomes a blunder it is just too bad; that is all. That is the way it goes in life.

So I think you will understand that these importations are not Doctor Ellerbeck's competition. I will admit that Doctor Ellerbeck has lost tonnage on the Pacific coast. I will also admit that our company has increased its tonnage. At the same time I want to say that in so far as wall plasters are concerned we have also lost tonnage. We have lost about 2,000 tons a year, or 2,500 for the last three years, in the wall plaster, which is the backbone of the business on the Pacific coast.

The reason that Doctor Ellerbeck will be able to show you quite an appreciable reduction of his tonnage on the Pacific coast is this. There are two wall-board plants out there, one located in Los Angeles and one in Seattle. I should say that at one time there were two in Seattle. One was owned by the Shoemaker Wall Board Co., and also the plant in Los Angeles was owned by the Shoemaker Wall Board Co. Another plant was owned by the Western Wall Board Co. About three years ago it changed ownership. The Shoemakers sold out to the Paraffin Co. of California. They still conduct it under that name, but it changed management and everything else, and up north they consolidated the two plants and the Hanover Plaster Co. bought 50 per cent of the stock of the consolidation in Seattle and naturally they took the plaster for their own mill in Hanover. We did not get it; they got it. It was just an ordinary commercial transaction which any human being would do. If you owned a half interest in a certain company that needed your supplies you would sell to them.

When the new management came in in Los Angeles they did not buy from Doctor Ellerbeck any more, but they did not buy from us, either. His business was taken away by one of his brothers in arms. The Pacific Portland Cement Co. got some, the United States Co. got some, and the Blue Diamond Co. got some. We did not take it away from Doctor Ellerbeck, but we did, a little later on, take it away from the other fellows, but not on price, because we got a better price than they were offering. We made a working agreement with the Shoemaker company by which we consolidated our sales force and executive expenses and overhead, and naturally through that deal we secured plaster tonnage. We did not make that deal in Seattle, but as the Wall Board Co. owned half of the stock of the company up there they compelled that company up there to give us approximately half of their tonnage. That is what has increased our tonnage.

Our ordinary business, our hard-wall business, has decreased just like Doctor Ellerbeck's has decreased. Doctor Ellerbeck sells stuff on the Pacific coast. He is not out of the market altogether, because he makes a very excellent casting plaster which has the best name on the coast, which makes it necessary for us to sell less casting plaster. We sell a little bit here and there, but Doctor Ellerbeck makes most of it because he knows better how to make it or has a rock that will

make a better product. He sells his hard wall in San Francisco, some in Los Angeles, some in San Diego, and some in Portland, and very little in Seattle.

Those are just ordinary conditions.

Naturally the people that have mills out there that can compete in there on an economic basis maintain quite a lot of salesmen. As far as I know—I may be a little mistaken—I do not think Doctor Ellerbeck maintains any salesmen on the coast. He makes an occasional trip himself. So I do not think he can expect quite as much tonnage as the ones that are closer.

I want to point out to you that Doctor Ellerbeck sells his plaster in Salt Lake City for \$10.60 a ton, that in Seattle we make a price of \$14; San Francisco, \$12.85; Los Angeles, \$10.20. That is the only point where the price is lower than that of Doctor Ellerbeck. In seven years I have shipped one carload of plaster into Salt Lake City. I came pretty near never getting my money for that, and it was sold without profit.

So nobody can compete with the doctor because he holds the price down there where he will not allow anybody to compete. But still he kicks and says that our prices are not what they ought to be.

Senator WALSH. What is the freight rate from Salt Lake City to Los Angeles per ton?

Mr. ULDALL. \$5.

Senator WALSH. So he sells the finished product for the same price in Los Angeles as he sells it for in Salt Lake City?

Mr. ULDALL. He gets \$10.60 in Salt Lake. That is what I am informed. He may be able to refute me on that.

Senator THOMAS. Are we correct in assuming that there is some little competition in this industry?

Mr. ULDALL. Some little competition? The worst I ever saw.

Now that we are talking about competition, gentlemen, that is what caused the ills of the industry. That is why we are here to-day. Conditions have been terrible for two or three years, everybody losing money. Of course now they are blaming it all on imports, but the queer thing of the whole matter is that while all this has been going on the price is higher in the districts where gypsum was imported than in the parts of the country where no imported gypsum reached. You can take a strip of the Pacific coast 60 miles in and take the same kind of a strip on the Atlantic coast, and I can prove to you that the prices were higher during that time than they were throughout all the Southern States and in through Iowa and Illinois.

But still they say importations are what is ruining the business. It has not a thing to do with it. We are just in this position, if I may make so bold as to state it, that we have only been like many others have. One very large company that has during 20 years built up many plants and they are efficient and naturally an organization like that can do better than an individual plant can do. When we are in trouble we commence to look for a goat; we curse the fellow who is a little bit better off than we are. That is natural. I have done it myself.

The request for a tariff here I claim is not honest and sincere. I am probably very rash to state so, but it is a request for a weapon; and the unfortunate part is--take Mr. Channing's company and our

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own company—it has been stated to me personally that they were not after us. They said, "You know very well who we are after." They want to kill them but they want to take their friends' scalp with them at the same time. I will suffer just as hard as the big company, or worse, because they can stay in business; I will have to go out of business. I am ruined if there is a tariff.

Senator THOMAS. That is the purpose of the request, is it not?

Mr. ULDALL. To get a weapon. Any other weapon would do just as well, if they could find it, but they look for sympathy, that is all, first, for the railroads to take care of them when they go and put a plant away out in the desert where they can not reach any place—

Senator WALSH. Would it not be better to say they were looking for a big stick rather than for sympathy?

Mr. ULDALL. Yes; but of course they are looking for your sympathy to get hold of that big stick.

I would request that this tariff be forgotten.

Some one filed a brief—am I taking too long, Senator?

Senator COUZENS. We would like to have you finish.

Mr. ULDALL. I will finish in two minutes.

I looked into this tariff situation and I looked back and found gypsum on the free list up until 1898. I found that a duty was put on then of 50 cents. After a couple of successive revisions it was reduced to 10 cents. In January of 1922 it was taken off completely. Then we went along and I thought I had some right to believe that our country had some continuity of policy in those things. At the worst time it was 50 cents. Now they want \$3.40 or \$3.50 or \$3.75.

While I looked into that I did not look into the question that crushed rock could be considered ground rock, because that was so foreign to me. I have been doing a lot of mining outside of mining gypsum. If you say that material is crushed they look for a powder; they do not look for rock that size [illustrating]. They do not consider that crushed. It certainly is a strained construction if any one can say that rock that size [illustrating] can come under a classification of ground gypsum. If you are going to leave crude gypsum on the free list and say it is not crude, then you may as well leave the crushed with it, because we will go out of business anyway.

#### BRIEF OF THE STANDARD GYPSUM CO.

COMMITTEE ON FINANCE,  
*United States Senate, Washington, D. C.*

The Standard Gypsum Co., with its plants at Long Beach, Calif., and Seattle, Wash., is the only company importing gypsum on the Pacific Coast. It receives its crude rock from the island of San Marcos in the Gulf of California, Mexico. The company is entirely American owned and has an investment in quarries and manufacturing plants of over \$140,000.

In addition, the Alaska Mexico Transportation Co. purchased ships from the American Shipping Board for the transportation of crude gypsum to the above plants and for the further purpose of opening up export trade from the Pacific coast to Mexico and other southern Republics. This line could not exist without return cargoes of gypsum from San Marcos Island, since there are no other cargoes to be obtained. It is the northbound cargoes of gypsum which permit a freight rate on southbound cargoes from the Pacific coast sufficiently low to compete with the low freight rates obtaining from Europe to Mexico and other South American Republics.

The principal operations of The Standard Gypsum Co. are carried on in the United States. On the basis of finished manufactured gypsum products costing \$10 per ton, less than 10 per cent is expended for quarry operations, the latter being the only expenditures made outside of the United States. Of this 10 per

cent, or approximately \$1 per ton, about 50 cents is expended in the United States for machinery, repair parts, explosives, lumber, fuel oil, gasoline, provisions, and other supplies. Of the remaining 50 cents expended at San Marcos Island the major portion is returned to the United States in purchases of food and other supplies imported principally from the United States. The amount spent in Mexico is actually less than 5 per cent of the total cost of the operation.

The Standard Gypsum Co. has no cost advantage over the domestic producers. The statement that this company can manufacture and sell gypsum products cheaper than the domestic producers is not an honest and sincere statement of the fact. The cost of crude gypsum laid down at Los Angeles by the Standard Gypsum Co. is approximately \$3.65 per ton as compared with a cost to the domestic producers of \$2.90 per ton. At all points east of Los Angeles the imported gypsum is even in a worse position due to the fact that the freight rates increase approximately \$1 per ton when shipped outside of Los Angeles city limits, whereas domestic producers have the same rate of \$1.90 to all intermediate points.

The cost of laying down a ton of finished product in Los Angeles is more to the Standard Gypsum Co. than it is to the domestic producers. The cost of manufacture is as much to the former as it is to the latter. In addition to its cost of manufacture the Standard Gypsum Co. suffers a loss of 20 per cent in weight of material in calcination on account of water in the rock amounting to approximately 58 cents per ton. The domestic producers, with their plants in the immediate vicinity of their deposits, are not subjected to this loss.

In Seattle crude rock also costs the Standard Gypsum Co. more, approximately \$5.75 per ton to the Standard Gypsum Co. and \$5 to the domestic producer. The finished product laid down in Seattle costs the importer \$5.60 as compared with \$6 to the domestic producer, but with the loss in calcination the actual cost is about the same. In all the northwest territory outside of Seattle the domestic producer has an advantage of more than a dollar per ton. He has the same freight rate to all intermediate points and can deliver to cities like Tacoma, Spokane, Bellingham, and other northwest points at the same cost as he can deliver to the city of Seattle. The importing manufacturer has an average of \$2 per ton freight on all shipments outside of Seattle.

The Nephi Plaster Co., represented by Doctor Ellerbeck, complains of its loss of tonnage on the Pacific coast. This is due simply to domestic competition which has projected itself between Nephi and the Pacific coast, a situation Doctor Ellerbeck failed to mention.

There now lies between Nephi and Los Angeles a string of domestic mills, one at Arden, Nev., at a distance of about 300 miles from Los Angeles, with a freight rate of \$2.70; another at Midland, Calif., at a distance of about 300 miles, with a freight rate of \$1.90; and another at Plaster City, Calif., at a distance of about 236 miles, with a freight rate of \$1.90. All these compare with Nephi, at a distance of about 1,000 miles, with a freight rate of \$5. There has also come into competition with Nephi another domestic plant in Utah at Sigurd.

The increase of domestic tonnage illustrates this situation. In 1914 California and Nevada produced approximately 30,000 tons, whereas their production is now approximately 130,000 tons. The economics in lower Nevada and California compelled the development of the supply nearer the market as the demand increased.

Nephi is in the same situation as to San Francisco where no seaboard mill using imported rock is located. In between Nephi and San Francisco are other gypsum mills, one in Ludwig, Nev., at a distance of 360 miles, with a rate of \$3.10, and another at Gerlach, Nev., at a distance of 430 miles, with a rate of \$3.10. The Utah plants are at a freight disadvantage of \$2.20 as compared with Gerlach and Ludwig. The manufacturers' profit on a ton of plaster is generally less than that.

In Seattle Nephi competes with the domestic tonnage at Hanover and Heath, Mont., Gerlach and Ludwig, Nev., and Sigurd, Utah. In itself it is a small market representing an annual consumption of about 20,000 tons. No imported gypsum is sold outside of Seattle, and Nephi has the whole northwest territory in competition with the domestic plants above stated.

Seattle was originally served by a mill on the seaboard at Tacoma, the predecessor of the Standard Gypsum Co., supplied with raw material from Alaska, which company developed the Seattle market from the Alaskan deposits. This deposit gave out about the time that Standard took over the mill and the only other available deposit to supply that mill was San Marcos Island. As shown, the rock cost to the Seattle mill is considerably more than it is to any of the domestic plants, including Nephi.

Nephi's complaint is not against the Standard Gypsum Co., but against the domestic producers. One of these producers also happens to be an importer on the Atlantic coast, but Nephi's only interest is to put that company at a disadvantage on the Pacific coast, where the only competition between them is in domestic gypsum products. In this situation the Standard Gypsum Co. is the one that would suffer. It is quite plain that with its higher rock pile costs the Standard Gypsum Co. could not survive if a duty were imposed on crude rock.

Respectfully submitted.

THE STANDARD GYPSUM CO.  
By MARTIN ULDALL, *President.*

**STATEMENT OF GEORGE N. LENCI, REPRESENTING THE EBSARY GYPSUM CO., NEWARK, N. J.**

(The witness was duly sworn by the chairman of the subcommittee.)

Senator WALSH. Do you just represent your own company?

Mr. LENCI. Yes, sir.

Senator WALSH. Is it one of those companies that get their crude gypsum from Nova Scotia?

Mr. LENCI. No; we are domestic manufacturers. Our principal plant is located at Wheatland, N. Y., which is near Rochester.

Senator COUZENS. So you are in favor of the tariff?

Mr. LENCI. I am, decidedly, sir.

I want to make my testimony very brief, and I will try to just cover points which I do not think have been taken up so far.

The importers have made the point that all they are interested in is a 35-mile strip along the Atlantic coast. If you take a 35-mile strip along the Atlantic coast you will find that there is probably a fourth of the population of the United States there, or a fifth of it, anyway. If you take that away from the domestic manufacturers, we might as well close up shop; there is no question about that.

These interior mills in New York State have been developing this business in the East. We have not got a prohibitive freight rate, but a normal freight rate which was established years ago in competition with the Erie Canal rate, and the question was brought up this afternoon that this is a railroad matter. The people who are asking for a duty tried last year to get a reduced freight rate. We were opposed by the same people who are importing rock now. They stand side by side on that just the same as they did then. We had formal hearings before the Trunk Line Association in February of this year and we were turned down flatly on the basis that we had as low a rate as any similar commodity enjoyed in the East and consequently we were not entitled to a reduction. That was as far as we could go toward getting a reduced freight rate.

With regard to figures of imports: In 1928 there was about a million tons of rock imported, very nearly all of which came from Canada, with the exception possibly of less than 100,000 tons. That figure is 100 per cent higher than it was in 1922, when the tariff was taken off.

The New York State figures which I have taken from figures just given by the other side, as 1,500,000 tons, are only 50 per cent higher than they were in 1922. The figures for the entire United States are 5,200,000 tons. The figures for New York State are running 50 per cent higher than they were eight years ago.

It is due also to a question of overproduction. A large part of this overproduction is due to the importers as well as to the domestic

people. The importers have built brand new plants at Portsmouth, Boston, Chester, Philadelphia, and have largely increased the existing plants in New York and on Staten Island.

In 1922 we were securing a net price at our mill of \$8.50 per ton for wall plaster. That price at the end of 1928 had dropped to \$4, and that \$4 price is lower than the same plaster was sold for before the war.

Senator KEYES. Did I understand you to say they had built a brand new plant at Portsmouth, N. H.?

Mr. LENCI. Yes; so far as the plaster industry is concerned. There was a shipbuilding plant, as I understand it, and they bought that property and converted it into a gypsum mill.

Senator KEYES. Is that what you call building a brand new plant?

Mr. LENCI. What I meant was that it was never in production before. They developed a new industry; in other words, increased production by the conversion of a shipbuilding plant into a gypsum plant.

In addition to the domestic companies who are manufacturing plaster from gypsum rock there are three companies in New York State, two of which are represented by Judge Rippey, who do nothing else but produce raw rock for use in the cement industry. Those companies are the Lycoming Calcining Co., the Atlas Gypsum Co., which is owned by the Atlas Portland Cement Co., and the Phoenix Gypsum Co., which is owned by the Alpha Portland Cement Co.

As to the Newark Plaster Co., they do not manufacture wall plaster. They are not in competition with us in any way. They make a high-grade white finishing plaster, and their nearest domestic competition comes from Kansas and Oklahoma. They are in competition only with the importers in this district.

Senator WALSH. What importers produce the same kind of plaster?

Mr. LENCI. All of the Nova Scotia plants.

Senator WALSH. Do you sell in the eastern seaboard market?

Mr. LENCI. Wall plaster; yes, sir. We make no white finishing plaster.

Senator WALSH. Do you distribute your plaster from Newark?

Mr. LENCI. No; principally from our mill direct.

Senator WALSH. How far east do you carry it?

Mr. LENCI. We used to go as far as Boston until prices got so low there that we could not get into it; so we abandoned the Boston market in the last year and a half. We go to New York and Philadelphia. We abandoned Baltimore.

Senator THOMAS. You mentioned Kansas and Oklahoma. What would be the effect on the institutions in those States if this bill goes into effect?

Mr. LENCI. It would benefit them.

Senator THOMAS. In what way?

Mr. LENCI. They would have that protection.

Senator COUZENS. You mean, if they were taken off the free list and the tariff was put on?

Mr. LENCI. Yes.

Senator THOMAS. There are three or four in my State and one or two in Kansas, and they supply the local demand without competi-

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tion. Their surplus product is sent to the nearest cities like Kansas City and St. Louis. I was just wondering how this tariff would affect an industry that is clear, and wholly—

Mr. LENCI. They are in position to ship white plaster to the eastern market. This is a high quality white finishing plaster.

Senator WALSH. In other words, the tariff duty would offset the extra freight charge on white plaster from Oklahoma and Kansas to the eastern seaboard?

Mr. LENCI. Yes, sir.

Senator WALSH. Has your production increased in recent years?

Mr. LENCI. It did up to a certain point, and then during the last two years it dropped off again.

Senator WALSH. Very much?

Mr. LENCI. In 1928 it was about 15 per cent under 1927. I have not the exact figures.

Senator WALSH. Is your industry prosperous? Is it paying dividends?

Mr. LENCI. No, sir.

Senator WALSH. Since when?

Mr. LENCI. We abandoned dividends last year.

Senator THOMAS. What effect do you hope this bill will have upon your industry? What are you expecting out of this legislation?

Mr. LENCI. I am hoping, frankly, that it will result in higher prices. I am hoping that it will put us on an equality with the eastern industry.

Senator COUZENS. Did you appear before the House committee?

Mr. LENCI. Not personally.

Senator COUZENS. Did your company?

Mr. LENCI. Yes.

Senator COUZENS. And the House did not comply with your request at that time?

Mr. LENCI. No, sir.

Senator COUZENS. You may proceed.

Mr. LENCI. I might say that if this duty that we are asking for were added it would only increase the cost of building construction in the United States by seven-tenths of 1 per cent, which is a very small item.

Senator THOMAS. Is that statement entirely clear? You are making comparison with competition with all other building material?

Mr. LENCI. What I mean is this, that if all the plaster used in the United States, which is approximately 6,000,000 tons, had to pay \$3 a ton duty, that total sum would represent seven-tenths of 1 per cent of the total construction cost for the last year or two.

Senator WALSH. Yes; but we would have to put compensatory duties on these products also?

Mr. LENCI. There is no other product coming in outside of the crushed and the crude rock. There is no import of wall plaster.

Senator WALSH. But there is a duty now upon wall plaster.

Mr. LENCI. The tonnage is practically nothing at the present time.

Senator WALSH. But this duty would have a tendency to increase prices of gypsum products, would it not?

Mr. LENCI. It naturally would to that very small extent.

There was a statement made that in 1922 the total production of the domestic manufacturers who are asking for a duty, in New York

State, was only 500 tons. Our capacity during that year alone was over 400 tons and certainly the other big plants produce more than 100 tons. We would be very glad to furnish our figures on that if the committee so desires.

Senator WALSH. Would you be willing to have the duty taken off wall plaster if this duty were left on crude gypsum?

Mr. LENCI. I would rather not see it, not particularly for our benefit, but there would be a possibility of plaster coming across into Buffalo. There is a big Canadian plant near Hamilton.

Senator WALSH. You would want that kept on?

Mr. LENCI. Yes, sir.

I think that is about all I have to say, except that I would like to submit a sample of Rutland patching plaster which is made by the Rutland Fire Clay Co. They are not asking for a duty. I bought this material in Washington and paid 25 cents for 2½ pounds to-day, which is the standard price. That is \$200 a ton; and I can not see that \$3.75 is much of a duty to affect that company one way or the other.

#### STATEMENT OF W. N. GREGORY, REPRESENTING EASTERN COTTON OIL CO. (INC.), NORFOLK, VA.

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. GREGORY. Gentlemen, a little time was left open yesterday afternoon for me to make a statement with reference to imported gypsum rock.

Senator COUZENS. You may make the statement now, Mr. Gregory.

Mr. GREGORY. I have a very short brief and will not detain you gentlemen but a very few minutes.

Senator WALSH. Whom do you represent besides yourself?

Mr. GREGORY. That is set out in the brief here. I represent the other three manufacturers in my own town.

Senator COUZENS. Are you going to read the brief?

Mr. GREGORY. If you do not mind. It is very short.

Senator COUZENS. Are you going to file it?

Mr. GREGORY. I will; yes, sir. [Reading:]

Mr. CHAIRMAN AND GENTLEMEN OF THE COMMITTEE: I am appearing in my own behalf as president of the Eastern Cotton Oil Co. (Inc.), of Norfolk, Va., and I am authorized to speak also for Charles W. Priddy & Co. (Inc.), Smith-Douglas Co. (Inc.), and Robertson Chemical Co. (Inc.), a group of fertilizer manufacturers located at Norfolk, Va., all of whom are importers of crude gypsum rock for the manufacture of land plaster used solely as a fertilizer for cultivation of peanuts.

Our argument for retention of crude gypsum rock on the free list will concern itself altogether with the agricultural consideration, varying to this extent from the representations of previous witnesses.

While the consumption of this material for agricultural purposes is much less than the tonnage applied to construction needs, we believe that our condition will carry no less weight with the committee since the purpose of this extra session of Congress is to serve the needs of agriculture. I believe it will be agreed that if agriculture were not laboring under prevailing distress there would have been no extra session of Congress, for industry generally was prospering and there was no insistent cry for tariff relief from that quarter. Such being the case we are encouraged to believe that any action which Congress properly can take to promote the interests of agriculture will be undertaken.

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Within the last few years the cultivation of peanuts has grown to be an important branch of agriculture in 24 counties in the States of Virginia and North Carolina—9 in Virginia and 15 in North Carolina in which peanuts is the principal crop. The population of these counties, based on the census of 1920, is 139,918 in Virginia and 312,215 in North Carolina, or a total of 452,133. Allowing for a reasonable increase in population since that time it is fair to estimate that they now present a population of more than 500,000.

The major industry upon which these counties with half a million population depend is the growing of peanuts and the manufacture of products made therefrom. Moreover, peanut culture is making noteworthy progress in other sections of the South—there are counties in Georgia likewise which depend upon peanuts as the main crop, and the area being planted is constantly increasing. There are many large factories located in the cities and towns in the territory described which manufacture various products from peanuts, one factory alone giving employment to as many as 6,000 persons. I have not the figures of the total number of employees engaged, but the number is large.

If a duty were imposed upon crude gypsum rock, it would naturally have to be added to the selling price of land plaster to the farmer. It is extremely doubtful whether the grower could assume an increased cost. If he were to pay the price, it would be a tax bearing solely upon him, because the farmer can not pass along added charges in the price of his product—he is the ultimate consumer. The consequences of the farmers refusing to bear the increased cost would be almost a calamity to the counties in which the peanut crop is grown. It would mean the reversion of their acres to cotton growing, thus adding more bales to an already surplus crop and depressing the price still further to the marginal point. The factories that have grown up dependent upon a supply of peanuts necessarily would suffer loss of business and investment, and the entire community would be thrown into deep distress.

Over a period of many years our United States Department of Agriculture and our State agricultural colleges and experiment stations have been preaching diversification to our farmers and have been conducting research and experiments to develop plants that would take us away from the 1-crop system. Since the tariff act of 1922 crude gypsum rock has been on the free list, and our growers have been encouraged to believe that this material, so essential in the agriculture of the counties referred to, would be held on the free list as a continuing policy of Congress. With rare exceptions, Congress under different administrations has adhered to the policy of free fertilizers, and in urging that no change be made in the status of this material we are but asking for a continuation of that wholesome policy.

There are other trade and economic reasons for retaining crude gypsum rock on the free list which will immediately occur to you gentlemen. Our supplies come principally from Nova Scotia and the Province of New Brunswick, and establish a very desirable trade credit on the other side of the border, which is made immediately available by the export from this country to Canada of fertilizer and coal. According to the figures of the Department of Commerce, there was shipped 142,073 tons of complete fertilizer and fertilizer material in 1927, of a value of \$2,436,836. This tonnage constitutes the return freight for vessels bringing down the crude gypsum rock from the Maritime Provinces. It is a most desirable exchange of commodities between the two countries, since the fertilizers now enter Canada duty free, although at one time they were forced to bear considerable duty; and, let it be noted, they could again be subject to duty by act of the Dominion Government in the event we lay a duty on their gypsum.

Yours very truly,

W. N. GREGORY,  
*President Eastern Cotton Oil Co. (Inc.)*

**STATEMENT OF MCKINLEY W. KRIEGH, WASHINGTON, D. C.,  
REPRESENTING THE AMERICAN MINING CONGRESS**

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. KRIEGH. Mr. Chairman and gentlemen of the committee, the American Mining Congress is interested in this matter because of the fact that a large number of members of our organization reside in States in which gypsum is produced or may be produced and are

interested in and, in some cases, own outright gypsum deposits in the Western States and in the Southern States.

A number of its members asked the American Mining Congress to cooperate with the representatives of the New York producers. I mention that in order that you may understand that this question before you is not one of purely local interest. The situation that you have to consider here is one of the large domestic producer and importer on the one hand owning plants scattered throughout the United States, and a large number of independent producers operating approximately 35 or 40 plants and competing as best they can with the producers of perhaps more than 50 per cent of the total production of the United States.

Senator COUZENS. What is the name of that concern?

Mr. KRIEGH. United States Gypsum Co., represented by Mr. Avery.

If you are convinced that the principal domestic producer and importer is not injuring the independent producers of this country by bringing in imported gypsum from Nova Scotia, then you will be against the request of the independent producers. If you are convinced that these importations are injuring a large investment and a large number of independent producers and a large number of employees in this country, then you will be in favor of the duty.

Senator WALSH. A representative of this company said that his domestic company is more prosperous than his importing company.

Mr. KRIEGH. All of the companies, without exception, that I have heard, say that they are losing money in the business on both sides, and they have laid that to a price war and to overproduction, and they have said they went to Nova Scotia for their gypsum in order to furnish something to help supply domestic consumption.

This point is covered in our statement before the Ways and Means Committee. I do not want to duplicate what was said there regarding the merits of this case.

Senator COUZENS. Is that all in the brief that you are going to file?

Mr. KRIEGH. No, sir; I am not filing a brief. I would like to ask at this time the privilege of filing a statement—

Senator WALSH. You filed an exhaustive brief before the Ways and Means Committee?

Mr. KRIEGH. Yes, sir.

Senator COUZENS. We do not want any repetition if you can avoid it.

Mr. KRIEGH. No, sir.

I desire to speak of the domestic supply in order that the committee will not have the impression that there is a shortage of gypsum in this country and that for that reason there is a necessity of going outside of this country for a supply of gypsum.

With respect, first, to the State of New York, it was asserted before the House Ways and Means Committee by those opposed to this duty or by some representative of those opposed to the duty, that New York gypsum was being rapidly depleted. This statement was immediately called to the attention of the State Department of Education of New York by Judge Rippey, and this is the reply of that department to Judge Rippey under date of April 12, 1929:

MY DEAR MR. RIPPEY: Your letter of the 8th came just as I was leaving town, but I had it referred to Mr. Newland, our State geologist. I have just had a memorandum from Mr. Newland which reads as follows:

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"The letter addressed to you by Mr. Rippey puts an interpretation on certain statements in Bulletin 277 written by me that is so at variance with the purport of the article that I think he must have failed to read it.

"The statements he quotes are from a paragraph on page 46 of the bulletin of which a copy accompanies this letter and which perhaps might well be mailed to Mr. Rippey so that he may set himself right and also use it in connection with his work before the Tariff Commission. The paragraph has to be read in relation with the rest of the chapter dealing with the resources of gypsum to get the full and proper meaning.

"The gist of the matter is this. The gypsum deposits extend for 165 miles across central and western New York and aggregate resources are indefinitely large. Up to the present time, however, the industry has confined its operations mainly to a single seam of high-grade gypsum in Erie and Genesee Counties, of which there are some 60,000,000 tons estimated to be left in the ground, sufficient to last at the present rate of mining for 40 years, or at the accelerated rate indicated by the recent growth of production, for 20 or 25 years. Additional beds occur in the same area and are now being put to use, so that the estimate does not and is not intended to carry the implication that the actual life of the industry is thus limited."

The American Mining Congress made a survey of mineral resources of the South, and particularly in connection with the resources of gypsum in the Southern States. I shall not read the report regarding those deposits, because that is included in the brief of the American Mining Congress presented to the Committee on Ways and Means, but I believe that the data presented to the Ways and Means Committee and also here show conclusively that the resources of this country are adequate for the needs of this country and that there is no necessity, economic or otherwise, to go outside for a supply of gypsum.

**STATEMENT OF W. L. ELLERBECK, SALT LAKE CITY, UTAH,  
REPRESENTING THE NEPHI PLASTER & MANUFACTURING CO.**

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. ELLERBECK. I represent some of the Pacific coast and intermountain domestic gypsum mills, particularly the mill at Gerlach, Nev., and the mills at Plaster City, Imperial Valley, Calif.; the properties of the Pacific Portland Cement Co., Consolidated, of San Francisco; also the Jumbo Plaster & Cement Co. with mill at Sigurd, Utah, and the Nephi Plaster & Manufacturing Co., with mill at Gypsum, near Nephi, Utah, with offices at Salt Lake City.

Senator WALSH. How many of those companies are you interested in?

Mr. ELLERBECK. I am interested in one, personally.

Senator WALSH. Which one?

Mr. ELLERBECK. The Nephi Plaster & Manufacturing Co., of Utah.

Senator WALSH. How large is that?

Mr. ELLERBECK. A mill of about 240 tons maximum capacity, which would have an average daily capacity of about 200 tons.

Senator THOMAS. How much money is invested in the plants?

Mr. ELLERBECK. With the allowances that the Government is letting us take in these days of revenue returns, \$240,000 to \$260,000.

Senator THOMAS. How many men do they employ?

Mr. ELLERBECK. That is variable with the seasons and the experiences of recent years. It is modified very greatly, due to some com-

petitive conditions—as high as 50 and 60 and down to 15 in recent times.

Senator WALSH. How many men would you say were employed in all the industries which you represent?

Mr. ELLERBECK. I would say about 150 men, variously.

The investment in those plants just mentioned represents approximately four and a half million dollars.

I hardly think I need any introduction here, because my friend and competitor, Mr. Uldall, of San Francisco, introduced me so well, and so amply if not ably testified in my behalf, that I might have saved the trip here if I could have tipped him off a few more facts and a few more accuracies in his statement.

I want to refer particularly to the institution that I have the honor to represent as president and general manager for many years, the Nephi Plaster & Manufacturing Co., with mill at Gypsum, Utah, and to say to you that it is the oldest gypsum-producing concern west of Kansas. We have some records of some plaster being prepared as early as 1865. The main mining properties of the company were patented under the United States mining laws in 1882, and our present company was incorporated in 1889 and has been continuously operating for something more than 40 years. It had been profitably operated in all those years up until 1926, with the advent of the duty-free foreign gypsum from Mexico entering the port of Long Beach and the port of Seattle, since which time our industry has been not only not profitable but has been definitely losing money every month since.

It will be necessary for me to review particularly what my friend from California said to substantiate not only the fact that we have been a long time in business but for the reasons that he stated for our continuance in business.

I might say to you that what might be viewed as our local market, Utah and Idaho, represents a territory as large as the combined New England States, New York, Pennsylvania and New Jersey, and, if you please, sir, we have fewer people in that whole territory than one ward of the city of Boston.

Senator WALSH. But, remember, you have four Senators.

Senator THOMAS. Give figures, if you will.

Mr. ELLERBECK. With respect to building construction, where gypsum products would be used, in 1926, 1927, and 1928 the whole building permits in that big territory with its paucity of population represented less than \$30,000,000, whereas in the three main consuming points on the Pacific coast, Los Angeles, San Francisco, and Seattle, during that same period the building permits were over \$588,000,000. That does not take into consideration Tacoma or Portland or Oakland or Santa Barbara or San Diego and all the interior towns in those States, the figures of which, if included, would make this presumed local territory of ours dwarf into mere insignificance.

In other words, gentlemen, if our mill were awarded the entire tonnage of Utah and Idaho it would not keep us operating for 60 days. We would be idle for 305 days of the year. But, as a matter of fact, if you please, it is divided between four domestic interior mills, two at Laramie, Wyo., and two mills in Utah, and to some extent participated in by a mill in Colorado and occasional shipments

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from still further east. So after it is thus divided the tonnage is absolutely inconsequential on which to predicate any idea of operating a gypsum mill.

Senator THOMAS. Why are these mills located out there? Did you anticipate that this section would be developed and a great population come in there and make big demand for the product?

Mr. ELLERBECK. Our mill was built primarily on the theory of Pacific coast tonnage, and has been always operated on that theory; and the railroads have sustained that idea. It is true, as the gentleman said, that they have made us low rates, but the Interstate Commerce Commission has sustained us on the theory that we were entitled to participate in those populous markets because we pioneered them and we had no other place in which to sell our wares.

The peculiar conditions in this situation are things that are bound to interest you. With reference to this very narrow little strip down in southern California, if you please, gentlemen, southern California takes one-half of the total gypsum consumption west of the Rocky Mountains, and the metropolitan area of Los Angeles takes 33½ per cent of the total gypsum consumed west of the Rocky Mountains. In other words, the metropolitan area takes 75 per cent of that 50 per cent that is used there, all within trucking distance of the Long Beach plant which is using duty-free Mexican gypsum and fabricating at the port.

Gentlemen, the story is obvious. Mr. Uldall has mentioned the fact that I have lost tonnage there. I will say to you that we have lost 85 per cent of our tonnage in southern California. There have been periods in which 20 to 52 per cent of our total output has been taken in the metropolitan area of Los Angeles, and the fact remains that the imported gypsum takes care of that tonnage now and it is not being taken care of by any domestic competitor of ours.

The same is true of the city of Seattle, where we shipped, in 1926, 29 per cent of the total output of our Nephi mill.

Senator WALSH. What does 85 per cent represent in dollars?

Mr. ELLERBECK. I would have to give for that particular year the gross business. Maybe \$60,000 or \$70,000, possibly.

Senator WALSH. Sixty thousand or seventy thousand dollars of your business has moved over to the man who represents the importer of gypsum in southern California?

Mr. ELLERBECK. I am not a bookkeeper and I am not a very good statistician, but I do know that the same situation is true in Seattle that our business has been taken by the importer and not by any domestic producer, and that means at least 94 per cent of the product we were shipping there.

Just to show to you how we are being herded back into the interior and that it is this importer and nobody else doing it, he speaks of the business in southern California, in the metropolitan area of Los Angeles in 1928. Building permits fell off 18 per cent, and if you please, sir, the imports of gypsum increased 33½ per cent. Our tonnage went entirely. The Plaster City mill of the Pacific Portland Cement Co. says that their participation there dropped off 37½ per cent, and the Gerlach mill of the Pacific Portland Cement Co. in its participation in the Seattle market during 1926 to 1928 dropped off 30 per cent. The other Utah mill, the Jumbo Plaster & Cement Co., notwithstanding their good connections in Seattle due to a principal

stockholder or a big holder stockholder, if you please, strongly in the building material business in that city and amply able to fortify themselves in that market—notwithstanding that influence their tonnage has dropped off 47½ per cent.

So, gentlemen, we are being stifled entirely by a water-front attack by foreign gypsum.

The gentleman mentioned some figures, that are not really germane to this whole matter, about the cost of crude gypsum and their inability to sell to the interior mills crude gypsum imported from San Marques Island. They never had any idea at any time that they ever would do so. I testify under oath that the principal owner of the Standard Gypsum Co. informed me that he could, by dealing direct with purchasers and taking at once to the high seas, ship large cargoes of gypsum to Japan and Australia and New Zealand and make interest on his plants if he failed to make any in his production at Long Beach and Seattle.

And in line with that, if you care to have the figures I can show you a great many newspaper clippings showing that those cargoes are moving there. There is no domestic production that can possibly compete for that business. It is peculiarly their own. It would take, for instance, to load a 5,000-ton cargo from any interior mill, 100 freight cars of 50 tons each. You could not unload 100 freight cars at any port along the coast; it would so congest that port and the boat would be so delayed and the demurrage so high that it is wholly out of the question. So they not only have a great advantage in their frontal attack on the west coast of the United States, but they have another means of earning a living. When somebody stated that there was no crude gypsum being handled in that way, they forgot the west coast and that operation.

We feel that after 40 years of effort in pioneering this whole business for the benefit of all our domestic mills we have reason to believe that we should not be asked in the face of a foreign invasion to close our doors. We ask nothing but an equalization tariff to place our mills on a parity to compete with the business we had for 40 years. There is a great deal more development, as the gentleman stated, in the way of tonnage, but we are actually being deprived of any opportunity of competing for it except at a loss.

He has mentioned his costs, and I assume that inasmuch as he has given them before the Ways and Means Committee, they are correct. He reports a total cost, including trucking, of \$7.13. I need not repeat his figures. The cost of the Nephi Plaster & Manufacturing Co. last year was as follows: Cost of rock, 85 cents per ton. The quarrying represents both open and underground methods of mining. The cost of manufacture was \$3.65. There was a total cost of \$4.50. Freight rate to Los Angeles, \$5. That is \$9.50, with the same trucking charge that they have from the Long Beach mill to any consumer; it does not matter whether it is taken off the cars or taken out of their mill. That is identical. That added makes it \$10.30, which shows that we are at a disadvantage of \$3.20 per ton with the Long Beach operation in the biggest section of the biggest demand for gypsum products that there is in the entire far West.

They have mentioned their freight rates from San Marques Island to Long Beach, Calif., as \$1.50 for the boat movement. The rate from Nephi to that same point is \$5 per ton.

They have mentioned the fact that their freight rate from San Marques Island, Mexico, to Seattle, is \$3 per ton. The freight rate from our plant at Gypsum, Utah, to the same point is \$5 per ton.

If you please, sir, it is well known and of common knowledge that the chiefest owner of the Standard Gypsum Co. is also the chiefest owner in the boats carrying the crude rock from San Marques Island to Seattle. I will attest that he has told me so on more than one occasion himself, and I have no reason to believe that he is falsifying in the matter. It is purely an arbitrary rate in this case. The \$3 rate to Seattle is far at variance with the rates applying on the Atlantic coast, and it would be very easy to conceive that those rates could be very easily reduced when and if the exigency demanded, but as long, however, as the principal owner can make a 2-way profit hauling the gypsum up, with a profit for fabricating it, he is quite willing to do so. It extends into a 3-way profit when they haul cargoes of lumber and other commodities southbound.

Now, gentlemen, I want to say to you that while I have mentioned an increase of 33½ per cent in imports into Los Angeles harbor, while there was concomitantly a decrease in building permits, to carry the thing further, from 1926 to 1928 the increase of imports at that point were 48½ per cent.

In order to illustrate to you a little better why gypsum mills may not be run in nonpopulous sections, I should like to state to you something that should rather impress that on you.

It has been brought out here in the testimony about limiting this to a narrow strip along the Atlantic seaboard; that is, the imports. If you happen to think of it, three-fourths of the walls in practically any building that you live in are plaster walls; outside of the floors and the openings you just live with plaster in every building, and therefore it is a very important item. It is well that it be a good product and not be cheapened so that it will induce mills to make other than quality products. But after all is said and done, the plaster contract for any building, dwelling or class A building, amounts to somewhat less than 10 per cent, including these ornamentations and things of that sort, and of the plastering contract 90 per cent is represented in other products than plaster; that is, labor and other things of that sort; so that actually but 1 per cent of the total cost of the construction is actually represented by plaster. And that, if you please, involves also the freight carrying charges to destination, the dealer's profit and the trucking charges to the job. So that in reality in most cases to the extent of less than one-half of 1 per cent does the plaster manufacturer or producer participate in respect to a structure.

In all the years I have been in the industry, for at least a quarter of a century, I have never seen a building started or stopped because of the price of plaster. Inasmuch as it is relatively little, it is impossible for these interior mills to get any business except where the buildings are; and the buildings are all in the big cities; and the big cities in all the world are on the water front. If we can have a frontal attack by foreign gypsum from Nova Scotia, on the one hand, through all the Atlantic seaboard and down through the inland waterways from the Great Lakes to the inland mills they are building a barrier against the mills, in Iowa, Kansas, Oklahoma, and Ohio and can extend that all around into Florida, which they are already doing at Tampa. The

producers of Mexican gypsum have had in mind the idea of carrying through the canal and possibly building a mill at Galveston or New Orleans, and then with the mill that the Standard Gypsum Co. could just as well operate in San Francisco as at Long Beach or Seattle, you will have encompassed this entire territory with water-moved gypsum, and there will be no interior domestically produced product.

I have covered those few items, but I want to say to you that those of us from the far away West were never brought into the picture before the Ways and Means Committee. We have had no voice thus far in the matter except the one importer, the Pacific coast producer. Those gentlemen when they built the mills at Long Beach and Seattle had had experience in the gypsum business, as Mr. Uldall so testified, and as I know, and when those mills were built at the ports they went in there with the full knowledge that the domestic mills were already able to more than supply the markets on the Pacific coast. They deserve, so far as that is concerned, no sympathy. But, talking about rushing in and constructing mills in the desert, they went to the ports in the hope, of course, that they would have all the benefits that duty-free gypsum would give them by water transportation if the Government were willing to sit complacently by and see our old and venerable interior gypsum mills closed up which represent the life savings and energies of a great many men—

Senator COUZENS. Is that statement true with regard to the establishment of his Nevada plant?

Mr. ELLERBECK. That plant was started before, and he knew what the situation was out there—

Senator COUZENS. But he did not use imported gypsum there, did he?

Mr. ELLERBECK. No, certainly not, but he knew it was over-produced.

Mr. Avery has given a statement voluntarily in answer to a question asked by Senator Walsh as to the valuation of the gypsum. We have been happy to have the statement made authoritatively from Mr. Avery, for once, when he stated one dollar. He gave his costs a while ago as \$2.67 at Staten Island.

We have, if you please, a letter which will be put in the brief showing a competitive rate offered, heretofore testified to by one of the gentlemen, of 75 cents per ton which involved undoubtedly a profit for the haul. If you add the \$1 that he declares is its value, which must include the mining cost plus that 75 cents, you will probably be getting at the right figure, probably a little high at that.

We produce gypsum at 85 cents a ton, which is mined half underground and half open quarry, and tram half of it at 11 cents tram charge, and our total charge is only 85 cents.

We have just gone over the last five months' importations of gypsum from San Marques Island, if you please, to Los Angeles and Seattle, and the valuation figures about 89½ cents per ton. That is the valuation placed on the cargoes as an average which indicated less than \$1 a ton. Knowing somewhat the conditions of mining at San Marques and the fact that they employ Mexican peon labor at 3 pesos per day, which is equivalent to \$1.50 gold, I can not see where their costs come in. We would like to take a contract at any such figure based on our knowledge of gypsum extending over a great many years in open quarries such as they have.

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Take the miners' wages paid at Plaster City, Imperial Valley, Calif., by the owners of the Pacific Portland Cement Co., Consolidated, and they pay their miners \$6 per day; their truckers \$3.75 per day. We ask that you compare the scales of wages, if you please.

We have survived all the domestic competition and can survive it. We have been there and seen them go up and go down, because there are nearly always certain conditions, such as a long tram haul or a long railroad to sustain as they have at Plaster City. They have to maintain 25 miles of their own railroad, but nearly always we have some compensating thing such as a very excellent quality of product, so that we will be in the business for a hundred years longer if we can be protected against the water-front attacks.

Senator WALSH. Is there any difference in the qualities of crude gypsum?

Mr. ELLERBECK. A very great deal of difference.

Senator WALSH. Some are superior to others?

Mr. ELLERBECK. Some are superior for certain purposes.

Senator WALSH. How does the imported crude gypsum compare with the domestic product?

Mr. ELLERBECK. Certain of the deposits, we might say, of Texas are superior, some inferior, and this depends upon the nature of the characteristics desired in the product they are making. You get into a long technical dissertation on that.

Senator WALSH. For many products the imported articles is superior?

Mr. ELLERBECK. As compared, say, with the deposit of the White Star Plaster Co. at Moapa, Nev.—I speak of that company now because that is one of the institutions that has gone defunct by inability to compete—they have a product there that is gypsum with more or less clay mixed in with it and it is in a sedimentary state. It has been windblown, but nevertheless it is in variable layers and they can not make the same white plaster that they can from the San Marques Island gypsum.

Senator WALSH. Can the showing of some of those facts be attributed in part to the inferiority of the domestic gypsum?

Mr. ELLERBECK. I do not think so. Our Nephi deposits are of very high grade, as also at Gerlach, Nev.

To add to this picture of imported gypsum from Mexico, be it known to you that more than 22 years ago that product was brought into the port of San Francisco to be fabricated by a mill that was erected at that point, and our own company, if you please, purchased that mill and dismantled it to remove the menace of Mexican gypsum which we felt would retard the growth of the interior domestic mills. We think that menace has arisen with added fury, and the whole trouble in the industry dates from the advent of duty-free Mexican gypsum, so far as the Pacific coast is concerned, and the best I can say is that it is the primal cause of the distress throughout the country to-day.

Senator COUZENS. Are you filing a brief?

Mr. ELLERBECK. Yes, sir.

Mr. ULDALL. Mr. Chairman, in view of the fact that Mr. Ellerbeck made a statement about a man who is not here, and I am under oath—

Mr. ELLERBECK. I am under oath, too.

Mr. ULDALL. He is talking about our exports to Japan.

Senator COUZENS. Mr. Avery asked the same question, and we will have a running debate if you keep contradicting. You can make your statement in your brief, and so can Mr. Avery, in respect to any statement made by the opposition.

Mr. ULDALL. I will say that Mr. Ellerbeck treated me kindly, but he made an awful lot of mistakes.

(Mr. Ellerbeck submitted the following brief:)

**BRIEF OF W. L. ELLERBECK IN BEHALF OF DOMESTIC GYPSUM MILLS AT GERLACH, NEV., AND PLASTER CITY, IMPERIAL VALLEY, CALIF.; PROPERTIES OF THE PACIFIC CEMENT CO., CONSOLIDATED, SAN FRANCISCO; THE JUMBO PLASTER & CEMENT CO., SIGURD, UTAH, WITH MILL AT SIGURD, UTAH; AND THE NEPHI PLASTER & MANUFACTURING CO., SALT LAKE CITY, UTAH, WITH MILL AT GYPSUM NEAR NEPHI, UTAH**

The main gypsum property of the Nephi Plaster & Manufacturing Co., a Utah corporation, with mill at Gypsum, Utah, was patented under the United States mining laws in 1882. For many years prior thereto small operations had been carried on, there being record of some plaster manufactured by calcining in open pans as early as 1865.

The present company, predicated on the theory of supplying chiefly the demands of the Pacific coast, was incorporated in 1889, and has been in continuous operation for over 40 years, it being the oldest plaster manufactory west of Kansas. This Utah concern pioneered the use of gypsum plasters throughout the intermountain territory and the Pacific coast, extending from Vancouver, British Columbia, on the north, to San Diego, on the south.

Much effort, time, and money were expended by the Nephi Co. in developing structural uses for its products, also in respect to promotion of agricultural gypsum as a soil corrective, and to improve the quality of and augment crop yield. Much of the agricultural prosperity of the Pacific Northwest, and particularly the Willamette Valley of Oregon, has been, and still is, the direct result of using Nephi (Utah) agricultural gypsum. Many letters from agriculturalists dated 30 years ago and since amply attest to this. All subsequent western domestic gypsum manufacturers have enjoyed the benefits of the intensive pioneering of the Utah mill. In 1909 a complete new mill was erected, and of much larger capacity, in order to meet the rapidly increasing demands for gypsum products, chiefly on the Pacific coast.

Incident to the projection of rails to new localities, making other gypsum properties available, new domestic production arose, but the Nephi, Utah, company was always able to meet the domestic competition and to operate profitably up to and including 1926, since which time, with the advent of gypsum mills at Long Beach, Calif., and Seattle, Wash., using duty-free foreign gypsum obtained from Mexican territory, the Utah company has been unable to meet the situation and has in fact sustained serious direct losses.

The plea of the domestic mills that an adequate duty be imposed on imported gypsum is not made with a view of preventing either the importation of gypsum or closing the mills at Long Beach and Seattle engaged in its fabrication, but solely to effect an equalization which will again place the California, Nevada, and Utah mills in position to compete rather than to face gradual but sure extinction through direct losses which the present situation compels.

As reflecting the trend of business, we desire to state that prior to 1926 our main customers in Los Angeles had variously taken as high as 20 per cent to 52 per cent of the Nephi company's annual output. Practically this entire tonnage is now supplied, not by any other domestic concern, but by the importers fabricating duty-free gypsum at their Long Beach, Calif., plant.

In 1926, 29 per cent of the Nephi Co.'s output found disposition in Seattle. Since the advent of the Standard Gypsum Co.'s plant at Seattle, using duty-free Mexican gypsum, the Nephi tonnage has decreased 96 per cent. The tonnage of the Sigurd, Utah, mill has decreased 47 per cent, and the Gerlach, Nev., tonnage has decreased 30 per cent.

For an understanding as to the disastrous effect on the domestic industry resulting from duty-free gypsum fabricated at the ports, it is only necessary to contrast the delivered costs of gypsum wall plaster, including milling and transportation, of the Long Beach mill with those of the Nephi, Utah, company.

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Referring to the Standard Gypsum Co.'s own testimony, their brief before the House of Representatives, pages 9131 to 9134, of volume 15, Schedule 15, free list, 1929, as follows:

San Marcos Mexican gypsum, laid down at Los Angeles Harbor:

	Per ton
Cost of mining.....	\$1.00
Freight rate from San Marcos Island to Long Beach.....	1.50
Cost of unloading and placing in stock pile at Long Beach.....	.35
	2.85
Lost in calcination, 17 per cent.....	.48
Manufacturing cost.....	3.00
	6.33
Making total manufactured cost, Long Beach.....	6.33
Freight rate to Los Angeles Harbor.....	.80
	7.13
Total cost.....	7.13

The 80 cents referred to in the Standard Gypsum Co.'s costs is either a rail item to Los Angeles port or may constitute the trucking from their mill direct to the job when and if the operators so desire. It must be remembered that the product can be loaded from the mill to auto delivery truck as easily and at no greater cost than domestic mills can load on box car ready for shipment, but the dealer who purchases from domestic mills must in most cases unload the car, warehouse the product, and rehandle it out preparatory to trucking to the job, the in and out handling cost being approximately 50 cents per ton. In addition, the domestic product is confronted with a delivery charge of not less than the 80 cents per ton which has also been included in the importer's costs, so that the net difference as between the Standard Gypsum Co.'s costs and those of the Nephi (Utah) Co., delivered on the job, and on the theory of each product being sold at actual cost, is as follows:

Standard Gypsum Co. Long Beach plant, using duty-free Mexican gypsum:	Per ton	Nephi Plaster & Manufacturing Co., using domestic gypsum:	Per ton
Cost of mining.....	\$1.00	Cost of rock.....	\$0.85
Freight rate, San Marcos Island to Long Beach.....	1.50	Cost of manufacturing.....	3.65
Cost of unloading and placing in stock pile, Long Beach.....	.35		
	2.85	Total manufactured cost.....	4.50
Lost in calcination, 17 per cent.....	.48	Freight rate to Los Angeles.....	5.00
Manufacturing cost.....	3.00		
	6.33	Trucking.....	.80
Total manufactured cost, Long Beach.....	6.33	Total.....	10.30
Freight rate to Los Angeles (or trucking to dealer).....	.80	Difference in favor of the importers.....	3.20
Total cost.....	7.13		

It is easily apparent that an equilization duty of \$3 per ton on the crude gypsum entering western United States ports is imperatively necessary if the long established Utah mills are to be able to meet the competition and remain in business.

Due to greatly reduced tonnage which the Utah mills have suffered since the advent of Mexican gypsum, the Nephi production costs, including administrative expenses, increased in 1927 47 per cent and in 1928 35 per cent.

The following table shows the decline of the Nephi, Utah, gypsum tonnage in the State of Washington and in southern California, practically the entire decline being within truck delivery distance of the mills fabricating Mexican gypsum at the ports of Long Beach and Seattle, respectively:

Nephi Company	1925	1926	1927	1928
	Per cent	Per cent	Per cent	Per cent
Washington.....	100	128	60	4
Southern California.....	100	13	20	15

<sup>1</sup> Or truck to dealer or job.

In the same territory the largest domestic producer, with mills operative at Gerlach, Nev., and Plaster City, Imperial Valley, Calif., also shows substantial declines, as follows:

	1925	1926	1927	1928
Washington.....	Per cent 100	Per cent 81½	Per cent 72	Per cent 70
Southern California.....	100	98	81½	62½

The growth of imports of gypsum from San Marcos Island, Mexico, to Los Angeles Harbor is as follows:

	Tons
1926.....	42, 191
1927.....	47, 367
1928.....	62, 688

Increase from 1926 to 1928 of 48½ per cent.

As bearing on the importations of gypsum into the United States at large, which includes the Nova Scotia as well as the Mexican gypsum, the imports were 282,486 tons in 1920; increased to 828,019 tons in 1927, and approximately 1,000,000 tons in 1928, all clearly evidencing the fact that the importations through Atlantic as well as Pacific ports are bottling up and stifling the entire domestic industry.

It is not claimed that in all cases the Long Beach, Calif., plant of the Standard Gypsum Co. delivers its product direct from the mill by truck, but the concern has done so spasmodically, and by reason of the availability of such means can when and as expediency suggests, deliver at a profit even small lots to consumers at less than the car lot price which domestic mills can possibly make unless forced to absorb an absolute loss.

Reflecting the need of the Utah mills to participate in the Pacific coast tonnage, the following building statistics are illuminating:

Year 1926:

Los Angeles.....	\$123, 006, 216
San Francisco.....	57, 953, 948
Seattle.....	34, 807, 700
	<u>215, 767, 863</u>

Utah (entire State).....	7, 394, 328
Idaho (entire State).....	2, 192, 885

Year 1927:

Los Angeles.....	122, 027, 139
San Francisco.....	47, 032, 848
Seattle.....	29, 069, 080
	<u>198, 129, 067</u>

Utah (entire State).....	6, 660, 465
Idaho (entire State).....	2, 783, 111

Year 1928:

Los Angeles.....	101, 678, 768
San Francisco.....	37, 690, 663
Seattle.....	34, 813, 200
	<u>174, 188, 631</u>

Utah (entire State).....	6, 471, 873
Idaho (entire State).....	2, 119, 650

Total for 3 years.....	<u>588, 085, 501</u>
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Total for Utah.....	20, 526, 666
Total for Idaho.....	7, 095, 646

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The statistics of Utah and Idaho represent the entire building program of both States for three years, amounting to less than 5 per cent of the three largest cities of the Pacific coast.

In respect to the Pacific coast statistics there is included only the three main consuming points. There is not included such large cities as Portland, Oakland, Santa Barbara, and San Diego, all of which have large building programs, and which further dwarfs the Utah-Idaho tonnage in comparison.

The Utah and Idaho statistics are given merely to show the inconsequential building program within the territory frequently alluded to as local to the Utah mills. The plaster required in even this meager building program is divided between four interior domestic mills—two in Utah and two in Laramie, Wyo.; and participated in to some extent by one Colorado mill, and occasionally by some mills farther east. If the entire average yearly tonnage were afforded the Nephi mill alone, it would not represent 60 days of output, leaving the mill inoperative for 305 days of the year. Obviously the Utah mills must participate in Pacific coast tonnage or cease to exist.

To show the very limited extent to which gypsum plaster figures in the total cost of a structure, we give below contractor's estimate in respect to large class A office structures, costing from \$1,000,000 to \$4,500,000; also the actual cost of the plaster used on dwellings of moderate cost:

Pacific Telephone & Telegraph Building, San Francisco:	
Total cost.....	\$4, 500, 000. 00
Total plaster, 1,200 tons, at \$11.40 (less bags) (31 per cent).....	13, 680. 00
Sir Francis Drake Hotel, San Francisco:	
Total cost.....	2, 000, 000. 00
Total plaster, 800 tons, at \$11.40 (less bags) (45 per cent).....	9, 120. 00
Bungalow, San Francisco: Cost, \$4,300; resale, \$7,000 (including lot), 70 sacks (3½ tons) plaster, at \$15 (1.2 per cent cost).....	52. 50
Bungalow, San Mateo, Calif.: Cost, \$4,700; resale, \$8,250 (including lot), 67 sacks (3.3 tons) plaster, at \$18 (1.3 per cent cost).....	59. 40
Class A structure at Salt Lake City: Plastering contract (including labor, lath, lime, and all other items used in the plastering), =10 per cent of total, divided as follows:	

	Per yard
Lath.....	\$0. 45
Lime putty.....	. 04
Labor.....	. 25
Sand.....	. 02
Plaster <sup>1</sup> .....	. 10
Total.....	. 86

Residence work, class C (\$5,000 house), representing 45 dwelling houses erected at the town site of the Utah Copper Co., Copperton, Utah, 600 yards plastering at 45 cents per yard. Plastering contract, including all items, \$270, divided as follows:

	Per yard
Lath.....	\$0. 12
Lime putty.....	. 04
Labor.....	. 20
Sand.....	. 02
Plaster <sup>2</sup> .....	. 07
Total.....	. 45

Church work, class C (\$126,000 building): Plastering contract, including ornamental work, labor and all other items..... \$12, 000  
 Cost of plaster would figure only about 1 per cent of total.

Bank building, Salt Lake City:	
Total cost.....	\$1, 500, 310. 27
Plastering contract (including labor, lath, lime, and all other items as well as plaster) (3.9 per cent).....	58, 705. 81
Plaster, 231.3 tons, at \$13.90 (0.30 per cent).....	4, 600. 00

Too, it must be remembered that in the price of the plaster there is included the rail haul, trucking charge, and the dealer's commission or profit, which repre-

<sup>1</sup> The plaster represents only 11½ inches of the plastering contract and but 1.15 per cent of the total construction cost.

<sup>2</sup> 13½ per cent of the plastering contract and 0.81 per cent of the total cost of structure. (Labor for lath apparently not included.)

sents on an average about one-half of the total cost of the plaster on the job. Therefore, the cost of the product at the mill, the only participation which the domestic producer enjoys, is a gross participation of less than one-half of the percentage figures of the plaster cost as above given; or in practically all cases less than one-half of 1 per cent of the cost of a structure.

From this it may be seen that the cost of the plaster, even under normal conditions, has indeed very little reflection on the cost of the structure. It is now being sold at prices so subnormal as to be considerably below the production costs of domestic mills. It is as unwise as it is unjust for our Government to permit this condition to exist as a result purely of a foreign invasion.

It is palpably apparent that the intermountain mills could not possibly eke out a profit on the inconsequential Utah-Idaho tonnage, but rather would be forced to assume substantial loss because the manufacture of gypsum plasters is a highly specialized business requiring trained key men, who must be always available and paid throughout the year. The figures herein given easily illustrate this fact, and that the interior mills must, through the imposition of an equalization tariff on foreign gypsum, be enabled to participate in the heavy tonnage demands of the Pacific coast. Unless the inland mills are permitted so to do, it is safe to say that the mills operating at the coast ports, using duty-free foreign gypsum, will as a next move invade the whole inland territory with surplus product offered at less price than the inland mills, under restricted tonnage, can possibly produce it.

The domestic mills at Plaster City, Calif., Gerlach, Nev., Sigurd, Utah, and at Gypsum, near Nephil, Utah, represent an investment of approximately \$4,500,000. All report serious declines in tonnage and operating losses since the advent of duty-free Mexican imports at Long Beach, Calif. The Long Beach port is within the 50-mile radius constituting the metropolitan area of Los Angeles, within which small circle there is consumed nearly one-half of the total gypsum products marketed west of the Rocky Mountains. Notwithstanding an average decline of 18 per cent in building permits within this area in the year 1928, the imports of duty-free gypsum at Long Beach increased 33 per cent. The answer is obvious.

The price of gypsum plaster to consumer in Pacific coast and Rocky Mountain territory has never been excessive, nor will it ever be on account of substitute competitive products. At present it is depressed to a point so ridiculously subnormal as to be considerably below pre-war level, and this in face of the fact that labor, retarder, fiber, machinery repair parts, and general mill supplies, all essential to the manufactured product, are practically double pre-war cost.

The primal cause of the distress is the favored position unfairly afforded the port manufacturer fabricating duty-free foreign gypsum, who can live and profit while the domestic mills pass to the discard. Were the entire duty on imports requested by the domestic producer added to the sales price the cost to the consumer would still be below pre-war level, and as already shown, the cost of the plaster has little reflection in any event on the cost of a structure.

As evidencing its sinister intent for further encroachment, the Standard Gypsum Co., at Seattle, fabricating duty-free Mexican gypsum, has made application to the Interstate Commerce Commission, and two hearings have already been held in respect to their request for eastbound freight rates to inland territory the equivalent of rates from the Utah, Montana, and Wyoming mills westbound to coast ports, or contemporaneously, have asked to have the rates from interior mills increased; doubtless on the theory of eliminating any possible competition and assuring to imported gypsum complete monopoly of the big consuming centers of Seattle, Portland, and the entire Northwest territory.

The carriers have made for the Utah, Montana, and Wyoming mills rates to the Pacific Northwest which seem to be the irreducible minimum, but under even the present conditions the Seattle mill so dominates the territory that the sales of domestic product are diminishing with such rapidity it appears very certain that before long, unless protected by adequate equalization tariff, the domestic product will be forced entirely out of the markets of the Pacific Northwest.

Equally certain it seems that unless a proper impost is made, the importers of Mexican gypsum, already operating plants at Seattle and Long Beach, will also erect units at Portland and at San Francisco Bay, thus completing the picture and effectively bottling up the entire western domestic production.

During the promotions leading to the formulation of the Standard Gypsum Co. corporation, the principals freely voiced the fact that they had in mind moving cargoes of gypsum by boat through the Panama Canal to one or more of the port cities on the Gulf of Mexico, either New Orleans or Galveston, thus bottling up the Texas mills and preventing the development of gypsum properties in Florida. Thoroughly encompassed on both Atlantic and Pacific seaboard, and on the

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Great Lakes through deliveries of Nova Scotia gypsum along the inland waterways to plants at Detroit and Chicago, which, in effect, is to close the gypsum mills of Ohio, Iowa, and Kansas, it remains only for the installation of mills at Texas ports to make the picture complete, and to turn the whole gypsum industry over to this foreign invasion.

In the nature of things, most domestic gypsum occurs in mountain or desert country, and long and costly rail hauls are involved in deliveries of both raw and manufactured products to consuming markets, as in the case of Ohio, Iowa, Kansas, and Oklahoma mills, which, for their very existence, must participate in and be able economically to compete for the big building construction requirements of Cleveland, Detroit, and Chicago, and the chief consuming points.

Referring again to the Pacific coast territory: It is to be noted that the Standard Gypsum Co., in their brief, pages 9131 and 9132 of the House testimony, urged that the Alaska Mexico Transportation Co. are responsible for the maintenance of trade and commerce conditions between Pacific coast ports and Mexico; also a French mining company operating at Santa Rosalia, lower California, would import all their materials from France if it were not for their steamship service.

This is a broad statement and not warranted by facts. The Alaska Mexico Transportation Co. was not organized until the latter part of 1925, the apparent object being to transport gypsum from San Marcos Island to the plants of the Standard Gypsum Co. at Long Beach and Seattle. It is common knowledge that this steamship company is controlled by one of the largest stockholders of the Standard Gypsum Co.

The boat haul rate of \$1.50 to Long Beach and \$3 per ton to Seattle are arbitrary, and not competitive, and it is easy to assume that the chief owner of the steamship company, who makes no secret of the fact that he is also chief owner of the gypsum producing concern, stands to make a two-way profit; the haul on the crude gypsum and the profit on the milled product. As the steamship company hauls freight, such as lumber and other items, from the Pacific Northwest to Mexican and other southern territory, no doubt at a profit, there is nothing to indicate that it would not, if occasion demanded it substantially reduce the rate on the back haul of gypsum. Certainly the transportation cost, as shown in H. W. Rippey's brief, Exhibit C, of not more than 75 cents per ton from Nova Scotia to Staten Island with boats moving empty one way indicates that the transportation of Mexican gypsum northward on Pacific waters and by larger carriers there operating—carrying cargoes both ways—can be made at the same or a lesser figure.

As bearing further on the inaccuracy of the Standard Gypsum Co.'s brief, pages 9131 and 9132, of the House testimony, wherein they imply a primary position of public service, it is well known that there has been an uninterrupted coastwise steamer service by other carriers for many years. Commerce has been, in fact, carried on between Pacific coast ports, Mexico and Central America, for over eighty years. The following is a list of the existing steamer companies operating in this commerce to-day between Los Angeles Harbor, San Francisco, and Puget Sound; they all handle a substantial tonnage.

While no competitive figures have been asked for on movement of gypsum from San Marcos, Mexico, to Seattle, the much lower published rates on like or greater distance boat hauls of oil in tankers moving empty one way, are interesting and sustain the contention that the quoted rate on gypsum by noncompetitive carrier is in essence fictitious and that the rate could and would be lower when the exigency demands.

Company	From—	To—	
		Mexico	Central America
Panama Mail (formerly Pacific).	San Francisco and Los Angeles.	Mazatlan, Manzanillo....	All ports.
National Navigation Co.	do.	All ports.....	None.
N. Y. K.	do.	Manzanillo.....	Balboa.
Navigazione Libera Tristina.	Seattle, San Francisco, and Los Angeles.	None.....	Acajutla, La Libertad.
United Fruit Co.	San Francisco.....	do.....	Corinto, La Union, Cristobal.
Mexican States Line.	San Francisco and Los Angeles.	All ports as far south as Manzanillo.	None.
Latin America Line.	Seattle, San Francisco and Los Angeles.	None.....	Any port where sufficient cargo offers.
Wing & Co.	do.....	do.....	La Union (southbound only).
General Steamship	do.....	Acapulco (northbound only.)	La Libertad Costa Rica (northbound only).

Referring to the mining costs at San Marcos Island, Mexico, which are reported as \$1 per ton, the figure needs close scrutiny. The mining or quarrying conditions are ideal; large open quarries, in which the rock is brought down by blasting, a cheap operation, easily characteristic of that which obtains at Nova Scotia, and virtually the same as obtains in Utah.

It is to be noted that the Utah plant gives its mining costs at 85 cents per ton, and this involves both open quarry and underground methods, about equally divided, the underground method involving the higher cost, involves an item of 11 cents per ton tramping from mine to mill.

Comparing the wage scale of the domestic producers with the cheap Mexican peon labor available at San Marcos Island, Mexico, the domestic producers operating at Plaster City, Imperial Valley, Calif., state that the average wage paid quarry employees is \$6 per day gold. That paid at the quarries of the Nephi Co. is \$3.75 for tram men and \$5 for quarry men. In contrast, confidential advices from Mexican sources state that there are approximately 60 men connected with the Standard Gypsum Co.'s operations at San Marcos Island, Mexico. They receive an average of 3 pesos per day, which amounts to \$1.50 gold. It makes it thus difficult to reconcile the costs of quarrying gypsum as reported by the Standard Gypsum Co., operating the gypsum quarries at San Marcos Island, Mexico. Especially is this true when contrasted with practically identical quarrying conditions at Nova Scotia, where the costs are reported as 61 cents, and which involves a higher labor cost than at San Marcos.

We desire here to state that more than twenty years ago there was constructed a mill at San Francisco known as the Golden Gate Plaster Co., fabricating imported Mexican gypsum. Something more than twenty years ago the Nephi Co., then the main interior domestic mill, bought out the principals operating the San Francisco mill, which was promptly dismantled, to remove the menace of these Mexican importations, which threatened even at that early period to prevent the proper and profitable development of the far western domestic gypsum industry. This foreign invasion has been resumed with added vigor and the early day fear has become a reality now.

The principals of the Standard Gypsum Co. had had previous experience in the gypsum business, and their mills at Long Beach and at Seattle, predicated on the theory of using Mexican gypsum, were built with full knowledge of the fact that the domestic production of mills west of the Rocky Mountains already far exceeded the Pacific coast and Intermountain demands. However, it is not suggested that these mills operating on Mexican gypsum cease to operate, but every element of equity and justice demands an equalization impost, that the domestic producers may be permitted to exist and compete.

During the promotions of the Standard Gypsum Co. it was freely asserted by the principals that they would be the only concern in a position to make boatload deliveries of crushed gypsum required by the cement plants in Australia, New Zealand, and Japan; that they could earn interest on their investment from this item alone, the apparent thought being, and so voiced by the chief owner, that if their operations at Long Beach and Seattle resulted in a price war, which was likely, these port mills would have a positive avenue to keep alive while the western domestic mills were rendered unprofitable and some or all be unable to long survive.

It was pointed out that a cargo shipment of 5,000 tons would require 100 freight cars of 50 tons capacity, and that no interior mill could undertake to compete because during the interim of loading from cars to boat it would so congest the terminal as to be impractical, and in any event the delay would cause great losses to the boat and, secondly, there would be incurred car demurrage charges which could result in nothing less than losses. As leading color to the claim, frequent published news items report large cargoes moving from San Marcos Island to the Orient.

The railroads have built sidings and expensive installations at the domestic mills, many of them at their own expense. Aside from this and the consideration due the inland producing mills, it is obviously unfair to deprive the carriers of the revenue created to them through the transportation of gypsum from the interior to the consuming points.

The Nephi Co. operates two of its very large and excellent gypsum deposits in the immediate vicinity of its mill; the third easily available, is held as reserve. The known, easily measurable tonnage is sufficient to insure the life of the Nephi operations for more than 100 years, operating at maximum average capacity of 200 tons per day of manufactured product. Another mill with immense gypsum reserves, at Sigurd, Utah, operative now for nearly 20 years, reports the same



distress in its rapidly declining participation in the tonnage of the Pacific Coast States.

In the San Rafael Swell, in Utah, representing a territory 50 miles long and 40 miles wide, is included a continuous succession of gypsum deposits of good grade, easily minable, representing literally billions of tons, easily to be made available with rail connection there, to guard indefinitely against any shortage in respect to Western domestic needs.

There are immense deposits of gypsum of good grade still to be opened in southern and central Nevada, Arizona, and New Mexico, Oregon, and Idaho. The vast deposits in Colorado and Middle Eastern states, the Southern States, and New York have already been recorded in previous hearings, indicating that the domestic resources are practically inexhaustible, and that there is no need either on the Atlantic seaboard or on the Pacific Coast for imported gypsum, and certainly not unless placed on a tariff basis which will enable the domestic producers to compete.

In the hearing of July 12, 1929, before the Hon. James Couzens, Hon. Charles S. Deneen, Hon. Henry W. Keyes, Hon. David I. Walsh, and Hon. Elmer Thomas, subcommittee of the Senate Finance Committee designated to take testimony of the domestic and also the importers of gypsum, it was stated by witness Ellerbeck that the Standard Gypsum Co., aside from shipping gypsum from San Marcos, Mexico, to United States Pacific ports, had, without fear of competition from United States domestic producers, a large market available in the Orient. This information was conveyed to witness Ellerbeck by one of the chief owners of the Standard Gypsum Co. That the business is not merely potential, but is in fact a part of the Standard Gypsum Co. operations seems fairly well established by copies from various news clippings appended hereto.

The contention of witness Ellerbeck that the rate cited by the Standard Gypsum Co. of \$3 per ton for boat movement of gypsum from San Marcos, Mexico, to Seattle, is a noncompetitive rate and could and would likely be substantially reduced when and if the exigency demands, is not only easily adjudged by the substantially lower rates quoted by coastwise steamship companies for movement of gypsum from Nova Scotia to Atlantic ports, but also from comparative rates for like and greater distance hauls of crude oil from and to various points in Pacific waters and in this comparison, too (table appended hereto)—the tankers must move back empty on return trips while the vessels conveying the gypsum carry cargo both ways.

**SAN MARCOS ISLAND, MEXICO, BY BOAT TO SEATTLE, WASH., 2,582 STATUTE MILES—QUOTED ARBITRARY NONCOMPETITIVE RATE ON CRUDE GYPSUM \$3 PER TON**

**COMPARATIVE RATES ON CRUDE OIL MOVING IN TANKERS FOR APPROXIMATELY THE SAME DISTANCE**

1. From Los Angeles Harbor to Balboa, 30 cents per barrel or \$2 per ton. Distance, 2,913 miles.
2. From San Francisco to Hawaiian Islands, 20 cents per barrel, or \$1.34 per ton. Distance, 2,228 miles.

Oil rates involve the return of the tanker without any cargo on account of their construction.

The following news items refer to movements of crude gypsum from San Marcos Island, Mexico, property of the Standard Gypsum Co., to China and Japan:

1. San Francisco Bulletin, November 9, 1927:

"A new cargo movement from the Pacific seaboard was indicated by the charter last week of the Japanese steamer *Kyoka Maru* to carry 8,000 tons of gypsum rock from San Marcos Island, off the lower California coast, to Hong Kong, China. The Standard Gypsum Co. of San Francisco was the charterer and the movement may reach 150,000 tons a year."

2. Pit and Quarry, December 7, 1927:

**"MORE GYPSUM TO CHINA**

"The Standard Gypsum Co. of Long Beach, Calif., are entering the oriental trade. The company has completed arrangements for the use of a Japanese steamer with the General Steamship Corporation, and will transport gypsum from San Marcos Island to China. The company has arranged for connections and full cargoes of about 8,000 tons each will be shipped."

## 3. Daily Commercial News, May 11, 1920:

"'BUFORD' WILL CARRY GYPSUM CARGO TO JAPAN

"LOS ANGELES, May 10.—After passing through a disastrous South Sea cruise, a barren voyage to Alaska, and many years transporting men for the United States Army, the steamer *Buford* again has had plans for its final voyage to Japan altered. The old transport, sold to Hasegawa Gentaro, of Kobe, has been chartered by the General Steamship Corporation to carry a full cargo, 3,500 tons, of gypsum from San Marcos Island, Mexico, to Japan."

## 4. San Francisco Chronicle, July 1, 1920:

"In tow of a Red Stack tug, the old Alaska Packers' bark, *Star of Iceland*, passed out through the Golden Gate Saturday on the first lap of what is to be her final voyage. The famous old craft has been sold to a Japanese firm and after loading a cargo of gypsum at San Marcos Island will proceed to Japan, where the craft will be broken up.

"The entire crew of the bark is composed of Japanese and this is the first time in many years that a big sailing ship has left the port with a Japanese crew."

W. L. ELLERBECK,

*President Nephi Plaster & Manufacturing Co., Salt Lake City, Utah.*

JULY 12, 1927.

The foregoing is true to the best of my knowledge, information, and belief.

W. L. ELLERBECK.

**LETTER OF HON. TASKER L. ODDIE, UNITED STATES SENATOR  
FROM THE STATE OF NEVADA**

JULY 15, 1920.

HON. JAMES COUZENS,

*Chairman Subcommittee on Minerals on Free List,  
Senate Finance Committee, Washington, D. C.*

MY DEAR SENATOR COUZENS: Plaster rock, or crude gypsum, is now on the free list in paragraph 1745 of H. R. 2667. I should like to urge upon the committee the importance of imposing on this material a duty of \$3 per short ton.

The act of 1922 put this material on the free list, and in that year the imports amounted to 130,953 tons, continuously increasing to 999,412 tons in 1928, an increase of 740 per cent. In 1925 the total quantity of plaster rock mined in the United States amounted to 5,678,302 tons. In that year there were imported into the United States 566,449 tons, a little over one-half of the amount which was imported in 1928, and the production in the United States had declined in 1927 to 5,346,888 tons, and in 1928 to 5,102,250 tons.

It would seem obvious from these figures that the increasing importations of raw plaster rock, which have been at the average rate of 105 per cent a year for the past six years, will operate to reduce production in this country. If the importations increase at the rate since 1922, still more serious declines in the production will occur. Therefore, in order to maintain the domestic industry against this increasing competition from foreign sources of supply, it will be necessary to impose a duty on the raw material.

The beneficial use of land plaster as a fertilizer has long since been demonstrated. There are soils in every part of the United States which respond most favorably to the use of land plaster, and in certain very important localities it is an absolute prerequisite. It is important to the agricultural industry that land plaster be made available at as many points as possible in the United States in order to reduce the cost of transportation to a minimum.

Land plaster is in a sense a by-product of the construction plaster industry, and as such can be made available only so long as the operation of the domestic industry is maintained; i. e., if the plaster industry is compelled to shut down because of increased competition from foreign sources of supply, plants located at the most strategic points from an agricultural point of view will no longer be able to supply this essential fertilizer. At the present rate of increased importation it would not be long before foreign producers would be in a position to dictate the price for this material. It is important, therefore, that this country maintain a vigorous plaster industry in order to afford that competition which is necessary to keep the price at a reasonable level.

With a duty of \$3 per ton on crude gypsum rock the domestic industry would be able successfully to compete with foreign sources of supply and the price of land plaster to the farmer, plus the cost of transportation, would be less under the duty than it would be if permitted to enter free. Failing to provide such protection for the plaster industry, foreign producers soon would so control the price that it would be greater to the farmer and the maximum cost of transportation from the seaboard to the interior would prevail.

A duty on plaster rock, therefore, should be regarded as of primary importance in any program for the relief of the agricultural industry. Under the strictest interpretation of the President's program of revising the tariff in the interest of the agricultural industry, this item must be included.

In the recent Legislative Assembly of the State of Nevada a resolution was passed, and approved March 21, 1929, which requested this duty of \$3 per ton on plaster rock. I have submitted this resolution to the committee, and it will be published in the record of hearings on the metal and mineral schedule. Nevada has already made considerable development in the gypsum industry which is serving the agricultural industry, not only of Nevada but also of adjacent States, with land plaster for use as fertilizer. Unless this duty is provided the plaster industry in Nevada will be seriously handicapped, and with increased importations it is altogether probable that the plants will be shut down, in which event a large agricultural area would suffer.

I shall greatly appreciate the committee's consideration of this matter and the publication of this statement in the hearings on paragraph 1745.

Very sincerely yours,

TASKER L. ODDIE.

## SUSAGE CASINGS

[Par. 1752]

### BRIEF OF THE VISKING CORPORATION, CHICAGO, ILL.

Sausage casings are at present admitted free of duty into the United States under paragraph 1655 of the present tariff, but I beg to present to your honorable committee the suggestion that they be put on the dutiable list.

The United States both exports sausage casings of its own production and imports sausage casings of foreign production. Comparatively little information is available as to the quantity produced in this country, although a rough estimate might set the figure at 75,000,000 pounds. We do know, however, that in 1927, the latest year for which statistics are available, we imported into the United States 20,755,144 pounds, valued at \$15,832,123. Of this total nearly two-thirds, in point of value, consisted of the intestines of sheep and goats and the balance from hogs and cattle. I mention this because sheep casings are nearly all produced in the more remote, less civilized portions of the world, such as China, Mongolia, Siberia, the parts of Russia near the Caspian Sea, Turkey, Persia, and India.

In these countries wages are exceptionally low. From my own personal experience I know, for I have been in the business there, that coolies are hired in the casing-cleaning plants of China at the equivalent in American money of \$7.50 per month, with seven 12-hour days each week, while Chinese women get only half that much. In Turkey, where I have also been, the wages are but slightly higher, and I am informed that conditions in the other countries mentioned are similar.

In the United States, men working on either natural or synthetic sausage casings get about 65 cents an hour, or \$5.20 for an 8-hour day—nearly as much as a Chinaman gets in a month and much more than a Chinese woman gets. Even a woman natural or synthetic casing worker in the United States gets over 40 cents an hour.

One of the results of these conditions is that while in a country of supposedly low prices, like Turkey, the price of a set of raw intestines is around 40 cents, in the United States the most our sheep killers, who contract their raw guts, usually get is 10 cents, and so, directly, 30 cents less for the American sheep farmer.

Lately I have been instrumental in making for the American market a synthetic sausage casing through which skinless frankfurters are produced. This casing is also the direct product of the American farm, as it is made of cotton. In 1926, 4 bales of cotton and 11 employees were used. In 1928 we averaged about 80 employees and bought 5 carloads of cotton. We make about 50 miles of sausage casing a day. Right in Washington they use over 20 miles a week

But we are competing with labor costing \$7.50 a month. We need protection from people satisfied with that sort of living. Other civilized countries have recognized these conditions, and while I have been unable to secure data on the import duties assessed by all of them, I would like to mention a few: Canada, 17½ per cent ad valorem; France, 25 francs per 100 kilos, plus 2 per cent ad valorem (about \$0.45 per hundredweight and 2 per cent ad valorem); Switzerland, 2 francs per 100 kilos (about \$1 per hundredweight); Portugal, \$0.04 per kilo (gold exchange), plus 2 per cent ad valorem (about \$2 per hundredweight and 2 per cent ad valorem); Spain, 35 gold pesetas per 100 kilos (about \$5 per hundredweight); Netherlands, 0.60 florin per 100 kilos (about \$0.11 per hundredweight); Norway, 0.45 crown per kilo (about \$0.05 per hundredweight); Czechoslovakia, 24 crowns per 100 kilos (about \$0.31 per hundredweight).

From these figures it can be seen that there is a great diversity of opinion among other nations as to what rate of duty should be charged, but I might mention that the committee of the House of Representatives, when considering a former tariff bill, recommended a 15 per cent ad valorem duty which was subsequently stricken out.

To really protect the synthetic casing industry and the sheep farming industry of the United States, a rate of duty should be imposed which will equalize the amazing difference in wage scales between the United States and sheep-casing-producing countries. In the United States the cost of labor on casings is more than half the total cost, so that an import duty of 50 per cent would practically equalize the figure. Speaking alone for the company which I represent, we would be willing to meet this foreign competition on the basis of a slight price disadvantage and would be quite satisfied with an import duty of 25 per cent. Such a duty would protect the American sheep farmer, the American cotton grower, and ourselves as manufacturers of synthetic casings.

Nothing has previously been said in this brief as to the advantages accruing to the American public through the use of clean, sanitary, synthetic sausage casings in place of more or less perfectly cleaned intestines of animals, but if the information on this subject is desired by the committee I would suggest that it be taken up with the Bureau of Animal Industry, United States Department of Agriculture, at Washington. It will be found that the Bureau of Animal Industry has found it necessary to promulgate certain quite drastic regulations to prevent importation into the United States of sausage casings which are not sufficiently clean or free of disease to be fit for human consumption. I do not know whether this is the proper subject for this committee to consider, but if it is, the information can be secured from the source which I mention.

ERWIN O. FREUND,  
*President.*

Subscribed and sworn before me this 19th day of July, 1929.

RAYMOND T. MOORE,  
*Notary Public.*

## LOBSTERS

[Par. 1757]

### BRIEF OF H. D. CRIE, DIRECTOR OF SEA AND SHORE FISHERIES, STATE OF MAINE

Mr. Chairman and gentlemen of the Senate Finance Committee, the lobster fishermen of the United States are up against serious competition because a way has been provided whereby Canada can ship into the United States markets lobsters caught in the vicinity of Prince Edward and Cape Breton Islands, where lobsters are as plentiful to-day as they were on the Maine coast 100 years ago. The lobsters are taken to Point de Chene, New Brunswick, and are shipped from there to Boston in refrigerator cars, from which port they are shipped to the Western States.

Not only is there an abundance of lobsters in this vicinity, but the fishermen are able to procure necessary equipment at only half the cost that the United States fishermen are obliged to pay; thus the New England lobster fishermen are in direct competition with the Canadian fishermen, who catch three times as many lobsters at about one-sixth of the cost per pound.

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If the consumer got the benefit, it might be worth considering, but investigation shows that the average retail fish dealer maintains as nearly as possible one price throughout the year. When lobsters are cheap, they are kept regularly in stock and are sold at a large profit, and when prices advance so that the dealers can not make a profit, as they sometimes do advance in winter, they are not kept in stock, so it is seldom if ever the consumers get any real cheap lobsters, regardless of the price paid to the fishermen.

If we ship lobsters into Canada we have to pay a duty of 25 per cent on live lobsters and a duty of 30 per cent with 2 per cent additional on preserved lobsters. The above statement has just been confirmed over the phone by the collector of customs, Eastport; therefore the fishermen all feel that a duty of 10 cents per pound should be placed on lobsters shipped from Canada into the United States markets, because they are produced at such a cheap price in Canada compared with what it costs to produce them in Maine, and I want to say right here that Maine produces nearly as many lobsters as all the other lobster-producing States in New England, with New York included.

Already there is a duty on salmon, halibut, mackerel, and swordfish, which species come in our daily food supply. Lobsters are in the luxury class and therefore should be subject to a duty.

We believe that if the Maine lobster fishermen have to compete with the Canadian fishermen, as in the case to-day, they can not earn a living wage, as has been demonstrated during the past few months. It costs about 25 cents per pound to produce lobsters in Maine, and if the fishermen can not get 30 or 35 cents per pound they will have to go out of business because they must surely have a 10 cents per pound profit if they are to provide for their families. During October and November, 1928, they were obliged to sell their lobsters for 20 cents per pound, making no profit whatever.

Prior to 1924, Canadian lobsters were not shipped to the United States markets in any great quantities after the last day of June of each year, but since refrigerator cars have come into use in Canada lobsters are being shipped in sufficient quantities to control the price of the New England product, causing a great hardship to the lobster fishermen.

Gentlemen, I represent 25,000 people in Maine who depend entirely on the lobster industry for their daily bread and who all feel justified in asking for a duty on lobsters, for without such, we can not compete with the Canadian fishermen, who have only half the amount of money invested and who catch as many lobsters in one day there, as the fishermen in Maine catch in three days.

In deciding this issue, please take into consideration the number of people this industry clothes, feeds, and educates, also think of the value these worthy fishermen were to the Nation during the World War, for at that time they did not wait to be drafted but enlisted and took command of the ships that carried the soldiers across to do their part. No one knows how soon they will be called again to take part in a similar conflict. This being true, isn't it up to you to encourage them to continue in the lobster business by giving them a duty sufficiently large to insure justice and equality with the Canadian fishermen?

In closing, I wish to say that whatever benefits Maine also benefits all the lobster fishermen of New England, and if a 25 per cent ad valorem duty is good for Canada it surely must be equally as good for New England. I thank you.

H. D. CRIE.

## GOAT, SHEEP, AND CABRETTE SKINS

[Par. 1761]

### STATEMENT OF MARION DE VRIES, WASHINGTON, D. C., REPRESENTING THE KID LEATHER MANUFACTURERS OF THE UNITED STATES

Senator COUZENS. Judge Marion De Vries, of Washington, desires to file a brief for the kid leather manufacturers, paragraph 1761, and without objection the brief may be filed. Do you desire to make any statement?

Mr. DE VRIES. No, it is all a matter of law, Mr. Chairman, and everything that I would care to say is stated in the brief.  
(The brief referred to as is follows:)

**BRIEF OF MARION DE VRIES, REPRESENTING THE KID LEATHER MANUFACTURERS OF THE UNITED STATES**

**THE CHAIRMAN AND GENTLEMEN OF THE FINANCE COMMITTEE:**

I appear in behalf of the kid leather manufacturers of the United States

In the view that certain skins, to wit, calf skins, and certain hides, may be placed upon the dutiable list in the final enactment of this bill, and that goat, sheep, and cabretta skins now are and always have been on the free list and will probably so remain, no suggestion for a change having been made, the following paragraph is suggested as a substitute for paragraph 1761 of the free list.

The language is suggested particularly in behalf of the goat and kid skin leather manufacturers in order that there may be no confusion as to precisely what skins are included upon the dutiable list and what upon the free list. Particularly is this true in view of the term "hides of cattle of the bovine species" employed for dutiable purposes in paragraph 1530 of the House bill.

The paragraph is drawn in conformity with the court decisions upon the subject, so drawn that there may be no successful attempt to withdraw wool from the dutiable provisions by bringing it in upon the skins of sheep, lamb, or possibly cabretta, and further that sheep, lamb, and cabretta skins containing any substantial amount of wool shall not thereby be withdrawn from the free-list provisions.

It reads:

"PAR. 1761. Goat and sheep (including kid and lamb), cabretta, and all other kinds of skins, all of the foregoing raw and not specially provided for: *Provided*, That any substantial amount of wool content upon sheep and lamb skins shall be dutiable according to the provisions of paragraph 1102 (a) and (b) of this act."

**SALT CAKE OR CRUDE SODIUM SULPHATE**

[Par. 1762]

**STATEMENT OF ROBERT H. POLACK, REPRESENTING THE MYLES SALT CO., NEW ORLEANS, LA., AND OTHERS**

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. POLACK. Mr. Chairman and Senators, I am going to try to be as brief as possible and just touch the high spots, because the testimony and the briefs submitted before the House committee cover the subject fairly well, but there have been some things that have happened since and some figures secured that will add to that record.

At the June meeting Senator Smoot requested us to be as brief as possible and not to duplicate anything that had happened in the record in the House. Therefore I was compelled to confine myself rather to a short brief.

Senator COUZENS. Are you going to file a brief?

Mr. POLACK. I am going to. I would like to touch the high spots of it, however.

Senator COUZENS. It will hardly be much use to repeat what you have already in your brief, because we will only have to read it all over when we come to write the bill.

Mr. POLACK. There are some few little things that have been learned since.

This brief is signed by our company, the Monsanto Chemical Co. and the Grasselli Chemical Co., and I desire to submit it.

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Since the meeting in the House the Congressional Record shows that before the bill was presented to the House the House Ways and Means Committee prepared and had agreed to adopt an amendment placing sodium sulphate or salt cake on the dutiable list to the extent of \$4 a ton. The Congressional Record shows that just at the last minute this amendment was not presented to the House. The Congressional Record also shows that the amendment was prepared by the committee after thorough consideration by experts of the Tariff Commission.

Since our statement to the House of Representatives we have been able to secure much later figures as to the imports of German salt cake into this country, and I would like to call your attention to the very rapid growth of those imports.

In 1925 there were 1,708 tons. They gradually increased in 1928 to 28,000 tons, and for the first four months of 1929 there were 32,000 tons, indicating imports this year of approximately 100,000 tons.

Senator COUZENS. In just what industry is salt cake used?

Mr. POLACK. It is used largely in the manufacture of kraft paper, and the opposition we had in the House was from the kraft paper manufacturers.

Senator COUZENS. How many pounds of salt cake are used in a ton of kraft paper?

Mr. POLACK. I am not in the kraft paper business, but I understand from taking the output of mills and the purchases of mills it takes about 400 pounds, or a little less, of salt cake to a ton of kraft paper—about one-fifth.

Senator COUZENS. If this duty were placed on the salt cake, how much would it raise the price of kraft paper?

Mr. POLACK. I am inclined to believe that it would not raise the price of kraft paper at all, for this reason; according to briefs submitted by the kraft paper people, the lowest increase in their cost of manufacture if the entire \$5 duty we ask were added to the price of salt cake would be 90 cents a ton in their cost; the highest is \$2. There is quite a difference in their figures. I can not account for that difference; but we do not believe that we could possibly secure the entire \$5 addition to our price because the Germans are able to make this salt cake out of a waste product of their potash mines at such low price that they would be able to absorb at least half of the duty, so that if we secured \$2 or \$2.50 a ton more for our cake it is all we could expect. It would increase the cost of manufacture of sulphate paper to the extent, maybe, of 40 or 50 cents a ton. It is a commodity that sells in the market for something over \$100 a ton and is protected by the tariff, under both the old and the new acts, to the extent of 30 per cent, or \$25 to \$30 per ton.

So I would say to you that I do not believe that if this duty were placed on salt cake it would increase the selling price of kraft paper in this country.

The figures show that the American manufacturers increase their output of salt cake as the demand of the paper manufacturers in this country increase, showing the ability of the American manufacturer to keep up with the demand.

In 1921 the production was 131,000 tons, but in 1927 it had increased to 225,000 tons. The imports in 1928 were about 28,000 tons, and they simply supplied the amount of cake that was formerly

supplied by American manufacturers in the west who were compelled to close down their plants on account of the low price of German cake.

Salt cake is manufactured as salt cake in New Jersey, Connecticut, New York, Colorado, Massachusetts, Illinois, Indiana, Louisiana, California, Ohio, Iowa, Pennsylvania, Arkansas, Texas, West Virginia, and Delaware. In addition to the manufactured salt cake the Geological Survey shows that there are 35 deposits of natural cake which could be developed in this country. These deposits occur in Arizona, California, Colorado, Idaho, Nevada, Oregon, Texas, Utah, Washington, and Wyoming and comprise many, many millions of tons of natural cake.

Senator COUZENS. Is that all in your brief?

Mr. POLACK. No, Senator; those things are not in my brief.

Unfortunately, salt cake is on the free list and we are not permitted under the provision of investigation by the Tariff Commission to be considered if our industry gets into trouble. If salt cake were on the dutiable list, as we think it should be, and we were protected by a duty that was too large the commission could reduce it, or if it was too small the commission could increase it. But we are not on the dutiable list and are banned from such consideration.

Senator KEYES. Is this salt cake that you are producing a by-product?

Mr. POLACK. Ours is not a by-product. There are certain manufacturers of salt cake who manufacture it as a by-product. There are other large manufacturers of salt cake who manufacture it as a major product. The by-product cake was largely manufactured by a process where they used niter cake. Since the nitrogen fixation method has come into vogue the manufacturers of niter cake have been gradually put out of business, we might say, and the amount of niter cake for by-product salt cake must gradually be reduced and is being reduced very largely. So that the salt cake manufactured as such is a major product and the natural deposits will be the source of supply of salt cake in this country.

Senator DENEEN. Where is it manufactured in Illinois—in Chicago?

Mr. POLACK. It is manufactured up there by the General Chemical Co. The Monsanto has a plant in East St. Louis. Grasselli's plants, I think, are in Indiana and Ohio. I am not sure just where they are located. There are other plants up there. I do not happen to know the location of them.

Senator WALSH. Have you stated the use of salt cake?

Mr. POLACK. By far the greatest use is in the manufacture of sulphate paper.

Since our brief was submitted there has been published—and this was taken from the newspapers—a report by William T. Dougherty, of Berlin, the American Trade Commissioner. The newspaper clipping referred to read as follows:

French and Belgian salt cake (sodium sulphate) producers are about to enter an international convention, so far confined to the Germans and British, to allocate export markets. The combination would represent a total of about 590,000 metric tons of product, divided as follows: Germany, 290,000 tons; England, 150,000 tons; Belgium, 80,000 tons, and France, 70,000 tons.

The Anglo-German agreement on salt cake markets has been in effect since 1925 to run to 1930, but this will more than likely be extended to 1935. It reserves British markets to England; German, Czech, and Austrian market to Germany, with a 40-60 (English-German) division on all other export markets.

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With the Belgian and French producers included, Belgium is accorded 30 per cent of its home market and 20,000 tons for export, while France sells its own country and is allowed 12,000 tons for export. Both Belgian and French export stocks are to be sold by the Sulfat-Vereinigung (German salt cake cartel) of Frankfort on the Main, reports Trade Commissioner William T. Dougherty, Berlin.

All of the salt-cake manufacturers of the world are in a combination except the Americans. They have allocated tonnage; they have fixed prices in every country in the world where it is consumed in any quantities. The entire situation is being handled by the German Salt Cake Syndicate. America is the only country that is not in on this syndicate. All of the surplus of all the other countries is dumped into America to the disadvantage of the American manufacturer, and it prohibits the development of the natural resources of this country.

Commissioner Dougherty also submitted a report in 1927 in which he showed that the profits and losses were divided amongst various members of the syndicate. There is something very significant in this. The Germans at the end of 1926 had developed a method of securing salt cake from the waste product of their potash mines. They are able to produce at a very minor cost, and they immediately endeavored to try to secure the American market, or as much of it as they possibly could; and the figures that I gave you on imports show with what success their object was attained. In about four years they go from 1,700 tons up to what this year will probably be 100,000 tons.

Senator WALSH. German cake is a waste product, is it?

Mr. POLACK. No; they use a waste product for its manufacture. I am coming to that in a minute.

Salt cake, crude, or sodium sulphate, crude, or salt cake, is on the free list. The product which is coming in as salt cake, crude, from Germany is, to my mind, not a crude product. A crude product is defined very well under minerals in the tariff act of 1922—minerals, crude, in an unmanufactured state, or not increased in value by process or refining.

The word "crude" is used many times in the tariff bill, but in minerals it is given a definition which I think is an excellent one.

Sodium sulphate that the Germans bring in here as salt cake, crude, is a manufactured product; it is a refined product. They take the magnesium sulphate, a waste product from their potash mines, and they mix it in solution with salt or sodium chloride. They put it through a cooling process and make sodium sulphate.

Senator COUZENS That is all in the House record, is it not?

Mr. POLACK. Not all of it, not just in that way. Part of it is. I am trying to be brief, Senator, but perhaps my argument runs away with me.

Senator COUZENS. We do not want a lot of repetition, because we have to read all this over, you know.

Mr. POLACK. We believe that after the Germans secure the American market they will raise their price and that the paper manufacturers will be no better off than they would be if they permitted a duty. This would surely be the case in case of war or any disturbance to freights.

There is no possibility of a monopoly of the salt-cake interests in this country. Congress passed a law in 1920 for the development of mineral resources, to promote mining. That was done for the purpose of preventing monopoly, because as soon as the price is

sufficiently high all of these millions of tons are capable of development.

It is a strange thing, but the importers of foreign cake have an advantage on inland freight rates to many of the consuming points in this country. In other words, the freight rates from the ports of entry to the consuming centers are frequently lower than the freight rates from the manufacturing plants in this country to the consuming centers.

I want to say that most of the figures and many of the facts can be obtained from the Tariff Commission. They are thoroughly familiar with it. They went over the matter in the House committee; and the Treasury Department also has many figures.

There is one other thing that I would like to call to your attention, and that is the dumping act.

Senator WALSH. Before the House committee Mr. Harvey, of Boston, appeared, representing the Advance Bag & Paper Co. and the Southern Advance Bag & Paper Co. He claims that he bought salt cake, imported, for his northern mill in Maine, and bought salt cake from Louisiana for his Louisiana mill.

Mr. POLACK. I think that imported cake was a by-product cake.

Senator WALSH. He made this statement:

We want it left on the free list. One manufacturer of salt cake in Louisiana unfortunately does not make salt cake as a by-product. All other salt cake is a by-product. So that is why the Louisiana situation is different. We are paying the Louisiana manufacturer for his salt cake, although it cuts down our buying capacity, \$14.25 a ton for his salt cake, when we are paying in the north, \$11.25.

What do you say to that?

Mr. POLACK. I can say that the northern cake he is buying is either a by-product cake or perhaps the manufacturer is selling it at a loss in order to compete with the foreign cake. I would not hesitate to say that some manufacturers might, in order to continue their business, make their salt cake in combination with other commodities, and they have to take care of their business. I do not know anything regarding the cost of the product that he is buying or from whom he is buying it.

(The brief submitted by Mr. Polack is as follows:)

BRIEF OF MYLES SALT CO. (LTD.), THE GRASSELLI CHEMICAL CO., AND THE MONSANTO CHEMICAL CO.

HON. REED SMOOT,

*Chairman Finance Committee,  
United States Senate, Washington, D. C.*

SIR: Under your ruling at the opening of these hearings that only new matter, or data not covered by the record of the hearings before the House Ways and Means Committee, be considered, it becomes necessary for us to confine ourselves largely to refuting arguments in the briefs made by those opposing our request and to add only such new figures as have come to our knowledge since the hearings before the House committee.

As is shown by the Congressional Record of May 27, 1929, page 2001, the Committee on Ways and Means of the House of Representatives agreed, after full consideration and on the basis of facts presented, to offer an amendment to the proposed tariff act providing for a duty of \$4 per ton on salt cake. This agreement was reached after advice from experts of the Tariff Commission, who, according to the statement in the Congressional Record, prepared the amendment for the committee after a thorough study of the case. This amendment was not offered for passage with the bill.

A statement was made in the Ways and Means Committee hearings that fully 95 per cent of the salt cake made in this country is a by-product, thereby

insinuating that it is a waste product. This is not a fact, as salt cake as made in America to-day is not a waste or by-product. It is being manufactured by several large chemical companies as a major product for the paper mills (and others) and were the paper mills to discontinue using it it would not be so manufactured. There was a time when large amounts of niter cake were used in the manufacture of salt cake. This niter cake was a by-product, but this is no longer a material factor in the salt cake production, as the change of method of making nitrogen by the air fixation process has gradually supplanted the old method, and it has, therefore, been found necessary to make salt cake in larger quantities without niter cake, as niter cake is no longer produced in sufficiently large quantities.

Since we filed our brief with the House committee, figures obtained through the United States Tariff Commission show imports of foreign salt cake for the first four months of 1929 of 32,259 tons. Also the following figures for the other years:

	Tons
1925.....	1,708
1926.....	5,834
1927.....	11,600
1928.....	28,228

On the basis of the figures for the first four months, the total imports for 1929 will probably be in excess of 100,000 tons, as each few months show a rapid increase over the previous few months. This increased business should and could have been taken care of by American manufacturers, and through the development of large natural deposits of salt cake in several of our Western and North-western States, which deposits are capable of large development if properly protected by a duty. The figures also show conclusively how rapidly the Germans secure and hold a market when once permitted to get a foothold.

American cake manufacturers increased their plants and kept up with the increased demands of the paper mills, as in shown by the figures in the files of the Tariff Commission, production increasing from 131,000 tons in 1921, to 225,000 tons in 1927. The imported cake in 1928 displaced approximately the tonnage of American plants that were compelled to close down owing to German dumping at low prices in this country. The larger and ever-increasing imports during 1929 indicate the extent to which the American industry has already been stifled and not only will these imports prevent the extension of existing American plants and the development of the natural salt cake beds of the West but these extensive imports will also cause curtailment in the presently operating plants for the manufacture of cake. This will have the added effect of curtailing muriatic acid manufacture in this country with consequent hardship on the many industries in which it is an essential product.

When an extensive American industry is threatened with ruination by foreign invasion, we do not think it fair to American industry or investment to permit its product to remain on the free list, where it can not secure recognition of the Tariff Commission for investigation and later revision of duty under the old or the presently proposed tariff acts. While we have asked that a duty of at least \$5 per ton be placed on foreign salt cake, under the flexible section of the tariff act, if it were shown after investigation by the Tariff Commission that conditions had changed and that the American paper or other industry was suffering on account thereof, the President could under the law reduce the duty 50 per cent, or \$2.50 per ton, in which instance the Germans could absorb the entire duty and still make a profit on their waste-product cake and continue to furnish cake to American consumer at no higher than the present price.

We believe Congress would not be looking far enough ahead in assuming an attitude on this proposition which will not only preclude the possibility of the development of the natural deposits or the manufacture of salt cake in this country but will no doubt cause the disintegration of some of the existing plans for its manufacture. Anything that will happen to disturb the peace of the world or disturb freight rates on their foreign shipments would leave the users of sodium sulphate in this country without an adequate immediate or near-by source of supply. In making this statement we are not unmindful of the natural deposits in the far West, as these deposits require large investment and development in order to produce rapidly. They are now closed down, and neither they nor manufacturers of salt cake will be disposed to build plants for its development or manufacture if it remains on the free list and the investments in plant and machinery allowed to be jeopardized by free foreign cake.

To place any part of the chemical industry of this country in a position where it would be dominated or controlled by foreign interests we believe would be unwise, to say the least, judging from past experiences.

It is a well-known fact that prior to the World War Germany practically controlled the largest part of the chemical industry of the world.

The German "I. G.," or dye trust, are the second largest producers of sodium sulphate in Germany and are part of the *Sulfat-Vereinigung*, which is the German syndicate or cartel that controls the production, the distribution, and the price of practically every sodium-sulphate manufacturer in Germany. They can well afford to put sodium sulphate into this country at prices so low as to destroy the American sulphate and muriatic acid manufactures. The *Sulfat-Vereinigung* controls the product of the sulphate made from the *Kaiseroda* potash refuse. There is no question that this product can be manufactured at a price and delivered to American ports below the cost of the American manufactured product. They can ship this in unlimited quantities, according to reports received from an American department investigation in Germany. The Germans claim that their "*Kaiseroda*" salt cake is about 98 per cent pure sodium sulphate, though they ship it into the United States as salt cake, crude, free of duty.

From this it can be seen that German control, with their cheap sodium shipped in as salt cake, crude, duty free, would also very easily control, without fear of competition, the manufacture of Glauber's salts and anhydrous sodium sulphate in the United States, and they can seriously injure salt cake and muriatic acid business of the United States.

Again, in case of the peace of the world being disturbed so as to affect foreign shipping, this would affect the textile and rayon industries in this country very seriously, where the anhydrous sodium sulphate finds a market. In other words, many industries dependent upon sodium sulphate, or salt cake, crude, Glauber's salts, and anhydrous sodium sulphate, would be dependent upon the Germans for their source of supply. And the destruction of a considerable part of the present source of supply of muriatic acid would be caused thereby.

What will happen after the American manufacturer is forced out of business can well be imagined. The Germans will then raise their price, and the American manufacturers needing salt cake will find themselves without a readily obtainable reasonable source of supply in this country.

It is our belief that even if we should be granted a duty of \$5 per ton on salt cake, we could not secure more than approximately \$2 to \$2.50 additional for our salt cake on account of the Germans being able to ship it here at such a low cost and with low freights.

The experts of the Tariff Commission are familiar with all the facts, having gone over them thoroughly for the House Ways and Means Committee.

In the House hearing it was stated that of the 200,000 tons of cake used in 1928 less than 20,000 tons were imported. Department of Commerce figures show 28,000 tons imported, and almost 32,250 tons during the first four months of 1929, indicating probable imports of 100,000 tons for 1929.

It was also suggested that a duty on salt cake would give one company a monopoly in the Southern States. This could not happen on account of the large deposits of natural cake in the West that can be developed if a duty is placed on salt cake. These natural deposits are a protection against a monopoly in any part of this country because just as soon as the price would go sufficiently high this cake would come on the market in ever increasing quantities; and this supply would always be available if it is permitted to be developed under a protective duty. Furthermore, the foreign cake made from a waste product would always be available to the Gulf ports at a low price, and it would be impossible, therefore, to maintain a monopoly inasmuch as the freight rates from the Gulf ports to consuming points in the South are in many instances lower than (and in others equal to) the freight rates from domestic works to the consuming points. Strange as it may seem, the importers have a distinct advantage in domestic freight rates; of the 12 consuming points in the far South in Texas, Louisiana, Mississippi, Arkansas, and Alabama, 6 of these points have lower freight rates by 4 to 12½ cents per 100 pounds from Gulf ports than from the nearest domestic cake-producing points, and these six points will consume almost one-half of the salt cake consumed in that section.

We respectfully submit our request that the tariff bill as proposed be amended in accordance with the wording of the paragraph as prepared by the Tariff Commission experts and including a duty of \$5 per ton on sodium sulphate, known as salt cake, as follows:

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Page 30, line 20, after the words "anhydrous," strike out "\$4 per ton," and preceding the semicolon add the words "and sulphate by whatever name known, including salt cake and mixtures in chief value of any of the foregoing, \$5 per ton."

Page 233, line 5, strike out the words "or sulphate, crude or salt," and in line 6, strike out the first word "cake."

We also refer you to pages 800 and 881, Volume I, Schedule 1, covering paragraph 83, and pages 9318 to 9338, inclusive, covering paragraph 1607 of the free list as in Volume XV, Schedule 15, of the hearings before the House Ways and Means Committee.

We join in the above brief.

Respectfully submitted.

MYLES SALT CO. (LTD.),  
By ROBERT H. POLACK.  
GLASSELL CHEMICAL CO.,  
By HENRY HOWARD.  
MONSAUTO CHEMICAL CO.,  
By J. W. BAUER.

WASHINGTON, D. C., June 18, 1929.

Hon. REED SMOOT,

*Senate Finance Committee, Washington, D. C.*

SIR: In connection with the request for a duty of \$5 per ton on salt cake (sodium sulphate), we have, in our method of manufacture, developed a usage for by-product gases in connection with other American raw commodities for the manufacture of a concentrated high-class fertilizer. This fertilizer is particularly efficacious for acid and wet soils.

We also produce a product of considerable importance as an adjunct mineral feed for livestock and poultry. Both of the above products have demonstrated their usefulness to benefit the farmer by increasing the productivity of his lands and adding to the healthfulness and productivity of his livestock and poultry.

To secure these products, we must first manufacture salt cake, and unless we are protected by a duty from the imported cheap cake, we could not be expected to increase our investment and employment of labor for its manufacture or the manufacture of the products above referred to, and in consequence we would not be able to make increased amounts of these much-needed aids to the farmer.

This business has been started by us after an expenditure of large amounts of money in research and development experimentation, and of several hundred thousand dollars in plant investment.

Respectfully submitted.

MYLES SALT CO. (LTD.),  
By ROBERT H. POLACK.

WASHINGTON, D. C., July 12, 1929.

## BRIEF OF THE AMERICAN SODIUM CO., RHODES SALT & BORAX CO., SODIUM PRODUCTS CORPORATION, AND WESTATES CO.

### INTRODUCTION

The undersigned respectfully request that a duty of at least \$5 per ton be placed on "sodium sulphate, anhydrous, and sulphate by whatever name known, including salt cake and mixtures in chief value of any of the foregoing."

As reasons we advance the following:

1. German competition now supplies over 71 per cent of domestic kraft pulp mill requirements to the great loss to American producers.
2. Price recessions amount to over 50 per cent due to Germany competition. (See Summary of Tariff Information, 1929, p. 2591.)
3. The necessity of protecting essential industries from complete ruin so this Nation can be self-contained in times of national emergencies.
4. Germans using unfair sales methods to evade tariff act of 1922.
  - (a) Dumping.
  - (b) Misclassifying.

5. Loss to American railroads of \$3,000,000 yearly in revenues.  
 6. Loss to American sodium sulphate manufacturers of \$2,000,000 yearly and a further steadily increasing loss."

## SODIUM SULPHATE IN TARIFF OF 1922

In the tariff act of 1922 (H. R. 7456), paragraph 83, we find "sodium sulphate, crystallized or Glauber salt, \$1 per ton; sulphate, anhydrous, \$2 per ton." In paragraph 1667 we find "Sodium sulphate, crude, or salt cake," duty free. The tariff act of 1922 divided sodium sulphate into three main classifications:

1. Crystallized or Glauber salt. (Par. 83.)
2. Anhydrous. (Par. 83.)
3. Crude or salt cake. (Par. 1667.)

These different grades of sodium sulphate are defined by Summary of Tariff Information, 1920, on tariff act of 1922.

Glauber salt, or crystallized sodium sulphate is stated to be "a crystalline solid containing 55 per cent water of crystallization."

Anhydrous sodium sulphate is given as "a white amorphous powder containing no water of crystallization." (Note: It may also be crystalline.)

Sodium sulphate crude, or salt cake, is defined as "a crude form of anhydrous sodium sulphate; occurs in lumps or powder, containing 96 per cent sodium sulphate together with salt, sulphuric acid, and impurities."

## PRODUCTION

According to the Summary of Tariff Information 1929 (p. 2589), the number of plants operating and producing the principal forms of sodium sulphate were as follows in 1927:

1. Glauber salt.....	20
2. Anhydrous.....	5
3. Salt cake.....	35

## NATURAL DEPOSITS OF SODIUM SULPHATE

While the main source of supply of sodium sulphate has been from acid manufacturers American chemists have been developing methods for producing this material from brine lake or vein deposits widely scattered throughout the Pacific and Southern States.

The methods necessary to economically produce sodium sulphate from these natural deposits have been worked out at considerable expense, and the money has been advanced based on the expectation of securing the then average current price of salt cake, i. e., \$21 per ton of 2,000 pounds, f. o. b. producers' works.

Our Government has recognized the value and desirability of developing our sodium-sulphate deposits as shown by the act of Congress approved February 25, 1920, entitled "An act to promote the mining of coal, phosphate, oil, oil shale, gas, and sodium on the public domain." This law was not only designed to promote the development of deposits but to protect the Nation and prohibit the formation of a monopoly. Leases on the public domain have been granted under this law and to further encourage the development of sodium deposits the Seventieth Congress passed legislation reducing the Government royalty and changing certain provisions to still further encourage their development.

All this encouraging legislation will be nullified unless the protection herein requested is granted.

The Summary of Tariff Information, 1929, says regarding the possibilities of these deposits, that they are "a source of increasing supply" (p. 2589).

While American chemists have devised methods for the economical production of our deposits, it is interesting to note that the Germans are actually processing into sodium sulphate huge quantities of their formerly discarded magnesium sulphate, a by-product of their potash operations.

The Summary of Tariff Information, 1929, says of this development, "The production of sodium sulphate in Germany was introduced to utilize a part of the large quantities of the waste of magnesium sulphate associated with potash production."

The German sulphate is a by-product while ours is our principal product. They have a well-developed market for their product in their own and in neighboring, highly industrialized European countries. The American producer is entirely dependent on domestic consumption.

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## LOCATION OF NATURAL DEPOSITS

The United States Geological Survey, Bulletin 717 (1923), reports over 35 known sodium-sulphate deposits. They are located in the following States: Arizona, California, Colorado, Idaho, Nevada, Oregon, Texas, Utah, Washington, and Wyoming.

Many of these deposits have been worked commercially and are equipped or under development at the present time.

One of these deposits has a conservatively estimated sodium-sulphate content of over 30,000,000 tons which, given reasonable protection from cheap German material, can be worked profitably at the present time.

The Sodium Products Co., whose deposit is located at Camp Verde, Ariz., operated up to the middle of 1928, at which time the plant, employing over 60 men, due to German competition, was forced to shut down.

The deposit operated by this company has been certified by the department of mines, University of Arizona, to have a proven tonnage of 2,500,000 tons of sodium sulphate, with possibilities of 25,000,000 tons.

This company has equipment installed at the present time capable of producing over 100,000 tons a year.

Said Sodium Products Co. sold sodium sulphate to the principal kraft pulp mills in the Southern States at \$21 delivered, and is in receipt of letters, copies of which are printed hereinafter, from the International Paper Co. and the Brown Paper Mills Co., commending the quality of their product and expressing the wish that they could continue purchasing from said Sodium Products Co. in the future.

This wish did not prevail over German offerings at \$13.50 f. o. b. Gulf ports, which the American company was unable to meet because of a \$12 freight rate from Clarksdale, Ariz., to southern points, as against the German combined rail and water rate of \$5.08 to Gulf ports.

Properties in Nevada, Utah, Washington, and Wyoming are ready to deliver over 200,000 tons yearly and are capable of much greater production.

Great Salt Lake, Utah, is estimated to contain over 30,000,000 tons of recoverable sodium sulphate.

Given adequate protection, a great many other natural producers would start up and build up small communities around these deposits, giving work to thousands of people, benefiting American labor and railroads, while domestic competition would keep prices below what pulp manufacturers have been accustomed to pay.

## RELIABILITY AND QUALITY OF NATURAL PRODUCT

The largest German producer of salt cake, Kaiseroda, manufactures its product from materials secured from a natural deposit.

Prior to 1927 the German chemists had not been able to work out a very economical process. The Germans were dumping their waste after extracting their potash, into the rivers, thereby polluting the same. As their operation expanded in output of potash, this pollution naturally assumed grave and dangerous proportions. Something had to be done or shut down. In that year they discovered a method of utilizing and solving this magnesium waste and are producing 130,000 tons a year by it of sodium sulphate.

American chemists have been working on methods for developing our natural deposits and have also perfected economical means of handling the salts found therein.

Large amounts of money have been expended experimenting with processes for working these brines and veins, and said processes have been successfully completed and operated.

Sodium sulphate can now be loaded on cars, profitless, in bulk, for under \$7 per ton.

With quantity production and a staple and protected market, it is probable that American producers can manufacture sodium sulphate and compete even abroad with the German figures.

Said domestic producers have offered salt cake at \$15.50 to \$10 per ton in bulk, delivered to the Pacific coast kraft mills, and have offered to post a bond guaranteeing delivery and quality.

Domestic natural producers have offered salt cake at \$19 to \$21 per ton delivered in bulk to kraft pulp mill consumers in the South, and have offered to post a bond guaranteeing deliveries and quality to said consumer.

None of these offers have been accepted in the face of German offerings of \$13.50 delivered in bulk at both Gulf and Pacific coast mills.

The American chemist can do what the German has done, but the difference in American labor and transportation costs nullify our chemists' work.

We present herewith an analysis of domestic natural sodium sulphate, as compared to the German product.

	Ameri- can	German		Ameri- can	German
	Per cent	Per cent		Per cent	Per cent
Sodium sulphate.....	98.09	96.29	Iron.....	.03	.23
Salt.....	.25	.26	Sodium carbonate.....	.10	.....
Calcium sulphate.....	.....	.80	Moisture.....	.08	.....
Aluminum sulphate.....	.....	1.49			
Magnesium sulphate.....	.....	.07			
Water insoluble.....	.55	.80		100.00	100.00

Domestic sodium sulphate is superior in every respect to this German material, but can not be delivered at competitive prices.

The Sodium Products Co., a natural producer, is in receipt of the following letter from the Brown Paper Mill Co.:

BROWN PAPER MILL CO. (INC.),  
Monroe, La., September 30, 1927.

MR. R. W. COAD,  
President Sodium Products Corporation, Los Angeles, Calif.

DEAR MR. COAD: We are to-day forwarding you, under separate cover, contract for 3,500 tons of salt cake (at \$21).

We prefer your cake to any manufactured product, and as long as we can consistently do so will use it for at least part of our requirements, even at a slightly higher price.

The cake we have been receiving of you has been very even in quality and also in size. We find that the pea size you are sending results in appreciable less stack losses. Also on account of its freedom from acid it does not collect moisture and harden in large lumps, as the manufactured cake has a tendency to do.

We trust that your efforts to secure a better freight rate will meet with success, etc.

Yours very truly,

THE BROWN PAPER MILL CO. (INC.),  
GEORGE S. HOLMES,  
Vice President and General Manager.

In objecting to a duty on salt cake the above company stated that the natural product was "an inferior commercial salt cake."

The vice president of the International Paper Co., another kraft paper mill that objected to a duty on salt cake as well as referring to the natural product as inferior, wrote the Sodium Products Co. as follows:

SOUTHERN INTERNATIONAL PAPER CO., LOUISIANA MILL,  
Bustrop, La., April 9, 1928.

MR. R. W. COAD,  
President Sodium Products Corporation, Los Angeles, Calif.

DEAR MR. COAD: I am in receipt of your favor of the 5th instant, and pleased to note that you will be in a position to supply large tonnage of sodium sulphate beginning of the year 1929.

Our requirements, as previously stated to you, will be a minimum of 40,000 tons per year, all of which we are hopeful of being able to purchase from you. As from previous experience we know your product to be of high quality and from which we obtain splendid results.

Yours very truly,

INTERNATIONAL PAPER CO.,  
R. J. CULLEN, Vice President.

In the face of the above two letters, which are used in preference to others because of the prominence of the companies involved, and with the quality of the natural German product as an added testimonial, we do not see how the paper people can make the claim they do.



Regarding the ability of the natural producer to deliver at a reasonable price, we submit the following two telegrams from the International Paper Co to the Sodium Products Corporation:

BASTROP, LA., April 23, 1927.

SODIUM PRODUCTS CORPORATION,  
Los Angeles, Calif.:

Retel ship 90 cars at rate of 15 cars per week.

SOUTHERN INTERNATIONAL PAPER CO., LOUISIANA MILL.

Said Sodium Products Corporation at considerable expense increased its output to take care of this customer, but one month later received the following wire:

BASTROP, LA., May 24, 1927.

SODIUM PRODUCTS CORPORATION:

Retel please reduce shipments 275 tons per week; 24 cars now en route; have our storage bins full, etc.

SOUTHERN INTERNATIONAL PAPER CO., LOUISIANA MILL.

From the Brown Paper Mill Co. came the following wires:

MONROE, LA., March 17, 1927.

SODIUM PRODUCTS CORPORATION:

Re letter 9th we can use five additional cars cake. If accepted ship promptly as possible, advising car numbers as shipped. Auswer.

BROWN PAPER MILL.

On March 24 came the following wire:

SODIUM PRODUCTS CORPORATION:

Re phone conversation date, ship 600 tons salt cake, shipping three or four cars immediately, balance rate of 100 or 125 tons per week, wiring car number and date of shipment, as we must expedite movement all possible.

BROWN PAPER MILL.

On May 23 the following wire was received:

SODIUM PRODUCTS CORPORATION,  
Los Angeles, Calif.:

We are full up on salt cake and five cars in yard. Ship no more this month.

BROWN PAPER MILL.

The urgency regarding shipment was caused by the shutting off of by-product cake during the Mississippi flood of 1927.

Then the kraft pulp mills would pay a higher price for a reliable supply, but as soon as their danger had passed they canceled their increased orders, to the loss of the Sodium Products Corporation.

We submit that the above does not reflect failures, unreliability or inferiority on the product of the natural producer, who has worked at great disadvantage to turn out a high grade, reliable material, the market for which has been ruined by the Germans.

#### BY-PRODUCT SALT CAKE PRODUCTION

According to the Summary of Tariff Information, 1929, there were 32 plants producing 202,636 short tons in 1927. According to the same authority kraft pulp consumption of sulphate was only 103,000 tons.

These plants were widely scattered throughout the United States, being located in different States, including the following: New Jersey, Connecticut, New York, Colorado, Massachusetts, Illinois, Indiana, Louisiana, California, Ohio, Iowa, Pennsylvania, Arkansas, Texas, West Virginia, and Delaware.

The Summary of Tariff Information says that "Since 1921 several plants have been built in Louisiana to produce salt cake," and "this salt cake is used in the manufacture of kraft paper, an industry which is growing rapidly in Louisiana."

This shows that the American chemical industry given reasonable prices for their products will adequately supply the demands of domestic manufacturers in the future as it has in the past.

## IMPORTANCE OF SODIUM SULPHATE INDUSTRY

During the World War when the kraft pulp mills of Sweden were unable to secure their supplies of sulphate from Germany they entered the American market and bid the price up to as high as \$40 per ton and again in 1920, due to internal troubles in Germany, to \$60 per ton.

It was fortunate the domestic producers were not only able to supply American consumers but Canadian and European as well, otherwise many products of vital importance to the success of our military efforts and those of our Allies could not have been delivered.

This Nation should protect all industries which tend to make is self-contained, so that in times of emergency such as have so recently been experienced we may not be embarrassed by lack of essential material.

This is the basis on which Germany's chemical industry is fostered. To quote from Department of Commerce Trade Information Bulletin No. 451: "In initiative in development of processes and products, the chemical industry is guided to an extent by the desirability of emancipating the (German) nation, as far as possible, from dependence on foreign sources of raw or other materials."

## GERMAN PRODUCTION

Special Report No. 7, written by Mr. Daugherty, Bureau of Foreign and Domestic Commerce, at Berlin, Germany, and dated July, 1927, gives the principal German producers of sodium sulphate, together with their respective outputs, as follows:

	Output
1. Kaiseroda Potash Works (Wintershall)-----	130,000
2. I. G. Farbenindustrie A. G. (German Dye Trust)-----	88,000
3. Chemische Fabrik Kalk-----	20,000
4. Rhenania-Kunheim-----	20,000
Subtotal-----	258,000

The above plants, according to Mr. Daugherty, "lead German production and which come especially in question as competitors of American firms."

Heading the list of our competitors are the German potash and dye trusts. These two great trusts have combined together with other German sodium sulphate producers, according to Mr. Daugherty, into "Sulfat-Syndikat."

This syndicate has typical (German) powers, such as allocating production and price fixing.

It is interesting to note that the German potash trust has recently been held guilty of unfair trade methods by the United States Department of Justice.

## COMPARISON OF GERMAN AND AMERICAN COSTS

We print below a copy of the consular invoice of a recent 500 $\frac{1}{2}$ -ton shipment of German sodium sulphate to the Pacific coast (454,000 kilos=500 $\frac{1}{2}$  tons):

	Per ton	Per ton
Packing 97,285 sacks-----	\$972.85	\$1.90
Freight to Hamburg f. o. b. (exp. inc.)-----	1,189.05	2.38
Sea freight-----	2,043.00	4.08
Insurance-----	88.00	
Consular fee-----	2.50	.18
Sold for \$15.05 delivered		
Commission, 1 per cent of sales price-----		.16
Total cost German plant to United States-----	4,295.40	8.70

Using the above figures and presenting known American costs of production and transportation charges, we submit the following comparison:

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German competition on Pacific coast

	German	American by-product	American natural
Railroad.....	\$2.38		\$7.50
Ocean.....	14.08	\$2.50	
Fees and insurance.....	.18	.05	
Commission and incidentals.....	.16		
Sackings.....	1.90	2.25	2.25
Production costs.....	44.50	10.00	6.75
Total.....	13.20	15.30	16.50
German sales price.....	15.05	15.05	15.05
Profit.....	2.75	.05	1.55

<sup>1</sup> Includes \$1.20 Panama Canal tolls.

<sup>2</sup> Estimated.

<sup>3</sup> Loss.

German competition on Gulf coast

	German	American by-product	American natural
Railroad.....	\$2.38	17.00	\$12.00
Ocean.....	2.70		
Fees and insurance.....	.18		
Commission and/or incidentals.....	.16		
Production costs.....	44.50	10.00	6.75
Total.....	9.92	17.00	18.75
German price per ton, Gulf ports.....	13.50	13.50	13.50
Profit.....	3.58	13.50	15.25

<sup>1</sup> Average rail rate.

<sup>2</sup> Estimated.

<sup>3</sup> Loss.

It is obvious that a \$5 tariff will barely equalize the difference in costs between German and American costs.

Where producers are located close to consuming mills, a small profit can be made with the assistance of a \$5 tariff.

GERMAN COMPETITION

The American salt cake producers had been receiving from 1917 to 1926, inclusive, an average price of \$21 per ton in bulk f. o. b. their plants.

The price between 1921 and 1926 had been practically pegged above \$20, varying less than \$5 per ton during these seven years, or from \$23.40 in 1921 to a peak of \$24.75 in 1923 and downward to \$20 in 1926.

During 1926 Germans first began to actively compete in the American market. This was due to the near completion of the Kaiseroda works at Morkers, Thuringia, owned by the famous Wintershall potash concern in that year.

This plant utilizes (according to Special Report No. 7, Bureau of Foreign and Domestic Commerce, dated July 25, 1927, from William T. Daugherty, American trade commissioner at Berlin, Germany) a large part of the 800,000 tons of magnesium chloride and magnesium sulphate formerly wasted.

Mr. Daugherty goes on to say that "It is believed, considering its cheap (formerly waste) raw materials, and other favorable conditions characterizing the entirety of Kaiseroda production, that this operation produces cheaper Glauber salt (hydrous sodium sulphate) than any other operation in Germany."

This Kaiseroda plant, utilizing former waste products, suddenly increased German production by 130,000 short tons. As the European market could not absorb this vast increase, and as mass production was necessary to secure the desired low per unit costs, an energetic campaign was embarked on to capture the American market.

This was done by ruthless price cutting, so that from a start with 5,508 tons sold here in 1926, the sales in the United States mounted to 28,228 short

tons in 1928, or about four times the 1920 total, and during the first four months of 1929, the total imports for 1928 have already been exceeded over 4,000 tons.

At the present (1929) rate of imports of over 8,000 tons per month, the Germans will have delivered to American consumers almost 100,000 tons for the full year (1929).

This is an increase of 350 per cent over 1928 and 1800 per cent over 1926.

The present rate of import of salt cake (100,000 tons for 1929) will supply over 70 per cent of the total kraft pulp mills requirements.

This German competition must be met at seaboard and as the great majority of the new kraft pulp mills are located on deep water, such mills are being supplied entirely by German materials, made by German labor, and shipped in German ships.

For every ton of German salt cake sold in the American market, the same amount is lost to the American producer, who buys American supplies, pays taxes to support our Government, employs American labor at American wages, and ships his salt cake on American railroads.

If domestic producers had not supplied the kraft pulp mills and other industries fully and satisfactorily and could not continue to do so; if we were petitioning to have a heavier burden placed on the buyer than he had been accustomed to over a period of 10 years prior to 1927, we could understand the objections raised to our petition for help.

#### GERMAN PRICE CUTTING

For six years prior to 1927 the price of domestic salt cake f. o. b. producers' plant averaged over \$21 per ton.

In 1927 the price, because of German competition, went down to \$18.50 per ton. Then came increasingly larger shipments of the German product and the latter half of 1928 and in 1929, according to figures in the Summary of Tariff Information, 1929, the price has been \$10 per ton, as a result.

This is a drop of over 50 per cent, and no industry operating under normal conditions can long survive such a drastic reduction.

We set forth below figures taken from the Summary of Tariff Information, 1929, which shows very clearly the situation faced by the domestic producer.

	Salt-cake imports	Price, salt cake f. o. b. works
1922.....	638	\$20.90
1923.....	1,717	21.75
1921.....	3,600	20.60
1925.....	1,708	19.00
1926.....	5,898	20.00
1927.....	24,975	18.50
1928.....	22,203	13.50
1929.....	32,270	10.00

<sup>1</sup> United States Geological Survey Bulletin No. 717; others not available.

<sup>2</sup> These figures do not agree with Department of Commerce figures which are two to three thousand tons higher.

<sup>3</sup> 4 months (yearly rate 100,000 tons), Department of Commerce figures.

<sup>4</sup> Based on figures given in Summary of Tariff Information, 1929, for the last 6 months of 1928.

In objecting to the granting of a \$5 duty on sodium sulphate, the opponents of this legislation claimed that less than 20,000 tons of sodium sulphate were imported during 1928.

According to Department of Commerce statistics, 28,228 tons were imported in 1928.

The objectors would have one believe that so small an importation would have no effect on domestic prices.

Yet when any of the products of the paper companies are affected by foreign competition, however slight, we find them, through the president of the American Paper and Pulp Association stating to the House Ways and Means Committee that "While this amount may not seem to bulk large as compared with the output of the industry (\$1,000,000,000 yearly), we call attention to the well-recognized fact that in many lines a comparatively small quantity of

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an article can 'make the market' for an industry's entire production" (p. 6820, tariff readjustment, 1929).

Mr. Everest gave the production of the paper industry as \$1,000,000,000 and stated imports of dutiable paper as being \$18,000,000 or less than 2 per cent.

When questioned on this point by Mr. Garner (p. 6825, tariff readjustment), the following answers were given:

"Mr. GARNER. You want to readjust this schedule now, when there is less than 2 per cent coming into the country. You propose to 'check it up' so as to make it water-tight as to the entire schedule, whenever there is a little leak, where there are some importations coming in.

"Mr. EVEREST. The change involved—

"Mr. GARNER. That is really what you are doing, is it not?

"Mr. EVEREST. Naturally, we are."

The Germans are now supplying over 71 per cent of these paper companies' requirements of sodium sulphate, and in spite of Mr. Everest's assertions heretofore set forth, and his statements (p. 6822, line 10, tariff readjustment, 1929), that, "This industry believes in proper protection for all industry," and (p. 6821, par. 15, of above authority), "This study shows that various changes in both rates and phascology are vitally necessary if the American manufacturer is to be given an equal chance in the American market with the foreign producer," and lastly (p. 6820, par. 7), Mr. Everest says " \* \* \* the American manufacturer is now faced with competition from Europe and other foreign countries which, in view of the (low) cost of foreign labor and materials, can not be met unless a substantial adequate protection is maintained."

The price of sodium sulphate has declined over 50 per cent (Summary of Tariff Information, 1929, p. 2591), as the following table, copied in its entirety from the above authority, illustrates:

(Dollars per ton in bulk f. o. b. works)

	1923	1924	1925	1926	1927	1928
January.....	25	22	18	20	20	17
April.....	25	23	20	20	18	17
July.....	25	17	18	20	18	10
October.....	24	18	20	20	18	10
Salt-cake imports, in long tons	4,717	3,060	1,705	5,598	9,975	25,203

The American producer is meeting the competition of the two largest and strongest chemical concerns in Germany, or in the world, i. e., the great potash and dye trusts, who have combined their resources in a syndicate, having authority to allocate production and fix prices (maintain a profitable price where no competition exists, or crush competition by cutting prices where such competition does exist); and, according to Foreign Trade Commissioner Mr. Daugherty's Special Report No. 7, "If loss is sustained, it would be carried by the syndicate, of course, and met by all members who can be presumed to be profiting comfortably on domestic (German) sales at around \$14-\$15 per ton, coupled with export sales to neighboring markets."

This is the method now being pursued and as soon as the American producer has been ruined, German prices will be raised and the German syndicate make up its losses by raising its prices.

In fact, that is just exactly what they have done, i. e., contracted the business for 1929 and 1930 at \$13.50 a ton and then raised their quotations to \$17.95 to a "no-market" patronage.

Two points are worthy of note in respect to this German combine.

First, that European ships are carrying German sodium sulphate from Hamburg and/or Rotterdam to the United States for from \$2.50 (Gulf) to \$4.08 (Pacific coast) per ton (the latter figure includes \$1.20 Panama Canal tolls), whereas the American producer must ship his sodium sulphate to European markets on foreign ships at a charge of \$8 per ton.

Second, while the United States admits sodium sulphate, crude, or salt cake free, Germany, with cheaper labor and waste materials, has protected this chemical with a \$0.60 per ton duty.

This \$0.60 per ton duty on imports of sodium sulphate to Germany would, if treated under our tariff act of 1922 the same way as our pulp, cement, lumber, and other schedules automatically entitle American salt-cake producers to the same protection. (Countervailing clause.)

Sixty cents per ton duty in Germany is equivalent to many times that amount based on American standards.

#### DIFFERENCE IN TRANSPORTATION COSTS

While German producers have the complete cooperation of German railroads and ships in reaching the American market, the domestic producer has to pay transportation charges, based on the American standard.

It costs \$12 per ton to transport sodium sulphate from California, Nevada, Arizona, or other Western States to Gulf ports, whereas the Germans pay from their plants only \$5.08.

It costs \$7 per ton to transport sodium sulphate from Illinois, Missouri, or Ohio to Gulf ports against German charges of \$5.08.

It costs \$13 per ton to transport sodium sulphate from Illinois, Ohio, or Missouri to Oregon or Washington mills as against the German charges of \$5.26.

#### TIDEWATER COMPETITION

German competition, especially in the Pacific and Gulf States, must be met at tidewater, where the kraft pulp mills are located.

European ships there unload German salt cake, after traveling many thousand miles, at a lower transportation cost than that of the domestic producer.

Germans therefore are now supplying the entire requirements of the mills so located near tidewater.

This is resulting in loss of revenue to American railroads of around \$3,000,000 per year. Volume for the railroads means cheaper rates on farmers' products and general economic benefits and profits.

#### GERMAN DUMPING

German producers, according to Mr. Daugherty's special report No. 7, are selling for \$14 to \$15, delivered to consumer's plant in Germany.

They are selling refined sodium sulphate for \$13.50 in bulk on the Gulf and Pacific coasts.

According to the invoice of a recent importation of German sulphate, it costs them \$6.80 to deliver this material to Pacific coast plants.

The German manufacturers, therefore, received \$6.70 for their salt cake f. o. b. German plants, as against \$10.30 received for the same product when sold to German consumers.

This is a difference of \$3.60 per ton, and shows to what lengths Sulfat-Syndikat has gone to cripple producers in the United States.

A \$5 duty on sodium sulphate will barely equalize this difference in costs of manufacturing and transportation and then only for plants favorably situated, as to freights to consuming mills.

The kraft paper manufacturers, although highly protected by our tariff, also complain of this difference of transportation costs.

Mr. Harvey (Tariff Readjustment, 1929, p. 9325) says the "cost of transportation from Scandinavian points to ex-docks at Boston, Baltimore, Portland, and New York is approximately \$5. Our costs from our mill in the State of Maine to our nearest mill in the State of Maine is \$7.50 per ton."

But Mr. Harvey's company, the Advance Bag & Paper Co., is protected on its paper bags to the extent of \$100 per ton and 20 per cent ad valorem.

This so-called tariff on a product where very little human labor is employed (the manufacturing being done by machines), is not a tariff but an inhibition.

The sodium sulphate producer, meeting ruinous competition due to a newly-developed German process for the salting of waste material is in need of protection.

#### MISCLASSIFYING

As hereinbefore set forth, sodium sulphate is divided into three main divisions under the tariff act of 1922, i. e., Glauber salt or crystallized, anhydrous, and sodium sulphate, crude, or salt cake.

Glauber salt is dutiable at \$1 per ton, anhydrous at \$2 per ton, and sodium sulphate, crude, or salt cake, is free.

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The House bill recently passed increased the duty on anhydrous from \$2 to \$4 per ton.

We have previously recited herein, using the Summary of Tariff Information, 1920, that there is very little difference between anhydrous and salt cake.

The main consumers of these chemicals use whichever is cheapest.

This has allowed the Germans to evade our tariff act of 1922, because they are shipping here three distinct grades of salt cake or sodium sulphate, crude. First, real salt cake, which always contains acid.

Second, anhydrous sodium sulphate from a natural product and without acid.

Third, a blend or mixture of the above.

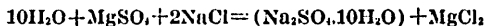
This is done for the purpose of evading the tariff of \$2 per ton on anhydrous sodium sulphate.

The principal source of German sulphate is the huge potash deposits such as are found at Stassfurt.

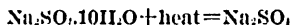
At Stassfurt sodium sulphate is manufactured from complex salts known as carnallite and kieserite. The salts therein are dissolved in water.

The potash is first extracted and then the liquor containing magnesium sulphate ( $MgSO_4$ ) among other salts, remains.

Using magnesium sulphate and running this solution into a brine with sodium chloride and artificially cooling it (freezing process, so called), hydrous sodium sulphate ( $Na_2SO_4 \cdot 10H_2O$ ), known as Glauber's salt, is obtained according to the following reaction:



This hydrous (55 per cent water) sodium sulphate known as Glauber salt is then dissolved and to the resulting solution heat is applied and said solution is then dehydrated (evaporated), and, of course, anhydrous (without water) sodium sulphate is obtained as follows:



In other words, the water only is evaporated (by artificial application of heat), from hydrous sodium sulphate (Glauber salt), to make the German sodium sulphate, which they are shipping here, *not* as anhydrous sodium sulphate which it really is, but as "salt cake" and/or sodium sulphate, crude, which is incorrect.

Witness what happens:

The Germans manufacture hydrous sodium sulphate (Glauber salt), which is dutiable at \$1 per ton.

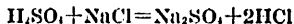
They dehydrate by heat this hydrous sodium sulphate, and, naturally, the resulting product contains practically 100 per cent of sodium sulphate.

Then, by merely changing the name of this product to salt cake, or sodium sulphate, crude, they have been getting this material in under said paragraph 1607, duty free.

This is a remarkable piece of tariff identification.

Salt cake's derivation is clearly indicated by the name itself.

It is the by-product resulting from the manufacture of hydrochloric acid by the following reaction of sulphuric acid on common salt (sodium chloride):



The sodium sulphate (salt cake) resulting always contains acid until processed or refined. It also contains other impurities, generally salt (sodium chloride).

Much of the German material described above and now sold here contains no acid.

Sodium sulphate, crude, is the natural sodium sulphate as found in nature in brine lakes or veins, as at Clarkdale, Ariz.; Wauabuska, Nev.; Great Salt Lake, Utah; and elsewhere.

The German material shipped in as "crude" does not occur as a natural, native or crude sodium sulphate in their potash deposits.

It is a manufactured product pure and simple, and necessitates at least three distinct steps to obtain.

The tariff act of 1922 (H. R. 7450), paragraph 1610, gives a definition of what constitutes a "crude" mineral.

Said paragraph says:

"Minerals, crude, or not advanced in value or condition by refining or grinding, or by other process of manufacture, not specially provided for."

How can this German sodium sulphate, all of which is processed, and a new chemical combination obtained thereby, i. e., magnesium sulphate and sodium chloride by separating the magnesium from the sulphate and combining the latter with sodium, enter duty free as "crude"?

Regarding German evasion of our tariff act of 1922, let us see how the shoe pluches when worn by the protestants, the Paper Trust.

Mr. Everest, president of the American Paper and Pulp Association, has this to say regarding misclassification (p. 6822, Tariff Readjustment, 1920, para. 15):

"Our chief purpose in this presentation is to so clarify the existing law that it can not be evaded by those who, taking advantage of existing discrepancies therein, are endeavoring not only to compete *unfairly* with the domestic industry, but to *deprive* the Government of substantial sums in the way of "revenue." (Italics ours.)

#### GERMAN AGENTS AND SALES METHODS

German competition did not affect American prices until 1927.

This was due to the fact that the Potash Trust had not completed its plant for the utilization of the waste magnesium sulphate before that date.

This Potash Trust upon completion of this plant was allocated 45 per cent of the production of Sulfat-Syndikat, in which the next largest producer is the great German Dye Trust, whose output of salt cake is 65 per cent of the potash combine.

This Sulfat-Syndikat has an agent in New York and one in San Francisco. The agent in San Francisco is the representative of the Potash Trust on the Pacific coast, and this is probably true of the one in New York as well.

These agents deal on a commission basis, i. e., they do not purchase salt cake on their own risk or with their own funds.

It is sold by them for the German syndicate, and shipped here at said syndicate's risk.

For selling, the agent receives 1 per cent, according to invoices on file at the Treasury Department, Washington, D. C.

The syndicate has evaded the operations of our dumping act by pretending to give wholesale prices to its agents here.

These agents are supposed to then redistribute the wholesale quantity in smaller lots throughout the United States, at the same price that they were supposed to pay for the wholesale quantity.

It is obvious that if they purchased for their own risk they would receive a profit but no commission, and it is also apparent that no business man could afford to insure the seller, take the risks involved, and do the work as well, for a 1 per cent commission, which commission amounts to less than 20 cents per ton.

These German agents, conspiring with the German producer and American consumer to evade our tariff act, protect themselves against the enforcement of the laws of the United States regarding dumping with the following or a similar clause:

#### "TAXES AND DUTIES

"Any present or future import or differential duty imposed or assessed by the United States Government, or any war-risk insurance (if any) affecting deliveries under this contract, is for buyer's account."

The kraft pulp mills, on the other hand, are protected in this conspiracy by a clause permitting them to cancel their German contract in case of any increase in price, thereby securing salt cake more economically from American producers.

By such manipulations to conceal their real purposes are the kraft paper companies conspiring with the Germans to nullify the intention of the laws of our country.

Yet they are profiting under our tariff laws to a tremendous degree, and when Europeans succeed in slipping some paper into the United States without duty, they immediately demand a "reclassification" or a "clarification." They, the paper companies, according to Mr. Everest (bottom of p. 6821, Tariff Readjustment, 1920):

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"\* \* \* have also had in mind reframing this (13th) schedule, a future protection which will enable the industry to grow and expand and be able to meet the ever-increasing demand for its products."

Kraft pulp mill contracts with salt cake producers run for one year, usually January 1 to January 1.

That is the reason for the marked increase in German importations from year to year, as they succeed in securing contracts formerly held by domestic producers.

Documentary evidence in the Treasury Department files at Washington, D. C., show that the Germans have been contracting sodium sulphate delivered at United States ports at an average price of around \$13.50 per ton in bulk.

For the year 1929 the Germans have contracts to deliver 100,000 tons, and for 1930 this amount will probably be in the neighborhood of 150,000 tons.

The Congress has under consideration a revision of the tariff.

This revision is to give protection to American industries.

The American sodium sulphate producer is a serious sufferer.

Said producer has lost to the Germans over 71 per cent of his salt cake sales to Kraft pulp mills.

He is applying to the Congress for legitimate protection against the German chemical trusts, in league against him.

German agents have knowledge of our efforts.

They have hidden largely behind the American Kraft pulp companies, and with their assistance have put out considerable false propaganda.

Among other statements, they now claim that the price of their sodium sulphate is \$17.95, delivered, on the Pacific coast. They conceal the fact that this price is for material in sacks. (Cost of sacks, \$1.00 extra.)

After securing all available contracts for 1929 and 1930, they now raise their "quotations" to \$17.95.

This is to becloud the issue and to offset domestic producers' claims. It is a typical trick.

German sulphate has been sold for \$15.05 in sacks, delivered, on the Pacific coast. This is shown by invoices on file in the customhouse.

The bulk delivered price would therefore be \$14.05 on the Pacific coast.

Compare this with the Summary of Tariff Information, 1929 figures for the year prior to German competition (1926), of \$20 in bulk f. o. b. American producer's plant.

The difference is \$5.05 per ton.

The situation on the Gulf and Atlantic coasts is worse.

There the Germans are selling for \$12 to \$13.50, delivered, in bulk.

The difference between the former domestic f. o. b. producer's plant price and the German price is at the lowest figure \$0.50 per ton.

The Germans, in league with the paper companies, having secured the available contracts, have now raised their prices, hoping to deceive the Congress and prevent relief being extended to the domestic producer.

#### SULFAT-SYNDIKAT

According to William T. Daugherty, American trade commissioner at Berlin, Germany, the total production of the Syndikat is estimated at 275,000 tons annually.

Of this amount the two German trusts, potash and dye, supply 220,000 tons.

The balance is supplied by two companies with approximately 20,000 tons each and several with four or five thousand tons apiece.

In Mr. Daugherty's Trade Information Bulletin No. 532, German Chemical Developments in 1927, he says:

"The English-German Glauber salt's (sodium sulphate) agreement has been renewed for 1930."

In other words, the Germans are dividing the world with the English, so far as sodium sulphate is concerned.

Now, the domestic producers are faced with an even worse situation, as shown in Mr. William T. Daugherty's Report No. 720, dated Berlin, Germany, May 14, 1929, in which we quote as follows:

"French and Belgian salt cake (sodium sulphate) producers are about to enter an international convention, so far confined to the Germans and British to allocate export markets. The combination would represent a total of about

590,000 metric tons of produce, divided as follows: Germany, 290,000 tons; England, 150,000 tons; Belgium, 80,000 tons; and France, 70,000 tons.

"The Anglo-German agreement on salt-cake markets has been in effect since 1925, to run to 1930, but it can be safely predicated that this will be extended to 1935. It reserves British markets to England, German, Czech, and Austrian markets to Germany, with a 40:60 (English-German) division on all other export markets. With the Belgian and French producers included, Belgium is accorded 30 per cent of its home market and 20,000 tons for export. Both Belgian and French export stocks are to be sold by the Sulfat-Vereinigung (German salt cake cartel), of Frankfurt-Main. The leading German salt cake producer is the Kaiseroda potash works, belonging to Kall-Industrie A. G. (Wintershall), of Cassel. Costs have been recently lowered to a point to make this production the cheapest of its kind in the world."

The only market in the world not protected for the sodium sulphate producer of that country, is the United States.

The domestic producer is left at the mercy of this International combine unless the Congress affords him relief.

#### FORMER PROTECTION OF INDUSTRY

We have set forth as briefly as possible above, the situation in which the sodium sulphate producers of the United States find themselves.

In 1922, when the last tariff bill was passed, no such competition existed. Germany had not yet recovered from the war, as witness the fact that as late as 1920 American producers were exporting salt cake to Sweden, for as high a price as \$60 per ton.

Prior to that date the war had effectually prevented competition here. But, in going back to the tariff of 1909, we find salt cake and nitre cake protected by a \$1 per ton duty.

In the seven years intervening since the 1922 tariff was passed, Germany has again become a factor, and has developed a new, better and cheaper method of utilizing waste products.

#### POSITION OF OBJECTORS TO TARIFF ON SALT CAKE

Objection has been raised before the House Ways and Means Committee to the granting of a duty on sodium sulphate on two main grounds, which may, in turn, be divided into several other subtitles.

1. Object to duty on salt cake while kraft pulp admitted free.
2. Object to increased cost to pulp manufacturers of salt cake.

Before examining into the fairness of these objections, let us investigate briefly the history of kraft pulp and paper in the United States.

Kraft paper was developed in Europe and was first made some 40 years ago. Kraft is a Swedish word meaning "strong," because the paper of that name is the strongest paper known.

It is, both because of its strength and because of its objectionable (for writing) brown color, used almost entirely for wrapping paper, containers, bags, etc.

The manufacture of kraft paper migrated from Europe to Canada about 1909.

It was not of enough importance in the United States to secure separate classification until 1914.

Because of its peculiar strength and because waste wood and wood unsuitable for other paper-making processes, can be utilized, it has made rapid progress here.

In 1914 there was manufactured in the United States 109,753 tons of kraft paper, valued at \$63.30 per ton.

By 1927 the production had grown to 637,295 tons, and the value increased to \$102.40 per ton.

Production had, therefore, in 13 years increased about 600 per cent, and the price had appreciated about \$40 per ton, or 65 per cent.

Kraft pulp production amounted to 84,799 tons in 1917, and to 622,784 tons in 1927, or an increase of over 700 per cent in 10 years.

## TARIFF PROTECTION GIVEN KRAFT PAPER

The paper people appear to regard tariff protection as one of their "vested" rights, perhaps almost a divine right.

Mr. Everest, president of the American Paper and Pulp Association, says Congress has always protected the paper industry.

To further quote Mr. Everest:

"It was no doubt the intention of Congress by the enactment of the tariff act of 1922 to grant to this industry such protection as would enable it to meet foreign competition."

Doubtless Mr. Everest was right, and such was the Congress's intention. But has Congress been imposed on?

In six years since the 1922 tariff was passed the kraft wrapping-paper industry alone has received protection to an amount of over \$80,000,000, or at the average rate of about \$13,000,000 a year.

Sixteen million, five hundred and sixty-nine thousand, six hundred and seventy dollars was the amount of protection given by the Congress to this one branch of the paper industry during 1927, or nearly \$20 per ton of paper.

Of this \$16,569,670 protection, only \$158,210, or about 1 per cent, accrued as a revenue to the Government. (Statistics from Summary of Tariff Information, 1929.)

We are printing herewith some figures on this subject.

*Domestic production and imports kraft paper and domestic price and imports of salt cake*

(Statistics from Summary of Tariff Information, 1929, except where noted)

	Domestic production kraft wrapping paper (tons 2,000 pounds)	United States tariff per cent ad valorem	Imports kraft paper (tons 2,000 pounds)	Value per ton in dollars	Duty collected per ton in dollars	Cost imported kraft paper plus duty (dollars per ton)	Value imported plus domestic kraft paper in dollars: (000 omitted)	Cost to American people of duty on kraft paper in dollars: (000 omitted)	Imports of salt cake (long tons)	Domestic price of salt cake f. o. b. producers plant, in bulk
1923.....	381,710	30	15,352	90	-27	117	47,651	10,300	4,717	24.75
1924.....	430,843	30	14,264	78	+23	101	11,183	3,060		20.00
1925.....	479,975	30	7,066	84	-25	109	51,700	11,999	1,708	19.00
1926.....	508,635	30	4,380	88	+26	114		14,285	5,598	20.00
1927.....	637,295	30	6,085	86	-26	112	65,768	10,570	9,975	18.50
1928.....	673,077	30	5,394	86	-20	112	170,000	17,500	25,203	13.60
1929.....									\$32,270	10.00

<sup>1</sup> Our estimate.

<sup>2</sup> 4 months, or at rate of 100,000 tons yearly (Department of Commerce).

## NO DUTY ON KRAFT PULP—REASONS THEREFOR

Kraft paper is made from kraft pulp.

Kraft pulp is also known as "sulphate" pulp because it is made by use of sodium sulphate.

Approximately 400 pounds of sodium sulphate is used in making 1 ton of kraft pulp.

Kraft pulp had a duty of one-sixth cent per pound (\$3.33 $\frac{1}{3}$  per ton) under the tariff act of 1909.

In the tariff act of 1913 kraft pulp was taken off the dutiable list and put on the free list, where it has since remained.

Little effort has been made by the kraft-pulp manufacturers to secure a duty on kraft pulp.

There are three reasons for this:

1. Because American paper companies own extensive pulp plants in foreign countries, principally Canada.

2. Because American paper companies have only recently begun to manufacture their own pulp extensively and have not yet been able to manufacture sufficient pulp here to fill their own requirements.

3. Because where American paper companies have installed their own pulp mills they have done so after careful investigation and can manufacture pulp cheaper than can European plants.

## AMERICAN INVESTMENTS IN FOREIGN COUNTRIES

The principal objection advanced by the paper companies' representatives was that it would be unjust to grant a duty on sodium sulphate (salt cake) while sulphate (kraft) pulp made from this chemical is admitted free.

When the duty was taken off newsprint paper and pulp such American companies as had the resources began to develop plants abroad. They wanted cheap labor.

Just touching the newsprint situation for a moment, we quote Mr. Everest again:

"Mr. GARNER. I am asking you why the protective theory should not apply to newsprint paper as well as other paper used by other people.

"Mr. EVEREST. I think it should." (Tariff readjustment, 1920, p. 6825, first paragraph.)

Later, in reply to a question regarding the newsprint situation, Mr. Everest said (top of p. 6828, tariff readjustment, 1920):

"We have gone through the pains of this thing in the rearrangement of mills to take the place of the newsprint industry, the major portion of which is now located in Canada \* \* \*."

Still later Mr. Everest was questioned, with the following results (second paragraph, p. 6829, tariff readjustment, 1920):

"Mr. HULL. What amount of American capital is invested in wood-pulp mills, newsprint paper, and printing paper in Canada or other countries?

"Mr. EVEREST. I have no information on that subject."

Mr. Everest became very dumb.

But Mr. Pagenstecher, representing the manufacturers of printing paper, upon questioning, was more enlightening on this subject (pp. 6844-6845, tariff readjustment, 1920):

"Mr. HULL. Do you know to what amount there is American capital invested in other countries in connection with this entire industry?

"Mr. PAGENSTECHEER. I have just been told it is about \$580,000,000.

"Mr. HULL. Most of that is in Canada?

"Mr. PAGENSTECHEER. Yes.

"Mr. GARNER. If you had an adequate tariff on wood pulp and print pulp that American capital would probably have remained in this country?

"Mr. PAGENSTECHEER. It probably would have.

"Mr. GARNER. And employ American labor to produce this article, and the reason it went to foreign countries was because it was placed on the free list?

"Mr. PAGENSTECHEER. Yes, sir."

It is difficult to understand how Mr. Everest, president of the American Paper and Pulp Association, representing, as he says, "fully 80 per cent of the total tonnage of paper and pulp manufactured in the United States" could not give the House committee some information on this point.

There are a large number of American companies heavily interested in Canada, three of which we mention.

They are the Crown Zellerbach Corporation, of San Francisco, Calif.; the Minnesota & Ontario Paper Co., of Minneapolis, Minn., whose name speaks for itself; and the International Paper Co., of New York, N. Y.

Now that these paper companies have gone through the "pain" of transferring their investments to Canada they do not want a duty on pulp.

In the tariff act of 1922, page 57, paragraph 1301, we find protection for cheap Canadian and Scandinavian pulp supplies in these terms.

"Provided, That if any country, \* \* \* shall forbid or restrict in any way the exportation of \* \* \* or impose any export duty, export license fee, or other export charge of any kind whatsoever \* \* \* upon wood pulp, or wood for use in the manufacture of wood pulp, the President may enter into negotiations with such country \* \* \* to secure the removal of such prohibition \* \* \* and until such prohibition \* \* \* is removed \* \* \* there should be imposed \* \* \* an additional duty of 10 per centum ad valorem and in addition thereto an amount equal to the highest export duty or other export charge imposed by such country \* \* \*"

Thus are these paper companies protected as to Canada and their supplies of cheap imported pulp. Canada is the real reason for not asking a duty on "Scandinavian" pulp.

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In objecting to a duty on salt cake, they inveigh against Scandinavian pulp, but do not mention their own Canadian supplies.

It is true, they may look longingly at a duty on newsprint paper, but, as Mr. Everest said in reply to a question by Mr. Garner, "I did not think we could get by with it" (p. 6825, par. 20, tariff readjustment, 1920).

Pulp, however, is a different matter.

If they can manufacture their own pulp cheaper in Canada than they do in the United States, why pay American wages, and cut their profits.

With the exception of Standard newsprint paper, all other papers and products are protected.

Kraft paper, made from sulphate pulp, has a 30 per cent ad valorem duty.

Mr. Everest was questioned on this point and replied as follows (p. 6832, par. 7, tariff readjustment, 1920) :

"Mr. McLAUGHLIN. What is the duty on kraft paper?"

"Mr. EVEREST. Thirty per cent, wrapping paper."

"Mr. McLAUGHLIN. Do you find that to be satisfactory?"

"Mr. EVEREST. Yes, I think the wrapping paper people are making no request for a change, either up or down, or for classification."

"Mr. McLAUGHLIN. Is there a kraft pulp, as such, brought into this country?"

"Mr. EVEREST. Yes, sir."

"Mr. McLAUGHLIN. What is the law relating to that? I have not examined it."

"Mr. EVEREST. All mechanical and chemical pulps are free."

Note that Mr. Everest "thought" the wrapping paper people were requesting no change. He appeared as their representative and asked "for the maintenance of the present rate". (p. 7049, tariff readjustment, 1929).

In reply to Mr. Hull's question as to the amount of imports, Mr. Everest replied that there were practically no imports of kraft wrapping paper.

The reason is not hard to find.

Thirty per cent ad valorem on the present valuation of wrapping paper amounts to \$26 per ton.

Less than one per cent of kraft paper is entering the United States, and that is of a grade not manufactured here.

Now, with their finished product, kraft paper, adequately protected, why should they employ American labor to produce pulp here, or American farmers and timbermen to grow and cut the wood, when they can manufacture their own Canadian pulp much more economically?

The cheaper their pulp, the more money they make on their heavily protected kraft paper.

#### GROWTH OF DOMESTIC KRAFT PULP PRODUCTION

Although kraft pulp and paper is a comparatively recent development in the paper industry, it has made tremendous strides in recent years.

In 1917 domestic production of sulphate pulp was 84,709 tons and imports amounted to 109,558 tons.

While in 1927, 10 years later, domestically produced sulphate pulp had increased to 622,784 tons, and imports to 474,810 tons.

Whereas in 1917, imports exceeded domestic production by 30 per cent, in 1927 the position was the reverse, with domestic production exceeding imports to approximately the same degree.

Throughout this period 1917-1927 kraft pulp was on the free list, and salt cake sold for over \$21.00 per ton f. o. b. producer's plant in bulk.

We are printing herewith a table giving interesting figures on kraft pulp production, imports and salt cake prices and imports.

The following table gives the figures, (and authorities), showing rapid increase in domestic kraft pulp production and consumption:

[All figures in tons of 2,000 pounds]

Year	Bulk price salt cake f. o. b. producers works	German salt cake imports	Total imports kraft pulp	Domestic production kraft pulp	Total United States consumption kraft pulp	Per cent of imports to domestic production
1917.....	20.50		103,558	84,799	104,357	129
1918.....	32.50		122,520	142,362	264,882	56
1919.....	15.70		151,056	120,378	271,434	125
1920.....	35.25		199,074	168,050	388,024	108
1921.....	23.40		178,086	140,760	318,843	127
1922.....	20.00		330,337	243,681	574,018	136
1923.....	21.75		270,012	314,267	593,279	89
1924.....	20.00		342,392	302,735	645,127	113
1925.....	19.00	1,708	362,311	412,690	775,001	78
1926.....	20.00	5,593	393,064	523,878	916,942	85
1927.....	18.50	11,171	394,197	622,781	1,016,981	63
1928.....	13.50	2,224	443,450	697,000	1,140,450	63
1929 (4 months).....	10.00	32,270				

Figures given in table were obtained as follows:

Price of salt cake, 1917 to 1922, United States Geological Bulletin No. 717; 1923 to 1928, Summary of Tariff Information, 1929.

Salt cake imports, United States Customs Department.

Pulp statistics: United States Department of Commerce Bulletin, Pulpwood Consumption and Wood-Pulp Production; United States Department of Agriculture Statistical Bulletin No. 21; Paper Trade Journal.

The figures given above show four facts:

1. The tremendous growth in consumption of kraft pulp.
2. That \$21 per ton salt cake has had no retarding influence on the growth of domestic kraft pulp production.
3. That in spite of dutyless foreign kraft pulp, and \$21 salt cake, domestic pulp production has increased since 1917 on an average of 52,000 tons a year.
4. That kraft-pulp producers have not been able to keep pace with domestic consumption, because imports have increased between 1917 and 1928 on an average of 32,500 tons a year.

#### COST OF PRODUCTION OF DOMESTIC KRAFT PAPER

According to the testimony of Mr. Harvey (p. 9325, tariff readjustment, 1929) "practically 70 per cent of the cost of kraft paper is the cost of kraft pulp."

Summary of Tariff Information, 1929, page 2441, gives the price of imported unbleached kraft pulp as \$49.50 per ton.

Taking Mr. Harvey's assertion for the fact (for he was testifying against a duty on salt cake at the time), then kraft paper would cost \$70.85 per ton.

Using the Summary of Tariff Information (p. 1855) for our authority again, we find the value of domestic kraft paper as \$102.35 per ton.

The profit would therefore be \$31.50 per ton.

In 1927, domestic kraft paper production amounted to 637,295 tons.

At \$31.50 per ton profit, the total profit for that year was \$20,274,602.50.

It should be remembered that \$16,569,070.00 of this amount was directly due to tariff protection, and that even without protection a profit of \$3,505,022.50 would have resulted.

#### COST OF PRODUCTION OF DOMESTIC KRAFT PULP

The figures presented above are for paper only.

The objectors to a duty on salt cake have tried desperately to separate kraft pulp from kraft paper.

Of the 28 kraft pulp mills operating to-day in the United States, every one manufactures its pulp into paper itself, with the exception of some slight surplus production.

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They declaim against the injustice of granting a duty on their raw material while their finished product is free of duty.

Kraft pulp is not a finished product.

The ultimate consumer could no more use a pound of kraft pulp than he could a sugar beet.

But for their purposes of propaganda, to conceal their huge profits in paper, due almost entirely to tariff protection, they call their pulp a "finished" product.

The tremendous growth of kraft pulp production has been in the face of the fact that it has had no tariff protection. This to the average American manufacturer faced with American costs would appear nothing less than business suicide.

It exists only because of making a "double" profit, i. e., a profit on pulp as well as on paper.

The Union Bag and Paper Corporation, whose product (paper bags) enjoys a duty of \$100 per ton and 20 per cent ad valorem, recently completed a huge new kraft pulp mill at Tacoma, Wash.

The pulp from this plant is shipped to New York for manufacture.

In a public offering of bonds sold to Halsey, Stuart & Co., of New York City, for the purpose of financing this new plant, the following representation was made by C. R. McMillen, president of the Union Bag and Paper Corporation:

"The pulp will be shipped by water to within a comparatively short distance of the main paper mills of the Union Bag and Paper Corporation at Hudson Falls, New York, the estimated delivered cost of such pulp being 25 per cent less than the lowest average price paid for pulp, delivered at this point, during the last ten years."

Yet this company objected to the duty on salt cake in the following terms:

"A duty of \$5 per ton on salt cake will be a disastrous handicap, especially as competing European kraft pulp is admitted to the United States free of duty." (Tariff readjustment, 1920, p. 9332.)

Which statement is correct?

If Scandinavian pulp could be purchased in New York for as low as \$48 per ton, then the Union Bag Co. manufactures its own pulp and delivers it in New York for \$36 per ton. It thus makes a profit of \$12 per ton.

The freight rate, Tacoma to New York, is \$8 per ton; therefore the actual cost of American kraft pulp would be \$28 per ton, leaving 43 per cent net profit.

These huge profits are possible because kraft pulp can be made from waste wood products, costing practically nothing.

The Union Bag and Paper Corporation, of New York, N. Y., has the following to say regarding pulp-wood costs in their annual statement for 1927 (issued 1928):

"The largest present supply of pulp wood is found in the Pacific Northwest. Accordingly we are now constructing on tidewater harbor frontage at Tacoma, Wash., a thoroughly modern kraft pulp mill, which will produce approximately 40,000 tons annually of sulphate (kraft) pulp, essential to the business of the company, at a very material saving in cost of raw material. Pulp wood, the principal raw material, has been contracted for over a long term of years and at favorable rates."

Mr. Harvey of the Advance Bag and Paper Co. (tariff readjustment, 1920, p. 9325, second paragraph), says:

"Kraft pulp can be made from any kind of wood—hard wood, soft wood, tamarack, jack pine, any conceivable kind.

"Mr. RAMSEYER, Sawdust.

"Mr. HARVEY. If you please. There is abundant raw material in this country (for its kraft-pulp requirements), but we can not compete from the pulp standpoint with the Scandinavians."

(But see Mr. Gintzler who says Scandinavian pulp costs them \$40 a ton. See page 8786, tariff readjustment, 1920. American pulp costs \$26.50. See below.)

In their brief objecting to a duty on salt cake said Union Bag Co. says:

"The kraft pulp industry has enabled the Southern and Western States to utilize advantageously enormous quantities of small logs and lumber waste that formerly were of little value, and frequently entailed a heavy expense (to the States?) in disposing of it."

But the Union Bag took this material off their hands, and secured far cheaper pulp wood than exists in Europe.

The Willapa Pulp and Paper Mills has the following to say:

"Earnings: According to the report made to this corporation by Mr. T. A. De Gueve (a leading engineer on pulp mills), this corporation, owing to its many advantages (county taxes only, free water, advantageous log and waste wood contracts, and inexhaustible cheap timber and limestone supply, excellent rail and deep-water transportation, favorable contract with Bulkley Huntton Co., New York), will produce pulp at a cost as low as any existing pulp mill."

Willapa even gives figures, as follows: "Contracts for approximately 20 years for all waste pulp wood from two large lumber companies, \* \* \* at a price for the first five years at \$1.125 per cord" (\$2.50 per ton of kraft pulp).

The Willapa Pulp & Paper Co., in resorting to financing, estimate the cost of producing a ton of kraft pulp at \$26.50.

The St. Helens Pulp & Paper Co. estimate their costs of production at \$35 per ton.

Other kraft pulp producers undoubtedly produce between these figures.

We quote Mr. Morris Gintzler, representing the Pulp & Paper Trading Co., testifying against the granting of a duty on sulphate (kraft) pulp (p. 8788, tariff readjustment, 1929):

"There is not to-day a single pulp mill in the United States operating as a pump mill (exclusively) to supply paper mills with pulp. They are operating solely in connection with manufacturing paper by the paper mills which are adjuncts to these pulp mills.

"The American pulp mills need no protective tariff for their product. Mills on the Pacific coast and in the South seeking capital for investment in their enterprises have repeatedly made the statement, and I know it is founded on fact, that kraft pulp can be manufactured at a price of \$30 per ton. In Sweden, where the principal amount of kraft pulp is produced, and from where we import the principal amount, the cost is \$40 per ton. \* \* \*

EFFECT OF \$5 DUTY ON SALT CAKE

We submit that a profit of \$31.50 per ton on paper plus a profit of \$12 to \$18 per ton on pulp is rather substantial, and yet this tariff-protected industry would forbid us receiving a duty on salt cake amounting to approximately \$1 per ton on pulp.

We submit that not only would such a duty place no new burden on the paper companies who have been accustomed to paying around \$21 per ton for salt cake, but that in the long run they would be much safer with many domestic companies competing for their business than be at the mercy of the two German chemical trusts.

One-fifth of a ton of salt cake is used in manufacturing a ton of kraft pulp.

If what the kraft paper producers claim were true, and due to a \$5 tariff, the price of salt cake was raised to the consumer by that amount, it would increase the cost by less than \$1 per ton of paper.

On each ton of paper he is receiving \$26 tariff protection.

The salt cake producer would get \$1 protection, against \$26 protection to the paper manufacturer.

PROFITS IN THE PAPER BUSINESS

We have collected such earning statements of the kraft pulp and paper companies as are available, and present them herewith:

	Net earned per share			
	1923	1927	1926	1925
Brown Paper Mills Co., Monroe, La.....	(1)	\$20.19	\$17.63	(1)
Advance Bag & Paper Co., Boston, Mass.....	(1)	12.49	16.23	\$15.36
St. Helens Pulp & Paper Co., St. Helens, Oreg.....	\$26.05	(1)	(1)	(1)

<sup>1</sup> Not available.

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It is interesting to note that these three companies represent the Atlantic Gulf, and Pacific coasts, and that they present a prosperous outlook to their stockholders.

Mr. Harvey, who represented the Advance Bag & Paper Co. before the House committee, in presenting his objections to a duty on salt cake, among other statements, said that his company has been unable to pay dividends on its common stock.

He asks: "Are not our stockholders entitled to a dividend?"

It would appear that they were. The above figures show it was certainly earned. What did Mr. Harvey do with the earnings?

St. Helens Pulp & Paper Co., of St. Helens, Oreg., is an interesting example of the money to be made in the kraft pulp and paper business.

A comparatively new plant, beginning operations in 1927, it earned \$26.05 per share in 1928.

The St. Helens company only received \$82 per share for its stock. The other \$18 per share went to the promoters and stock salesmen.

In other words, it earned 31.7 per cent net on its investment in 1928. As a result its stock rose to \$230 per share on the stock market and is being split 10 for 1.

The Brown Paper Mills Co., practically a family corporation, also profited handsomely.

Among other paper companies which are operating in the doubtfully profitable sulphite as well as kraft field we select the following earning statements at random:

Minnesota & Ontario Paper Co. increased its earnings from \$3,800,225 in 1925 to \$5,234,405 in 1927.

Pacific Mills, a Crown Zellerbach Canadian subsidiary, earned \$9.57 per share in 1925, \$9.45 per share in 1927, and \$12.01 per share in 1928.

We submit that the sodium sulphate producer is entitled to a price for his product, which, if not showing him the handsome profits accruing to the kraft-paper manufacturers, will at least allow him a reasonable profit on his investment.

#### INACCURACIES IN OBJECTIONS OF PULP COMPANIES

On page 9331, Tariff Readjustment, 1929, under the heading "Kraft pulp," is the following statement in a brief of manufacturers of paper and paper products:

"In 1928 the kraft-pulp mills of the United States produced 697,000 tons of kraft pulp. As near as can be determined there were 17,000 men engaged in the manufacture of this tonnage, at an annual return to labor of \$21,000,000."

On page 8334, Tariff Readjustment, 1929, is the Statement of E. A. McGrath, of New York City, representing the Crown Zellerbach Corporation.

Mr. McGrath has the following to say:

"I just want to touch partly on the Pacific coast situation. Two of the mills of this corporation, one known as the Crown Willamette Paper Co., at Camas, Wash., and the other the National Paper Products Co., at Port Townsend, Wash., are manufacturing kraft pulp. Between them, in those mills, they have an investment of \$8,000,000. They are producing 88,000 tons of kraft pulp per year, which is about 40 per cent of what is being produced on the Pacific coast. They are employing directly in those mills 304 men, at an average daily wage of \$4.50, which makes over \$400,000, because there are more men given employment who cut down the timber and such work as that, so indirectly the total wage affected by the kraft-pulp industry would be over a million and a quarter dollars or thereabouts."

On the figures given the House committee, quoted from the brief, each of the 697,000 tons of kraft pulp produced during 1928 cost over \$30 per ton for labor.

Using Mr. McGrath's figures, the direct cost to the Crown Zellerbach Corporation for labor for each of the 88,000 tons they produce was slightly more than \$4.50 per ton.

If the indirect labor charges as stated by Mr. McGrath are added, then said labor costs per ton of pulp rose to roughly \$14.50.

We submit that the Crown Zellerbach Corporation stated, by signing said brief, that labor costs, "as near as can be determined," was \$30 per ton of pulp. Mr. McGrath said that directly as well as "indirectly" labor only figures to the extent of \$14.50 per ton of pulp.

Mr. McGrath's figures, although liberal, are nearest the truth.

The figures given in the Brief of the Manufacturers of Paper and Paper Products must have been prepared to mislead the Congress.

It is rather anomalous to find that in a large industry that the indirect charges are even greater than the direct charges, i. e., incidentals greater than major costs. Good management or good figuring?

In the Brief of Manufacturers of Paper and Paper Products (top of p. 9331, Tariff Readjustment, 1929) is the statement that "in 1928 the kraft pulp industry used approximately 205,070 tons" (of salt cake), or 590 pounds of salt cake per ton of pulp.

Summary of Tariff Information, 1929, page 2580, says that the estimated consumption of salt cake was 103,000 tons for the kraft pulp industry in 1927, and on page 2440 of said authority we find that the production of kraft pulp for that year (1927) was 593,995 tons, or 346 pounds of salt cake per ton of pulp.

This is a difference of 244 pounds per ton of pulp, or approximately 60 per cent.

We submit that the United States Tariff Commission's experts were disinterested and more nearly correct, and that said figure given by the kraft pulp manufacturers of 205,070 tons was given to deceive.

Kraft pulp manufacturers in an average mill will use less than 400 pounds of salt cake per ton of pulp produced.

At this rate approximately 140,060 tons of salt cake was used in 1928 instead of 205,070 tons.

The Germans are now shipping salt cake to this country at the annual rate of 100,000 tons, or 71 per cent of the domestic kraft pulp mill consumption.

Both Mr. La Marche (fifth paragraph, p. 9330, Tariff Readjustment, 1929), representing the International Paper Co., and the Brief of Manufacturers of Paper and Paper Products, letter of Union Bag & Paper Corporation, quoted in said brief (p. 9332, Tariff Readjustment, 1929), we find almost identical expression of opinion to the effect that, "if for any reason the growth of the kraft pulp mills in the United States is retarded, it will affect the salt cake producers accordingly, as the pulp mills are their principal customers."

We submit that having lost 71 per cent of this pulp mill business to the Germans, solely on a price basis, said salt cake producers do not greatly fear the threat above quoted.

Their last hope of continuing their business will be in relief afforded them by Congress against cut-throat German competition.

#### SALT CAKE PRICES IN SCANDINAVIA

The Advance Bag & Paper Co. (Inc.), of Boston, Mass., in their brief opposing the granting of a duty on salt cake (p. 9328, Tariff Readjustment, 1929, last three lines), says:

"We ascertained that Scandinavian labor costs were approximately 50 per cent under our costs, and that they were able to obtain salt cake at a very much lower price than we could."

We are in receipt of the following telegram regarding this statement:

"GOTHENBURG, June 11, 1929.

"Price salt cake, depending quantity, to-day between 60 (\$14.64) and 75 (\$18.30) shillings c. i. f. Goteborg.

"AMERICAN CONSUL."

This is an average price of \$16.47 for salt cake in Sweden.

Mr. Harvey (p. 9327, Tariff Readjustment, 1929) testifies that:

"We are paying the Louisiana manufacturer, although it cuts down our buying capacity, \$14.25 a ton for his salt cake, when we are paying in the north (Howland, Me.) \$11.25."

The Advance Bag & Paper Co. is thus getting its salt cake for an average price of \$12.75 per ton as against the price in Sweden of \$16.47 per ton, or a differential of \$3.72 against the Swedish kraft pulp producer.

After the Swedish mills have manufacturer their pulp, it costs them \$5 per ton to ship it to the United States.

The differential in favor of the American kraft pulp producer is therefore \$5.75 (one-fifth ton of salt cake, at \$3.72, or \$0.75) per ton of pulp.

A \$5 tariff on salt cake would not offset this differential.

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## PACIFIC COAST OBJECTIONS

*Protest of German agents.*—We have seen a brief opposing the granting of a duty on salt cake which was distributed by Wilson & Geo. Meyer & Co.

It takes a friendly interest in the well doing of the kraft pulp companies, who, according to the brief, are in dire need of German salt cake.

Why German?

Because Wilson & Geo. Meyer & Co. is the Pacific coast representative of both the German Potash Trust and the German Sulfat-Syndikat.

It was strangely shy about so stating in objecting to the Congress protecting the American salt cake producer.

It is stated by said agents that "certain owners of natural deposits of salt cake \* \* \*, have based their request for duty on the argument that the price of imported salt cake was in the neighborhood of \$14 or \$15 delivered at Pacific coast ports. We wish to point out that the present price for imported salt cake is \$17.95 delivered at Pacific coast ports, to which the buyer must add wharfage and handling charges of \$1 or \$1.50 per ton, figuring the price of our salt cake at really a higher level than what was planned by certain natural producers when they requested a protective duty." (Note the words "present price.")

We submit that this is a deliberate misrepresentation as well as suppression of facts.

The brief of the domestic producers referred to by the German agents stated that "this (German) material is being delivered \* \* \* to American and Canadian ports in bulk for \$13.50-\$14.50 per ton."

The American producers' brief stated clearly "in bulk," something this German letter has refrained from doing.

Said American producers' brief printed a copy of invoice attached to a shipment of German salt cake handled by said Wilson & Geo. Meyer & Co. in which said Wilson & Geo. Meyer & Co. represented to the United States customs department that said shipment consisting of 500½ tons of sodium sulphate had been sold delivered on the Pacific coast for \$15.95 in sacks.

The said German agents also stated in said invoice above mentioned, that the cost of furnishing sacks for said 500½ ton shipment of German salt cake was \$1.90 per ton.

By subtracting the price of sacks amounting to \$1.90 from stated sales price of \$15.95 (all of which was clearly printed in American producers' brief), the price of \$14.05 in bulk was arrived at.

Bulk prices on other of their contracts would be \$13.60 c. i. f. Tacoma.

Said German agents have not denied that they had delivered salt cake for \$13.50-\$14 in bulk.

They merely state that the present price of German salt cake is \$17.95 per ton.

Said agents carefully conceal whether said price of \$17.95 is in sacks or in bulk.

They attempt to challenge the veracity of the American producers' representations (which representations are based on written documents of said agents of the German chemical trusts) by stating that the present price is \$17.95.

These agents, however, state that "some of these concerns (pulp and paper manufacturers) have already contracted for imported salt cake well up to the end of 1930."

Why contract if the price was high?

No mention is made of the contract price, but by imputation they try to make the reader believe said price is \$17.95.

But the \$17.95 price is to conceal from the Congress the exact situation regarding imports of German sodium sulphate.

Wilson & Geo. Meyer & Co. have entered into contracts with American pulp mills for the sale of imported sodium sulphate for the year 1929 at a price below \$15.95 in sacks, not \$17.95, as they have stated.

After contracting the present and future market, they raise their quotations to a no market to \$17.95, as a gesture only.

We submit that said agency has not only filed papers containing misrepresentations and suppressions, but that they have conspired with certain American paper companies to the same end, i. e., the concealment of the truth from the Congress.

## BRIEF OF PACIFIC COAST PULP MILLS

A brief has been submitted objecting to the granting of a \$5 duty on salt cake.

Said brief was entitled "Brief in Behalf of the Pacific Coast Manufacturers of Kraft Pulp in the Matter of Tariff on Crude Sodium Sulphate."

This brief was signed by the Crown Zellerbach Corporation, Crown Willamette Paper Co., and the National Paper Products Co.

These three companies are identical in ownership, the two latter companies being subsidiaries of the first-named corporation.

The above-mentioned brief attacks the truth of a brief submitted by certain natural producers, whose product has an outlet on the Pacific coast, and whose market the Germans have taken.

This brief was distributed to the Ways and Means Committee by Wilson & Geo. Meyer & Co., agents for the German chemical trusts on the Pacific coast.

Said pulp manufacturers' brief states that—

"At present German producers are quoting \$17.95 c. i. f. Pacific coast terminals, to which must be added wharfage and handling costs, which makes a price of \$18.95 on dock at various Pacific coast ports.

"In a brief filed by certain natural producers of salt cake, they refer to being in position to supply kraft producers with salt cake at \$17 per ton in sacks, delivered to Pacific coast kraft mills—in other words, at from \$2 to \$4 per ton less than the existing German price.

"Obviously, Pacific coast kraft mills would not have contracted for German material at a much higher price had they had any assurance from natural producers as to their ability to deliver, and their assurance as to quality."

The statements quoted above are deliberately misleading.

The ability of natural producers to manufacture a superior grade of salt cake and their ability to deliver has been demonstrated by letters and telegrams from two representative kraft pulp mills, namely, the International Paper Co. and the Brown Paper Mill Co.

Said letters and telegrams are printed hereinbefore.

Even the signers of this brief admit the quality of the natural product in the following statement:

"Recently an order \* \* \* was placed with the American Sodium Co. \* \* \* which is the only operating sodium sulphate deposit on the Pacific coast with a satisfactory product. \* \* \*"

The only reason why more natural deposits are not operating is because of German competition.

That sodium sulphate is available is testified to by United States Geological Survey Bulletin No. 717.

Many domestic natural producers would be operating now with a superior, acid-free product if they could secure the present German price of \$17.95 delivered on the Pacific coast.

The present German price of \$17.95 delivered has been raised from the former German price of \$13.00.

It is at these lower prices that these objectors to a duty on salt cake have purchased the German material.

After the Pacific coast market has been contracted for by them through 1930 the Germans have raised the price in an effort to cast doubt on the assertions of the American producers, and thereby mislead Congress.

It is a palpable misrepresentation.

This is shown by the statement contained in said brief that:

"Inasmuch as many of the above mills have already entered into contracts with the German producers for salt cake, calling for delivery during 1930, any duty on the German salt cake will mean an additional cost to their salt cake."

The intention of the brief writer was to cast the inference that said contracts "for delivery during 1930" were made at the present price of \$17.95.

The reader is also led to believe by statements in said brief that the higher price was paid for the German material because the domestic product was inferior and unreliable.

Furthermore, purchasers of German salt cake have the privilege of canceling their contracts in case their costs are raised by a duty.

On February 10, 1920, the representative of a domestic deposit sent a letter to the managing director, National Paper Products Co., Port Townsend, Wash., one of the signers of the hereinbefore-mentioned brief, asking if they were in the market.

The following response was received from the managing director:

"Unfortunately the situation here has not cleared enough so that we could definitely tell you our plans for the future."

Thus an offer made of domestic salt cake, guaranteed 95 per cent pure or better, acid free, at \$17 per ton delivered at Port Townsend in sacks, was jockeyed by him.

While itself securing tariff protection amounting to \$26 per ton on its paper it would not part with \$1 per ton to the domestic salt-cake producer.

Domestic producers will sell Pacific coast consumers a high-grade salt cake at \$17.95 per ton delivered in sacks, and will post a bond to reimburse said consumers for any violation of contract on producers' part.

#### CONCLUSION

In the preparation of this memorandum we utilized United States Government figures whenever available.

Otherwise we used those of the paper manufacturers.

On application for at least a \$5 tariff on all sodium sulphate classifications has been based on two facts.

1. A \$10 decline in the price of this chemical.

2. Loss of 71 per cent of our market due to inability to pay American costs, principally labor and transportation, and meet the German cut-throat reductions.

Both of the above are directly attributable to German competition.

Germany has been forced to develop a new process whereby former waste and detrimental materials heretofore polluting the rivers, have been utilized.

Germany has thereby been able to place on the American market a high grade sodium sulphate product at a low price.

Taking advantage of loopholes existing in our tariff act of 1922, it has driven the American producer from the market.

We have met herein the statements of certain manufacturers opposing this request, using therefor unimpeachable statistics.

The figures presented herewith show clearly that we are requesting the maintenance of American prices, not the imposition of additional burdens on other industries, as has been stated by protestants.

That American producers of a basic chemical, vitally necessary to certain processes in this country, should be driven out of business, not because of any inefficiency on the part of those producers, but solely on account of cheaper production and transportation costs in Europe; that the United States should be left at the mercy of European sources of supply in case a national emergency should arise, is unbelievable.

It is particularly inexcusable when the opponents of this appeal are themselves the recipients of far greater bounties on the part of this Nation than those to which the sodium sulphate producers aspire.

We know that our statements presented herewith are reliable; we know our appeal to be a just one; and we submit our case as presented herein to the judgment of the Congress of the United States.

Respectfully submitted.

AMERICAN SODIUM CO.  
RHODES SALT & BORAX CO.  
SODIUM PRODUCTS CORPORATION.  
WESTATES CO.

SAN FRANCISCO, June 17, 1920.

**STATEMENT OF ELLIS OLSSON, WEST POINT, VA., REPRESENTING SOUTHERN KRAFT MANUFACTURERS' ASSOCIATION**

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. OLSSON. I would like to submit a brief and would like to say a few words to it.

I represent the Southern Kraft Manufacturers' Association as a salesman. I would like to point out that if the kraft manufacturers are pressed to it they will have to manufacture their own salt cake. They are placed in groups. If you look on the map you will find most of them in groups comparatively close to each other, and if the salt prices go higher they will be compelled to manufacture their own cake.

The kraft paper manufacturers in this country started out making kraft pulp and selling the article as such to paper manufacturing companies, but we found that we had to change the equipment in order to do it. We have tremendous competition from foreign countries, so we had to save the freight in shipping from the pulp mill to the paper plant in order to make any return on the investment.

I also want to point out that I think a good average price here would be \$20 a ton delivered at the mill. I think that would be a very representative price. The Swedish mills which we have to compete with pay an average price of \$14 for salt delivered, and that is what we are competing with.

I also want to point out that the pulp industry has grown very greatly in this country. Years ago on the whole continent they only made 22 tons a day. To-day I venture to say that it is 2,500 tons a day average on the whole continent.

I also want to point out that some sulphate mills in the United States have been compelled to shut down their operation owing to the competition of the foreign pulp; so you can readily see, gentlemen, that we will have to manufacture the product as cheaply as possible if we are going to stand the competition that we have to meet with foreign countries.

That is all I have to say.

(The brief referred to is as follows:)

**BRIEF OF THE SOUTHERN KRAFT MANUFACTURERS ASSOCIATION**

**SALT CAKE IN PULP MANUFACTURING**

In the manufacture of sulphate pulp or so-called kraft pulp a crude sulphate of sodium, or salt cake, is the most expensive material used, and in the production of a ton of pulp salt cake as a rule comes next to wood as an item of raw-material expense.

**SALT CAKE—ITS ORIGIN**

Most of the salt cake is derived as a by-product or waste product when manufacturing other chemicals, and while this salt cake for pulp manufacturing purposes has not got to be chemically pure, it is important that certain impurities do not occur in too great quantities. So-called natural salt cake, a crude sodium sulphate of inferior quality mostly to be found in the practically inaccessible desert sections of the far West, have also been used to a very limited extent. The location of this salt-cake deposit and the trouble in getting the material of a quality suitable for the pulp manufacturers are the things that have worked against using this material.

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## QUANTITY OF SALT CAKE USED IN SULPHATE PULP MAKING

The sulphate-pulp industry uses over 200,000 tons of salt cake a year, and last year only about 28,000 tons of salt cake was imported for all uses, so it can be safely said that less than 10 per cent of the salt cake used for manufacturing sulphate pulp was imported from foreign countries.

## THE USE OF NATURAL SALT CAKE IN THE SOUTH

The manufacturers of pulp in the South which have tried to use natural salt cake have found it inferior to manufactured cake, since it contains objectionable impurities and is not uniform in quality. The fact is that most manufacturers that have at one time or another worked their plant with this cake have been obliged to discontinue using same.

## WHAT SALT CAKE IS PREFERRED IN PULP MAKING IN THE UNITED STATES

Every manufacturer of kraft pulp naturally prefers to use domestic salt cake if it is available, and the small importation of salt cake that took place in 1928 will prove this. The only mills using foreign salt cake are mills that on account of location are more or less prohibited from using domestic products.

## PULP MANUFACTURERS' SOLUTION FOR HIGH-PRICED SALT CAKE

A high price of salt cake would undoubtedly in time compel some of the sulphate-pulp manufacturers to produce their own cake, with the consequences that where the market was favorable for muriatic acid they would manufacture this together with the salt cake, and undoubtedly disturb the acid market owing to the great quantities of this material that would be produced.

## SULPHATE PULP USED IN UNITED STATES

The United States manufactured under the year 1928 about 735,000 tons of sulphate pulp, and of this only 80,000 tons reached the market in the form of pulp. The United States imported under year 1928 a total of about 480,000 tons of sulphate pulp. Of this, 160,000 tons came from Canada. Approximately 90,000 tons of this tonnage was imported to the United States by companies which have their pulp mills in Canada and their paper mills in the United States, so the amount of sulphate pulp imported from Canada that reached the open market represents less than 15 per cent of the pulp imported to the United States.

The pulp imported from Canada sells at higher prices than European pulp, and is not a factor in determining the prices of sulphate pulp in the United States.

## CONDITION IN KRAFT PULP MANUFACTURING INDUSTRY

The profits in the manufacturing of kraft pulp have always been comparatively small. Plants that were built to manufacture pulp for the purpose of selling this material to paper or board manufacturers soon found that they had to produce the finished material (paper or board) in order to get any returns at all on their investments, and some pulp mills that were built in locations where natural advantages were less than they might be in other places have had to close down their plants owing to the keen competition from European imported pulp.

## INVESTMENT IN THE INDUSTRY

The sulphate pulp producers have an investment of about \$56,000,000 in kraft pulp manufacturing plants, and around 17,000 men are employed in this industry with a pay roll of \$21,000,000.

## SULPHATE PULP INDUSTRY AND THE FARMER

One of the greatest things the sulphate-pulp industry has accomplished is to provide a market for sawmill waste and small timber, and in this way this industry has been of very decided benefit to farmers in the sections where the mills are located.

I have previously pointed out that efficient sulphate pulp mills have shut down because of the keen competition with imported pulp and that many mills that started out as pulp manufacturers have had to build finishing plants in order to protect their investments, so it seems fairly plain that this industry can not stand much higher cost of raw materials and still exist.

Respectfully submitted.

SOUTHERN KRAFT MANUFACTURING ASSOCIATION,  
By ELIS OLESON.

District of Columbia, ss:

Subscribed and sworn to before me this 13th day of July, 1929.

CHAS. E. ALDEN,  
Notary Public, D. C.

My commission expires October 13, 1932.

**STATEMENT OF R. I. LAMARCHE, NEW YORK CITY, REPRESENTING PAPER MAKERS' SALT CAKE CONFERENCE**

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. LAMARCHE. I represent the International Paper Co., Falls Manufacturing Co., and several other kraft-pulp manufacturers. I appeared before the House Committee and offered oral testimony and also a written brief, and I assure you that I am not going to offer any repetitious matter here to-day.

I would like to point out one thing that might be considered in the nature of repetition. I would like to bring to your attention the fact that this salt cake is the principal chemical ingredient in the manufacture of kraft pulp, and that kraft pulp is on the free list and undoubtedly will remain there from any information we have been able to secure.

Senator WALSH. What proportion of the value of kraft pulp does salt cake represent?

Mr. LAMARCHE. That depends, Senator. You see, in the Wisconsin plants our delivery cost of salt cake is around \$20 a ton.

Senator WALSH. Is it 5 per cent, 10 per cent, 3 per cent, or 2 per cent of the value?

Mr. LAMARCHE. One-fifth. That would be 20 per cent.

Senator WALSH. So that salt cake represents 20 per cent of the value that you put into kraft pulp?

Mr. LAMARCHE. That is in the Wisconsin plant. Take another plant where you do not have a high freight rate to contend with, and it might be half of that or even less.

Senator WALSH. It is a good deal of an item.

Mr. LAMARCHE. Yes.

Senator WALSH. And \$5 a ton would be quite a factor in increasing the cost of kraft pulp.

Mr. LAMARCHE. Anywhere from 90 cents to \$2 a ton, depending upon the efficiency of the pulp mill.

Senator WALSH. What is the invoice price of kraft pulp?

Mr. LAMARCHE. What is it selling for to-day?

Senator WALSH. Yes, approximately.

Mr. LAMARCHE. I can give you our selling prices. The southern kraft pulp sells for about \$70 a ton and the northern is worth around \$90 a ton.



Senator WALSH. So that this tariff would increase the price \$2 a ton if the duty were effective?

Mr. LAMARCHE. Yes, sir.

Senator COUZENS. The product of these pulp mills is on the free list, you say?

Mr. LAMARCHE. Yes, sir. Kraft pulp is on the free list.

Senator COUZENS. So if we put a tariff on salt cake, you would want a compensatory duty on pulp, I suppose?

Mr. LAMARCHE. No, we would not.

Senator WALSH. Why?

Mr. LAMARCHE. It would have been a fine thing several years ago, but it is too late now. The International Paper Co. has a kraft-pulp mill in the State of Maine that has not been able to operate for the last 10 years by reason of foreign pulp coming into this country.

Senator WALSH. Have you any mills in Canada?

Mr. LAMARCHE. No kraft-pulp mills. We have newsprint mills in Canada.

Senator WALSH. Does the International Paper Co. import any kraft pulp?

Mr. LAMARCHE. We do.

Senator WALSH. From where?

Mr. LAMARCHE. Sweden and Norway, the Scandinavian countries.

Senator WALSH. So you have given up the manufacture of kraft pulp because it is on the free list, and buy it as a raw product now from foreign countries and want it kept on the free list?

Mr. LAMARCHE. That is right.

Senator WALSH. Is kraft pulp manufactured in this country?

Mr. LAMARCHE. It is.

Senator WALSH. Very extensively?

Mr. LAMARCHE. Yes.

Senator WALSH. It is able to compete successfully with the importations that are on the free list?

Mr. LAMARCHE. In the South, yes, or where you are going to convert it into paper at your mill; yes.

Senator WALSH. It depends somewhat upon the location of the kraft-pulp mill, and the factor of railroad rates enters into the matter also?

Mr. LAMARCHE. It is not so much that as it is the cost of the raw material, the lumber. There is cheap wood in the South and very expensive wood in the North.

Senator KEYES. You can use almost any kind of wood, can you not?

Mr. LAMARCHE. In the manufacture of kraft pulp practically any kind can be used; yes, sir. I do not think the hardwoods make a suitable raw material for pulp, but almost any kind of softwood can be used for the purpose.

Senator COUZENS. How many pounds of salt cake are used in a ton of kraft pulp?

Mr. LAMARCHE. About 400 pounds.

Senator WALSH. How much does it sell for a pound?

Mr. LAMARCHE. Salt cake?

Senator WALSH. Yes.

Mr. LAMARCHE. Salt cake is worth anywhere from \$14 to \$20 a net ton delivered at your mill.

Senator WALSH. Can you put it in pounds?

Mr. LAMARCHE. That would be about a cent a pound; anywhere from a cent a pound to three-quarters of a cent per pound.

I made the statement a moment ago, Senator, that I would like to retract, that we do not make any kraft pulp in the States. We do make it in our southern mills. I forgot for the moment, because we do not have any control over the southern plant in our New York office. They sort of operate independently, and for the moment they escaped my attention entirely. We make several hundred tons of kraft pulp in our southern plants, but that is turned into kraft paper in those plants. We do not manufacture any for sale.

My principal idea in appearing here was to refute the statement made and the briefs submitted by the natural salt-cake producers. They did not appear before the House committee. They submitted a written brief after we had appeared; and with your permission I am going to read two paragraphs from a letter that they wrote to one of the producers of kraft pulp in reference to a supply of natural cake. I will quote it from the letter:

A few weeks ago this company entered into a 5-year contract with the International Paper Co. to furnish all of their southern mills with salt cake, a total of 40,000 to 50,000 tons a year, commencing January 1, 1929, provided we are able to assure them by December 1, 1928, of our ability to deliver. Our ability to deliver depends upon the securing of a railroad to our plant. Contingent upon our effecting the construction of the railroad to our plant we will agree to furnish your total requirements of salt cake over a period of three years, beginning January 1, 1929, or as soon thereafter as your present contract expires, at a price of \$17.50 a ton alongside your port. This price is based on a \$3 a ton boat rate out of San Pedro, which applies to your mill.

Seventeen dollars and fifty cents a net ton delivered at "slingside, your port." On the Pacific coast, as near as we can determine—and we have been very liberal in forming our opinion—they could not expect to receive over \$7 a net ton f. o. b. the cars for that cake, but are willing to enter into a 5-year contract with all of the uncertainties of business that you have to contend with in that length of time.

I may be wrong, but it seems to me that a concern that would be willing to enter into a 5-year contract on such a basis must be certain of excessive profits; otherwise they would not take that chance, or else they have millions of dollars back of them.

The proponents of the duty brought out the fact that German salt cake was being dumped into the United States. I am a buyer for the International Paper Co., and I want to relate to you an instance that occurred early this year when the General Chemical Co. gave me 24 hours in which to accept their offer of 3,000 tons of cake—we needed 4,000 tons—or else it would be sold to somebody else. There is a scarcity of salt cake. The manufacturers in this country are oversold. We need 4,200 tons to see us through this year at our plant in Oconto Falls, Wis., 3,000 tons of which are contracted for with the General Chemical Co., and the other thousand tons are coming from Lord knows where; we do not know right now, unless something unforeseen happens to permit the General Chemical people to let us have another thousand tons if they can do it. They promised to do so if they could.

That does not indicate, to my way of thinking, any shortage of salt cake in this country or any great danger from the dumping of large

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quantities of salt cake in here from Germany. Rather it indicates that if the German importations were shut off we would probably have to suspend operations at some of our plants by reason of the lack of this important chemical ingredient.

Senator WALSH. You testified before the House committee that 200,000 tons of salt cake was used in 1928, less than 20,000 tons of which were imported?

Mr. LAMARCHE. That was the case, sir.

Senator WALSH. Is that still the situation?

Mr. LAMARCHE. There will be larger importations this year; there is no doubt about that.

Senator DENEEN. How many tons a year are produced here?

Mr. LAMARCHE. I do not know.

Senator WALSH. That would make 180,000, I suppose if 20,000 only were imported and 200,000 were used.

Mr. LAMARCHE. That is, we used 180,000 tons of domestic cake.

Senator WALSH. That is the question that the Senator asked you.

Mr. LAMARCHE. I did not understand.

Senator COUZENS. Is that all.

Mr. LAMARCHE. Yes, sir. May I file this brief?

Senator COUZENS. Yes.

(The brief referred to is as follows:)

#### BRIEF OF THE MANUFACTURERS OF KRAFT PULP

We seek the continued duty-free entry of salt cake principally for the reason that it is a necessary chemical ingredient in the manufacture of kraft pulp, a grade of pulp that enters this country duty free. Other reasons will be found in the oral and written testimony given on February 22, 1929, to the Ways and Means Committee of the House of Representatives. Pages 8331-8330 of book 39 and pages 9025-9027 of book 44 are respectfully referred to your attention with the request that they be made a part hereof.

Proponents of the duty inferred in briefs filed with the Ways and Means Committee that there existed in this country an industry capable of supplying natural salt cake.

Several signers of this brief have not been unmindful of natural cake deposits, but they have never been able to consummate satisfactory arrangements for a dependable source of supply. In some of the deposits the sodium sulphate content was too low to permit of it being used. In most cases, particularly to northern and eastern mills, where 40 per cent of American kraft pulp is produced, transportation charges to the pulp mills was too high to permit competition with American chemical plants producing salt cake. Some of these deposits are remotely situated, being up to 20 miles from a railroad.

An Arizona company during 1928 offered three and five year contracts to several pulp mills at prices then and now competitive with foreign salt cake. Deliveries under these proposed contracts were contingent upon the producer being able to secure an extension of the railroad to his deposit.

We quote from a letter written by that company dated April 6, 1928:

"A few weeks ago this company entered into a 5-year contract with International Paper Co. to furnish all of their southern mills with salt cake, a total of 40,000 to 50,000 tons per year, commencing with January 1, 1929, provided we are able to assure them by December 1, 1928, of our ability to deliver. Our ability to deliver depends upon the securing of a railroad to our plant.

"Contingent upon our effecting the construction of the railroad to our plant, we will agree to furnish your total requirements for salt cake over a period of three years, beginning January 1, 1929, or as soon thereafter as your present contract expires, at a price of \$17.50 per ton alongside your port. This price is based on a \$3 per ton boat rate out of San Pedro, which applies to your mill."

At the price quoted this concern could not expect to realize much over \$7 a net ton f. o. b. cars shipping point. A firm willing to enter into a 5-year contract at such a price, with the uncertainties of business to contend with over such a long period of time, must have been certain of excessive profits.

As the above quotation was made before a tariff revision had been taken into consideration by either House, it is obvious that the sellers were not depending upon a higher tariff to help them meet competition.

It is claimed the average price of salt cake from 1917 to 1928 was \$21 per ton, whereas kraft-pulp manufacturers in the North and East paid before we entered the war \$9 to \$12 per ton. The highest prices during the war were, to our knowledge, \$22 to \$24 per ton; 1929 contracts run from \$11 to \$16.

(Your attention is drawn to the fact that these 1929 contract prices for salt cake are higher than pre-war prices, whereas the present kraft-pulp and kraft-paper prices are as low or lower than pre-war prices.)

An erroneous statement was made in a brief submitted to the Ways and Means Committee relative to ownership of foreign mills. None of the signers of this brief (or the one submitted to the Ways and Means Committee), producing approximately 3,000 tons of kraft pulp per day, own or control any kraft-pulp mills in a foreign country—with one exception, a Pacific coast mill. That company produces 55 tons per day, which is made into kraft paper for sale to foreign countries. Outside of that company, there is no American producer of kraft pulp that has any ownership in a foreign kraft-pulp mill.

For the information of the committee, we quote from the United States Department of Agriculture Bulletin No. 21 the American consumption, manufacture, and import of kraft pulp for the years 1924 to 1928, inclusive:

*Tons of kraft pulp*

	United States consumption	United States manufacture	Imports
1924.....	645,127	302,735	342,392
1925.....	775,001	412,690	362,311
1926.....	916,942	523,878	393,064
1927.....	1,074,810	622,781	452,029
1928.....	1,182,600	697,000	485,600

Manufacturers in the North and East producing 1,200 tons of kraft pulp per day are in direct competition with American producers of kraft paper who are using foreign kraft pulp entered duty free. May we further point out that salt cake is on the Canadian free list and that, furthermore, Canadian kraft pulp enters this country free of duty. To place salt cake on the dutiable list in this country is going to give the Canadian manufacturers another advantage.

The pulp mills concurring in this brief used, during 1928, about 20,000 tons of salt cake and the total imports, for use by all trade, according to the United States Department of Commerce, were 28,228 tons.

Taking into consideration all of the information that the kraft pulp producers have submitted, would it not be manifestly unfair to place a duty on an important chemical ingredient used in the manufacture of kraft pulp while allowing imported kraft pulp to enter duty free?

Respectfully submitted.

R. I. LaMarche, for Advance Bag & Paper Co., Boston, Mass.; Bogalusa Paper Co., Bogalusa, La.; Calcasieu Sulphate Paper Co., Elizabeth, La.; Champion Fibre Co., Canton, N. C.; Chesapeake Corporation, West Point, Va.; Crown Willamette Paper Co., San Francisco, Calif.; Gulf States Paper Corporation, Tuscaloosa, Ala.; Halifax Paper Corporation, Roanoke Rapids, N. C.; Hummel Ross Fibre Corporation, Hopewell, Va.; Longview Fibre Co., Longview, Wash.; Minnesota & Ontario Paper Co., Minneapolis, Minn.; National Paper Products Co., Port Townsend, Wash.; St. Helens Pulp & Paper Co., St. Helens, Oreg.; Thimpany Pulp & Paper Mills, Kaukauna, Wis.; Willapa Pulp & Paper Mills, South Bend, Wash.; Yellow Pine Paper Mills Co., Orange, Tex.; Brown Paper Mill Co., Monroe, La.; Ontonagon Fibre Co., Ontonagon, Mich.; Union Bag & Paper Co., New York, N. Y.; International Paper Co., New York, N. Y.; Falls Manufacturing Co., Oconto Falls, Wis.

DISTRICT OF COLUMBIA, 38:

Sworn and subscribed this 12th day of July, 1929.

[SEAL.]

EDNA W. SCHALLER,

Notary Public in and for the District of Columbia.

After the undersigned had offered testimony on Saturday, July 13, 1929, before Subcommittee No. 4 and had left the stand, he was informed that Senator Walsh asked for the price on kraft pulp and in replying he gave the price of kraft paper.

The prices given in the testimony in response to Senator Walsh's query, were \$91.21 in the North, \$71.11 in the South. If the question had reference to the price of kraft pulp, the figures that were given are wrong. They are the average selling price of kraft paper for the two companies that I represent. Neither the International Paper Co. nor the Falls Manufacturing Co. manufacture kraft pulp for sale. Occasionally, a carload is disposed of, but we are not regular manufacturers and distributors of kraft pulp.

The records should be complete and correct, so I am offering this supplementary brief which I trust I may have your permission to file.

Respectfully submitted.

R. I. LaMarche, for Advance Bag & Paper Co., Boston, Mass.; Bogalusa Paper Co., Bogalusa, La.; Calcasieu Sulphate Paper Co., Elizabeth, La.; Champion Fibre Co., Canton, N. C.; Chesapeake Corporation, West Point, Va.; Crown Willamette Paper Co., San Francisco, Calif.; Gulf States Paper Corporation, Tuscaloosa, Ala.; Hulfax Paper Corporation, Roanoke Rapids, N. C.; Hummel Ross Fibre Corporation, Hopewell, Va.; Longview Fibre Co., Longview, Wash.; Minnesota & Ontario Paper Co., Minneapolis, Minn.; National Paper Products Co., Port Townsend, Wash.; St. Helens Pulp & Paper Co., St. Helens, Oreg.; Thimany Pulp & Paper Mills, Kaukaua, Wis.; Willapa Pulp & Paper Mills, South Bend, Wash.; Yellow Pine Paper Mill Co., Orange, Tex.; Brown Paper Mill Co., Monroe, La.; Ontonagon Fibre Co., Ontonagon, Mich.; Union Bag & Paper Co., New York, N. Y.; International Paper Co., New York, N. Y.; Falls Manufacturing Co., Oconto Falls, Wis.

E. W. KENNEDY,

[SEAL.]

*Notary Public, Kings County, Kings County Clk. No. 35, Reg. No. 137.*

Certificates filed in New York County, Clerk No. 28, Registration No. 0-66. Commission expires March 30, 1930.

### STATEMENT OF E. A. McGRATH, REPRESENTING THE CROWN ZELLERBACH CORPORATION, NEW YORK CITY

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. McGRATH. I represent the Crown Zellerbach Corporation, New York City.

I have appeared before the Ways and Means Committee and I have that testimony in mind in giving any testimony before this body, so that I shall not repeat it. Subsequent to that testimony there were briefs filed principally by some of the natural salt cake producers. They made some statements that I believe must be refuted, particularly as they referred to my particular company by either declaration or inference. They want it to be inferred, at least, that the entire earnings of this corporation come from the manufacture of kraft pulp or the product therefrom, which is kraft paper. That is erroneous. That is only a small portion of our business. We deal in papers that are manufactured throughout various sections of the country, Minnesota, New England, New York, or wherever they may be. We are jobbers in one sense. We also manufacture various grades of wrapping papers and newsprint paper.

Senator WALSH. Your mills are all on the Pacific coast?

Mr. McGRATH. With one exception. We have one in New York State.

Our production was between 1,000 and 1,100 tons a day of which about 160 tons a day was made from kraft pulp. This year our production has increased. We have a production of about 1,260 tons daily, of which 260 tons are from kraft pulp. I think that statement is clear.

Another statement was made to the effect that the improvements that we are making in our Washington mill at Camas represent an expenditure of about \$3,000,000. They are not to affect the manufacture of kraft pulp. They will not increase its production by 1 ton to the best of my knowledge.

Senator WALSH. You use both domestic salt cake and imported salt cake?

Mr. McGRATH. Yes.

Senator WALSH. Is that domestic salt cake produced by your company?

Mr. McGRATH. No, sir. I believe the plant is located near San Francisco. It is the Hercules Co.

Senator WALSH. You import 4,800 tons?

Mr. McGRATH. Yes, sir; about that figure.

Senator WALSH. In other words, where you can get it convenient to your mills without too heavy an expense for freightage, you choose the domestic, and where you can not, you get it from abroad?

Mr. McGRATH. Yes; and that statement applies to practically all the kraft pulp manufacturers on the coast. There are about 15,000 tons produced by the Hercules Co. and there are used on the coast about 35,000 tons of salt cake per year.

Senator WALSH. Would the freight rate from Louisiana to your mill in Washington, on the Pacific coast, be prohibitive?

Mr. McGRATH. I believe it would. I do not know the exact freight rate, but I imagine the freight rate would be somewhere around \$12 or \$13. That is almost 75 per cent, by rough calculation.

There was a statement made, I think in error, in the briefs. In one place it was stated that a duty of \$5 on salt cake would only increase the cost of delivery 30 cents a ton, and then further in the brief it stated that it would be a dollar a ton. I just want to clear that up.

In one of our mills it would cost 30 cents and in the other about \$1.

I think the Senator will permit me to state our position in regard to the German and domestic salt cake. What we stated before the House Ways and Means Committee will apply this year. We have already contracted for our domestic salt cake for the years 1929 and 1930. The natural salt-cake producers sought to make it appear as if there was a real honest-to-goodness industry. We can not find such a thing existing. There has been a plant situated in Arizona, I believe it is, for many years, which produced an article of a satisfactory quality. I am not certain as to whether they are operating to-day or not. There are deposits situated in the far Western States. I do not know where they are. I know there is some in California, in Utah, Nevada, and Arkansas. We have been manufacturing kraft pulp, but not in this country, during a period of 10 years, and during that time have had plenty of opportunity to receive offers and bids, place orders, and make contracts, many of them, with the natural salt-cake producers, and our experience has been anything but pleas-

ing. With the exception of probably two instances, we have never had a satisfactory product, either by reason of quality or by reason of conditions peculiar to those producers. It may be climatic conditions or their inability to get the material out. Some of them are as remotely situated from the railroad as 20 miles. Of course rain interferes with them. I do not know that they have the machinery to properly treat the material. We have tried to use their article, as I say, but we can not get it properly. You can not depend on it. You can not run a kraft mill if a man tells you he can not ship you the pulp—

Senator WALSH. You mean you have tried to use the product?

Mr. McGRATH. I am referring to the natural salt cake, Senator, not that produced by commercial methods. On a contract of 2,200 tons they delivered 375 tons, and then we were told that we would have to wait until the next crop. I do not know what we were expected to do in the meanwhile. I do not know where the industry is. I would not call it an industry when it is just appearing in natural deposits.

Reference has been made to the fact that our interest in Canadian-owned pulp mills prompts us not to look with favor upon a duty on salt cake. We own one piece of Canadian property in British Columbia. We make about 315 tons of pulp there, most of which is converted into paper and of which 55 tons a day is kraft pulp. That kraft pulp is converted into kraft paper, practically all of which is sold in countries outside of the United States. There have been some instances—I do not believe they will ever be repeated—where we have taken some of this pulp into the United States to help out our American mills. We had an instance where we took in a few tons this year. I believe the plant had to be closed down by reason of weather conditions. We brought down maybe 50 or 60 tons; I do not know the exact quantity. We made paper out of it at our American mill at Camas, Wash.

There has been a reference made to the price of salt cake from 1927 up to the present time that really should not be applied to manufacturers on the Pacific coast. We have only been manufacturing on the Pacific coast this grade of pulp since 1925 or 1926. You can almost refer to it as an infant industry. We have built it up until to-day there are from 600 to 700 tons daily of this pulp made, all of which is converted into kraft paper. We do not ship any of this pulp to any other section of the United States.

I would like to make it clear that the Union Bag & Paper Co., near Tacoma, ships its pulp around to the eastern seaboard for use in its own mills. You can not really call that selling or shipping it. They make paper out of it here in the East.

Reference was made to another pulp and paper company that was going to manufacture pulp. I do not know that they intended to make paper; probably they did. It was said that they were going to make it at a very low price, and I believe they were going to ship it. The mill has not been erected and I am certain it will not be for at least a year.

There was a reference made to Scandinavian pulp not causing us very much inconvenience. That is true, limitedly. We practically have no competition that I know of with that pulp on the Pacific

coast. I am applying this remark, now, only to the Pacific coast. We do have some competition with Canadian pulp out there; but you have got to bear in mind that this pulp is converted into kraft paper some of which must be shipped to other sections of the country, probably to Chicago and to the Eastern seaboard, and that paper is in competition with kraft paper in the East that is made from imported pulp.

I just want to close by making reference to the condition of the kraft pulp industry in this country. The consumption of kraft pulp last year, according to the Department of Agriculture Bulletin 21, was 1,182,000 tons. There was about 697,000 manufactured in this country and 485,000 tons imported, used principally by eastern manufacturers who have no pulp facilities.

May I file a brief? I have not sworn to it yet, but I will have it here on Monday morning.

Senator COUZENS. Very well.

(The brief referred to is as follows:)

BRIEF OF THE CROWN ZELLERBACH CORPORATION

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

SIR: 1. The writer testified before the House Ways and Means Committee on the subject of salt cake (sodium sulphate). His testimony appears on pages 8338-8339 of book 39, under date of February 22, 1929.

2. It is asked that this brief be accepted in supplement to that testimony. This is desired as, subsequent to my testifying, certain briefs were filed by others containing statements that must be refuted.

3. Now, as to statements made by proponents for a duty as they affect or relate to the Crown Zellerbach Corporation and its subsidiary companies, manufacturing kraft pulp, viz, Crown Willamette Paper Co. and National Paper Products Co.—

(a) It was erroneously inferred that the earnings of Crown Zellerbach Corporation accrued through the manufacture of kraft pulp (or kraft paper from that pulp), whereas that is only a small portion of our business. These earnings came from merchandising of paper of many kinds made by mills owned and controlled by others, also from the manufacture and sale of various grades of paper made by our own companies. We had during most of 1928, a daily production of about 1,000 tons per day, of which 60 tons was from kraft pulp. To-day this production has been increased to about 1,260 tons, of which approximately 260 tons are made from kraft pulp.

(b) The statement is in error in declaring that improvements and additions to our Camas, Wash., mill were being made to increase the production of kraft pulp. These improvements are made for the making of paper from pulps entirely different to and not in any manner resembling kraft pulp, nor will these improvements and additions increase the production of kraft pulp or kraft paper.

(c) The declaration, by a contender for duty, that a \$5 duty on salt cake would only increase the cost of kraft pulp by \$0.30 per ton is in error, as it will cost us from \$0.90 to \$1 per ton.

(d) It has been declared that salt cake comes principally from Germany. A very serious error. During 1928 we used 18,000 tons in our two mills, of which 73 per cent, or 13,000 tons, were of American manufacture, and it should be seriously noted that these 13,000 tons were all we could obtain from our logical American source of supply. In fact, there is only about 15,000 tons per annum of salt cake manufactured on the Pacific coast (whereas the consumption of all Pacific coast kraft pulp mills is about 35,000 tons per annum). We naturally had to purchase the balance of our requirements from abroad, about 3,000 tons, as freight rates prohibit purchasing from other American manufacturers in the East and Middle West.

(e) *Natural salt cake*.—It has been contended that a healthy industry exists for the production of this character of salt cake, of a quality suitable for use

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by kraft pulp mills. With this, the writer takes issue, recognizing of course that there are large deposits of this material in the States of Nevada, Utah, Arizona, and California. They are, however, principally remotely situated as to transportation facilities—some of them being as far as 20 miles from a railroad, necessitating the carting of the material at consequent heavy expenses. I question seriously whether they are equipped with the proper machinery to properly dry the material so that it can be shipped. I believe that there is one deposit that has been working for several years and has produced a satisfactory quality of article, but is hampered by lack of railroad facilities.

During the course of probably 10 years there has been offered to us from time to time contracts, etc., at satisfactory prices, that is, prices that were in competition with American chemical salt cake, and likewise, with foreign salt cake. We have endeavored to use this material, but have not made a success of it, for two reasons:

First. The inability of these producers to fulfill their contracts, as to tonnage and as to time of shipment. With only a couple of exceptions, have we, during the course of these years, had a contract properly fulfilled as to delivery and with most of the contracts, or orders, cancellation was finally necessary by reason of quality and by lack of delivery. Even though these people were able to supply the material at a lower price, quality for quality, it is questionable, from our past experience, as to whether we could contract, it never having been proven to us that we could depend on this article as a proper source of supply.

Second. Now, generally, I do not think the duty would wholly meet the situation. It is not the lack of a duty that is interfering, it is natural conditions as before stated that interfere with the production of this article. I feel rather safe in saying that in my opinion there is no industry existing in the sense that you and I would consider an industry.

(f) It was declared that kraft pulp can be made so cheaply on the Pacific coast that it is being shipped to the eastern seaboard. Our companies do not ship any of this material to the East or elsewhere. All that we manufacture is used in the production of paper. I do not know of anyone on the Pacific coast shipping kraft pulp to the East, with the exception of the Union Bag & Paper Co., and they are shipping the pulp to their own paper mills, situated in the east.

The Willapa Paper Co. has been referred to in this connection by proponents for a duty but let me point out that this concern was projected for the manufacture and shipment of kraft pulp, but so far, has not materialized. It will probably be close to a year, if even then, before they are in production.

(g) It has been declared that our ownership of Canadian mills prompts us to request that no duty be exacted, on salt cake. This is not correct in the light of facts. We own the Pacific mills of Ocean Falls, British Columbia, manufacturing there about 315 tons of pulp that is converted into paper and of this amount, only 55 tons (about 15 per cent) are kraft pulp, all of which are made into kraft paper (there may from time to time occur instances where it is necessary for us to ship some of this kraft pulp to our American mills to help them out, but I declare that this is the exception, and not the rule). The production of this mill of paper is for sale in foreign countries, for, as you are aware if the paper came into the United States, it is subject to a duty and rightly so.

(h) Reference has been made to the prices on salt cake, going over a course of years. This could hardly be applied to the American kraft manufacturers on the Pacific coast, as it is only since 1925 or 1926, that any of this article has been manufactured on the coast so the average prices quoted by the proponents for a duty are not applicable to us and, of course, at the initiation of the manufacture of kraft pulp by our companies, the costs were not predicated on paying a duty on salt cake.

(j) Reference has been made to the fact that Scandinavian pulp does not cause us serious inconvenience. That is true, limitedly. We are not seriously bothered through the importation of such pulp on the Pacific coast, but with a duty on salt cake of \$1 per ton, there would be a closer relationship between our prices of pulp and that of Scandinavian pulp, but we must look beyond that feature alone. We are competing with Canadian pulp and more important is the fact that the paper we manufacture from this kraft pulp, some of which must be sold in the east is in competition with kraft paper made on the eastern seaboard from imported pulps. However, we recognize that at the present time, it is necessary for certain kraft paper manufacturers in the east, employing American labor and capital to import foreign pulps, for according to the United

States Department of Agriculture, Bulletin 21, during the years 1924 to 1928 inclusive, the United States consumption of kraft pulp has always exceeded the amount manufactured in this country, as will be noted from the following figures, taken from that bulletin:

*Tons of kraft pulp*

	United States consumption	United States manufacture	Imports
1924.....	645, 127	302, 735	342, 392
1925.....	775, 001	412, 660	362, 311
1926.....	916, 942	523, 878	393, 064
1927.....	1, 074, 810	622, 784	474, 810
1928.....	1, 182, 600	697, 000	485, 600

Therefore, by reason of this, it is necessary for us to maintain low costs on our article.

(k) The kraft pulp industry on the Pacific coast may be considered in the light of an infant industry. To-day we are producing about 660 tons per day, approximately, 22 per cent of the total amount produced in the entire United States. As time goes on this production may possibly be increased, to the advantage of American capital and labor and to the exclusion of imported pulps.

We fully believe that it is to the interest of the country at large that this industry be fostered in its growth and not be retarded through the imposition of a duty on a chemical ingredient when that duty might probably not bring advantages to the proponents but instead would work a hardship on the kraft pulp manufacturers.

F. A. M. GRATH,  
*Representing Crown Zellerbach Corporation.*

STATE OF NEW YORK.  
*County of Kings:*

Sworn and subscribed to before me, a notary public, on July 13, 1929.

[SEAL.]

JOSEPH SACKHEIM,  
*Notary Public, Kings County.*

My commission expires March 30 1930.

**STATEMENT OF F. J. MORRISON, REPRESENTING HUMMEL-ROSS  
FIBRE CORPORATION, HOPEWELL, VA.**

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. MORRISON. I represent Hummel-Ross Fibre Corporation, Hopewell, Va.

Senator WALSH. You did not appear before the House committee, did you?

Mr. MORRISON. No, sir.

With your permission, and without taking up time, I would like to ask to file a brief without oral testimony.

Senator WALSH. Do you concur in what the other witnesses have said?

Mr. MORRISON. Yes, Senator. We are members of the Kraft Manufacturers Association.

(The brief referred to is as follows:)

**BRIEF OF HUMMEL-ROSS FIBRE CORPORATION, HOPEWELL, VA.**

UNITED STATES SENATE FINANCE COMMITTEE,  
*Senate Office Building, Washington, D. C.*

GENTLEMEN: My name is Freeland Morrison, representing the Hummel-Ross Fibre Corporation, of Hopewell, Va., incorporated under the State laws of Virginia.

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We represent an investment of \$5,000,000 with employment for 400 persons, and a pay roll of \$400,000 a year, which does not include wages paid by farmers for cutting and preparing wool.

We use 60,000 cords of wood a year, all purchased from farmers within local territory at a cost of approximately \$600,000 a year. It is specifically noted that the continued operation of this plant would be of material benefit to the local farming community, a present nation-wide problem.

We manufacture 100 tons daily of kraft pulp, which we convert into 50 tons of kraft wrapping and bag paper and 50 tons of kraft container board.

A duty of \$5 per ton on imported salt cake would increase our pulp cost \$30,000 to \$40,000 annually. It is not definitely known at this time that the domestic sources would be able to supply requirements, to say nothing of what the quality and its effect would be.

The present production of kraft paper is well in step, if not exceeding the consumption. The kraft manufacturers endeavor by various means to find new consumption uses. Increased manufacturing cost could not at this time be passed on to the consumer, and the feared result is that any increase would impair the present industrial investment and finally curtail consumption, or its resultant decreases in wages to the laborer and those furnishing other raw materials.

The source of natural salt cake in the extreme western section of the United States is so far removed from the eastern section, where are located many pulp and paper-manufacturing plants, that economically the high transportation expense from the West, as compared with the low ocean cost from Germany and the nearby inland haul should not be offset by an import duty. At the present time there are no salt cake special rates from the West to the East. However, assuming a possibility, there may be instituted a carload rate of \$15 to \$17 per 2,000 pounds.

There is a carload rate at the present time from the California natural salt cake district to Mississippi River points of \$12 per 2,000 pounds. We are not aware of the possibilities of the ocean transportation cost at present existing, but some mention has been made of a \$3 per 2,000 pounds ocean rate, which, if true, and so far as Hopewell is concerned, would make, plus the \$1.60 inland rate from Norfolk to Hopewell, \$4.60 transportation cost at our plant. This compared with \$15 to \$17 tentatively on natural salt cake from the West—a very wide margin. We repeat that to equalize this unusual geographical disadvantage is economically unsound.

Furthermore, we know of no authoritative detailed analysis of domestic natural salt cake; therefore, no intelligent comparison seems possible at this time with imported salt cake. We have had samples of domestic natural salt cake from various sources, which indicated that there was no uniformity, with a distinct variation of moisture content far in excess of the imported salt cake, which would add greatly to the transportation cost to the eastern consuming mills, to say nothing of the detrimental manufacturing features with respect to excess moisture.

There is some doubt as to Germany being able to continue shipping in volume to America, which if true would seem not to call for a protective tariff. The kraft industry has suffered a severe setback in supply of make-up alkali chemicals because of the fact that much salt cake was supplanted by by-product niter cake, which in turn has been supplanted by the rapid increase in production of fixed nitrogen.

We are facing three unfavorable situations:

First. A possibility of an import duty on salt cake;

Second. Perhaps a decreased German production; and

Third. The elimination of niter cake by fixed nitrogen.

Because of the shortage of niter cake, we have been using salt cake since January, 1929, and at the rate of 7,500 tons per year. The additional cost of salt cake use over that of niter cake is \$1 per ton of pulp. With the rather sudden move from niter cake to salt cake on the part of numerous pulp manufacturers and also the continued growth in the use of salt cake in other industries, particularly that of artificial silk, the present sources of salt cake supply are uncertain. The salt-cake market, because of this uncertainty, is in a chaotic state, and because of the recent changes noted has not yet assumed a stabilized condition. The American consumer is actually dependent upon importation. We are in sympathy with protecting home industries, but why upset a situation at this time when it presents so many uncertain features?

The kraft paper industry has reached such a state of production, largely through competition, which is very keen, that it will be impossible, without serious effects on the consuming market, to pass any additional manufacturing costs on to the consumer. We submit that this is a very pertinent point in this subject.

To summarize:

We have an investment of \$5,000,000 to protect; we distribute over \$1,000,000 yearly in wages and wood costs within the immediate section, which is largely agricultural; the kraft industry has not for some time been making a reasonable profit on its investment; the production has reached a saturation point, and the manufacturers would have to bear increased costs or discontinue; the uncertainty of domestic supply, analysis, and unfavorable geographical location of the source with its attendant high transportation expense; the increased domestic uses of salt cake; the possibility of a limited imported supply; all bear witness that it would be unwise to disturb or impede at this time the movement of a commodity with which there are connected so many uncertain features of production.

We respectfully ask that salt cake be continued on the free list.

Yours very truly,

HUMMEL-ROSS FIBRE CORPORATION,  
PER FREELAND MORRISON.

DISTRICT OF COLUMBIA, ss:

Subscribed and sworn to before me this 12th day of July, 1920.

CHAS. E. ALDEN, *Notary Public.*

My commission expires October 13, 1932.

### BRIEF OF UNION BAG & PAPER CORPORATION AND UNION BAG & PAPER POWER CORPORATION

Union Bag & Paper Power Corporation is a wholly owned subsidiary of Union Bag & Paper Corporation. It has recently completed a kraft pulp mill at Tacoma, Wash. The annual production of this mill is approximately 45,000 tons. The pulp produced is shipped to the paper mills of Union Bag & Paper Corporation in New York State. The pulp mill was located at Tacoma primarily because of the absence of sufficient satisfactory wood in this country in the vicinity of New York State.

This pulp mill will furnish the paper mills with pulp which will replace pulp formerly imported from foreign countries. The imported pulp used heretofore has come principally from Sweden, Canada, and Norway.

Our Tacoma pulp mill represents an investment of over \$3,000,000. It employs about 400 people with an annual pay roll of approximately \$600,000. It gives additional employment to American workers in the production of a commodity which heretofore has been imported. It promotes the further development of American resources in the largely undeveloped Northwest.

The construction of this pulp mill was necessary to protect an investment in New York State paper mills, amounting to approximately \$4,000,000, and employing approximately 500 men. These paper mills could not continue to compete if forced to use imported pulp.

A tariff on salt cake would increase directly the cost of pulp produced in our Tacoma pulp mill at the rate of 20 cents per ton for each dollar of duty imposed, or \$9,000 a year for each dollar of duty imposed. Such additional cost would seriously affect our ability to produce domestic pulp at a cost which would be competitive with imported pulp.

Our requirements of salt cake are very roughly 9,000 tons a year. Only a small portion of the required tonnage can be purchased on the Pacific coast. The Pacific coast requirements of salt cake are approximately 35,000 tons yearly, and the available salt cake produced on the Pacific coast is about 16,000 tons. Salt cake produced in other parts of the United States can not be purchased at delivered prices at Tacoma which would permit its use. We have offered to buy additional salt cake from Pacific coast producers who are in a position to furnish us with satisfactory salt cake, but we have been unable to make contracts for the purchase of more than 3,000 tons a year, or a third of our requirements. Moreover, even such domestic salt cake as is now produced on the Pacific coast is not as satisfactory for our use as the imported salt cake. At the present time, we are paying \$18.12 a ton for

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German salt cake and \$15.95 for domestic salt cake, delivered at our mill at Tacoma, Wash. The domestic price at point of production is \$14.50 per ton.

UNION BAG & PAPER CORPORATION.  
UNION BAG & PAPER POWER CORPORATION.

**BRIEF OF ADVANCE BAG & PAPER CO. (INC.) AND SOUTHERN  
ADVANCE BAG & PAPER CO. (INC.), BOSTON, MASS.**

STATEMENT

COMMITTEE OF FINANCE,  
*United States Senate:*

The Advance Bag & Paper Co. (Inc.), and the Southern Advance Bag & Paper Co. (Inc.), through its vice president, J. N. Harvey, appeared before the Ways and Means Committee of the House on February 22, 1929, and gave oral testimony, which testimony will be found in the report of hearings before the Committee on Ways and Means, volume 39, page 8331, and a brief filed, which brief will be found in the report of hearings before the Committee on Ways and Means, volume 44, page 9625.

We are advised that this brief may make reference to the testimony before and the brief filed with the Committee on Ways and Means, but that we should refrain from setting forth in this brief matters which were covered in the testimony before and the brief filed with the Committee on Ways and Means, so we respectfully refer your committee to the records of the Committee on Ways and Means, above referred to, and in this brief we will try to confine ourselves to points not covered by the testimony and brief referred to.

NATURAL SALT LAKE

It has been called to our attention that owners of lands in the Southwest containing deposits of natural sodium sulphate, commonly called "salt cake," are asking that such commodity be taken off the free list and that a duty of \$7 a ton be placed thereon.

In the Northern States adjacent to Canada, as Wisconsin, Michigan, and Maine, and in the States of the Atlantic seaboard, approximately 40 per cent of the kraft (sulphate) pulp produced in the United States is manufactured. In the manufacture of this pulp, salt cake is an essential chemical. The freight rates on salt cake are excessive and as a result manufacturers of kraft pulp have for years bought their supply of near-by chemical manufacturers.

From time to time this company has negotiated with firms purporting to be able to supply natural salt cake from Arizona and other southwestern points. Some of the samples of salt cake submitted seem to have a suitable content of sodium sulphate—others do not; but in every instance the cost of transportation, whether all rail or rail and water, from these deposits to New England was absolutely prohibitive. Such cost of transportation exceeded by two or three times the f. o. b. price of the commodity.

We have before us a brief submitted by the Rhodes Salt & Borax Co. to the Committee on Ways and Means, and nowhere in this brief does the Rhodes Salt & Borax Co. even intimate that they could be a source of supply for northern and northeastern pulp mills. From their brief, one would judge that they thought that the bulk of the kraft pulp was manufactured in Louisiana and on the Pacific coast. They state that they can not compete at New Orleans or on the Pacific coast against foreign salt cake.

As above stated, the natural deposits of salt cake in the Southwest, under existing conditions, can not be utilized by manufacturers of kraft pulp in the States bordering on Canada nor in States on the Atlantic seaboard.

IMPORTED KRAFT PULPS

The northern and eastern pulp mills, which as above stated manufacture 40 per cent of the kraft pulp produced in the United States, convert such pulp into kraft paper. Some years ago some and possibly all of these kraft pulp manufacturers marketed a certain portion of their output to mills in the same locality which did not have kraft pulp mills in connection therewith, but were what is known as "converting paper mills"; i. e., mills which purchased their pulp

from outside sources; but the importation of Scandinavian and Canadian kraft pulp, entering this country free of duty, captured this trade, formerly enjoyed to some extent by the above-mentioned kraft-pulp manufacturers. In our brief presented to the House Committee on Ways and Means, referred to above, we called attention to the history of three kraft-pulp mills in New England. The Rhodes Salt & Borax Co. in their brief presented to the House Committee on Ways and Means stated that the reason that two of the New England kraft-pulp manufacturers went out of business was not because of the importation of Scandinavian and Canadian pulp but because of the high cost of pulpwood in New England. We wish to point out that the kraft-pulp mills at Deerfield, Vt., and Van Buren, Me., which discontinued operation, as stated in our brief filed with the House Committee on Ways and Means, were own by people who themselves held large areas of pulpwood bought years ago and with low stumpage valuations. It is true that the cost of cutting pulpwood in New England is higher than in the southern part of the United States, in Canada, or in the Scandinavian Peninsula, and consequently the cost of pulpwood in New England is higher than the cost of pulpwood abroad in the Southern States. Likewise the cost of labor in the pulp mills in New England is higher than in Canada or in the Scandinavian Peninsula. I do not believe anyone will question the fact that wood-labor is paid more in the northern part of the United States than in Canada or in the Scandinavian Peninsula. The two New England manufacturers, as stated in our brief referred to, went out of business because of foreign competition. Those mills could not sell their product in competition with foreign pulp entering this country free of duty, and therefore were forced to abandon operation; and permit us to refer specifically to our statement in regard to this matter which is set forth in our brief filed with the House Committee on Ways and Means.

The brief filed on behalf of owners of lands containing natural salt cake with the House Committee on Ways and Means has pointed out that we were manufacturers of kraft paper and kraft-paper bags and that kraft paper and kraft-paper bags were protected by a duty. This is true; but in New England there are four manufacturers of kraft paper, and these companies market such paper for the most part through kraft bags which they manufacture. The Advance Bag & Paper Co. (Inc.), with its plant at Howland, Me., is one of these four companies; another company is located in Maine and the other two in Vermont. These four bag manufacturers compete against each other in their logical market, namely, New England, New York, and points which can be reached with a comparatively low freight rate. The Advance Bag & Paper Co. (Inc.) is the only one of these four bag manufacturers which manufactures kraft pulp. The other three manufacture their kraft paper from foreign pulp, and we are advised by them that mainly they use pulp imported from Scandinavia. The cost of converting kraft pulp into paper in these four mills is probably the same. The cost of converting the kraft paper into bags in these four mills is probably practically the same. The three mills importing kraft pulp must of necessity base their selling price on their cost price, which is cost of imported pulp, plus cost of converting such pulp into paper, plus cost of converting such paper into bags. Our cost of bags is our cost of pulp which we ourselves manufacture plus cost of converting pulp into paper and paper into bags. Obviously, therefore, our selling price of bags is controlled by the cost of imported kraft pulp in the hands of our three New England competitors. The cost of kraft pulp is by far the greatest cost entering into the manufacture of kraft paper and/or kraft-paper bags. The fact that there is a duty on kraft bags does not determine the price of such bags in our market. The price of such bags is determined by the three competitors above mentioned, who manufacture bags out of foreign kraft pulp. Two of these competitors have from time to time offered to purchase from us some of our surplus kraft pulp. From time to time we do have a little surplus. These competitors have honestly advised us to the cost f. o. b. their mills of their imported kraft pulp, and we have been offered the same price and have shipped these firms some surplus pulp at these prices. Our freight rate on the pulp from our Howland, Me., mill to these competitors is from \$7 to \$8 per ton, and we have never been able to obtain from these manufacturers a price for our pulp which equaled our cost of production plus freight. There is no getting away from this point.

The northern and eastern companies producing approximately 40 per cent of the kraft pulp produced in the United States, as above pointed out, convert such pulp into paper, and these mills are in competition with paper mills in

their localities which do not make kraft pulp but make kraft paper out of foreign pulp imported from the Scandinavian Peninsula, for the most part, and from Canada. The price of kraft paper so manufactured and sold by these kraft-pulp manufacturers has, of necessity, to be marketed at prices competitive with the paper manufactured by their near-by competitors out of kraft pulp. So here again the cost of foreign kraft pulp is vital in determining the price of kraft paper in the North. We insist, therefore, that our price and the prices of mills manufacturing 40 per cent of the kraft pulp in this country are governed by the cost of foreign kraft pulp entering this country free of duty.

The brief filed on behalf of owners of land containing natural salt cake deposits, claim that the American kraft-pulp manufacturers have kraft mills in Canada and jockey the price of Canadian pulps to depress the price of Scandinavian pulp. Neither this company nor its subsidiary has any interest in any way, shape, or manner in mills situated without the United States. As far as we know, no kraft-pulp manufacturers in the northern or eastern part of the United States has any interest in any Canadian or foreign kraft-pulp mill.

#### PROFITS

We wish to point out to your committee that the margin of profit in the pulp and paper business is small. It is a well-known fact in the paper manufacturing business that the annual sales do not equal capital investment. Before the war, a \$2.50 a ton profit on pulp was considered adequate. Kraft paper and kraft bags to-day are selling as low or lower than before the war. This company and its subsidiary so far in 1929 have not made \$2.50 a ton on its pulp, its paper, nor its bags, nor would the combined profits on the three commodities equal \$2.50 a ton on pulp produced.

The brief filed by Rhodes Salt & Borax Co. states that they figure that they figure that their proposed duty on salt cake will increase the cost of kraft pulp \$1 a ton. Of course different mills use different quantities of salt cake. The cost of salt cake per ton of pulp varies with the mill. This duty would increase the cost of sulphate pulp not far from \$1.50 per ton.

Reference is made in the brief of Rhodes Salt & Borax Co. to the profits of Advance Bag & Paper Co. (Inc.) in the years 1925, 1926, and 1927. In answer to this, we respectfully refer the committee to our statement in reference to earnings, as set forth in our brief filed with the House Committee on Ways and Means above referred to. Since the filing of our brief, our directors have declared a dividend of \$1 per share, payable 25 cents per share quarterly. The par value of our stock is \$100. Unfortunately, this dividend has to be paid out of surplus, as it has not been earned this year.

#### NORTHERN AND EASTERN SUPPLY OF SALT CAKE

As pointed out, the northern and eastern manufacturers of kraft pulp can not use natural salt cake from the Southwest—freight rates prevent it. These manufacturers of pulp have obtained and will continue to obtain salt cake from northern and eastern chemical manufacturers who produce salt cake as a by-product, and from foreign sources. We are advised that 95 per cent of the salt cake produced in the United States is a by-product in the manufacture of other chemicals. If your committee will investigate, they will find that these chemical works are prosperous. We have pointed out in our brief presented to the House Committee on Ways and Means that the New England price of salt cake in 1916 was \$9 a ton f. o. b. sellers' works, and that we have purchased for 1929 delivery salt cake produced in New England at a little over \$11 a ton. Can these manufacturers of salt cake claim that they are entitled to more than \$2 a ton in excess of their selling price in 1916? We had supposed that if a by-product could be produced and sold at a profit, that was all a manufacturer expected. A duty on salt cake will simply mean that the pulp mills in the United States, producing 40 per cent of the kraft pulp manufactured in this country, will pay a premium equal to from \$1 to \$1.50 a ton on every ton of pulp produced to these northern and eastern manufacturers of chemicals who produce salt cake as a by-product. Is that a fair proposition, when these kraft-pulp manufacturers are in competition with pulps entering this country free of duty?

## SOUTHERN KRAFT-PULP MILLS

The briefs above referred to have laid stress on the fact that they can not compete in Louisiana with German salt cake. The briefs advocating a duty of \$5 a ton on cake state that such a duty would make the cost of cake \$17 a ton in Louisiana and \$18.50 a ton on the Pacific coast. What are the facts? One of the companies filing such a brief has a natural salt-cake deposit in Arizona. This, so far as we know, is the nearest natural salt-cake deposit to the pulp mill owned by Southern Advance Bag & Paper Co. (Inc.), located in Louisiana. That company (the owner of the salt-cake deposit) in 1928 offered to make a contract with us for a period of five years for our requirements of salt cake at our Louisiana plant at \$19.50 a ton, delivered at our mill, they absorbing a freight rate of \$12 a ton, giving them \$7.50 a ton f. o. b. railroad; but they had no railroad to their deposits, and if they could get a railroad built to their deposits they would make the price \$18 a ton, delivered our works. In other words, they would take off \$1.50 a ton which they would save by doing away with truckage from their deposit to the railroad. Obviously, the offering of a 5-year contract at even \$19.50, delivered our Louisiana mill, on a \$12 freight rate must have shown a profit on the salt cake so proposed to be sold. Do you believe, gentlemen, that the concern offering such a contract for so long a period, did not expect to make a profit on the cake so proposed to be sold? They were willing to sell on the basis of \$7.50 a ton for a period of five years on a \$12 freight rate, and still they say that with a duty of \$5 a ton on cake, they would sell at \$17 a ton, Louisiana points. This is inconsistent. The trouble with the proposition is freight rates. Neither we nor any other manufacturer of pulp can stand a salt-cake cost based on a \$12 a ton freight rate. Is it the policy of our Government to fix a duty on an article so that domestic users of that article will be forced to buy a commodity and absorb a high freight rate? Obviously, the producers of natural salt cake in this country are handicapped by their location. Is it fair for them to ask a duty which will compel us to absorb their high freight rates?

There is one producer of salt cake in the United States which produces salt cake as its chief article of manufacture. This manufacturer is located in Louisiana, and we purchase salt cake from them for our Louisiana plant. In reference to the contention of this manufacturer for a duty, we respectfully refer you to our statement in our brief filed with the Ways and Means Committee of the House.

## COSTS OF PULP

The briefs of the seekers of a duty on salt cake, in referring to the northern and eastern manufacturers of kraft pulp, "throw us over their shoulder," as it were, with the statement that, of course, we can not compete because of wood costs. Taking their statement as true, is that any reason why this industry should be further handicapped by a duty on salt cake? Of course, the figures as to cost of pulpwood reported in the brief referred to are wrong. This brief states that the average price of pulpwood in the United States is \$14.06 and that the average price in New England is \$10.80. We buy a large quantity of pulpwood each year from farmers and small landowners who in the winter months, having little other work, cut this wood and deliver it to our mill. Except during the war we have been paying for this wood, delivered at our mill in Maine, from \$9 to \$11 a cord. The greater part of the wood which we use at that mill is cut by ourselves and our cost is, of course, the cost of cutting, plus the cost of driving down the river to the mill, plus an arbitrary stumpage price which we place on same. In another part of the brief is shown a tabulation of Maine pulpwood costs for the year 1924, 1925, and 1926, and the highest cost is \$18.51. It is claimed that these figures were taken from the United States Department of Commerce bulletins. How these statistics were gathered we are not advised. They may have been based on the prices of peeled or rossed spruce pulp wood, such as is used in the manufacture of newsprint, or they may have been obtained from the manufacturers of bond paper who obtain their peeled or rossed wood by rail. At any rate the cost of pulpwood in Maine is as above stated.

We do not believe that your committee will take the same attitude as regards northern and eastern pulp manufacturers as was taken by the Rhodes Salt & Borax Co. and other producers of natural salt cake, as set forth in their briefs above referred to, by simply ignoring us because of high costs. We are competing with manufacturers using foreign pulp. In other words, our cost of pulp



is practically the same as the cost of foreign pulp delivered at our competitors' mills. They can undersell us in markets where their outgoing freight is less than ours. We can compete where we have similar rates.

If, however, there is a duty placed on salt cake, we will have to absorb the amount of such duty on the salt cake which we use, since our selling prices are governed by the cost of foreign pulps in the hands of our competitors, as pointed out above, and this added burden we maintain to be unfair, unnecessary, and not warranted by the facts.

ADVANCE BAG & PAPER CO. (INC.),  
SOUTHERN ADVANCE BAG & PAPER CO. (INC.),  
By J. N. HARVEY, *Vice President.*

BOSTON, MASS., *July 11, 1929.*

COMMONWEALTH OF MASSACHUSETTS,

*County of Suffolk, ss:*

Before me, at Boston, in said county, this 11th day of July, personally appeared J. N. Harvey, who made oath to the truth of the foregoing, by him subscribed.

ARTHUR W. BLACKMAN,  
*Justice of the Peace.*

### **BRIEF OF C. H. J. HAMMARGREN, NEW YORK CITY, REPRESENTING GERMAN SALT CAKE PRODUCERS**

Owing to strikes in England and Scandinavia during 1927 and 1928 the exports of salt cake from Germany to some of its old markets decreased and stocks accumulated in Germany.

Germany therefore increased its (up to this time small) export to the United States for 1928 and 1929.

This fact has recently been the reason why some American salt-cake producers are asking for duty on salt cake.

What these American salt-cake producers fear, namely, that Germany intends to permanently export such large quantities as in 1929, or even larger, does not meet with real facts.

Germany's total production of salt cake in 1930 and following years will only be about 300,000 tons per year, out of which about 130,000 tons have to be exported. From this total export quantity Germany intends to send to the United States not more than about 35,000/40,000 tons, which means only about 7 to 8 per cent of the American consumption. In spite of the fact that Germany in 1928 and 1929 sold larger quantities to the United States than ever before, the American demand for 1929 is still not fully covered, for the reason that the American production is decreasing, the American consumption increasing, and Germany unable to take any further orders.

Germany has received during the last months orders from American consumers for further 25,000 tons salt cake for shipment in 1929, which orders had to be rejected.

The American production is decreasing, due to the fact that the synthetic production of nitric acid and murlatic acid is developing well.

The American consumption, on the other hand, is increasing because of the rapidly growing pulp and artificial-silk industries.

The German sales organization has been strictly instructed not to disturb the old markets of the American salt-cake industries.

### **BRIEF OF DR. J. ANTHONY SCHWARZMANN, NEW YORK CITY, REPRESENTING THE GERMAN SULPHATE ASSOCIATION**

Due to the increased importation of salt cake from Germany to the United States, efforts have been made to take same off the free list and to put them on the dutiable list.

It is granted that importations have increased during the last two years, due mainly to abnormal conditions in the European salt-cake market, but not on account of overproduction in Germany and consequent dumping in the United States.

During 1930 and the following years Germany will produce about 300,000 tons of salt cake per annum, of which about 130,000 tons will be exported, the rest

being absorbed in Germany. From this total amount exported Germany will export to the United States not more than about 35,000 to 40,000 tons, or about half of the imported tonnage of this year.

It must furthermore be pointed out that in spite of the increased German importation, the American demand for 1929 is as yet not fully covered, for the reason that the American production of salt cake is decreasing and the American consumption of salt cake is increasing on account of the rapidly growing pulp and artificial silk industries, so that to-day Germany has to reject orders from American consumers for the year 1929.

There is, therefore, no reason for removing salt cake from the free list. Respectfully submitted.

DR. J. ANTHONY SCHWARZMANN.

STATE OF NEW YORK,  
County of New York, ss:

On the 16th day of July, 1929, before me personally came Dr. J. Anthony Schwarzmann, to me personally known, and known to be the individual whose name he subscribed to, and who executed the foregoing instrument; and he duly acknowledged to me that the information set forth in the foregoing statement is true to the best of his knowledge and belief.

[SEAL.]

E. DE HAVEN, *Notary Public*.

Commission expires March 30, 1931.

## NEWSPRINT PAPER

[Par. 1767]

### STATEMENT OF GEORGE C. LUCAS, NEW YORK CITY, REPRESENTING THE NATIONAL PUBLISHERS' ASSOCIATION

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. LUCAS. I am executive secretary of the National Publishers' Association, New York City. The National Publishers' Association is a voluntary organization of the periodical publishers, including the general magazines, trade papers, and farm papers.

We are interested partially in section 1401, but what I have to say also is directed to an item on the free list that is related to this, and indirectly, gentlemen, to what we feel, what we hope will be your attitude in the expression of your views as to the inclusion of these on the paper schedule. I am referring to it in that way because of the action taken by the House committee itself.

The particular paper in which I am interested is newsprint. We are not publishers of newspapers, but newsprint paper at the present time is on the free list as standard newsprint paper, with no technical definition as to its contents or anything else, a definition that is interpreted or given by the Treasury Department, and during the time that has been in force they have found it necessary to change their definition from time to time to fully protect, as they feel necessary. At the present time the Treasury Department has a somewhat technical definition which is entirely satisfactory to us. The present duty is entirely satisfactory to us on these items. We have nothing to complain of.

Senator DENEEN. That is 1401.

Mr. LUCAS. 1401. I mention that, Senator, merely because if this item is not on the free list—and I will explain why I am bringing that question up—it would be classified under 1401, because it is print paper.

Senator DENEEN. The reason for asking the question is the note given me by the Tariff Commission "no change in rate."

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Mr. LUCAS. No change in rate as reported by the House, but there has been a request to your committee for an increase of the 10 per cent ad valorem to 15 per cent. That is on this entire item of 1401.

Appearing before the Ways and Means Committee of the House of Representatives, the paper manufacturers did request a technical definition to go into 1401, a technical relief definition for standard newsprint paper. That was opposed by the newspapers publishers themselves through the American Newspaper Publishers Association, and they thought at that time then to protect themselves, to further define the item on the free list, which now reads "standard newsprint paper," restricting the use of that item so that that paper entered free would only be the paper that was actually needed in the manufacture of newspapers. What we want to show to you—and I have one publisher here also who would like to make a few remarks—is the extent, or rather, the wide extent, to which this same paper is used in other lines of work, and which at the present time is admitted free, and we feel should be free.

I picked this up in Washington yesterday [indicating]. This is merely a sample of fashion sheets that are distributed by pattern manufacturers who are also periodical publishers. These are distributed free to dry goods stores all over the United States. That is standard newsprint paper. Now, if a technical restriction—or rather, the restriction requested by the newspaper people—was put on this free list item, that would only apply to paper used in newspapers, and it would exclude the use of this paper.

There are three principal users of this kind of paper and distributors of these sheets, the Pictorial Review, which publishes this particular sheet, the McCall publications, and Butterick. They are also used by other publishers of that kind, but those three alone use 7,500 tons of this paper in this field alone. In addition to that, many foreign papers use newsprint paper, and many fiction publishers that are publishing periodicals use newsprint paper.

Senator COUZENS. Under the law are those coming in free now?

Mr. LUCAS. Yes; they are, as standard newsprint paper.

Senator COUZENS. Now, under the new law do they come in free?

Mr. LUCAS. They will as it stands, but what I am getting at is this: I would just like, if it would not take too much time, to read what the House committee had to say in regard to that problem. I told you that the paper industry wanted to put a technical definition in describing newsprint paper. The only real difference between the definition they wished and what the Treasury Department put in is one of thickness.

Now, this paper is all right. That would come in within the thickness that the Treasury Department uses—I mean the Treasury Department uses now—would come within the thickness that the paper people want, but some of our fiction publications, sometimes called "novel newspapers" use a thickness a little greater than would have come in that technical definition, and we are very much interested in having them continue. The Treasury Department does not use this thickness, and if the law is not changed we will not worry about it.

Senator COUZENS. In other words, you want the law to stand as it is?

Mr. LUCAS. Yes. And I would like also, Senator, if you please, if you can agree with us—now, we feel that after the thorough investigation that we have made, and the House committee made the same investigation and expressed their conclusions here, we would like to have you do the same for the purpose of showing the intent of what is on the free list as standard newsprint paper.

Senator COUZENS. You want it to continue?

Mr. LUCAS. Yes, sir.

Senator COUZENS. Has there been any effort to take it off the free list?

Mr. LUCAS. Except as to that technical definition and the attitude of the newspaper people to limit the extent of the free list to those that are actually engaged in the publication of newspapers.

Senator COUZENS. Then you are only here in case something may happen?

Mr. LUCAS. Yes; and a further point, Senator, which I feel is very important. The customs court, or the Treasury Department, must interpret items on the free list as to what they feel the intent of Congress was.

Senator WALSH. In other words, they feel they must base their judgment in the light of what they think Congress meant by this newsprint paper?

Mr. LUCAS. Exactly. And that is very ably and very concisely expressed in the report of the House committee, which I would like to call your attention to.

Senator WALSH. You have called our attention to it.

Senator KEYES. Just refer to it.

Mr. LUCAS. That is in their introduction of the paper schedule on page 120 of their report.

Senator WALSH. Are the newspaper print manufacturers asking for some of this paper to be taken off the free list?

Mr. LUCAS. They would like to have that with a little greater thickness.

Senator WALSH. Have they appeared here?

Mr. LUCAS. I do not know that they have. But I am here more in the way of rebuttal. Then I wanted to give you that picture. Now, if you please, I would like to have that one publisher give just a little résumé.

#### STATEMENT OF GEORGE DELACORTE, NEW YORK CITY, REPRESENTING USERS OF STANDARD NEWSPRINT PAPER

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. DELACORTE. I am president of the Dell Publishing Co.

Senator WALSH. What do you publish?

Mr. DELACORTE. I publish a group of fiction magazines, war stories, navy stories, submarines, and so forth. I also represent several of the other publishers of similar magazines, such as Street & Smith, who publish western story magazines, the Argosy, and so forth.

We had quite a time in the hearings before the House committee with regard to the paper we use. As Mr. Lucas has said, an endeavor was made to consider this paper different from the paper used by newspapers, because it has a little greater bulk and because it is not

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used by newspapers. An effort was made to restrict the use of foreign paper to newspapers only. I was asked by one of the members of the Ways and Means Committee to make an exhaustive survey of the intent of Congress through the history of the tariff bill, as to their reason for putting newsprint paper on the free list, and as far as we were able to find out by working on all of the Congressional Records for about three weeks, the intent of Congress specifically was to protect the forests, and they put in the definition of newsprint paper—they called it “newsprint paper” merely because there was no other way—there was no other terminology. Now, of late, the manufacturers of newsprint paper in the United States have shown the tendency to read into the 1922 law, and also make it a part of the 1929 law, this new tariff, that newsprint paper can be used only for newspaper purposes.

As a matter of fact, because of the old law, newsprint paper is being used now by 285 farm journals—rather, they all did use newsprint paper and a good many of them still do, and they have a circulation of 50,000,000 copies per month. It is used by 81 fiction magazines, having a monthly circulation of 12,000,000 per month. It is used by 21 mail-order and rural magazines with a circulation of 8,000,000 copies per month. It is used by tablet manufacturers, who make tablets for school children. It is used by job prints and miscellaneous users—the Congressional Record, for instance. Now if, as is being endeavored—as we believe is being endeavored—newsprint paper is restricted to only—that is, if newsprint paper can be imported only for use by newspapers, we are going to have a situation in the United States similar to the one that is existing in Greece and in one or two other foreign countries, where newspapers have the sole right to import newsprint paper. As a result, a good many newspapers have sprung up who have no real reason for being, and they act as bootleggers of newsprint paper. Also, in a good many cities newspapers run big job-printing presses. For instance, in Brooklyn the Brooklyn Daily Eagle runs a big job-printing press. Now, there is no possible way of the Government knowing whether the newsprint paper that goes to the Brooklyn Daily Eagle is being used in job work or on the newspaper, and if newsprint paper were exclusively for newspapers and we could not use newsprint paper, then it would give newspapers quite an advantage.

Senator COUZENS. I think the committee understands that.

Senator WALSH. Can you not leave a brief with us and then return later if desired?

Mr. DELACORTE. Yes, sir.

Senator DENEEN. Why do the newspapers want you to pay a tariff on this paper?

Mr. DELACORTE. That is something that is a puzzle to us, because we use only 5½ per cent of the amount of paper imported. My humble opinion is that the newspapers are not particularly anxious for us to pay a duty, but the newspapers are more anxious to have newsprint paper considered as paper used by newspapers only, so that they can import all sorts of paper that they are not now importing. If paper that is used by newspapers is permitted to come in free duty, then they can import all sorts of twilight papers, which they are not able to import now.

(Mr. Delacorte submitted the following brief:)

BRIEF OF GEORGE T. DELACORTE, JR., REPRESENTING MISCELLANEOUS USERS OF STANDARD NEWS-PRINT PAPER

PREAMBLE

After the hearings before the Ways and Means Committee of the House I was asked by the Hon. Frederick M. Davenport to prepare for the committee a brief showing the reasons previously advanced for placing newsprint paper on the free list. This brief conclusively shows, as you can see from looking at the attached quotations from it, that newsprint paper was put on the free list primarily to protect our forests.

Congress never intended newsprint paper for the free use of newspapers only.

Moreover, there is a vast list of users other than newspapers, which industry was more or less founded on the free importation of newsprint paper.

- 1. Two hundred and eighty-five farm journals, most of which use newsprint; total circulation, about 50,000,000 copies per month.
- 2. Eighty-one fiction magazines, having a monthly circulation of 12,000,000.
- 3. Twenty-one mail-order and rural magazines, with a circulation of 8,000,000 monthly.
- 4. Twenty tablet manufacturers, turning out 300,000,000 tablets per year, of which 1,500,000 are made of newsprint paper, which newsprint tablets are used by the school children.

5. Job printers, who in many cases are in direct competition with the job-printing department of newspaper publishers.

6. A considerable number of miscellaneous users, too large in number to be enumerated, using a considerable amount of newsprint.

Because of these facts recognized by the House, who investigated this matter most thoroughly, we ask the Finance Committee of the United States Senate to leave the old paragraph 1672, now changed to paragraph 1772 in the tariff act of 1929, as it was written by the House.

INTENT OF CONGRESS ON BILLS DECLARING WOOD PULP AND PRINTING PAPER DUTY FREE

To the honorable committee:

The undersigned, George T. Delacorte, Jr., who testified orally before the Finance Committee, is the officially designated representative of Street & Smith, Frank A. Munsey Co., Doubleday Doran Co., Clayton Publications, Fiction House (Inc.), McKimmon Fly Co., and Dell Publishing Co. (Inc.), who sell over 10,000,000 magazines per month to the American public.

A survey of the many bills, briefs, letters, telegrams, and hearings since as far back as the year 1904 to date, on the question of admitting free of duty printing, book, and other papers and wood pulp for making said papers, reveals in substance that the intent of the proponents of the bills, resolutions, etc., making papers and wood pulp duty free was to conserve the forests of the United States.

Prior to 1908, and as far back as 1904, many bills were introduced in the interest of publishers and paper manufacturers seeking to exempt from duty printing paper, white paper, and wood pulp for making the same, but the records seem to indicate that the first and most important hearing on this subject matter was before a select committee of the House of Representatives in 1908.

[Resolution introduced, Sixtieth Congress, first session, known as H. Res. 344, April 20, 1908]

The allegations set forth in the resolution by American Newspaper Publishers' Association include the following:

"That the great production of wood pulp in the United States is rapidly depleting the forests of this country: and

That legislation ought to be enacted which will permit and encourage the importation of wood pulp upon more favorable terms so as to conserve our national forests."

The report was rendered by this committee under Resolution 344, May 12, 1908.

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[James R. Mann, of Illinois, chairman; pulp and paper investigation hearings, April 25-May 9, 1908]

Mr. Medill McCormick introduced Mr. John Norris, of New York City, spokesman at the hearings for the American Newspaper Publishers' Association.

The statements of Mr. Norris indicate that the main purpose in presenting this matter to Congress was (1) to reduce the cost of paper known as newsprint paper, and (2) to conserve the forests of the United States.

On page 225 we read the following:

"The CHAIRMAN. We would be glad to have you demonstrate that fact. What do you figure the total amount paid for print paper by the printing and publishing interests of the country to be?"

"Mr. NORRIS. The great bulk of all paper made—there is a very inconsiderable part of it. Of course, we include in that the fiber and manila trade and the blotting paper.

"The CHAIRMAN. You do not figure the blotting paper as publishing paper do you?"

"Mr. NORRIS. We regard that as part of the publishing business.

"The CHAIRMAN. Do you consider wall paper as part of the publishing business?"

"Mr. NORRIS. It was intended to include all paper consumers in that.

[H. Res. 344. Production and supply of wood pulp and print paper, from p. 3418, Congressional Record, 1909. Presented by Mr. Depew]

Mr. Brown, of Nebraska, makes the following observations:

1. "Our pulpwood supply is nearly exhausted."
2. "The pulpwood of Canada is apparently inexhaustible."
3. "Free pulp would tend to conserve our pulpwood."

"The committee listened with interest, attention, and care from April 25, 1909, to May 14 to the witnesses appearing in behalf of the contention of the American Newspaper Publishers' Association, and followed with painstaking care the statements made and evidence presented by Mr. John Norris, who appeared as special representative of that association."

Contentions of newspaper publishing interests:

1. Price too high.
2. Price fixing was due to conspiracy between newsprint paper manufacturers and their selling agents.
3. Advance in price due in part to tariff duties.

"And hence, in justice to the newspaper and other printing and publishing interests of the country, the duties of pulp and paper should be repealed."

"The above may not completely state the contention of the newspaper publisher, but it gives a general and fair idea of their claims."

"One of the inquiries submitted to your committee was as to the effect of the destruction of the forests of the United States upon the production, supply, and price of wood-pulp and print paper."

#### REMOVAL OF THE TARIFF

"The question as to the removal of the tariff on print paper and wood pulp is intimately connected with the conservation of the forest resources of the United States, as well as its effect upon the paper manufacturing industry and the newspaper printing industry."

"In the minority report we read every consideration of public policy suggests the conservation of our woodlands."

"We urge the placing of pulp and print paper on the free list" (p. 3422).

[Ways and Means Committee reported February 15, 1909. Rept. 2206]

Paper is referred to as print paper, unsized, sized, or glued, suitable for newspaper and books, etc.

Mr. Gallinger in opposition notes, page 3430:

"The chief excuse urged for the proposed legislation is that an increase has been made in the price of paper and that it will conserve American forests."

In the brief submitted by a representative of the American Paper & Pulp Association in opposition to the bill, we note, page 3434:

"Certain newspaper publishers have demanded free paper and pulp. Among the reasons they have advanced are that putting these articles on the free list will prevent the destruction of our forests."

It is clear from the above extracts taken from the reports on Resolution No. 344, in which Mr. Norris, of the American Newspaper Publishers' Association, was very active, that the purpose of putting standard newsprint paper on the free list was primarily to conserve the forests of the United States and not merely to protect the newspaper publishers only.

[Sixtieth Congress, second session, December 7, 1908-March 4, 1909. See pp. 2700-2753, H. R. 22001]

Report of select committee on pulp and paper investigation in reference to H. R. 2206 (page 2700):

"As far as the investigation of the committee can indicate, it would seem that the production of newsprint paper or the other very cheap grades of paper are dependent to-day upon the cheap ground wood produced from spruce trees, and that condition is likely to continue to prevail in the future. The amount of spruce forests throughout the world is, of course, limited."

*American Newspaper Publishers' Association at First Represented All Users of the Type of Paper Known as Standard Newsprint Paper.*—At a hearing before the committee under Resolution 344, during the years 1908 and 1909 (see pp. 222 to 225 H. Doc., vol. 132), where Mr. Norris, the then spokesman for the Association specifically stated that the persons he was serving were the print and publishing interests of the country, including the fiber and manila trade, the blotting-paper trade, the wall-paper trade, the book-printing trade, the magazine-publishing trade, and in fact, "it was intended to include all paper consumers \* \* \*"

[Importation of pulpwood from Canada to United States, May 26, 1920. H. Rept. No. 1030, Sixty-sixth Congress, second session. This report is to accompany S. J. Res 152]

In this report mention was made that spruce, pine, and hemlock used for print paper is rapidly diminishing in Maine, New Hampshire, Vermont, Minnesota and Michigan.

Hearings on Senate Joint Resolution 152, March 9th, April 26th, 27th, 1920, before the Committee on Foreign Affairs:

These hearings had to do with embargoes placed on pulp wood and print paper by Canada and the appointing of a Commission to investigate.

Mr. Underwood, on page 5, notes that the representatives present of "newsprint business and the newspapers themselves" were better informed than he was.

Mr. W. E. Haskell, vice president of the International Paper Co., states, on page 17:

"The scarcity of pulp wood is the basic cause of the present serious situation in the newsprint market of the United States."

"It is impossible to state accurately the exact quantity of newsprint consumed in the United States \* \* \* This is because the records of production include wall paper and side runs."

Mr. HASKELL. "There has never been a survey made, sir, of the pulpwood in the United States. The committee on forest conservation of the American paper and pulp industry, of which I am a member, has worked out a plan for forest conservation in this country which is, in a way, part and parcel of this movement to get relief" (p. 19).

"The purpose of the Underwood resolution is not the ruthless exploitation of the forest wealth of our neighbors. It aims at equality of opportunity for the paper industry of the United States." (P. 23.)

On page 39 we read a portion of a letter directed to the Secretary of State by one of his consuls, as follows:

"One was to assist in conserving the supply of wood, then, as now, rapidly diminishing in quantity; the other to assist in building up the pulp and paper industry in this Province."

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Hon. Allen Towner Treadway, Representative in Congress from the State of Massachusetts, says, on page 48:

"I represent a section where a great deal of paper is made. Most of it is the higher-grade writing paper."

There should be no doubt in the mind of this honorable committee as to the intention of Congress in placing standard newsprint paper on the free list and including it as such in paragraph (1672) 1772 of the present House and Senate bills.

*Newsprint paper and book paper as defined by the act includes magazine paper.*—Again referring to House Report 1030, Sixty-sixth Congress, second session, Mr. Haskell, on page 81, says:

"Mr. HASKELL. Mr. Porter, you have here to-day Mr. A. J. Baldwin, of the National Publishers' Association, an association national in character, which includes all of the large magazines, periodicals, and trade press, who, I think, should be heard by you."

Mr. Baldwin, on page 89 of S. J. Res. 152 (hearings in 1920), says:

"My name is Arthur J. Baldwin, of the McGraw-Hill Co., New York City; I represent the National Periodical Publishers' Association. This association consists of the larger magazine publishers and trade papers and farm and religious papers; in fact, all publications, outside of the daily newspapers and weekly newspapers, are eligible to membership."

On page 94, Mr. Baldwin further states:

"Also bear in mind that this high price of paper to the publishers compels publishers who did use book paper to use newsprint. Many magazines use newsprint because it is cheaper."

Mr. W. K. Hurlbut, representing the Consolidated Water Power & Paper Pulp, says, on page 99:

"I wish to say that I indorse very heartily what Mr. Baldwin has said along the line that the magazine paper industry is as much interested in this affair as are the newspapers. The term 'book paper' does not necessarily mean this high-grade paper that goes into an expensive book, but it is magazine paper."

"This magazine paper is used for other purposes than printing books."  
(P. 101.)

Representative Luther W. Mott, of New York, states, on page 100:

"I know of no opposition to the passage of this resolution. Various associations of publishers have indorsed it and will be heard before your committee. The newspapers have done this because they are now much better educated concerning the paper industry than they were at the time of the reciprocity act and they do not foresee its effect in their own business. They realize now that if our manufacturers can not get the necessary pulp wood for their mills, and they can not do it unless these restrictions are removed, all paper industries will be forced to move to Canada and be subject to Canadian laws and Canadian taxes."

Mr. W. E. Haskell, in explaining the purpose of the Underwood resolution, page 107, said:

"The purpose of the Underwood resolution is not the ruthless exploitation of the forest wealth of the Canadian provinces. It aims simply at an amicable convention that will release raw material in the form of pulp wood to the United States without restriction, just as the United States gives of its raw material in the form of coal, oil, and cotton to its sister nations."

Throughout these hearings consistent reference was made to newsprint paper, but it is apparent that this refers to papers similar to print paper such as used in books, magazines, as well as newspapers. (Testimony of Messrs. Norris, Baldwin, and others.)

Keeping in mind that the records show that it was the contention of the American Newspaper Publishers' Association and its member to place newsprint paper on the free list mainly for the purpose of conserving the forests of the United States, and it was the clear intention of Congress to render relief to the said association and its affiliated bodies on this one point alone, I will now repeat the contentions made at the oral hearing granted by this committee, which are already a matter of record.

The newsprint paper, a well-defined article of commerce, is not exclusively used or made for the printing of newspapers. Furthermore, the approximate amount of imported paper used by other than newspaper publishers is 200,000

tons per annum, and is only 5½ per cent of the total consumption, but the number of users of this 5½ per cent is legion.

Respectfully submitted.

GEORGE T. DELACORTE, Jr., *Representative*.

**AFFIDAVIT**

STATE OF NEW YORK,  
*County of New York, ss:*

The undersigned, George T. Delacorte, jr., being duly sworn, deposes and says that the facts set forth in the brief under this cover are true to the best of his knowledge and belief.

GEORGE T. DELACORTE, Jr.

Subscribed and sworn to before me, a notary public, this 8th day of July, 1929.

[SEAL.]

MAY KELLEY, *Notary Public*.

Commission expires March 30, 1931.

**ALTARS, PULPITS, STATUARY, ETC., FOR CHURCHES**

[Par. 1769]

**STATEMENT OF G. J. GAUL, CHICAGO, ILL., REPRESENTING THE AMERICAN PLASTER OF PARIS STATUARY MANUFACTURERS**

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. GAUL. I represent the American plaster of Paris statuary manufacturers.

We have filed a brief before the Ways and Means Committee of the House of Representatives under paragraphs 1440 and 1674, and we have filed a brief before the committee under paragraph 205-D, which is a substitute for paragraph 1440, but we at this time want to address you concerning paragraph 1769.

Senator REED. "Statuary imported in good faith for presentation (without charge) to" any religious institution.

Mr. GAUL. Yes.

Prior to 1922 such articles as enumerated in paragraph 1674 have been admitted as works of art, and continue to have artistic value. About that time a decision was entered by the Customs Court in which they decided that such articles were not works of art and therefore not entitled to free entry.

In order to permit the free importation of Carrara and other fine Italian marbles that were used so often in altar work and in some high-grade statuary, the paragraph 1674 was inserted by the Senate Finance Committee in the act of 1922. There is no question in our minds, and no question, I think, was in the minds of the committee at that time, that the purpose of the act was to enable the user to import altars, pulpits, communion tables, baptismal fonts, shrines, and parts of any of the foregoing, and statuary made of marble.

Unfortunately, however, what was referred to a number of times in the different acts as casts of sculpture—that is, plaster casts of

marble statues and plaster casts of other statues—was construed by the Treasury Department to be statues within the meaning of the act and the meaning of this section.

The result thereof was not to permit the church to import the marble altar or marble statue, which was of a beautiful texture and of rare workmanship, from a foreign country, but it also enables the importation of these plaster casts, and the result of this importation of plaster casts has been great destruction to the American industry.

Your attention is called to the fact that since 1923 the importations have increased from \$388,387 to \$901,321, and most of these, I have no hesitancy in saying, are the manufactured plaster of Paris casts. They are not statues aspired to be works of art but manufactured in a purely mechanical way, as you will find if you will examine the brief filed by us with the Ways and Means Committee.

We are not asking at this time that a tariff be placed on marble altars, baptismal fonts, or shrines; we are merely asking that the tariff be placed on statuary that is mechanically cast or wrought. In other words, if it is a manufactured product, a statue made in a mold, we ask that a tariff be placed thereon which will not prevent the importation of casts of original statues.

Another section of the act provides; that is, section 1607, the importation is permitted of statuary casts of sculpture used as models or for art educational purposes. There is nothing here to prevent any institution from importing an original cast, and there will be no interference with the importation of those beautiful works or importation of copies thereof. The only thing with which it will interfere would be the importation of purely European factory products.

I might say that this is most important to us because plaster of Paris statuary is almost entirely used in churches, so to say to the American manufacturer, "We will give you a protection on statues and statuettes and then to permit the only customer to import them free," works a hardship and deprives us of any protection whatsoever, and deprives the American industry of meeting the cheap labor of Europe.

Senator SMOOT. Have you in your brief suggested a rate on this plaster of Paris statuary?

Mr. GAUL. We have, in the brief before the Ways and Means Committee.

Senator EDGE. Do I understand that the House has already made that transfer?

Mr. GAUL. They have increased the rate from 35 to 50 per cent, but in the free list they make no mention at all of it, and that is what we are arguing here now, to take plaster statuary from the free list.

Senator EDGE. To be presented, without cost, to religious institutions?

Mr. GAUL. Religious institutions.

Senator EDGE. I mean, you do not want to differentiate, as paragraph 1769 does. If, in other words, an American citizen, or anyone else, purchases a plaster cast abroad, such as you are describing, to present to some religious institution here, you want it to be dutiable.

Mr. GAUL. To have a duty assessed, for the reason that if we do not get any protection in the free list, the other protection, even if you made it 1,000 per cent, would not do us any good.

Senator REED. Because it is all brought in for presentation to churches.

Mr. GAUL. It is all brought in for churches.

Senator REED. How do the customs authorities make sure that it is for presentation?

Mr. GAUL. Papers are filed for that—a letter of presentation and acceptance. In other words, the pastor of the church signs a paper that it is imported for that church, and its donor signs a paper that he is giving it to the church, and no funds of the church are to be used for that purpose.

That is all right when it comes to marble, or anything that is a work of art. But when it comes to plaster casts, such as I have before me here, which are an American product, we feel that we should be given protection, and it was also the wish, no doubt, of the Ways and Means Committee.

Senator REED. That is made of plaster of Paris?

Mr. GAUL. That is made of plaster of Paris, a composition.

Senator REED. What does it sell for at retail?

Mr. GAUL. This sells at \$22.

Senator REED. Retail?

Mr. GAUL. We have only one price, because we sell only to the clergy and these religious institutions.

Senator EDGE. In other words, you contend that you can make absolutely as good a plaster cast as they can abroad.

Mr. GAUL. We can make it better. The only thing that stands in the way is the difference in wages.

Senator REED. What is that brought in for? What is the invoice value?

Mr. GAUL. I do not know that that particular piece is brought in. Consequently, I could not say, but judging from other things, they would perhaps bring that in for \$6.

Senator KING. And you charge what?

Mr. GAUL. \$22.

Senator KING. Do you have any wholesale prices?

Mr. GAUL. That is the wholesale price. We have only one price, to the clergy and to religious institutions.

Senator KING. Have you a monopoly of the domestic business?

Mr. GAUL. I have not. I am representing the American Statuary Manufacturers, as mentioned in the brief that we have filed, in different parts of the country—St. Paul, New York, Philadelphia, and so forth. We are located in Chicago, and have issued this catalogue [indicating], over 500 pages, gotten out in 1928.

Senator SMOOT. Let me ask you a question. If the articles come in under paragraph 1769, or the old paragraph, 1674, they come in here free, but they are only to be sold here for church purposes.

Mr. GAUL. Yes.

Senator SMOOT. Now, if they do not come in for church purposes, then they fall under the old paragraphs, 233 and 1449?

Mr. GAUL. Yes.

Senator SMOOT. Do you want the law so changed that even though the church imports a piece of statuary, such as the one you have there, it shall fall under the old paragraph, 233?

Mr. GAUL. Yes. The proposed amendment to that would be to exclude plaster casts or statues made of plaster. The rest of the

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paragraph would remain as it is. In other words, the church could import all those things mentioned in that paragraph, including marble statues.

Senator SMOOT. And excluding plaster casts.

Mr. GAUL. Yes. That is what we would like to put in.

Senator SMOOT. That is what I wanted to be sure about.

Senator REED. If we cut out the words "and statuary" from paragraph 1769, you would be willing to take even a smaller duty on all statuary, would you not?

Mr. GAUL. Of course, with respect to marble altars, every marble altar has a marble statue, and consequently we would be running into difficulties there, and I can see where the church would have some trouble.

We are not objecting to the importation of works of art. We believe those things are necessary. But we do object to these things that can be made over there at much lower cost than we can produce them in this country.

Senator SMOOT. Then, you would want here the word "statuary" modified so as to include everything, with the exception of plaster casts.

Mr. GAUL. Plaster casts or composition statues, and stations of the cross.

Senator EDGE. Have you that phraseology?

Mr. GAUL. That has been presented with this brief.

Senator KING. Let me ask you a question. Are there many of these plaster of Paris products that are bought for the churches and given to them now?

Mr. GAUL. Yes; there are. As I mentioned here, from the records, in 1923 the importations had increased from \$388,387 to \$901,321.

Senator KING. Has all that gone into the churches?

Mr. GAUL. That is the only work that we do, for the churches.

Senator KING. Are you sure that some of those products of which you were speaking were not brought in for homes?

Mr. GAUL. Part of those things were of marble, but they are not separated. We have no way of knowing how much of that was marble and how much of it was composition.

Senator KING. You do not contend that the entire amount was composition?

Mr. GAUL. No, sir.

Senator KING. What I am trying to get at is this. Do you contend that all the composition products—using your phrase—that are brought in, or that any part of them, are for churches?

Mr. GAUL. Oh, yes.

Senator KING. And are given to the churches?

Mr. GAUL. Given to the churches.

Senator KING. What proportion of those products of which you are speaking are brought in and given to churches?

Mr. GAUL. I should judge, perhaps, 50 per cent, or even more.

Senator REED. May I look at your catalogue, sir?

Mr. GAUL. Yes.

Senator SMOOT. In paragraph 1769, would it meet your request if, after the word "statuary" we inserted "except plaster casts"?

Mr. GAUL. Plaster casts or composition; for the reason that they may later put in a little composition, and we would be in the same

difficulty we are in now. They would say it was not plaster or parts thereof, as we mention in the brief we filed.

Senator EDGE. Give me the number of the paragraph back in the marble statutory schedule.

Mr. GAUL. 1674. It is now 1769.

Senator SMOOT. I think it was 233.

Senator KING. There is a tariff existing upon compositions brought in for private use at present.

Mr. GAUL. That work is not used for private use. It is used for church purposes. For instance, when it comes to a 6-foot statue—there is a catalogue of over 500 pages. Most of the statues sold are from 3 feet up to 6 feet. Consequently they could not be used in homes.

Senator KING. Are there not little pieces, such as the one that you produced here, that are composed, in part at least, of plaster of Paris, and that are brought to the United States and not used in churches?

Mr. GAUL. Statues under 3 feet could be used in homes; for instance, from 12 inches up.

Senator KING. I am not asking if they could be. I am asking if they are not used in homes or in stores.

Mr. GAUL. The smaller sizes are used in homes.

Senator KING. They are subjected to a tariff now.

Mr. GAUL. They are subjected to a tariff now.

Senator KING. What is the present rate?

Mr. GAUL. Fifty per cent, as proposed; 35 per cent under the 1922 act.

Senator KING. Are you not satisfied with the 35 per cent tariff with respect to those articles, carrying that same rate into articles that may be used for church purposes?

Mr. GAUL. A small statue, such as is used in homes, would not be used in a church.

Senator KING. I did not say it would; but you have a tariff rate of 35 per cent upon statues that are used in homes or business places. Would you be satisfied with having the same rate carried to products that are used in the churches?

Mr. GAUL. We have nothing more to say about that, except that we feel that it is inadequate to cover the difference between the European cost and the American cost.

Senator EDGE. Are you entirely correct in your answer to Senator King? I am just reading paragraph 205, which is the paragraph that has been mentioned by the House. They still retain the 35 per cent on manufactures of which plaster of Paris is the component material of chief value, not specially provided for. That is 35 per cent. They raised to 50 per cent statues, statuettes, and bas-reliefs, wholly or in chief value of plaster of Paris, not specially provided for.

Mr. GAUL. That covers everything up to a 6 or 7 foot statue, or as large as you want to make them. It covers everything. They give us that protection under one paragraph and take it away from us under this free list.

Senator EDGE. I think I understand it.

Mr. GAUL. That is it exactly.

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Senator EDGE. As I understand you, it is not necessary to change at all the wording now in subdivision (d) of paragraph 205, provided we insert in paragraph 1769 "except plaster casts or composition products."

Mr. GAUL. Statues, and stations of the cross.

Senator KING. If we were satisfied with the raise from 35 per cent.

Senator EDGE. Of course, the rate of duty is a matter for discussion.

Mr. GAUL. Of course, that would be better than if we got nothing.

Senator KING. Thirty-five per cent is a considerable part of 50 per cent, is it not?

Mr. GAUL. Yes. We pay, in America, about three to four times the amount of German wages, and therefore, we can not meet their prices without a protective tariff. I might say, that if the present tariff as it applies to statutes, over three feet is to continue, and if they are taken off the free list, I am satisfied the American industry can continue and survive. You will no doubt notice that the importations have increased 300 per cent and I have here before me a number of telegrams from American manufacturers who show that their labor has decreased almost 50 per cent.

Senator KING. I understood you to say that you could not tell what proportion of that increase in the importations was marble, and what proportion was composition.

Mr. GAUL. I am only arguing the question of plaster and composition statues and stations here; not marble. That marble paragraph would remain as it is—altars, and so forth.

Senator KING. As I understood you to state a few minutes ago when I asked you as to the importations, you gave a certain figure, and then said you could not tell what portion of it was marble and what portion was composition. I am asking if that is accurate.

Mr. GAUL. No, it is not accurate. We have no way of knowing. I am trying to answer your question as nearly as I can.

Senator SMOOR. In other words, if they put 5 per cent of something else in it, it would not be plaster, but composition.

Mr. GAUL. Yes. Some of these imported statues are made of papier-mâché. They might put a whitening on that, which would, of course, not be of plaster. For that reason, if you say "any other composition" it would cover all those compositions that might be used in the making of a plaster statue such as this.

We made a survey of a number of firms and we find that in my firm Daprato Statuary Co., of Chicago, Ill., we have suffered a decrease of 20 per cent in the number of men we employed in this work. My firm at the present time employs 135 men, in 1922 employed 162. The St. Paul Statuary Co., of St. Paul, Minn., suffered a loss of 33 per cent in the men they employed. In only one firm did we find there was an increase in the number of men employed, that was in the Kaletta Statuary So., of St. Louis, Mo. Not being able to understand how it was possible that this one firm could increase their force under the conditions, we again wired asking that they explain the increase, and they advised us that it was because they had taken over other lines of work.

Senator KING. How much money have you invested?

Mr. GAUL. I should judge \$1,000,000.

Senator KING. What was your profit last year and the year before?

Mr. GAUL. The year before, \$25,000, if I remember.

Senator KING. What dividends—

Mr. GAUL. We had \$1,000,000 worth of business.

Senator KING. What have been your earnings, say, in 1926 and 1927?

Mr. GAUL. I have none of those figures before me. I would be glad to send them to you if you wish.

Senator KING. You are the proprietor. Have you no idea?

Mr. GAUL. Yes, sir; but those things are taken care of by the bookkeeping department. Naturally I am not familiar with those figures.

Senator KING. Have you no idea as to what your earnings were?

Mr. GAUL. In 1926?

Senator KING. Or 1927.

Mr. GAUL. There were two years there, for instance, where we showed a loss, which our income-tax report, to which you have access here, will show. That would be the best way of getting at it, and you can get it accurately, rather than have me guess at the figures.

Senator KING. Has your production increased?

Mr. GAUL. The production has decreased.

Senator KING. What was the maximum year?

Mr. GAUL. Perhaps three years ago. But the profits were nil.

Senator KING. Did you have profits before that time, when you had no competition?

Mr. GAUL. Very little, as our income-tax sheet would show. It gives you accurate figures on those things.

Senator KING. Then, you think this is not a very profitable business at any time, with or without a tariff?

Mr. GAUL. No. If it were not for the fact that this business has grown for so many years, and the profits have gone back into the business, this business would not be on its feet to-day. With the foreign competition, of course, it means that perhaps there will be an end to the business unless we get protection, which is proven again by the fact that all these concerns, with the exception of one, have fewer men working for them to-day on that work than they had in 1923.

Senator EDGE. Do you represent all these concerns producing this type of art?

Mr. GAUL. Yes, sir. I am representing all these concerns.

Senator REED. I do not know whether you have told Senator King your gross sales on this class of material last year.

Mr. GAUL. The gross sales?

Senator REED. I wish you would tell me. I did not hear what you said.

Mr. GAUL. No; I did not give them.

Senator KING. What are your gross sales? I did not ask that.

Mr. GAUL. On all the work we do, \$1,000,000.

Senator REED. On plaster of Paris articles of this type?

Mr. GAUL. I have not those figures separately before me.

Senator REED. Can you not give them approximately?

Mr. GAUL. I could not.

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Senator KING. Does that part of your business amount to 10 per cent?

Senator SMOOT. Is it a large part or a small part of your business?

Mr. GAUL. A large part, for the reason that we employ now 135 men.

Senator SMOOT. For that work?

Mr. GAUL. For that work, manufacturing this work entirely. We have 135 men in the Daprato Statuary Co.

Senator SMOOT. What is the total number of your employees?

Mr. GAUL. That is the total.

Senator SMOOT. Every employee is working on this work?

Mr. GAUL. Every employee is working on this work, in Chicago.

Senator EDGE. You are just speaking of one plant?

Mr. GAUL. That is just one plant, the Daprato Statuary Co. The others, of course, are shown in the brief which we presented before the Ways and Means Committee, giving the number of workmen in the different factories.

Senator SMOOT. If you had the total number of workmen, we could tell about what percentage it was.

Mr. GAUL. Yes. We, of course, are the largest manufacturers of this kind in the United States.

Senator REED. I see you have a factory in Italy. Do you import any of these articles yourself?

Mr. GAUL. We import marble from Italy.

Senator REED. Carrara marble?

Mr. GAUL. Yes. That is for the churches, in order to beautify the churches. That is the reason for the change in the wording of that paragraph, so as not to interfere with the church in the importing of works of art. So far, to my knowledge, the church has not interfered with this, and will not interfere with excluding plaster statues from the free list.

Senator REED. When you say you import marble from Italy, do you mean you import the crude blocks of marble, or marble statuary?

Mr. GAUL. Marble altars, marble statuary, marble shrines, and marble communion railing.

Senator REED. Does your company manufacture those abroad?

Mr. GAUL. We manufacture those abroad.

Senator SMOOT. Is that all?

Mr. GAUL. No. There are a few more things I would like to touch on. Mr. Smith is to follow me, but he will yield to me, so that I will be the only one.

Senator EDGE. I understand Mr. Smith yields his time.

Mr. GAUL. Yes.

Senator REED. Have you discussed this proposition with any members of the clergy?

Mr. GAUL. Yes, sir.

Senator REED. What is their attitude toward it?

Mr. GAUL. Their attitude is that we are manufacturing here an article that is equal to, and in most cases superior to, the imported.

Senator REED. But what is their attitude about the proposal to put a duty on this?

Mr. GAUL. They naturally want an American concern to have the protection to which it is entitled.

Senator REED. That is the attitude of the clergy?

Mr. GAUL. That is the attitude of the clergy.

Senator SMOOT. In 1922 this same question was before the committee.

Mr. GAUL. Yes.

Senator SMOOT. And the wording that we put in here, "and statuary," was agreed to.

Mr. GAUL. Yes.

Senator SMOOT. As I remember, the local producer desired at that time that the plaster casts, or composition casts, be taken out of paragraph 1674, just as you are asking now.

Mr. GAUL. Yes.

Senator SMOOT. At that time the clergy was opposed to it, because they appeared before the committee.

Mr. GAUL. At that time we appeared also before the Ways and Means Committee. At that time the paragraph read "works of art," and for some reason unknown to us the words "works of art" were omitted, and that is just where the trouble comes in here. If the words "works of art" were in that paragraph, altars and all those things would come in free of duty, and these statues of plaster and composition would be excluded.

Senator KING. You would not call that a work of art, then?

Mr. GAUL. Not a work of art.

Senator SMOOT. It was changed here in 1922 at the particular request of the representatives of the churches.

Mr. GAUL. Yes. At that time the Catholic Welfare Council, I believe, had some hand in it.

Senator SMOOT. Their representatives were here.

Mr. GAUL. But this year, so far as I know, no one has appeared.

Senator SMOOT. No; because they expected the wording to remain just as it is.

Mr. GAUL. Of course; that is what we are here for now, to argue that case, and be given a hearing as American manufacturers.

Senator EDGE. Why have not the American producers of these plaster of Paris casts tried to compete with the so-called works of art? You maintain a factory in Italy, you say?

Mr. GAUL. Yes.

Senator EDGE. You manufacture altars and things of that kind, of marble, and they come in duty free?

Mr. GAUL. Yes.

Senator EDGE. Why does not the same principle apply that those factories should be over here with the workmen who could do the work and thus have them in the United States?

Mr. GAUL. I might say that the reason for that is that all marbles that are of any value at all come from Italy. There are naturally some marbles in this country, but they are not valuable for statuary. You would have to import the help, which, of course, is impossible. We train none of our young men here, you know, to be sculptors, outside of a very, very few.

Senator EDGE. In other words, the reason is because the raw material is there.

Mr. GAUL. The raw material, marble, pays a duty.

Senator SMOOT. Do you mean to say that you use marble here for the same purpose as in Italy?

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Mr. GAUL. No. The Carrara marble is much harder marble than anything in this country. The only white marble in this country is the Vermont marble or the marble that comes from Colorado—and very little of that—and some of it in Alaska.

Senator SMOOT. That is softer marble?

Mr. GAUL. There are very few statues made from that.

Senator SMOOT. Is that softer marble than the Italian marble?

Mr. GAUL. Very much softer. You can pick that with your thumb nail. The Carrara marble you can not.

Senator SMOOT. I doubt that statement.

Mr. GAUL. I can prove it to you, by sending you some samples of the marble, if you wish.

Senator SMOOT. You might find a sample now and then of which that would be true.

Mr. GAUL. No. It is just like comparing a piece of loaf sugar with powdered sugar. The difference in hardness between the marbles compares to that extent. We have no objection to that.

Senator SMOOT. No; because you are using the Italian marble, with Italian labor. Of course, you have that advantage.

Mr. GAUL. At the present time in America, though the importer is doing three times as much business as was done in 1922, there is hardly an American manufacturer who has not been required to decrease his force, and yet the price of statuary has not fallen, because the foreigner sells it at just as high a price as he can, and while he can undersell us 40 per cent to 50 per cent, he does not give the church the advantage of the price.

One instance of this we called to your attention in the brief which was filed under paragraph 230 (a), which clearly demonstrates that the result of cheap importations is not any benefit to the consumer, but merely a greater profit to the importer, and it seems to me that it would be much better if this profit would go into the Treasury of the United States.

This is not a question of being works of art, nor the question of being able to buy a better product in Europe, it is merely a question of price, and whether we are able to undersell the European product, or whether they can undersell us, and at the present time to the dealer the foreigner can offer such a price that he allows a discount but we can not make any inducement to the American dealer.

Senator REED. I think we have your point, Mr. Gaul.

Mr. GAUL. Just one moment, if you please.

There are no exports of these products to any other country from the United States, with the exception that there are some small exports to Canada. Canada can ship goods into the United States free of duty, but when we ship goods into Canada the customer there must pay a duty.

Senator SMOOT. Why don't you go up to Canada and complain?

Mr. GAUL. We feel that we would not get very far.

(Mr. Gaul subsequently submitted the following memorandum:)

WASHINGTON, D. C., July 15, 1929.

SENATE COMMITTEE ON FINANCE,  
Washington, D. C.

GENTLEMEN: On Saturday, July 13, 1929, I, as representative of the American statuary manufacturers, appeared before the Senate Finance Committee.

Reference was made several times about the change suggested in paragraph 1769 (formerly 1440) as suggested by the American manufacturers, which I submit as follows:

"Altars, pulpits, communion tables, baptismal fonts, stations of the cross, shrines, or parts of any of the foregoing, and statuary, excluding, however, any of the foregoing made in whole or in part of plaster of Paris or composition, imported in good faith for presentation (without charge) to and for the use of any corporation or association organized and operated exclusively for religious purposes."

Respectfully,

G. J. GAUL,

## SAND AND GRAVEL

[Par. 1770]

### STATEMENT OF WILLIAM P. KELLY, CLEVELAND, OHIO, REPRESENTING DOLOMITE (INC.), OF OHIO; THE STURGEON BAY CO., OF WISCONSIN; AND THE WAGNER COS., OF OHIO

[Pebbles]

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. KELLY. I am not going to read any statement. I ask permission to file a brief. I represent, as treasurer, Dolomite (Inc.), of Ohio, and the Sturgeon Bay Co., Wisconsin. The Wagner Cos., of Ohio, up near Sandusky, have also asked me to represent them.

Our plants turn out crushed limestone. It is an important industry all over northwestern Ohio and in most of the States bordering on the Lakes.

There is now a duty on limestone of 5 cents per 100 pounds. Lately there has developed a competition from Canada of pebbles for coarse concrete, for practically the same identical purposes for which limestone is used. Immense deposits have been developed around Pelee Island, about 50 miles south of Detroit, and up in Georgian Bay, and all that. They are shipping into Detroit, one of our markets, about 5,000 tons a day now with two boats. That comes in free—the large-size gravel, anything over a quarter of an inch. That is about where sand leaves off and gravel starts; and "pebbles" is what it is commonly called in the trade.

Our plant is down in Seneca County—one of them. We have been there about 20 years. We have heavy expenses there for stripping the overburden, for explosives, for breaking up the stone, and things of that kind. About a year and a half ago, after we developed the Detroit market, we bought a plant at Sturgeon Bay, Wis., so as to have the benefit of a water haul down to Detroit and the big markets we developed. Even in spite of that, now, we find that we are in active competition with these pebbles that come in free, and that could easily undersell us.

We have a very big investment in our companies—probably, altogether, close to \$7,000,000 or \$8,000,000. Some of the big buildings in Cleveland, the new Union Terminal Tower, and big bridges, have been built of dolomite stone; and up in Detroit in the past year some great, big buildings—the Union Trust, the First National, and the

big Produce Terminal—have all been built of our stone. But this spring and this summer we are meeting this Canadian gravel competition.

The big potential markets are in America rather than in Canada. We go into Chicago and Milwaukee and Detroit and Cleveland and Toledo and Buffalo.

The CHAIRMAN. How is it that your importations in 1927 were 5,186,313 pounds, and in 1928 they were only 2,977,482 pounds?

Senator REED. That is not gravel, Senator.

The CHAIRMAN. That is "other crude minerals, not specially provided for." What he wants to do is to take pebbles out of the free list and place a duty on them.

Senator REED. Pebbles come in as gravel; do they not?

Mr. KELLY. Gravel.

Senator REED. And the imports of gravel last year were 320,000 tons, and the year before 280,000 tons?

Mr. KELLY. Yes, sir; and this year they will very likely go up. The trend will be upward. There are big deposits at Georgian Bay, and especially down on the Canadian waters around southeast of Detroit; and they are coming in every day now.

Senator REED. In what respect have the Canadians an advantage over you in production cost?

Mr. KELLY. They can bring this up from the gravel deposits by hydraulic dredges without much labor charge, and mostly with Canadian boats, a very great deal cheaper process than ours, which is overstripping the earth from the stone, breaking it up with explosives, and, with power, hauling it to big crushers and crushing it; and when we are all through with our operation we have quite a charge.

Senator REED. It is a totally different product. Yours is a pebble, worn round by water action. Yours is crushed rock.

Mr. KELLY. And they both come right into active competition now.

Senator REED. They pay their labor as much as you pay yours; do they not?

Mr. KELLY. But they do not have very much.

Senator REED. But what they have is paid as well as yours?

Mr. KELLY. No; it is not. The Canadian labor is a great deal lower than ours, or some lower than ours; but they have not very much of a labor process.

Senator REED. Do you mean to say that the rates of pay for labor of the same sort are higher on one side of the Lakes than on the other?

Mr. KELLY. They are higher on the American side than on the Canadian side; but the labor does not enter into it so very much. A great deal of our labor—in fact, almost all of it—is steam-shovel runners, for instance, drivers and engineers, and people that handle explosives, and trained labor, skilled labor.

Senator REED. You pay more for your labor because you employ more skilled labor; but common labor is paid just the same in Canada as it is on our side of the Lakes; is it not?

Mr. KELLY. Well, I should say some less.

Senator EDGE. What is the cost of the delivery on the American side of this Canadian gravel or pebbles?

Mr. KELLY. We would say about 55 cents—a very low delivery charge.

Senator EDGE. What are they actually obtaining for it?

Mr. KELLY. They are charging in Detroit about the same as we are now—about \$1.35 in the Detroit market.

Senator KING. \$1.35 a ton?

Mr. KELLY. \$1.35 a ton, yes; practically the same as ours.

Senator EDGE. In other words, you are receiving as much as they are? There is not any difference between you?

Mr. KELLY. No; but they could undersell us very much. They do undersell us slightly now, but they could undersell us very much. Our sales manager said the other day that they seem to prefer these pebbles in the coarse aggregate; they are a little easier to handle, and all that. There is a shading in price, and there is hardly any question that they can shade the price a great deal.

Senator EDGE. Have you reduced the price of your commodity because of this competition?

Mr. KELLY. We went up to Sturgeon Bay and bought the Sturgeon Bay plant in order to get the benefit of the water haul to meet competition.

Senator EDGE. But you have not reduced the price?

Mr. KELLY. No; we have not.

Senator REED. Do you produce pebbles at Sturgeon Bay?

Mr. KELLY. No.

Senator REED. That is a crushed-rock proposition, too?

Mr. KELLY. That is a crushed-rock proposition, but it is a water haul. The railroad rate from Ohio up to Detroit is about 85 cents. From Sturgeon Bay down it is about 50 cents. Of course, after we got the plant, we were able to compete.

The CHAIRMAN. When did Canada begin to ship this product into the United States?

Mr. KELLY. Of course they have been doing it, off and on, for quite a while; but these big deposits are practically opening up this spring. We are meeting the competition this year.

The CHAIRMAN. Was your company financially successful in 1928?

Mr. KELLY. So far, it is. They are feeling the effect of the competition in Detroit, and will increasingly feel it.

Senator KING. You have no plant in Michigan?

Mr. KELLY. None in Michigan.

Senator KING. Your plant is down in Ohio?

Mr. KELLY. In Ohio.

Senator KING. And in Wisconsin?

Mr. KELLY. And in Sturgeon Bay, Wis.

Senator KING. You bought the plant in Wisconsin to meet the competition that your Ohio plant was encountering?

Mr. KELLY. To give the benefit of a water haul in the Detroit market, and meet the competition that we saw was coming.

Senator KING. Having no plant in Michigan, and the Michigan people desiring to get gravel, of course, if they can get it from their neighbor there just across the line, with whom they do a good deal of business, they import it; and you, having no plant in Michigan, want now to ship your product up to Michigan and get the market there?

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Mr. KELLY. We bring it from Sturgeon Bay at the water-haul rates. We pay in Ohio probably \$300,000 a year in wages, and at Sturgeon Bay about \$200,000.

Senator KING. Did you ever ship any products into Canada?

Mr. KELLY. No; we never have.

Senator KING. Of any kind?

Mr. KELLY. No.

Senator KING. Are there any products in and about the country where you are doing business that are shipped into Canada?

Mr. KELLY. Not that I know of. Of course, down in Ohio our wages and pay go out into the rural communities. I do not know of anything.

Senator KING. You manufacture many things in Ohio that are shipped to Canada?

Mr. KELLY. I imagine they do.

Senator KING. Millions of dollars' worth?

Mr. KELLY. Yes; I imagine they do. The big potential markets are on the American side—Milwaukee and Chicago and Detroit and Cleveland and Buffalo and Toledo. They are the big potential markets; and we are finding that these deposits over on the other side are able to compete with us, and can make us reduce our prices, and hurt us very materially.

Senator KING. I am interested in your statement as to the cost. What do you say it costs you to mine this rock and crush it?

Mr. KELLY. Our manufacturing price alone would be about 50 cents in Ohio and about 35 cents in Sturgeon Bay for the stripping and blasting.

Senator KING. You can strip and blast and crush and load on the cars for how much?

Mr. KELLY. In Ohio, for about 50 cents; at Sturgeon Bay, for about 35 cents.

Senator KING. About 35 cents a ton?

Mr. KELLY. Yes. Then there is the freight rate, you know in Ohio.

Senator KING. In Canada they have to use dredges. They have to dredge out of the river, lift the product to the surface by hydraulic or mechanical processes, purge away the impurities, and then haul it to Michigan?

Mr. KELLY. That is right.

Senator KING. They are not shipping any down to Ohio?

Mr. KELLY. No.

Senator KING. Or to Chicago?

Mr. KELLY. Of course they will, later on.

Senator KING. But they have not done so?

Mr. KELLY. No.

Senator KING. Have you a monopoly on the Chicago market?

Mr. KELLY. No; because the Chicago market has its own limestone places. All over Michigan and Ohio and Indiana, and all that, are big limestone deposits—all over the lake ports.

The CHAIRMAN. All right. I think we have your point.

Mr. KELLY. I should like to file a brief.

The CHAIRMAN. That is all right. File it right at this point.

Mr. KELLY. Can I file Monday or later?

The CHAIRMAN. If you file it by Monday it will be all right. Senator EDGE. This question of price is interesting to me. You say you have not your brief prepared. When you file your brief, please get the actual quotations of gravel laid down in Detroit from this Canadian deposit as compared to your own. Give us that figure.

Mr. KELLY. The National Crushed Stone Association and the National Gravel Association—we are not members of either one of those associations.

Senator EDGE. Did you appear before the House committee?

Mr. KELLY. We did not.

Senator EDGE. What protection do you ask for?

Mr. KELLY. Five cents per 100 pounds.

Senator EDGE. Five cents per 100 pounds?

Mr. KELLY. The same as limestone.

The CHAIRMAN. A dollar a ton?

Mr. KELLY. A dollar a ton.

**STATEMENT OF L. C. HINSLEA, REPRESENTING THE KELLEY ISLAND LIME & TRANSPORT CO., CLEVELAND, OHIO, AND OTHERS**

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. HINSLEA. I am from Cleveland, Ohio. I am representing the Kelley Island Lime & Transport Co., of Cleveland and Sandusky, Ohio; the Cleveland Builders' Supply Co., of Cleveland; and six or seven retail material dealers on the water front of Detroit.

Mr. Kelly, who has preceded me, has made several statements as to cost. I have with me Mr. Harry Eberts, who is a retail dealer from Detroit, has been in that business for 35 years, and is also president of the Retail Material Men's Supply Co. of the Detroit area. If the committee would allow him about five minutes, I think he could give you the actual prices of the stone and the pebbles and the gravel brought into Detroit.

The CHAIRMAN. Do you not know them?

Mr. HINSLEA. I can give them, but he could give them directly.

The CHAIRMAN. You are just as good as he is. There is no need of calling him if you can state the figures.

Mr. HINSLEA. When the assignment first came out, Mr. Howard P. Bells was assigned to talk on sand, and we prepared ourselves to talk on sand, to allow it to remain on the free list. The assignment that now comes out is that Mr. Kelly has been talking on pebbles; so I take it that their position is that sand should be allowed to remain on the free list and pebbles should be put on the dutiable list.

Senator REED. The only appeal we have had to make sand dutiable has been with regard to Belgian glass sand.

Mr. HINSLEA. We are not interested in that, sir.

Senator REED. You are not interested in that at all, of course?

Mr. HINSLEA. No, sir.

The CHAIRMAN. What do you want—free sand?

Mr. HINSLEA. Our position is this: I do not see how you are going to be able to distinguish sand from gravel, and gravel from pebbles, for this reason, Mr. Chairman—



Senator KING. Then, you would oppose the contention of the preceding witness to put a duty of a dollar a ton upon pebbles?

Mr. HINSLEA. And nothing on sand.

The CHAIRMAN. In other words, your position is this: If we put a duty of a dollar a ton on pebbles, you want a duty of a dollar a ton on sand?

Mr. HINSLEA. No; my position is this: Leave it exactly as it is; allow sand, crude or manufactured, to remain on the free list.

The CHAIRMAN. All right; we understand it, then.

Mr. HINSLEA. Before the House committee the National Sand & Gravel Association filed a long brief, and they gave the committee the total production of sand and gravel in the United States. I think it was 197,000,000 tons in 1927. They finally got to the position that the only places in the whole United States that were affected by competition were Detroit and Cleveland. For this purpose we are appearing to answer the argument of Mr. Kelly as to the situation in Detroit and Cleveland as it exists to-day.

The Kelley Island Lime & Transport Co. is a \$12,000,000 company, an American company, and has six American sand dredges.

The CHAIRMAN. Is Mr. Kelly president of it?

Mr. HINSLEA. Mr. Kelly is from the Dolomite Co. The Cleveland Builders' Supply Co., which is a competitor of Mr. Kelly, is a \$12,000,000 company, located in Cleveland and the surrounding territory, and operating 44 docks and supply yards. In addition to buying lake sand and gravel, they purchase and own and operate pit sand and gravel; and I have a letter from them. I am going to file it, if the committee please; but here is their attitude:

Last year we bought and produced approximately 300,000 tons of sand and gravel from American pits. We also purchased 150,000 tons of sand from the Kelley Island Lime & Transport Co. which was dredged and produced in American waters. As against this, we bought from the Kelley Island Lime & Transport Co. 50,000 tons of Canadian sand. It is being claimed by the proponents for the duty that an acute situation exists in Cleveland and Detroit because of the keen Canadian competition. We have not experienced this either as a purchaser or a producer, and the proportion of Canadian sand coming in the Cleveland market as against the American sand production is so out of proportion that a contention of this kind can not be sustained.

Canadian sand has been coming into the Cleveland market for many, many years, but each year is decreasing because of the increased number of pits in and about Cleveland. Years ago the ordinary pits did not have a washing plant, so that the lake sand was much better; but since modern washing equipment has been put into pits, and a standard material can be furnished, we find that the purchasers have no complaint with the pit material, and there is no difficulty selling it.

The CHAIRMAN. Are they the only ones that import into Cleveland?

Mr. HINSLEA. Last year there was a Mr. A. J. Heber, who is now connected with the Dolomite Co., who purchased about 70,000 yards of Canadian material. The Kelley Island Lime & Transport Co., in the ports of Sandusky and Cleveland and Lorain, brought in 152,000 yards of material, of which the Cleveland builders took 50,000; so that in the ports of Lorain, Sandusky, and Cleveland about 220,000 yards of Canadian material came into the market.

The CHAIRMAN. What is the actual weight of the yard?

Mr. HINSLEA. Sand weighs 2,700 pounds to the yard, and gravel weighs 3,000 pounds.

In Cleveland we have this situation: We have digging grounds in American waters. The digging ground that the Kelley Island Lime & Transport Co. use, and from which they furnish, I think it was, 500,000-some yards of American material, are located at a place called Vermilion, which is 40 miles from Cleveland. They can not produce the sand known as plaster sand. The pits have tried it, and the Kelley Island Lime & Transport Co. have tried to find plaster sand in American waters; but when the plasterers get it on their walls, it streaks on them. It is not uniform. So for years they have been going to Pelee Island and getting a uniform sand, so that when the plasterer finishes up his wall he has the same color when he finishes as when he started, if his job takes a week.

It seems that Point Pelee is situated so that the currents coming out of the Detroit River at the western end of the lake keep washing the sand all the time, and it is the cleanest sand we can get out of Lake Erie.

Now, if a duty is placed on pebbles or gravel or sand, the Kelley Island Lime & Transport Co. will be shut out of the American market; and they are an American corporation, employing American labor, and have American capital invested in the business.

To show you how badly we need Canadian sand, the price of the Kelley Island Lime & Transport Co. on American sand to-day in Cleveland is 92 $\frac{1}{2}$  cents a yard. The Canadian price carries a 10-cent differential, and they sell it in Cleveland to-day for \$1.02 $\frac{1}{2}$  cents a yard. So it stands to reason that if they could get the plaster sand or the special sands that they want in American waters, they would not go to Canada and pay a differential.

That differential is worked out in this way: The Dominion of Canada charges the Canadian boats and the American boats that dig in their waters 15 cents a yard royalty, and the American boats digging in American waters usually pay 5 cents to the riparian owners; so that in Detroit and Cleveland there is a differential to-day between the Canadian bringing Canadian sand to American markets and the American bringing American sand to market of 10 cents per yard.

Senator KING. In favor of the American?

Mr. HINSLEA. In favor of the American.

Senator REED. The Canadians charge their own people the same as they charge us; do they?

Mr. HINSLEA. The price last year, Senator Reed—

Senator REED. No; I mean the fee for digging?

Mr. HINSLEA. Yes. A couple of years ago the Canadian Government attempted to put a duty on American boats digging there. My information from the Americans is that while the duty is still applicable, the Canadian Government have never charged them anything for it. They have never paid anything, although some day if the Canadian Government want to assess them I suppose they may do it; but it has been going on now for two years, and the Canadian Government have not seen fit to do it.

Senator EDGE. Repeating the question asked the previous witness, the wages for ordinary labor are practically the same on the Canadian side of the lake as on the American side?

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Mr. HINSLEA. Absolutely, Senator Edge. There are five Canadian boats trading into the Detroit and Cleveland markets. There are 16 American boats trading into the Detroit market, and the Kelley Island Lime & Transport Co. have six boats trading into the Cleveland market. I know that the masters of the Canadian vessels are paid at the rate of \$300 a month, and the licensed officers are paid proportionately. I know of no American-owned vessel that is paying any more money. Their fuel prices are the same, which is the big item in operating an American ship. Their insurance rates are the same. Most of their insurance is placed in this country. Their food costs are about the same. In addition to that, they have the 10-cent differential in rate.

Senator KING. Is there anything else you want to say?

Mr. HINSLEA. One thing more.

This year there are no pure pebbles coming into the market of Detroit. When I say "pure pebbles," I mean the sand is washed out of them. Last year, or two years ago, one of the Canadian companies attempted to bring pure pebbles into the city of Detroit as against the pit pebbles, and lost \$72,000. Mr. Ebert tells me that he has tried to get a quotation on pure pebbles from Canadians this year and has been unable to do so. When he was dealing in pure pebbles they were \$2 a yard; and at that price one sand company at Windsor, Ontario, lost \$72,000 trying to bring them in at \$2. You can buy pit pebbles for \$1.35 a yard. You can buy gravel from the pits for 55 cents a yard, with a 70-cent freight rate. Last year you could buy American sand for 67 cents a yard. Mr. Ebert bought two loads of Canadian sand in the fall of the year and paid 85 cents a yard for Canadian sand. Last year the American boats dug in American waters 2,000,000 tons of sand. The American pits produced 4,000,000 tons of material. The Canadians produced about 250,000 yards and brought it in. Of the 2,000,000 tons that the Americans dug in American waters, 100,000 yards of American sand was purchased in Canada.

(Mr. Hinslea submitted the following briefs:)

#### BRIEF OF SUNDRY DETROIT BUILDING SUPPLY DEALERS

##### COMMITTEE ON FINANCE.

*United States Senate, Washington, D. C.*

GENTLEMEN: The undersigned are engaged in the retail building supply business in the district of Detroit, Mich. As such we believe that we import the greater part of Canadian material shipped into this district. As it is absolutely necessary to import material from Canada, we desire to enter protest against the placing of any duty upon Canadian aggregates (sand or gravel) coming into the United States, and respectfully ask that it be allowed to remain on the free list.

Our supply business is located on docks along the Detroit River, where the material is received from American and Canadian bottoms. We purchase no sand to speak of from Canada, confining our materials to conglomerate. This is a mixture of sand and pebbles. It is not a finished material when brought in by boats, as it is not properly sized, so that it is necessary for us to wash and screen it in order to make it a finished product and available for the trade. We have on our docks washing and screening plants and thereby employ American labor and capital, and its real value only commences at this point.

It is impossible to purchase conglomerate from American vessels, as there are no digging grounds in American waters in or near the Detroit district. The sand and gravel business as between Canadian ships and American ships is well defined, and each have their special commodities to furnish the Detroit

river front dealers. There are about 16 American vessels operating in the Detroit district. They carry sand from Lake St. Clair and the St. Clair River. In the year of 1928 we are informed that they produced 1,600,000 tons of sand. Of this amount 100,000 tons was exported into Canada.

In the year of 1929 it is estimated that American bottoms will dredge and produce and transport to the American districts about 2,000,000 tons of sand. As against this there are five Canadian steamers trading a part of their time into the Detroit district, carrying conglomerate, and in the year of 1928 they produced and delivered approximately 250,000 tons. There is no effort upon the Canadian steamers to carry sand to the Detroit market, while on the other hand the American steamers do not produce conglomerate for the reason that it is a longer run to the digging grounds for this material than where they produce sand, so that there is no agitation or discontent among the vessel owners of either country. In fact, so far as we can ascertain, there is no concerted movement on the part of the owners of American vessels to insist upon the imposition of this duty, but on the contrary they have gone on record as being against any imposition of this duty. The real proponents of this duty seems to be the pit owners in and near the city of Detroit. It has been claimed heretofore, and will probably be alleged, that the Canadian competition is ruining the American industry. Nothing could be farther from the truth. Over the entire United States, which produces 197,454,200 tons of material, it has been stated that there are only two places where the situation is acute—namely, Detroit and Cleveland. No real and serious complaint has been made against the Canadian ships, but the real bone of contention seems to be with the Dolomite Co. and the Windsor Sand & Gravel Co., the Dolomite Co. purchasing sand from the Founders Sand & Supply Co., of Sarnia, Ontario, and the Windsor Sand & Gravel Co. operating a washing and screening plant at Leamington. We find that in 1928 the Windsor Sand & Gravel Co. sold into the entire district of Detroit 29,300 yards of material. We are informed that about 20,000 tons of sand were put into Detroit by the Dolomite Co. from Sarnia, making a total of about 49,000 tons of Canadian pit material imported into the Detroit district. As against this, the pits in and about the district of Detroit sold and delivered about 4,000,000 tons. It has been estimated that in the year of 1929 there will be an increase, for these pits have a capacity of 8,000,000 tons if the market is available. This does not seem to us to have any semblance of acute competition.

The combination of the pit production and American ship production in the Detroit district, therefore, was 5,600,000 tons, while the pit production and Canadian ship production was less than 300,000 tons. Because of our location on the water front with water transportation more advantageous than rail, a duty imposed upon sand imported from Canada will force us to buy the gravel from pits in or near Detroit, paying prohibitive prices, for the competition will then be eliminated, or force us to completely abandon the sale of conglomerate and therefore lose the investment that we now have in washing and screening plants and eliminate the American labor that we now employ.

It will also eliminate and destroy American shipping. Under the present sales plan of the pit producer in the district of Detroit a purchaser is required when purchasing coarse aggregates to purchase pit sand in the proportion of one car of sand to two cars of coarse aggregate. By preventing the importation of conglomerate from Canadian waters we will also be prevented from purchasing sand from the owners of American vessels, as we are now doing. This in turn will stifle and eliminate the sand dredges furnishing the material to the Detroit and American market, which represents an investment of millions of dollars and will throw hundreds of men out of employment. It will stifle the very industry which originated at the very beginning of the sand industry about 1902.

The results of the proposed duty will not injure the Canadian producer in the proportion that it will injure the American ship owner. The Canadian vessel does not spend all of its time trading into the United States, for it has its own markets in Canada. The American vessel, however, is dependent upon the American market, and it can only produce sand. The pit owner has an excess of sand, and when it once obtains control of the coarse aggregate market, it then can force the sale of its sand upon the purchaser. Nothing could be more harmful than the imposition of a duty, and the real incentive for a duty is seen by the American ship owner engaged in the sand business.

A public statement has been made that as a result of Canadian competition the market in the Great Lakes district has been practically closed and the

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American sand and gravel market has been seriously affected. The figures given are conclusively convincing of the fact that the Canadian industry places a very small part in the Detroit market, and only has an opportunity to furnish material because American shipping can not take care of it. At the present time neither the Canadian competition nor the American ships seriously conflict with the market of the pit operators back of Detroit. The dealers having docks on the water front have a limited market which only extends 2 or 3 miles inland in the city of Detroit, because of the huge cost of trucking. The pit operators, therefore, control the entire balance of the market.

The present operation of the dock owners is as follows: A cargo of material is brought by vessel and unloaded at their dock. They then load it into trucks and truck it to jobs in the downtown district of Detroit, thus having a boat haul and truck haul. The pit operators load their material into railroad cars and for a rail haul averaging 40 or 50 cents can deliver it to downtown yards as well as outlying yards. In other words, his market is many times larger than the dock owner's. The dock owner could not compete with him, for in addition to the water haul he would have an extra rail haul. That is, he would pay his water transportation, load it into cars, deliver it to outlying yards, unload it and reload it into trucks. Under this method his charges would therefore be at least 50 cents higher than the pits. If the pits could eliminate the American ship competition, then with no greater costs they could deliver material to all parts of Detroit and absorb the small confined market that the water front dealers now have, and in turn control the entire market without competition.

It was stated in a brief presented before the Ways and Means Committee of the House of Representatives that as the result of Canadian competition the United Fuel & Supply Co., a Michigan corporation, one of the largest retail distributors in the city, had been forced into receivership. It is a well known fact in this vicinity that this company did not pass into the hands of receivers because of Canadian competition, for the reason claimed, but the real cause of the receivership was a price war among its own competitors. Canadian competition could not put it into the hands of receivers, because it had an unconfined market to purchase material in, and if it could have purchased material from Canadians cheaper than Americans, they would have taken advantage of this, and it has not been our experience that companies pass into receivership because of low purchasing price. It usually is because of under-selling.

Sand and gravel has been on the free list since 1922. It is claimed that the imports have been increasing yearly, and figures are given alleged to have been furnished by the Bureau of Mines to the effect that between the years of 1922 and 1927 the imports increased from 122,000 short tons to 622,000. These figures have not been checked, but if they are correct, in the entire lake district not more than half of this was imported. As we say, in the Detroit district there was about 300,000. No material was imported into Toledo, Buffalo, Milwaukee, Duluth, or other ports on Lake Superior. There was about 132,000 yards imported into the ports of Sandusky, Lorain, and Cleveland. This, however, was transported by an American company who own and operate five vessels, with hundreds of thousands of dollars invested, and employing American labor. In the city of Buffalo there are several American companies who own and operate American vessels and dig their material in American waters, and have no Canadian competition. The same is true in Dunkirk, Erie, Ashtabula, Conneaut, and Fairport. As against this, in 1922, production of the pits was approximately 6,000,000 tons. Their capacity at the present time is estimated at 8,000,000 tons per year, and they produced 4,000,000 tons last year.

Since 1922 there have been additions to the American fleet carrying sand, and they have never suffered any bad years during this time; now, have the pits suffered any loss in production? In the city of Cleveland there has been a very small amount of Canadian material carried into this port other than that carried by American vessels—namely, the Kelley Island Lime & Transport Co. Prior to 1928 two Canadian vessels would carry material into Cleveland at odd times. In 1928 one Canadian vessel furnished about 70,000 yards of material. Up to the present writing this vessel has furnished but 6,000 yards of material and the Kelley Island Lime & Transport Co. have furnished 50,000 yards. As against 132,000 yards of Canadian material brought into the ports of Sandusky, Lorain, and Cleveland by the Kelley Island Lime & Transport Co., they also furnish 585,100 yards of material dug in American waters.

A statement that Canadian competition is ruining the sand and gravel industry in the United States, or even eliminating this great territory and confining it to Cleveland and Detroit, can not be supported by substantial facts, and an imposition of a duty would bring forth more disastrous results than is prophesied by the proponents of duty if it is not imposed.

In conclusion we respectfully ask that sand and gravel, crude or manufactured, be allowed to remain on the free list.

Respectfully yours,

EBERTS BROS. CO.,  
By HARRY A. EBERTS, *President*.  
WINKWORTH FUEL & SUPPLY CO.,  
By R. O. WINKWORTH, *President*.  
DAVIDSON AYERS CO.,  
By B. L. AYERS, *President*.  
WILSON SUPPLY CO.,  
By D. A. WILSON, *President*.  
W. L. EMERY.

BRIF OF THE CLEVELAND BUILDERS SUPPLY & BRICK CO., CLEVELAND, OHIO

COMMITTEE ON FINANCE,  
*United States Senate.*

GENTLEMEN: The undersigned is engaged in the business of buying and selling building supplies in and about the city of Cleveland. We have an investment of \$12,000,000 and own and operate 44 docks and supply yards.

We understand that an application has been made to your committee to place a duty upon all sand (crude or manufactured) imported into the United States.

We have for many years found it necessary to import sand from Canada, but in the last few years we have imported only such material as is absolutely necessary and where we can not obtain like material in the United States.

We own and operate pits in and about Cleveland and produce our own pit material, and if conditions would allow us, we, of course, would purchase all of our material in America; but, as we say, it is absolutely impossible.

There are certain kinds of material that can not be produced in the United States. This is true especially in the case of furnishing plaster sand. Among our clientele we have plaster manufacturers and contractors who find the Canadian material much more suitable for their needs, and in this case we are forced to purchase Canadian material.

We do not, however, import it through Canadians, but all the Canadian material is carried by the Kelley Island Lime & Transport Co., an American company, who own and operate their own American vessels and have American capital invested and American labor employed for said operation.

Last year we bought and produced approximately 300,000 tons of sand and gravel from American pits. We also purchased 150,000 tons of sand from the Kelley Island Lime & Transport Co. which was dredged and produced in American waters. As against this, we bought from the Kelley Island Lime & Transport Co. 50,000 tons of Canadian sand. It is being claimed by the proponents for the duty that an acute situation exists in Cleveland and Detroit because of the keen Canadian competition. We have not experienced this either as a purchaser or a producer, and the proportion of Canadian sand coming in the Cleveland market as against the American sand production is so out of proportion that a contention of this kind can not be sustained.

Canadian sand has been coming into the Cleveland market for many, many years but each year is decreasing because of the increased number of pits in and about Cleveland. Years ago the ordinary pits did not have a washing plant, so that the luke sand was much better, but since modern washing equipment has been put into pits and a standard material can be furnished we find that the purchasers have no complaint with the pit material, and there is no difficulty selling it.

In conclusion, we respectfully urge that sand be allowed to remain on the free list, as it has been for many years, and we be allowed to purchase this special material when it is required without any extra burden.

Respectfully submitted,

F. AUBENBACHER,  
*Assistant General Manager.*

## BRIEF OF THE KELLEY ISLAND LIME &amp; TRANSPORT CO., SANDUSKY, OHIO

COMMITTEE ON FINANCE,  
*United States Senate, Washington, D. O.*

GENTLEMEN: We are engaged in the business of quarrying and transporting stone and dredging and transporting sand and gravel upon the Great Lakes. Our company has an investment of \$10,000,000. In connection with our business we own and operate six sand dredges engaged in transporting sand and gravel upon the Great Lakes.

For many years we have been digging sand and gravel in Canadian waters as well as American waters. We have digging grounds in American waters located at Fairport, Sandusky, and Vermilion, and most of our digging operations are in American waters. In some cases where special material is required, such as plaster sand, it is necessary for us to go into Canadian waters to dig this, as we can not find it in American waters.

Last year we produced 585,100 yards of material in American waters. As against this, we produced 132,200 yards in Canadian waters. If we could have found this material in American waters we, of course, would have produced it, as our American digging grounds are nearer our markets and can be produced at a less expense than we produce the material in Canada.

We understand that an attempt is being made by the pit operators in the vicinity of Detroit and Cleveland to have a duty imposed upon sand and gravel imported from Canada. We are against such an imposition for the reason that it will tend to stifle our business. We have been attempting to locate a plaster sand near the source of our market for many years, but have been unable to produce a material satisfactory to our customers. Therefore, 25 per cent of our business is obtained in Canadian waters. We produce it ourselves, transport it in our own boats, and employ American labor to do so, which is paid a higher wage than that paid by the pit operators. If the pit owners succeed in imposing a duty, then our vessels will be laid up at the dock 25 per cent of their time.

It is claimed that the Canadian competition since 1922 has stifled the American sand and gravel industry and if allowed to continue will ruin the entire business. We have had no experience of this kind, and we, of course, are competing entirely with Canadian boats. We have no Canadian competition in Sandusky, Lorain, Conneaut, or Fairport. In Cleveland there is a small amount of Canadian material put in by Canadian vessels. Up to 1928 very little material was put in. In 1928 about 70,000 yards of material was put in, as against our 132,000 yards of Canadian material and 580,000 of American material. In the Cleveland market there are at least 17 pits furnishing material in this district and producing between one and two million tons per year. They have not suffered either by this competition or by our competition. The sand and gravel carried by water transportation only has a market within a radius of 5 miles of the dock because of the high cost of trucking. The pits, on the other hand, can ship by rail to practically every part of the Cleveland market. The highest rail rate into Cleveland is about 70 cents per ton, and that is from Massillon, Ohio. They do not find it a hardship to ship material into Cleveland from this district and compete with the pits nearer Cleveland. Their main industry is producing pebbles, and they have a surplus amount of sand, which is sold at ridiculously low prices. It is quite possible that if the duty on Canadian sand is imposed, the practice of forcing purchasers to buy sand with all orders of pebbles might be imposed, and as there is no gravel available in American waters it is not difficult to foresee that in time the American vessels would be forced to tie up, rust, and rot, allowing the pit operators the sole control of the industry.

In conclusion, we, as operators of large and modern fleets of American sand dredges, urge that there be no duty imposed upon sand, and that sand and gravel, crude or manufactured, be allowed to remain on the free list. Bear in mind, gentlemen, that the popular idea of a tariff is to protect American labor from cheap labor competition. There is no such thing involved in this case; 90 per cent of the labor now engaged in this industry is American and the remaining 10 per cent is Canadian. No one would class Canadian labor as cheap labor. The wages of the labor on a Canadian sand boat are equal to that paid by the American. This is a fight between the pit sand producers and the lake producers for the business of the great cities along the lakes.

Certainly the Senate of the United States will not knowingly legislate one group of producers out of business in order to aid a rival group to gain a monopoly in any class of materials used in highway and building construction. Should you in your wisdom do this, it logically follows that the cost of building in these great metropolitan areas will be increased.

Respectfully submitted.

THE KELLEY ISLAND LIME & TRANSPORT CO.,  
F. W. OHLEMACHER, *Manager.*

Sworn and subscribed before me this 11th day of July, 1929.

[SEAL.]

BERNARD J. MCGORY,  
*Notary Public.*

BRIEF OF THE GREAT LAKES SAND & GRAVEL PRODUCERS ASSOCIATION, SANDUSKY,  
OHIO

COMMITTEE OF FINANCE,

*United States Senate, Washington, D. C.*

GENTLEMEN: The undersigned is an association composed of American firms, individuals, or corporations owning or leasing and operating boats or other marine-producing outfits for the production of sand and gravel at ports on the Great Lakes. The membership includes ports on Lakes Ontario, Erie, Huron, and Michigan and tributary waters. This association is composed of all the principal marine operators only on the above-mentioned lakes and has been in effect for the past 10 years.

The production of sand and gravel by marine operation was commenced as far back as 50 years ago. In fact, one company, a member of this association, was incorporated in 1889, so it is a true fact that the production of this material by marine operation is quite old and well established up to the present time, despite the fact that mining operations, banks and pits, have since developed, producing a manufactured product, and who are now complainant against this old-established method of producing sand and gravel in its raw state and are attempting, through a duty, to eliminate this competition.

All the high-grade aggregate: Gravel, concrete, brick, mason, and plastering sands are found in deposits on the bed of Lake Erie in Canadian waters only. American operators are absolutely dependent upon these Canadian deposits for their source of supply, especially the Detroit, Sandusky, and Cleveland markets. This material is obtained in its raw state, just as nature deposited it, by American corporations, principally on the south shore of Lake Erie and the Detroit River, operating marine dredges. The fact of the matter is: American boats, built with American money, employing American labor, paying high American wages, conforming to the rules and regulations of the Department of Commerce, dredge this material with their own machinery, carried on board as equipment, and deliver this material to their own or their customer's dock on the American side for consumption in the States. It is this marine operation that the complainant is attempting to eliminate by asking your honorable committee to place a duty on this material transported by these boats as described heretofore.

If this proposed duty is allowed it will affect the American-owned sand dredges as follows:

1. Approximately 34 American owned and operated sand dredges and carriers will be directly affected. This represents an investment in boats, docks, and shore equipment of approximately \$35,000,000.

2. American labor employed on these boats and shore plants would be made idle. It would naturally follow that with the source of supply of 30 per cent of their production eliminated by a duty, curtailment would have to be made in the number of boats operated and shore equipment to handle them, for there is no other source of supply in American waters to replace these higher grades of sand and gravel obtained in Canadian waters.

3. By eliminating this competition through a duty it will create a monopoly for the bank and pit producer which will be reflected to the consumer in higher prices, thereby causing an increase in highway and building construction.

4. If a duty is placed on gravel only, it will naturally be an embargo on the importation of Canadian gravel. It will affect not only the stone quarried in

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the United States but also the sand dredged by American-owned vessels in American waters in this way: In the Detroit market not over 300,000 yards of material was imported into Detroit last year from Canada. As against this, last year the American sand vessels transported from American waters into the port of Detroit 1,600,000 yards. In Cleveland the American vessels transported almost 600,000 yards of American-dredged material by American boats, and about 200,000 yards was imported from Canada, of which 132,000 yards was carried by American-owned vessels. Up until a few years ago, and before American stone was placed on the market at Detroit, there was considerable use of pebbles or gravel. After the stone came into Detroit the importation of gravel decreased, for the dealers could then purchase stone and mix it with the American sand and produce a satisfactory material. In doing this both the pit operators and the Canadian importations were affected. If a duty is now imposed upon Canadian material, keeping out gravel, the Detroit dealers will be forced to purchase this type of material from the pits. When they do this the pit producer will force his pit sand upon those who purchase his pebbles. This in turn will shut off the only work that the American sand boats have, namely, carrying American sand, and will lay them up at the dock, and making the ships worth no more than the price of scrap.

The lake ports, especially Buffalo, Erie, Conneaut, Ashtabula, Cleveland, Lorain, Sandusky, Toledo, and Detroit, have enjoyed this source of supply for the past 40 years, and if this is cut off by the proposed duty, their only source of supply will be the mining operations or banks and pits, producing a manufactured sand and gravel. The result would be that the American boat, employing American labor at high wages, would be idle at the dock, since they are so constructed as to be unfit in other channels of trade. It would also eliminate the employment of American union labor, hoisters, cranesmen, and firemen engaged in the unloading of these boats at the docks and also affect all American labor involved in moving this material by rail from these ports. This condition would also throw out of employment hundreds of men on these vessels, all of which are licensed members of the Masters and Pilots' Association, the Licensed Tugmen's Protective Association, and the Longshoreman Union and affiliated unions—seamen to the Lake Seamen's Union, firemen to the Marine Firemen Union, and the cooks to the Cook's Union.

This raw material has been produced by the American sand dredges from Canadian waters long before the development of the inland pit or mine, in the Cleveland-Detroit territory especially. In spite of this marine operation the pit and mine interests have been able to build up their industry to a large daily capacity production, so it is quite evident that the vessel competition has not hindered their industry in any way. However, at this time they are asking your honorable committee to recommend a duty to eliminate this legitimate competition and leave the field to the pit or mine producer, in which case it is quite possible that the price on these aggregates, for the building of homes and highways, will be greatly increased, reflecting a higher cost to the public for these construction aggregates.

As we view it, therefore, a duty, while helpful to the pit or mine producer, would be disastrous to the American-owned sand boat, and in the end the result would be more harmful to American capital than it would be to Canadian competition, for it would make the American pit producers an absolute monopoly of sand and gravel production.

We therefore ask that sand and gravel, crude or manufactured, be allowed to remain on the free list, where it has always been.

Respectfully submitted.

GREAT LAKES SAND & GRAVEL PRODUCERS ASSOCIATION,  
J. T. FARRELL, *Secretary*.

Sworn to and subscribed before me this 11th day of July, 1920.

BERNARD J. MCGORY, *Notary Public*.

**STATEMENT OF HON. MARION DE VRIES, WASHINGTON, D. C.,  
REPRESENTING THE ILLINOIS-PACIFIC GLASS CORPORATION,  
SAN FRANCISCO, CALIF., AND ASSOCIATED GLASS MANU-  
FACTURERS OF THE PACIFIC COAST**

[Belgian sand]

Mr. DE VRIES. Mr. Chairman and gentlemen of the committee, I appear in behalf of the Illinois-Pacific Glass Corporation and associated glass manufacturers of the Pacific coast.

The issue here presented is whether or not Belgian glass sand, imported principally upon the Pacific coast for the manufacture of high-grade glass containers, shall be continued upon the free list, paragraph 1770, page 236, of H. R. 2667, as "sand, crude or manufactured," or shall be rated for duty at \$4 per ton as "silica, crude, not specially provided for," under paragraph 207, by adding the necessary language thereto to so include it.

The question was presented before the Ways and Means Committee by Mr. James W. Hagood, in behalf of William M. Bird & Co., of Charleston, S. C. (hearings under par. 207, Vol. II, p. 1202), asking that the same be rated for duty at \$4 per ton as silica. The same view was presented to the Ways and Means Committee upon the hearings under the free list, paragraph 1675, by Hon. Philip D. Swing, Representative from California (Vol. XV, Schedule 15, free list, p. 9368). The contrary view was presented by this speaker. (See p. 9376, same volume.)

Mr. Thomas P. Littlepage, in behalf of the Nevada Silica Corporation, made a like request for such duty at the hearings before the Committee on Finance, United States Senate, Subcommittee No. 1, June 22, 1929, paragraph 207 of the House bill.

This presentation will be confined to an answer to that made by Mr. Littlepage, together with some new matter not presented in the hearings before the Ways and Means Committee.

Without taking up seriatim the statements by Mr. Littlepage, they will be answered by a brief recital of the history of the subject matter which he has introduced in the case.

Concisely stated, the burden of his complaint is that the term "silica" in paragraph 207 as construed does not cover any merchandise known to the trade and commerce of the United States; and his effort seems to be to correct that situation so as to justify the statutory existence of that term.

A reference to the Summary of Tariff Information, 1929, Volume II, completely dispels this statement and satisfies this demand. Therein, at page 457, "silica" is described. At page 458 the production of silica in the United States, both crude and ground, in each year from 1919 to 1927 is given. It runs into thousands of tons, valued at hundreds of thousands of dollars. Upon the same page are given the imports of silica into the United States. In recent years they have been negligible. Whether or not this is due to the rate imposed thereupon of \$4 per ton or to the adequate domestic supply is unimportant. The imports are negligible. Suffice it to say that silica in the trade and commerce of the United States is a well-known commercial commodity, produced in and imported into the United States and continuously bought and sold

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in its markets in very substantial quantities. The solicitude, therefore, that there be some article of commerce corresponding to silica, crude, is perfectly satisfied, proof of which is had by reference to said Summary of Tariff Information.

Said summary shows, at page 458, that in addition to the importations of silica, crude, not specially provided for, other forms of silica, such as flints, flint stones, diatomaceous earth, tripoli, quartzite, etc., are annually imported into the United States free of duty, because so especially provided for in the several provisions relating thereto in the free list of the tariff act.

In contradistinction therewith, an entirely different commercially known substance, "sand, crude or manufactured," is treated of in said Summary of Tariff Information, 1929, Schedule 15, free list, pages 2605 to 2607. Therein it is shown that glass sand produced in the United States from the years 1919 to 1927 ran in tons from 1,827,409 tons, valued at \$3,593,371, in 1919, to 2,000,000 tons, valued at \$3,000,000, in 1927. Meanwhile the imports of glass sand, likewise shown by said report, ran from 1,152 tons in 1922, valued at \$1,112, to 9,522 tons in 1927, valued at \$8,712. In 1928 there were imported 38,649 tons of glass sand, valued at \$35,689; so that the imports of the highest year were but a small fraction, approximately 0.019 per cent, of the production and consumption in the United States.

These classifications by the Tariff Commission, which follow the commercial customs and nomenclature of the United States, show conclusively that in the trade and commerce of the United States there is a commodity known as silica which is different from glass sand, so understood and classed in our trade and commerce, and so treated by our customs officers.

So it would appear that the craving of the term "silica, crude" for active occupation as a member provision of our tariff law is not only reasonably satisfied, but that it so efficiently performs as to protecting the American industry as to exclude, save on the Pacific coast, any competition with our substantial American production.

Answering the implied criticisms of the Treasury ruling restoring glass sand to the free list, Belgian glass sand has been upon the free list from the earliest times. It was upon the free list in the tariff act of 1890, paragraph 723; in the tariff act of 1894, paragraph 638; in the tariff act of 1897, paragraph 671; in the tariff act of 1909, paragraph 683; in the tariff act of 1913, paragraph 614; and in the tariff act of 1922, paragraph 1675.

On December 16, 1922, the Treasury Department ruled that Belgian glass sand was entitled to free entry under paragraph 1675 of that act, and was not dutiable as silica under paragraph 207 of the act. The matter continued thus settled until 1928. Meanwhile, glass factories representing an invested capital of more than \$20,000,000 had been developed or greatly extended upon the Pacific coast, consuming many thousands of tons of Belgian sand annually.

On April 13, 1928, the Nevada Silica Corporation was organized under the laws of the State of Delaware. On June 15, 1928, in response to representations of that corporation, as we are informed, the Treasury Department promulgated a decision rating glass sand dutiable as silica at \$4 per ton under the provisions of paragraph 207 of the act. Immediately this decision was promulgated, the Pacific

coast glass companies protested. It was pointed out by them that while the decision in question was based upon the scientific and chemical understanding of the Bureau of Mines and the Geological Survey that glass sand was silica, such was not the understanding of the trade and commerce of the United States; that in the trade and commerce of the United States silica was an entirely different commercial commodity from glass sand, each being bought and sold in the trade and commerce of the United States by separate and distinct names, embraced within which were separate and distinguishable commercial commodities used for separate and distinct purposes; that in construing our tariff laws it has been the judicial rule since the foundation of the Government, announced innumerable times, persistently and consistently, by the Supreme Court of the United States, and all other judicial tribunals construing our tariff laws, that the trade or commercial understanding of what is embraced within a tariff term obtains over every other understanding; that our tariff laws are made for the guidance of trade and commerce and for merchants dealing therein, and not for scientists; wherefore such laws are enforced in accordance with the understanding and classification of the trade, and not in accordance with scientific or, in the presence of a trade understanding, of the common understanding.

That has been the rule since the foundation of the Government, repeated by the Supreme Court of the United States and all other courts adjudicating tariff matters time and time again.

It was further pointed out to the Treasury that when the tariff act of 1922 was pending in the Congress an attempt was made in the Senate to have incorporated in that bill a special provision for glass sand reading as follows:

Glass sand, containing 99 per cent or more of silica, \$1.50 per ton;

that while this amendment was adopted in the Senate it was rejected by the conferees and omitted from the law; that the conferees, through Senator Smoot, reported to the Congress as follows:

On Amendment 288. This amendment imposes a duty of \$1.50 per ton on glass sand containing 99 per cent or more of silica, which, under the House bill, was free of duty, and the Senate recedes.

There could be, therefore, no question as to the intent of the Congress, which is the first inquiry of the courts. There could be no question that the Treasury decision of June 15, 1928, rating glass sand dutiable as silica, read into the law and made dutiable an article which had been expressly rejected by the conferees and by the Congress.

Concisely stated, the differentiation is as follows:

Silica, which comprises a substantial portion of the earth's composition, includes as a genus many species found in nature or produced therefrom by mechanics. One of these is glass sand. It is found in nature, being a natural material which our commercial and common understanding designates "sand," consisting of certain particles of silica in granular form. It is one of the natural species of the great genus known as silica. It is a separate and distinct commodity, both commonly and commercially so known, and so differently found in nature and recognized and dealt in in the trade and commerce of the United States. Likewise, it is so separately designated by our tariff laws.

Numerous like instances occur in our tariff laws. For example, cotton is upon the free list. Cloth produced from cotton is upon the dutiable list. Wearing apparel produced from cotton cloth is likewise upon the dutiable list. They are all of cotton, but commercially and for tariff purposes they are differently designated.

So with silica. It is rated for duty under paragraph 207; but numerous genera or natural kinds of silica, one of which is sand, are upon the free list. Both are separate products of nature.

In this status, in addition to the different trade classifications and nomenclature, there is the added rule of tariff construction that the more specific designation in the tariff law obtains as against the more general. Here glass sand unquestionably is a more specific designation than silica, which embraces not only glass sand but numerous other kinds and classes of silica known to the trade and specially rated for duty in all of our tariff acts.

These facts being brought to the attention of the Treasury Department, the matter was referred to the Solicitor of the Treasury for an opinion, who ruled, and so advised the Bureau of Customs, that it could legally promulgate a regulation revoking that of June 15, 1928, holding glass sand dutiable, and that such would be in accord with the law.

Thereupon the Commissioner of Customs announced that he would issue such an order of revocation. The Nevada Silica Corporation thereupon applied to the Supreme Court of the District of Columbia for an injunction so enjoining. The United States District Attorney in due course moved to dismiss this injunction complaint and order, and on full hearing such was done from the bench, upon the grounds that the Nevada Silica Corporation has a plain, speedy, and adequate remedy under the provisions of paragraph 516 of the tariff act of 1922. That decision was elementary, sound, and justified by numerous like decisions of the courts. An appeal was taken, and that appeal is undecided.

Thereupon the Commissioner of Customs referred the matter to the Department of Justice for an opinion as to whether or not he was restrained by section 502 (b) of the tariff act of 1922 from promulgating the revocation order. That section provides that the Treasury can not reverse itself on a question of law without the approval of the Attorney General. The Department of Justice, in an opinion by Attorney General Sargent, advised the Secretary of the Treasury that the proposed reversal was on a question of fact, and therefore not within section 502 (b), and there was no pending proceeding in the courts or order legally prohibiting the revocation of the order of June 15, 1928, placing glass sand upon the dutiable list as silica.

It was then pointed out to the Treasury Department that this completely and totally unfounded contention, ruled against by all departments and courts cognizable thereof, was causing the Illinois-Pacific Glass Corporation, of San Francisco, to deposit in duties \$4 per ton upon its importations of glass sand, amounting annually to an average of 90 tons a day, or \$360 a day; and that other glass companies upon the Pacific coast likewise using Belgian glass sand were being compelled likewise to deposit with the Government.

While Mr. Littlepage in his testimony stated that the Treasury Department gave no reason whatsoever for the revocation of its

order of June 15, 1928, rating Belgian sand dutiable at \$4 per ton as silica and restoring the same to the free list, that statement certainly was inadvertently made. The revoking order of the Treasury Department is known and published as Treasury Decision 43107. It is a clear, concise statement of the law and facts. It recites that the department erred in accepting the earlier statements of the two scientists of the Bureau of Standards and the Geological Survey. The matter had been referred to each department, as well as to the Bureau of Mines, as is set forth in the aforesaid opinion of the Treasury Department; and each of these departments, as well as the Bureau of Mines, on reviewing the subject stated that while glass sand and silica scientifically and chemically were alike, in the trade and commerce of the United States they were separate and distinct commercial commodities. That this is true is shown by treatises of the several departments of the Government.

Senator KING. Judge De Vries, my recollection is that in the hearing to which you referred before the subcommittee—Senator Reed was presiding at the time—the Nevada company to which you referred was the only one appearing, and it appeared that that company had not functioned. It was a sort of a paper company. There was no sand being shipped from Nevada or from other parts of the West for these big glass factories which have been established upon the Pacific coast upon the strength of getting this Belgian sand.

Mr. DE VRIES. That is the way it was represented to us, Senator.

Senator EDGE. Let me ask you a question while you are being interrupted. The House bill does not provide any change at all, does it?

Mr. DE VRIES. No.

Senator EDGE. You are simply appearing because of a proposed duty that was asked for by the previous witness?

Mr. DE VRIES. Yes; that they are here insisting upon.

The CHAIRMAN. Have you any proposed amendment to section 1770 so that we will have sand on the free list?

Mr. DE VRIES. We want it to remain as the law now is.

The CHAIRMAN. It is there now, and it is there in the existing law.

Mr. DE VRIES. Yes.

The CHAIRMAN. We have not changed the existing law?

Mr. DE VRIES. No.

The CHAIRMAN. Did I understand or misunderstand you as saying that by a ruling of the Treasury Department a duty of \$4 was imposed upon it?

Mr. DE VRIES. Yes, sir. It was changed by a ruling.

The CHAIRMAN. Then you have got to change this.

Mr. DE VRIES. We caused that order to be revoked, Senator.

Senator EDGE. As the bill appears, with the revocation of that order, there is absolutely no duty on Belgian sand.

Mr. DE VRIES. No; but they are contending for it here now.

Senator REED. Judge De Vries, if you will permit the criticism, I think you are taking chances. There is enough doubt about the matter for the Treasury in June of last year to hold that glass sand was dutiable as silica.

Mr. DE VRIES. Yes.

Senator REED. Then they reversed themselves in December, and held that it was not dutiable as silica?

Mr. DE VRIES. Yes.

Senator REED. In the meantime this suit was filed by the Nevada corporation, and apparently they lost it in the lower court, and took an appeal which the record does not show to have been decided.

Mr. DE VRIES. No; it has not been. The appeal.

Senator REED. Ought not the matter to be put by Congress beyond that realm of doubt? If we want to tax it, should we not mention it specifically in paragraph 207? If we want it on the free list, should we not say so specifically in paragraph 1770?

Mr. DE VRIES. Yes.

Senator REED. That would be bad for the lawyers, but it would prevent a whole lot of litigation.

Mr. DE VRIES. It is mentioned specifically now—"sand, crude or manufactured."

Senator REED. That was not presented to the Treasury a year ago; was it?

The CHAIRMAN. Well, there was some reason for that decision.

Senator KING. What was the reason, I should like to know?

The CHAIRMAN. I have been told, but I have not checked it up, so I do not want to give it; but there was a reason for it.

Senator EDGE. There is an amendment proposed, Mr. Chairman—I do not know whether that would apply—in paragraph 1770, including the word "paving"—paving stone.

Mr. DE VRIES. No; that does not effect this question.

Senator EDGE. The paragraph has been amended so as to insert the words "monumental, paving, or building stone."

The CHAIRMAN. The word "monumental" has been added.

Senator REED. Whether there was a reason for it or not—and I have not the faintest idea what Senator Smoot was hinting at—if we put it explicitly in paragraph 1770, then, reason or no reason, it would be on the free list?

Mr. DE VRIES. I should be very glad to draft that provision, Senator; it would be very simple, saying, "sand, including Belgian glass sand"—put those terms in paragraph 1770, though it is not necessary.

The CHAIRMAN. That would be specifically stating one kind, and another kind might come up here, and they might have a ruling on that.

Mr. DE VRIES. We are content to rest upon that. We fought them for six months in court. The matter went up to the Solicitor of the Treasury. We beat them there. It went to the Department of Justice, and we beat them there. It went to the courts, and we beat them there.

Senator BARKLEY. You are satisfied?

Mr. DE VRIES. Yes. You might add after "sand \* \* \* manufactured" the words "of whatever silica content."

Reviewing the situation as here immediately presented, the following seem to be the pertinent facts stated according to the best of my information and belief:

In the hearing before the Ways and Means Committee Representative Swing, of California, appeared requesting a duty of \$4 per ton upon glass sand in behalf of certain sand pits in southern California. I was personally informed by Mr. Swing that after this presentation to the Ways and Means Committee he caused samples of these sands

to be submitted to the Bureau of Standards for analyses, and received a report therefrom that they were not suitable for the manufacture of flint glass, which is the kind of glass extensively used upon the Pacific coast as containers for its fruit products and beverages. It should be borne in mind that flint glass of the clearest kind is essential for that purpose, other kinds not exhibiting the true colorings of the contents, and therefore being worse than useless for such purposes.

I am advised by Prof. Sylvanus G. Morley, of the Carnegie Institution, Washington, D. C., that an iron content greater than 0.05 per cent renders sand unfit for the manufacture of flint glass; that even such a small percentage will render flint glass cloudy; that no greater than 0.02 per cent should be permitted in the manufacture of the very highest grades of flint glass. I am warranted in the statement, from all information at hand, that there is no sand yet produced in commercial quantities in any of the Pacific Coast States, or west of the Mississippi River, that will comply with this standard of requirements.

I may add that I have before me here the report of the American Ceramic Society of 1923, where it was agreed by that society—and that is followed by the Bureau of Standards—that an iron content greater than 0.35 per cent in sand is sufficient to render it unfit for the manufacture of flint glass.

At a meeting of the American Ceramic Society at Philadelphia in May, 1922, it was resolved that the iron oxide content of first-quality optical glass should be no greater than 0.02 per cent; of second-quality flint glass containers and tableware, no greater than 0.035 per cent, and of third-quality flint glass no greater than 0.035 per cent. The Bureau of Standards advises that these figures are followed by that Bureau for all official purposes. (See Bulletin of the American Ceramic Society, vol. 2, No. 6, June, 1923, pages 182-184.)

The Bureau of Mines has made extensive investigations throughout the United States in discovery of deposits of sand suitable for glass-making and other uses. In a publication entitled, "Technology and Uses of Silica and Sand," Bulletin No. 266, published in 1927, at page 134, "Table 17, Chemical Analyses of Glass Sands," there is set forth the results of some of these investigations. Therein is enumerated a report upon the sands of the "Mineral Supply Co. at Dike, Nev." We are informed these deposits are 13 miles northeast of Las Vegas, Nev. The deposits of the Nevada Silica Corporation are alleged to be in the vicinity of Las Vegas. The aforesaid reports give the iron oxide content of the sands examined of the Mineral Supply Co. at Dike, Nev., at 0.28 per cent, far in excess of the amount of such iron permissible in flint glass sand—viz, 0.035 per cent as established by the American Ceramic Society, the United States Bureau of Standards, and the Carnegie Institution of Washington.

It might be interesting to inquire the relative location of the deposits of the Mineral Supply Co., at Dike, and those of the Nevada Silica Corporation.

In the statement before the Ways and Means Committee Mr. Hagood, of South Carolina, sets forth an analysis of the glass sand produced by his company as containing iron and aluminum oxide, 1.22 per cent, which clearly renders it unfit for the manufacture of flint glass. Yet his request is expressly based upon such protection as will enable him to sell to the Pacific coast glass manufacturers. Why does he not market his product in the East?



Representatives of the Illinois-Pacific Glass Corporation have obtained samples from the properties of the Nevada Silica Corporation, and find that none of those samples will come up to this requirement, but that each contained iron in such quantity as to render the sand unfit for their requirements in the manufacture of flint glass.

It is stated upon information and belief that there has been no substantial development of the Nevada sand pits; that it is not possible on present development to prove that there is in these deposits, or in any of those of the Pacific Coast States, glass sand in such quantities and of such quality as will meet the extensive present or future daily requirements of the Pacific coast glass manufacturers. The Pacific coast glass manufactories, which represent an investment of over \$20,000,000, with an established trade in Belgium sand necessary for their output in the fulfillment of their contracts, respectfully state to this honorable Congress that it is neither fair nor just that a rate of duty should be placed upon their main raw material such as would drive them out of business before there is a clearly established and guaranteed daily supply at reasonable cost and required quality. There is none such now.

The Congress is respectfully requested to take into consideration the following facts:

(1) Iron and other impurities affect more than the appearance of the glass. Factories jealous of the quality of their ware will not use sand with more than 0.04 per cent iron on account of the poor quality of the resultant glass.

(2) While over 80 per cent of the output is of flint glass, in which iron stains are utterly fatal, it is not feasible in practice to use other sand for the remaining 20 per cent. Green and amber glass are used in such small quantities upon the Pacific Coast that no one runs these colors continually. Furnaces containing 250 tons of colored glass are reconverted into flint glass by the withholding of coloring matter, and hence this glass must be of ingredients that are suitable for flint glass. Thus, it is no exaggeration to say that nearly 100 per cent of the glass must be made from iron-free sand.

(3) Another important element to be considered and reemphasized is that to date there is no one qualified to give the Pacific coast glass manufacturers any assurance whatever of the quantity and quality of sand required for their annual consumption. The Belgian source is held by very slight tenure, and if once interrupted might be very difficult to resume, on account of other disposition of the required freight space. The Pacific coast glass makers should not be required to give up their present source of supply unless and until another adequate and reliable source is beyond any question in sight.

(4) Another important element is that of price. The present cost of Belgian sand, (\$4.55 per ton) places a serious handicap on the Pacific coast glass factories in their competition with eastern factories, which obtain their supplies, and in better quality, at one-third of that cost. In other words, while it has proved feasible to compete in the local market with a raw material cost of \$4.55, no one is able to furnish quality glass sand at this price, nor pretends to do so. What they seek is a \$4 duty in the evident vain hope of selling sand to the Pacific coast factories at or around \$8.50 per ton. Freight alone, we are informed, on sand from Nevada to San Francisco, is about \$5 per ton. This would be prohibitive, even if the sand were usable.

In other words, the placing of this duty upon Belgian sand would be suicidal from the standpoint of the sand producers themselves of the Pacific coast. It takes no great stretch of learning to comprehend that the raw material of the glass manufacturers in the east costing them from \$1.50 to \$1.75 per ton f. o. b. factory, if by reason of this duty the glass manufacturers of the Pacific coast were compelled to pay, as they would be, at least \$8.50 per ton for their glass sand, the result, we believe and accordingly affirm, would inevitably be that the eastern manufacturers of glass would drive the western manufacturers out of the coast markets. Such difference in cost of material, we believe, would enable the eastern manufacturers to compete in the western markets and greatly undersell the western manufacturers in their own markets.

In that status what would happen to the sand pits of the Pacific coast, Nevada, Utah, or any other western state, even assuming quality and quantity present? The western glass manufacturers being put out of business, there would be no market left upon the Pacific coast for their sands; so that this effort would inevitably result not only in driving the glass manufacturers of the Pacific coast out of business, but in totally annihilating all such possible markets for the sand pits of the Western and Pacific Coast States.

Concisely stated, Belgian glass sand costs 40 cents per ton in Belgium. It costs \$2.72 to transport it in bulk, wet, to the Atlantic coast. It costs approximately \$4 per ton to transport it in ballast, wet, to the Pacific coast. It costs \$10 per ton to transport glass sand from Illinois to the Pacific coast. It costs about \$4.50 per ton to transport glass sand by water from the Atlantic to the Pacific coast. We believe, and accordingly affirm, that there is no glass sand in the United States suitable for the Pacific coast requirements presently known or produced in commercial quantities west of the Mississippi River.

Glass sand produced in the Atlantic and Mid-Western States sells at a cost of from 75 cents to \$1.70 per ton. All eastern glass sand, therefore, has a protection against Belgian sand of over 100 per cent by reason of freights. So far as the Pacific coast is concerned, there is a protection to the producers of glass sand upon the Pacific coast by reason of the freights from Belgium of \$4 per ton. There is a greater like protection from eastern glass sand. Indeed, Belgian glass sand costing 40 cents per ton in Belgium, if subjected to the protective duty here requested of \$4 per ton, would pay a duty of 1,000 per cent. If there is added to this freight protection of another \$4 per ton, it will have a protection of 2,000 per cent. This would most likely result in the annihilation of the Pacific coast glass factories, and the consequent removal therefrom of any possible market for glass sand upon the Pacific coast. The movement, therefore, is one perfectly suicidal, without the slightest foundation in a commercial sense, and one which bespeaks a rate of duty preposterous—to wit, 1,000 per cent—upon the foreign cost of a material already enjoying several hundred per cent freight protection.

It is respectfully submitted that no such outrage should be perpetrated against the established glass industries of the Pacific coast, representing an investment of more than \$20,000,000 and employing more than 3,000 workers. Such would also result in higher costs for all producers of fruits and beverages put up in glass containers, and in the inevitable destruction of the only available market for

Pacific coast glass sand, even should such in quantity and quality exist.

So far as the Illinois-Pacific Glass Corporation is concerned, it has expended vast sums in search of an available western supply of glass sand of suitable quality and quantity for its demands, without success, nor has any such been offered it by any person or corporation. It would welcome such. It has an invested capital of \$5,000,000, has 700 contented employees, and is making this fight not against any person or corporation but for self-preservation against what it deems a most unjust and unwarranted assault that threatens its very existence, and which it confidently submits this Congress will neither aid, abet, or perpetuate.

### BRIEF OF THE NATIONAL SAND AND GRAVEL ASSOCIATION (INC.), WASHINGTON, D. C.

[Including aggregates, par. 1716]

HON. REED SMOOT,  
*Chairman Finance Committee,  
United States Senate, Washington, D. C.*

Sir: The National Sand and Gravel Association, a corporation organized and existing under the laws of the District of Columbia, with its main office in the Munsey Building, Washington, D. C., respectfully requests your committee to consider a revision of paragraph 1716 of the free list of the House bill so as to prevent the importation into this country free of duty from foreign countries of large amounts of prepared sand and gravel known commercially as aggregates. We also request the transfer of sand and gravel advanced beyond the crude or natural state, crushed trap rock, and crushed stone from the free list to paragraph 203. The basic reason for this request is that under paragraph 203 of the House bill a duty of 5 cents per 100 pounds is imposed on crushed limestone and competitive products such as crushed trap rock, crushed granite, and sand and gravel aggregates should receive the same tariff treatment.

The Canadian producer of these products enjoys several natural advantages such as cheaper initial investment, cheaper power, cheaper labor, and cheaper water transportation. In addition to these advantages, his material is granted free entry to the United States under paragraph 1716 of the free list. The American producer is handicapped by higher initial investment for gravel beds, higher labor and power costs, together with high freight rates. The combined result of these unequal economic conditions is that the Canadian producer can lay down his products in the Lake cities such as Detroit, Chicago, Cleveland, and Toledo, at considerably less than the cost of production of the American producers. The details of this situation were presented to the House Ways and Means Committee by Mr. C. E. Patty, of Greenville, Ohio, general manager of the American Aggregates Corporation, acting as the spokesman for this association and its members. Mr. Patty's testimony was printed on page 8819 of volume 15 of the House testimony and the brief and supplemental brief of this association can be found on pages 8821 and 8831, respectively. We request that Mr. Patty's oral statement and these briefs be read and considered as a part of this brief to avoid repetition.

The Ways and Means Committee made no change in the existing tariff act in reference to these provisions, and for that reason we are again presenting to your committee our request for the relief which in our opinion the present condition of the industry requires.

The sand and gravel industry has made rapid strides as a result of scientific research since the enactment of the tariff act of 1922, and its product is no longer sold in the natural state. It is a specially prepared product requiring large investments in machinery and overhead expense. However, it is probably improper in a strict legal sense to refer to its product as "manufactured." Therefore, we suggest the elimination of the words "other process of manufacture" from paragraph 219 of the present tariff act, and the substitution therefore of the words "other treatment or process whatever."

According to information which this association has obtained, the situation at Seattle with reference to the importation of sand and gravel is unchanged.

During the first half of the year 1929 the importations will not exceed 5,000 cubic yards. The basic reasons for this nominal importation, we are advised, are the very low prices prevailing on competitive business from Puget Sound during this period and also the financial reorganization of one of the principal Canadian producers.

Since the Ways and Means Committee has failed to act upon our recommendations, a number of new projects have been agitated in the Detroit district. The Great Lakes Gravel Co., which has operated the Great Duck Island plant in Ontario, has purchased the steamer *Huron* and is soliciting stock subscriptions in Detroit in an attempt to raise the sum of \$100,000 for the further development of their properties.

According to the records of the collector of customs at Chicago, the importations of sand and gravel at that port from Canada during 1928 were as follows:

	Declared value	Tonnage	Value per ton
January.....	None.		
February.....	None.		
March.....	None.		
April.....	\$2,184	4,586	\$0.47623
May.....	3,684	9,200	.40043
June.....	6,000	22,150	.27088
July.....	4,719	16,900	.27923
August.....	5,822	19,200	.30323
September.....	1,500	4,800	.3125
October.....	6,734	22,200	.30333
November.....	3,734	12,000	.29635
December.....	None.		
	34,377	111,636	.30794

In April, 1929, the only month of this year for which official figures are available, the tonnage imported from Canada was 12,950 with a declared value of \$3,861 as compared with 4,586 tons of a declared value of \$2,184 in April of 1928, or an increase of almost 300 per cent in tonnage and of almost 100 per cent in value.

For the reasons set forth in our briefs before the Ways and Means Committee and further amplified and brought up to date in this brief, the National Sand and Gravel Association respectfully renews its recommendations for adequate protection, which were as follows:

1. That paragraph 1716 be revised to read as follows: "Minerals, in a crude state, not advanced in value or condition by washing, cleaning, screening, grading, mixing, recombining, grinding, or crushing, or any other process or treatment whatever, not specially provided for."

2. The association also recommends that the following be inserted as a part of or to follow paragraph 214: "Aggregates and prepared sand and gravel advanced in value or condition by washing, cleaning, screening, grading, mixing, recombining, grinding, or crushing, or any other process or treatment whatever, 5 cents per 100 pounds."

Respectfully submitted.

THE NATIONAL SAND AND GRAVEL ASSOCIATION,  
By V. P. AHERN, Executive Secretary.

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**PYRITES**

[Far. 1772]

**STATEMENT OF AUGUSTUS D. LEDOUX, NEW YORK CITY, REPRESENTING THE PYRITES CO. (LTD.)**

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. LEDOUX. To avoid any misunderstanding, I want to say that The Pyrites Co. (Ltd.), is an English corporation; and I am not here to offer any plea for the product not being taken off the free list. That would not be proper. What I want to do, however, is to call attention to the apparently conflicting wording in the lead schedule under paragraph 392 and paragraph 1777.

Senator REED. Excuse me, Mr. Ledoux; you are mixed on the paragraph numbers. The calendar was right. Pyrites is in new paragraph 1772.

Mr. LEDOUX. I see. Well, I was going on the old bill—this bill here.

Senator REED. What is the paragraph in the metal schedule—377?

Mr. LEDOUX. Paragraph 392, under lead.

Senator EDGE. State again the confliction as you understand it.

The CHAIRMAN. Let us take paragraph 392 and see what he wants. What change do you want in the paragraph dealing with lead-bearing ores?

Mr. LEDOUX. It says "lead-bearing ores"—lead-bearing ores of all kinds—and it has come to my attention that some people seem to think that the term "lead-bearing ores" means an ore that has any lead in it.

The CHAIRMAN. That has been the wording ever since we have had a tariff. No trouble has ever arisen over it.

Mr. LEDOUX. And there have been millions of tons of pyrites imported.

Senator REED. Does pyrites contain lead?

Mr. LEDOUX. The pyrites we bring in contains about 1.3 per cent of zinc, and about 1 per cent—1.1 per cent—of lead.

The CHAIRMAN. Where does it come from?

Mr. LEDOUX. It is practically all imported. There is no pyrites—

Senator REED. Where does this ore come from?

Mr. LEDOUX. It comes from Spain.

Senator EDGE. Has any at all been produced or discovered or found in the United States?

The CHAIRMAN. Oh, yes, indeed!

Mr. LEDOUX. There are deposits of pyrites scattered all over the United States.

The CHAIRMAN. In all the Western States.

Mr. LEDOUX. But absolutely nothing of any commercial quantity sufficient to supply the demand, excepting here and there locally. In the Western States there are large quantities, from Colorado to the Pacific coast; but to supply the great manufacturing districts on the seaboard is out of the question on account of the high freights which would be necessary to bring that here.

Senator REED. This pyrites is used mostly for the manufacture of sulphuric acid, is it not?

Mr. LEDOUX. For manufacturing sulphuric acid.

Senator REED. And is any of that lead content recovered in the process?

Mr. LEDOUX. That is one point I wanted to bring out.

The iron values of pyrites amount to about 40 per cent in the ore—40 to 42 per cent. After the sulphur is burned out by the sulphuric-acid makers, these iron values—which are then in the shape of oxide of iron—are clinkered or sintered, and are then used by the iron and steel people in the manufacture of iron. There are no mines in the Atlantic seaboard States that can produce anywhere near the amount of iron ore necessary. They did at one time; but the great steel mills all had to go to Michigan on the one hand, or import iron ore from Europe on the other; and that has been going on in ever-increasing volume.

The pyrites iron is particularly valuable on account of its very low phosphorus content. I was required, when chairman of the production, distribution, and control of sulphur materials in connection with the Chemical Alliance for the War Board, to find out how much pyrites sinters there was in the country, because they were afraid that the low-phosphorus ore might give out in the manufacture of steel for ships and shells, and I found all that out. They do not want either the lead or the zinc in this iron material, so that it is penalized by lead.

Senator REED. The Tariff Commission tells us that one company is recovering the zinc for use in the production of lithophone.

Mr. LEDOUX. Yes. That is our company; and that brief was put in by the Superior Zinc Corporation of Philadelphia, who are dealers in waste zinc materials.

Senator REED. Your zinc content is not dutiable?

Mr. LEDOUX. No.

Senator REED. Under the zinc paragraph, that comes in free because it is less than 10 per cent?

Mr. LEDOUX. Yes.

Senator REED. You want the lead-bearing ores treated in the same way; do you?

Mr. LEDOUX. Yes; I think so.

The CHAIRMAN. I do not know where that will reach—the fact of having lead come in here free. Do you know anything about what amount of lead comes in this pyrites ore, this iron ore?

Senator REED. One and three-tenths per cent.

Mr. LEDOUX. In the pyrites we import there is about 1 per cent. We have to take out at least half of that in order to satisfy the iron and steel people to whom we sell this iron sinter, and we have to do that by leaching it with salt.

The CHAIRMAN. Can you take it out just simply by leaching with salt?

Mr. LEDOUX. By leaching with strong brine—salt brine.

Senator REED. That takes out the lead?

Mr. LEDOUX. That takes out the lead, or a portion of it.

The CHAIRMAN. It will not take it all out?

Mr. LEDOUX. Oh, no. We can get out half of it.

The CHAIRMAN. You want that to come in free?

Senator REED. But what you take out is wasted, is it?

Mr. LEDOUX. We have not taken out any at the present time—that is, we have taken out some, but we have not sold any of it. We

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tried to sell it to the paint people to see if they could use it, but it is so contaminated with iron and chlorine, so discolored, that they say they can not use it at all.

The CHAIRMAN. I do not think they could, perhaps, in paint.

Mr. LEDOUX. The only thing we could do would be to turn it into metal, at a loss, from the expenditure made so far, of 30 per cent of this colloidal material, precipitate, which contains 40 per cent of water; and we can not figure at the present time that there is any profit whatever in it.

The CHAIRMAN. Then you can just dispose of it the way you have in the past.

Mr. LEDOUX. We can not pile it up. We would have a mountain of poisonous material that you would not want around.

Senator EDGE. Is there any proposal that any portion of paragraph 1772 shall be taken from the free list?

The CHAIRMAN. No.

Senator REED. It is a question of putting a tariff on the lead content.

Senator EDGE. I notice that one of the witnesses scheduled, who did not answer your call, apparently represented the Virginia interest, the Louisa County Chamber of Commerce; and I assume from the report of the Tariff Commission that there is more or less of a poor quality of pyrites, as you say, mined in Virginia. I am wondering if there is any proposal before us to transfer it from the free list. You have none?

The CHAIRMAN. None at all. This is the first time the question has arisen.

Senator REED. Mr. Ledoux, the lead paragraph, 392, has a proviso—

That such duty shall not be applied to the lead contained in copper, gold, or silver ores, or copper mattes, unless actually recovered.

If we should add "pyrites" to that, that would protect you from paying duty on lead that was wasted?

Mr. LEDOUX. Yes.

Senator REED. And would leave you subject to a duty on the lead if you recovered it?

Mr. LEDOUX. Yes.

The CHAIRMAN. But you have never paid any duty on that lead?

Mr. LEDOUX. We have never paid any duty on it.

Senator REED. They are afraid they will. Just to finish my question, would not that satisfy you?

Mr. LEDOUX. Well, no, because the cost of removal is greater than any profit we would make if we sold the lead.

The CHAIRMAN. He wants to recover the lead but pay no duty on it.

Senator REED. Is that right? You want to recover the lead and sell it?

Mr. LEDOUX. Yes.

The CHAIRMAN. And pay no duty. That is what he wants.

Mr. LEDOUX. As I understand, it would make no difference whatever to the lead association, because the amount is so infinitesimal.

The CHAIRMAN. We do not know where it would go to.

Senator REED. I have your point.

Mr. LEDOUX. It would penalize pyrites and make it cost more if we have to pay on an impurity of that kind.

Senator REED. Do you not think you are pretty lucky to get your pyrites in free of duty on the sulphur and iron content?

Mr. LEDOUX. As to the iron content, iron ores come in free anyway.

Senator EDGE. Judging from the tariff report here, there is a great deal produced throughout the country, with an average of 42 per cent sulphur. It is produced in the Rocky Mountain States, in Virginia, and elsewhere, the production running up to 166,000 tons in the last year given in these statistics.

Mr. LEDOUX. Practically all of that is in California, sir.

Senator EDGE. This report says that it is mostly from Virginia, and more recently the production has come from California. I am wondering why the Virginia mines are closed or not working.

Mr. LEDOUX. I can not explain that. The American pyrites is produced and used in California, on the coast. The pyrites produced in Virginia is pyrrhotite, produced by the General Chemical Co., at Pulaski, Va., pyrrhotite being a sulphide containing one atom of sulphur to one atom of iron, whereas pyrites contains one atom, of iron to two atoms of sulphur. It can only be used locally on account of having half the amount of sulphur in it that pyrites has. It has to be used locally; and they are using large quantities of it in the manufacture in their plant at Pulaski. It is not being sold at all.

Senator BARKLEY. What did you say a while ago was the percentage of lead that came over in this pyrites?

Mr. LEDOUX. About 1 per cent.

Senator BARKLEY. The Treasury allows 1½ per cent for wastage in the recovery of the lead-bearing ores, so that you are not really in danger, under that provision, of having this quantity of lead taxed; are you?

Mr. LEDOUX. Not under that; but I would rather have the thing settled before the committee than to have the question left open for the Treasury Department to fight over later on.

The CHAIRMAN. Is there any other question you desire to discuss?

Mr. LEDOUX. That is all, sir.

(Mr. Ledoux submitted the following brief.)

BRIEF OF THE PYRITES CO. (LTD.)

COMMITTEE ON FINANCE,  
*United States Senate.*

MR. CHAIRMAN, GENTLEMEN OF THE COMMITTEE: Pyrites has always been on the free list of all tariff acts, past and present, and remains so in H. R. bill of 1929 now under consideration. As far as we are aware, no request to the committee has been made to remove it from that list, but in the desire of lead producers to protect themselves in connection with Mexican and Canadian lead, and complex copper, gold and silver ores, paragraph 392 dealing with lead has been so worded that it apparently conflicts with the free entry of pyrites under paragraph 1772 of the Free List. The two paragraphs are as follows:

PYRITES

PAR. 1772. Sulphur in any form, and sulphur ore, such as pyrites or sulphide of iron in its natural state, and spent oxide of iron, containing more than 25 per centum of sulphur.

LEAD

PAR. 392. Lead-bearing ores, flue dust, and mattes of all kinds, 1½ cents per pound on the lead content: *Provided*, That such duty shall not be applied to the lead content in copper, gold, or silver ores, or copper mattes, unless actually recovered.

To show that pyrites was not, and never has been considered anything but a "sulphur ore," and not a "lead-bearing ore" in the sense intended in paragraph

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Copper...  
Lead...  
Bismuth...  
Arsenic...  
Antimony...  
Sulphur...  
Phosphor...  
Iron...  
Alumina...  
Zinc...  
Manganese...  
Nickel and...  
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392, one has only to note its free admission over the past 40 or perhaps 50 years, during which time many millions of tons have been imported without question. Commercial pyrites "in its natural state" is not a pure sulphide of iron, but contains small amounts of minerals other than sulphur and iron. The following are approximate analyses of imported pyrites:

	Pyrites lumps	Pyrites fines	Washed pyrites
	Per cent 1.75- 2	Per cent 1.75- 2	Per cent
Copper.....	.04	1.10	0.30 - 0.45
Lead.....	.014	.017	.50 - .80
Bismuth.....	.45	.47	.005 - .01
Arsenic.....	.055	.062	.25 - .35
Antimony.....	47.47	46.43	.010 - .020
Sulphur.....	.007	.008	48.50 - 50.00
Phosphorus.....	40.41	39.27	.007 - .010
Iron.....	1.69	1.25	42.00 - 43.50
Alumina.....	1.31	1.37	.10 - .20
Zinc.....	.041	.060	.35 - .55
Manganese.....	.122	.134	.01 - .02
Nickel and cobalt.....	.324	.370	.13 - .132
Lead.....	.115	.130	.20 - .30
Magnesia.....	3.59	4.90	.10 - .15
Silicious residue.....	.0047	.0050	2.50 - 4.00
Silver.....	.0007	.0007	.004 - .005
Gold.....			.0007 - .00007

One might just as well call them copper, arsenic, antimony, alumina, zinc, nickel, or gold and silver ores, as to consider them lead ores. It is the sulphur and iron content that governs their character, and not the impurities which are not an asset but a liability.

Pyrites is a raw material of necessity to many important industries. It is employed for making sulphuric acid. One of its principal uses is in the manufacture of fertilizers where more of it is employed than in any other industry. Government statistics for the year 1927 (the last issued) show the distribution of sulphuric acid as follows:

	Tons
Fertilizers.....	1, 925, 000
Petroleum refining.....	1, 350, 000
Chemicals.....	725, 000
Coal products.....	732, 000
Iron and steel.....	685, 000
Other metallurgical industries.....	700, 000
Paints and pigments.....	210, 000
Explosives.....	183, 000
Textiles.....	135, 000
Miscellaneous.....	290, 000
	<b>6, 935, 000</b>

Of all our wealth of raw materials, pyrites is deficient. There are no bodies of large commercial importance nearer to the great manufacturing district of the Atlantic seaboard than the far West, and the distance and freight cost precludes the use of that ore. Another important value of pyrites lies in its iron content. It was only a few years ago that the ore used in the Atlantic Seaboard States for steel and iron making was mined locally, but the tremendous growth of the industry demanded more iron ore than the mines could supply and large importations began, and have continued in constantly increasing amount.

The acid maker burns the pyrites for sulphur removal. The residue or cinder amounts to 70 per cent of the pyrites, and contains about 60 per cent of metallic iron, and is of particular value because of its very low phosphorous content for use in certain grades of iron and steel. During the war with Germany the War Industries Board required the writer, who was chairman of the committee on production, distribution, and control of sulphur materials, for The Chemical Alliance (Inc.), to ascertain the tonnage of pyrites cinders available for steel making, as it was feared that the supply of low phosphorous iron ores would become insufficient. Pyrites is therefore most important to many of our basic industries.

Our contracts for pyrites with sulphuric acid makers all have a clause to the effect that if the Government imposes any tariff or charge on pyrites whereby the cost is increased, buyers are to pay such increased cost, or may cancel contract. If the latter is done, importations of this necessary raw material would likely cease. If buyers agree to pay the additional cost, it will increase the cost of acid, and in the case of fertilizer manufacturers, the cost of fertilizers will increase, and follow through to the farmer.

As previously pointed out, while pyrites is and always has been on the free list, the paragraph on lead in the tariff appears to conflict. Pyrites should not be considered a lead-bearing ore because of its small amount of this metal as an impurity, and we feel sure no such idea occurred to the framer of this paragraph, as it is utterly inconsistent.

It is also a fact that impurities such as lead and zinc penalize pyrites, and are in no way an asset. We are required by iron and steel producers to remove as much of them as possible from the cinders. The plants for the purpose are costing in the neighborhood of \$300,000.

There is a loss in both lead and zinc when pyrites is burned by the acid maker. There is a loss when we furnace the cinders for copper removal, and a further heavy process loss, so that actual recovery is low. The operations are also destructive, and maintenance costs very high.

We therefore respectfully request that all misunderstanding be cleared up by adding a few words to paragraph 1772 as follows: After the word "state" add "including lead and zinc content thereof." The paragraph would then read—

"Sulphur in any form, and sulphur ore, such as pyrites or sulphide of iron in its natural state, including lead and zinc content thereof, and spent oxide of iron, containing more than 25 per centum of sulphur."

THE PYRITES COMPANY (LTD.),  
AUGUSTUS D. LEBOOM, *Director.*

## TAPIOCA, TAPIOCA FLOUR, AND CASSAVA

[Par. 1776]

### STATEMENT OF JAMES L. GERRY, NEW YORK CITY, REPRESENTING THE ASSOCIATED CORN PRODUCTS MANUFACTURERS

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. GERRY. Mr. Chairman and gentlemen, I appear for the Associated Corn Products Manufacturers, and for the purpose of the record I might say that the names of the individual corporations that are in that organization appear on page 9403 of the hearings on the House bill on the free list.

Senator WATSON. To what particular item of the bill do you desire to direct our attention?

Mr. GERRY. To the free list provision covering tapioca, which is paragraph 1776.

The free list carries a provision for tapioca, tapioca flour, and cassava. And for the purpose of clarity perhaps I should say that there has been considerable confusion with respect to these terms. In the mind of the ordinary individual tapioca suggests something to eat.

Senator SHORTRIDGE. What is tapioca?

Mr. GERRY. That is the question.

Senator SHORTRIDGE. Well, what is it?

Mr. GERRY. Tapioca is the starch derived from the manioc plant, and the plant itself grows above the ground. The tuber or root is referred to as cassava.

Senator SHORTRIDGE. Where is it grown?

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Mr. GERRY. On the island of Java, almost entirely.

I will give you the definition of tapioca. It is a Brazilian word. It is prepared from cassava starch, obtained from the large tuberous roots of the cassava or manioc plant.

Tapioca, tapioca flour, tapioca starch, cassava, cassava starch, have, in a sense, come to denote the starch produced from the manioc plant.

Senator WATSON. What is the difference between tapioca and cassava?

Mr. GERRY. None at all.

Senator WATSON. Then why don't they name it all one thing?

Mr. GERRY. It is all one thing. That is quite true. The plant grows and the tuber is much like a potato, although it has more of the characteristic shape of the beet, in that it is larger at one end and smaller at the other.

The starch is made by grinding up these roots and then washing them in water, and the starch precipitates and the water flows off, and the starch is dried.

The difficulty under which we have been laboring for all these years lies in the fact that the tapioca flour or the tapioca starch in its comminuted or powdered form, when subjected to moisture and heat, by virtue of which it is gelatinized or comes out in the form of small globules or little round pellets and little flakes. This tapioca pearl and tapioca flake are the edible end of this game.

Senator SHORTRIDGE. From which you make fish-eye pudding up in New England?

Mr. GERRY. That is right. You must keep in mind a clear differentiation as between these pellets or tapioca pearl and the tapioca starch.

I want to say that I was chief of the customs for five years, and I practiced customs law for 20 years, and, therefore, I can speak with some degree of assurance as to what constitutes a proper classification under the tariff act of these articles.

Senator WATSON. Why do the corn products companies object to the importation of these products? Is it because of the cornstarch?

Mr. GERRY. The situation is that the corn products manufacturers buy between 85,000,000 and 90,000,000 bushels of corn. The corn crop each year is, say, two and a half billion bushels. Ten states of the West, including Indiana, Iowa, Illinois, and so forth, will produce about 1,900,000,000, or within these 10 States you have 70 per cent of the corn production. I think Indiana produces about 250,000,000 bushels.

Of the two and a half billion bushels of corn produced there is only 10 per cent, or about 250,000,000 bushels, that comes to the primary market. I mean that is the cash corn.

Senator WATSON. Do they produce any corn in California at all?

Mr. GERRY. Oh, some. I think it is enough to make it interesting. At least, I think so.

Senator SHORTRIDGE. We produce about two and a half million bushels of corn.

Mr. GERRY. Yes. I think it is an interesting quantity.

Of the cash corn these 11 manufacturers have consumed upwards of 90,000,000 or 100,000,000 bushels. So these 11 concerns absolutely make the price of corn.

Now, let us take round figures, just to make a simple mental calculation. One bushel of corn will produce 30 pounds of starch.

Senator WATSON. That is what we call cornstarch?

Mr. GERRY. Yes, sir. A hundred million bushels of corn will produce 3,000,000,000 pounds of starch.

Senator SHORTRIDGE. State that again, please.

Mr. GERRY. One bushel of corn will produce 30 pounds of starch. A hundred million bushels of corn will produce 3,000,000,000 pounds of starch.

Senator SHORTRIDGE. Thirty per cent of the corn, then, is starch?

Mr. GERRY. There are 56 pounds to the bushel.

Senator SHORTRIDGE. Thirty per cent of that is starch? Is that it?

Senator CONNALLY. No; half of it.

Mr. GERRY. Thirty pounds out of the 56 is starch. I do not want any misunderstanding and do not want Doctor Lourie to say that I made a misstatement. I am talking with a certain degree of accuracy. As a matter of fact, a bushel of corn will produce 34 pounds of starch with moisture in it. I am talking about 30 pounds of the dry substance. And it is simpler to figure that way.

At 30 pounds, 100,000,000 bushels would produce 3,000,000,000 pounds of starch.

Now, we produce a billion pounds of starch, a billion pounds of sugar and a billion pounds of sirup. It is sirup, starch and sugar.

Senator SHORTRIDGE. From that quantity of corn?

Mr. GERRY. Yes; from that quantity of corn. Of the 3,000,000,000 pounds of starch you would leave 1,000,000,000 pounds flat, you would convert another billion into sugar, and you would convert the third billion into sirup.

Senator WATSON. I was just trying to get at that. A hundred million bushels of corn would be 5,600,000,000 pounds?

Mr. GERRY. That is right.

Senator WATSON. Five billion six hundred million pounds?

Mr. GERRY. That is right.

Senator WATSON. Out of that you get 3,000,000,000 pounds of starch?

Mr. GERRY. Yes.

Senator WATSON. And 1,000,000,000 of that you convert into sugar?

Mr. GERRY. Yes.

Senator WATSON. And 1,000,000,000 you keep in the form of sirup?

Mr. GERRY. That is right.

Senator WATSON. And 1,000,000,000 you convert into sirup?

Mr. GERRY. That is right.

Senator WATSON. What do you do with the other? What becomes of the other 2,600,000,000 pounds?

Mr. GERRY. There is a billion or more pounds in the way of cattle feed or meal that is fed back to the farmers at approximate cost.

Senator WATSON. Is that all converted into oil meal or corn oil meal?

Mr. GERRY. Yes, sir.

Senator WATSON. Or gluten meal? Is that what you call it?

Mr. GERRY. We went on record before the Ways and Means Committee of the House as being entirely willing to meet the price of

corn as a result of the imposition of the 25 cent duty which they had placed on corn in the House bill. So far as this argument is concerned, I am going to proceed upon the theory that the gentlemen who placed that duty on corn were acting with a meticulous degree of honesty.

Senator WATSON. Are you opposed to that duty on corn?

Mr. GERRY. No, sir. We got on record that we were in favor of it. Somebody intimated that perhaps corn products were not in favor of the imposition of a duty on corn because we were buying corn. I want to show you that we are, and the reason why, and follow it right on down.

Here are 11 plants, and we will buy that corn and we will produce this starch, and when it comes to the proposition of the sale of starch and sugar and sirup we will get back our profits, incidentally paying to the farmer the increased price for his corn, which will at the same time enable him to buy our products which we produce from that corn.

But what we stand here for is to say that we can import from Java 5,000,000,000 pounds of Java starch. I want to say that the Corn Products Refining Co. sent two men around the world to make an investigation as to the character of this starch. They made a report upon the Java conditions, and I have a copy of the report here, and I have a sworn affidavit from these men as to what transpired. I am not speaking by hearsay nor am I speaking in a secondary way.

They found over there that there were six and a half million long tons of tapioca root produced each year, which reduced at 2,240 pounds per ton would give you approximately 14.5 billion pounds of fresh root. You can get 30 per cent of starch out of that fresh root. Therefore, you have an actual production of tapioca starch, Java starch, in that market at the present time to the extent of 5,000,000,000 pounds.

Senator CONNALLY. You are assuming that we will get all of it. Will they not send some of it to other countries?

Mr. GERRY. Certainly they will, but they will send most of it here. We are the only country in the world that produces starch and taxes other starches that does not place a duty on tapioca starch.

Senator CONNALLY. I do not mean to say I am not in favor of a duty on it, but I do not think it is quite fair to say that all of that starch will come here.

Mr. GERRY. No, it will not. It does not have to. If you produce 5,000,000,000 and bring in 60 per cent of it—

Senator SHORTRIDGE. You say that practically all countries put a duty on starch?

Mr. GERRY. Every single, solitary country of the world producing starch and taxing other starches also imposes a duty on tapioca starch except the United States.

Senator SHORTRIDGE. I see your point.

Mr. GERRY. I have a statement in that respect here which I will submit.

(The matter referred to is as follows:)

*Import duties of corn and starch into European countries per 100 kilos*

	Corn	Corn starch	Sago, tapioca	Farina
United Kingdom.....	None.	None.	None.	None.
France.....	Frcs. 10	Frcs. 200.20	Frcs. 40	Frcs. 70
Germany.....	Mks. 5	Mks. 16	Mks. 15	Mks. 16
Holland.....	None.	None.	None.	None.
Czechoslovakia.....	Kc. 18	Kc. 20 <sup>1</sup>	Kc. 20 <sup>8</sup>	Kc. 20 <sup>8</sup>
Italy.....	<sup>1</sup> G. L. 7.50	G. L. 104	G. L. 16.80 <sup>1</sup>	G. L. 12
Italy.....	<sup>2</sup> G. L. 1.15			
Canada.....	None.	\$3.30	\$2.20	

<sup>1</sup> White; if for starch extraction, free.

<sup>2</sup> Yellow.

*Import duties of corn and starch into European countries, but in United States currency per 1,000 kilos (using current exchanges)*

	Corn	Cornstarch	Sago, tapioca	Farina
United Kingdom.....	None.	None.	None.	None.
France.....	\$3.51	\$78.28	\$15.64	\$27.37
Germany.....	11.91	38.11	35.73	38.11
Holland.....	None.	None.	None.	None.
Czechoslovakia.....	5.32	61.57	61.57	61.57
Italy.....	110.35	113.50	23.18	16.56
Italy.....	<sup>1</sup> 1.58	3.30	2.20	
Canada.....	None.	3.30	2.20	

<sup>1</sup> White; if for starch extraction, free.

<sup>2</sup> Yellow.

MR. GERRY. We have the perfectly anomalous situation of producing starch in this country, corn starch, wheat starch, potato starch, and other starches, and we are the only country in the world producing starch that leaves tapioca on the free list.

I say it is a perfectly feasible thing to import two and a half billion or three billion pounds of Java starch, and I want to say to you that we have a plant at Edgewater, into which an ocean-going steamer can come and unload that starch, and we will convert it into sugar, and we will convert it into sirup, with just as much facility, if not more, than we can convert corn starch into similar products.

Senator CONNALLY. How much is coming in now? You are talking about what could be done, and imagining a great deal; but how much is coming in from Java now? Do you know that?

MR. GERRY. Last year 176,000,000 pounds, and in the first three months of this year the importations increased about 8,000,000 pounds.

Senator CONNALLY. That is quite a difference, the difference between 176,000,000 and 3,000,000,000, isn't it?

MR. GERRY. Quite a difference. I will go into that element a little further for you.

Senator WATSON. How are you manufacturing sugar now? Is it increasing or not?

MR. GERRY. It is increasing. Undoubtedly if the legislation which is before the House goes through with respect to the labeling act so as to place corn sugar upon an equality—corn sugar is dextrose. In other words, it is a more advanced, finer degree of sugar than is

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sucrose. Sucrose, when it goes into the digestive system, is hydrolyzed into dextrose and levulose. The levulose likewise is changed into dextrose, presumably before assimilation, because we find levulose is not found in the body whereas dextrose is the only sugar found in the body.

Senator WATSON. It is only about two-fifths as sweet as beet sugar or cane sugar?

Mr. GERRY. I beg your pardon?

Senator WATSON. What is the comparative saccharine content?

Mr. GERRY. It is about 10 per cent under. In other words, when dextrose crystallizes, it crystallizes with one molecule of water.

Senator WATSON. How much did you produce in the United States last year?

Mr. GERRY. A billion pounds.

Senator WATSON. How much the year before?

Mr. GERRY. As shown in the report of the Tariff Commission of dextrose—

Well, here is a sample of sugar from manioc, and there is a sample from corn starch [indicating]. Of course, they are absolutely identical.

Senator CONNALLY. What about the chemistry of it? Is it the same chemically?

Mr. GERRY. There is sugar from corn [indicating].

Senator SHORTRIDGE. I want to get this clear in my own mind. You are asking a certain duty on tapioca.

Mr. GERRY. Surely.

Senator SHORTRIDGE. What rate? What rate are you asking for?

Mr. GERRY. Two and a half cents a pound.

Senator SHORTRIDGE. On tapioca?

Mr. GERRY. Yes, sir.

Senator WATSON. I do not understand your position. You can import tapioca, can't you?

Mr. GERRY. Yes, sir.

Senator WATSON. And use it?

Mr. GERRY. Yes, sir. This sugar that we produce here from manioc was produced from tapioca that we imported.

Senator WATSON. Then why don't you import all of the tapioca you want to and use it for the manufacture of these various things? Why did you want a tariff on it?

Mr. GERRY. That is a point of pertinent inquiry and I will answer it. We made this investigation really not for the purpose of substituting tapioca starch here as against the production of corn starch but more particularly with relation to the situation in the foreign plants.

This Java starch can be produced and landed at New York at \$2.31 c. i. f. New York; that is to say, it is \$2.31 per hundred pounds, all expenses paid, landed at New York. Corn starch at Chicago, according to Mr. Lourie's last report on this subject, shows that in the months of 1928 an average of \$3.25 was the average at Chicago.

The freight rate from Chicago on a hundred pounds of corn starch is 32 cents. That makes \$3.57 per hundred pounds for corn starch landed at New York as against \$2.31 for a hundred pounds of Java starch. That would be \$1.26 difference in favor of the importation of Java starch.

We can produce, as I said before, all the starch, all the sugar, and all the sirup, from imported Java starch.

Senator WATSON. I wonder why you do not use it, then, instead of using the corn at the higher price and higher conversion costs?

Mr. GERRY. At the present time we are more desirous of safeguarding the installations in these western States where these grinding mills are.

Senator WATSON. How much tapioca did you import last year for your use for manufacturing purposes?

Mr. GERRY. About 700 tons.

Senator WATSON. About 700 tons?

Mr. GERRY. Yes.

Senator WATSON. An inconsequential amount.

Mr. GERRY. It was largely experimental, to ascertain the character of the product.

Senator WATSON. But it works, does it not?

Mr. GERRY. I was asked whether or not the tapioca and corn starch were chemically identical.

Senator CONNALLY. I mean the corn starch and the cane sugar.

Mr. GERRY. There is no corn starch in cane sugar.

Senator CONNALLY. But there is cane sugar in sugar cane, isn't there?

Mr. GERRY. Certainly.

Senator CONNALLY. I am talking about chemically. Is your corn sugar chemically practically the same as cane sugar?

Mr. GERRY. Sugar is a carbohydrate, and so is corn sugar.

Senator CONNALLY. Is it practically the same chemically?

Mr. GERRY. Yes, sir.

Senator CONNALLY. That is what I wanted to know.

Senator HARRISON. You say there is only about 10 per cent lesser sweetening? Is that right?

Mr. GERRY. Yes.

Senator HARRISON. In the cane sugar or the beet sugar?

Senator WATSON. I do not understand that. I thought it was only 75 per cent.

Mr. GERRY. Doctor Cathcart is here, and he is the technical expert chemist, and he can answer that question better than I can.

Senator WATSON. Let's ask him right now.

Doctor CATHCART. Mr. Chairman and gentlemen of the committee, if you please, sucrose, which is the chemical term for cane or beet sugar, upon the basis of 100, and dextrose, which is the chemical name for this corn sugar, will be about 75. That is according to the most authentic determinations that have been made as to the comparative sweets. You must realize that sweetness is not something you can put into a balance and say that this is heavier than that. It has to be the opinion of a jury which tests these various strengths and say that this one is this and that one is that, but this one is not quite so sweet, etc. And according to the reports, the report I had given you is correct.

Senator WATSON. Sucrose 100?

Mr. GERRY. And corn 74.6.

Senator CONNALLY. The reason I asked you the question was to get at that point. If it were chemically exactly the same, of course the sweetness would be the same. The proportions of those elements probably vary.

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Doctor CATHCART. The proportions of those elements are substantially the same. The difference between those two sugars chemically is this: Sucrose, that is, the beet and cane sugar, is a so-called disaccharide, that is, it is composed of two molecules. When that is split then sucrose divides into one molecule of dextrose or tapioca sugar, if we call it that, because it can be used for the same purpose; and the other half of it is levulose; that is, the two sugars that you have in honey, a mixture of the two sugars called invert sugar. All of the sugar you eat and all of the carbohydrates and all of the starch has to be changed into dextrose before the body can utilize it. In other words, dextrose is so superior to sugar that the body refuses to use any other sugar but dextrose.

Senator CONNALLY. It is a predigested sugar, in other words?

Doctor CATHCART. Yes. From a chemical standpoint starch is starch, no matter from what source derived. If rice starch were cheap enough these same bodies could be made out of rice. They can be made out of rice but they are not because it is not cheaper. They can be made out of wheat starch, they can be made out of potato starch, and they can be made out of the Java starch and out of corn starch and they are chemically identically the same.

Senator CONNALLY. This Java sugar here or Mancoe, or whatever it is, is not nearly so sweet as the corn?

Doctor CATHCART. Absolutely the same. The seeming difference is probably due to a little bit different size of crystal. The larger crystal does not dissolve so fast, due to the crystals being coarser. I think Mr. Lourie will confirm that those sugars are absolutely undistinguishable by any means known to science to-day.

Senator SHORTRIDGE. You are not opposed to the 25 cents per bushel on corn?

Mr. GERRY. Not at all.

Senator SHORTRIDGE. From corn you get starch, sugar, and sirup?

Mr. GERRY. That is right.

Senator SHORTRIDGE. What you are asking, therefore, is a tariff on tapioca?

Mr. GERRY. Yes, sir.

Senator SHORTRIDGE. Because, as I understand you, the starch coming from Java competes with—what?

Mr. GERRY. With the corn. It does not compete with starch. It competes in the sale of corn.

Senator SHORTRIDGE. Your idea is that that would help the corn men?

Mr. GERRY. Undoubtedly.

Senator SHORTRIDGE. And likewise help your manufacture of products from corn?

Mr. GERRY. Of course.

Senator SHORTRIDGE. That is your argument, isn't it?

Mr. GERRY. That is the plain statement of fact. It would seem almost as if it does not require argument.

Senator WATSON. You have factories in Europe, have you not?

Mr. GERRY. Yes, we have factories in Europe, and we are exporting corn from this country that we produce here, sending it to those factories, because the starch we produce in those factories is protected by the duties that those countries place on the starch.

Senator WATSON. Do you use anything there except American corn?

Mr. GERRY. Oh, yes; we use American corn, and we export in addition to that 236,000,000 pounds of starch produced from corn.

Senator WATSON. Export it from where?

Mr. GERRY. That we produce here.

Senator WATSON. But I am talking about the European factories.

Mr. GERRY. The European factories are definitely instructed not to take any business or do anything which will in any way militate against the business of the United States or the exports of the United States.

Senator SHORTRIDGE. Where are they located in Europe?

Mr. GERRY. They are located in Manchester, England, Bary, Germany, Haubordin, France, Massa, Italy, Sasvan-Gent, Holland, and also in Canada.

Senator SHORTRIDGE. You say you export starch from here to those countries?

Mr. GERRY. Yes, sir.

Senator SHORTRIDGE. Paying the duty there?

Mr. GERRY. Yes, sir; and converted into sugar.

Senator WATSON. I haven't had an answer to the last question I asked you—whether or not you use any raw materials in European factories except American corn.

Mr. GERRY. Oh, yes, I think so.

Senator WATSON. What do you use? Do you get tapioca over there?

Mr. GERRY. What is the raw material, Doctor, that goes into those plants?

Doctor CATHCART. Most of those plants grind corn.

Senator WATSON. American corn?

Doctor CATHCART. When American corn is at the same price as foreign corn they buy American corn. When foreign corn is lower than American corn they buy foreign corn.

Senator WATSON. Can they use Argentine corn?

Doctor CATHCART. Yes; they can use Argentine corn, South African corn, Russian corn, and the Black Sea district corn. And some of them have used, but not since our control, tapioca.

We also have a plant in Brazil, where the competitor is using the tapioca, and we are using corn.

Senator WATSON. You can get tapioca in this country free, can't you?

Doctor CATHCART. Yes.

Senator WATSON. And you can get it cheaper than corn?

Doctor CATHCART. During the past year; yes, sir.

Senator WATSON. Then why don't you import your tapioca for your purposes instead of using the American corn?

Doctor CATHCART. Probably we will.

Senator WATSON. That is what I wanted to get at. You never have, though?

Doctor CATHCART. Mr. Chairman, may I make this statement? Mr. Gerry is speaking for the Associated Corn Products Manufacturers, which consists of 11 companies.

Senator WATSON. And you are the chemist of that company or corporation?

Doctor CATHCART. I represent in a way that association. But the questions you are asking me now are being answered as a member

of the staff of the Corn Products Refining Co. I want to make it clear to the committee, because we have to be mighty careful about our position. We are the only ones that have a plant at seaboard, so if this starch is kept on the free list it will be distinct advantage to the Corn Products Refining Co. as against its competitors in this country. In spite of that fact, we are acting in all honesty, fairness, and frankness with the association in asking you to put a duty on tapioca starch for the protection of those plants that are in your district and in all of the Middle West district as well as for the protection of the American corn grower.

Senator HARRISON. But behind that, of course, you have big investments yourselves in the grain belt?

Doctor CATHCART. We have. Our company has four plants.

Senator HARRISON. It is to your credit that you have.

Doctor CATHCART. Three plants in the Corn Belt and one at seaboard. All of the other companies in this association have plants only in the Corn Belt.

Senator CONNALLY. You do not want to encourage any foreign capital or any other capital to establish plants on the seaboard and use this raw material to the detriment of corn?

Doctor CATHCART. Absolutely not.

Mr. GERRY. So far as they are concerned, it is a pure business proposition. We have come in here in all honor to say in answer to Senator Shortridge's question that we are willing to have this duty and we will buy the corn. But no man on earth who has one ounce of reason can sit here and say that we will expect to continue to buy corn if you open the port of New York to the importation of tapioca starch.

Senator WATSON. Do you use tapioca at all to make sugar?

Mr. GERRY. Certainly. That is sugar from tapioca [indicating].

Senator WATSON. Well, is it in commercial quantities?

Mr. GERRY. Yes, sir; it is being converted into sugar in Europe, in the European plants, from tapioca.

Senator WATSON. Is that done in our country?

Mr. GERRY. To answer your question, Senator, I don't know of any commercial production of sirup and sugar from tapioca in this country. It means simply that these people who made their investigation have the West Indies in their eye, and men are going down there to look over the property and they will increase the production of tapioca on a West Indian island within such a comparatively short distance from the port of New York that the sale of cornstarch has to go out of the picture. So far as they are concerned, they will grind less corn and will buy less corn.

Now, let me say something else. I told you these men have made an investigation in Java as to the condition of this starch. There are two possible suggestions from the standpoint of hitherto action why this duty was not imposed. One was that it would interfere with the textile people. Mr. Amory, the president of the textile organization, came down here before this committee and announced that last year, 1928, they had produced 8,000,000,000 yards of cloth. In that same year that organization—or there are several of them—had exported from this country \$69,000,000 worth of cloth, at the rate of 14 cents a yard.

It is a perfectly reasonable assumption that the cloth sold in the United States is of a value equal to at least 14 cents a yard. But assuming it is only 12½ cents, 8,000,000,000 yards of cloth would be just exactly \$1,000,000,000.

From the Tariff Commission's report and investigation the facts have been developed that the textile industry, so far as the finishing of cloth is concerned, using 12,500,000 pounds of tapioca. At 2½ cents a pound that would be \$300,000.

If you carry out your proposition, you will find that the amount of tapioca in a yard of cloth bears the relation to its value of one three-housandth part.

Let us go from that over to the question of the Perkins Glue Co. The Perkins Glue Co., has a location in Java, title to approximately 15,000 acres of land. Java is an island about the size of New York; it has a population of approximately 40,000,000 natives, and the Perkins Glue Co. has 3,000 acres under cultivation for tapioca.

Senator SHORTRIDGE. It is an American corporation, is it?

Mr. GERRY. Yes; it is an American corporation. The Perkins Glue Co. employs 5,000 natives, and they pay these natives from 12 to 20 cents a day.

Now, then, the question arises as to whether, in the instance of the textile people or in the instance of the glue people, their tapioca is made into glue, and this glue is used in furniture—

Senator HARRISON. Is there any substitute for tapioca for that use?

Mr. GERRY. You can make it out of cornstarch and you can make it out of potato starch, and your adhesives are to-day made from other starches just as other starches are used in the textile trade. Tapioca is used by the Du Pont Powder Co., likewise, in the manufacture of powder. If they can buy that cheaper, they use that, or if they can buy cornstarch cheaper, they use that.

In the making of coal briquettes, the one or the other is used, whichever is cheaper.

Senator SHORTRIDGE. Let me read this into the record. I am reading from this statement furnished by our Secretary of Labor.

*Wages of agricultural labor in Java.*—According to the commerce reports for April 30, 1928, published by the United States Bureau of Foreign and Domestic Commerce, the daily wage of native agriculturalists in 1925 averaged 39 Dutch cents, 15.6 cents in United States currency, and or natives employed in towns and cities by the government, 20 cents per day.

That corroborates what you have just stated.

Senator HARRISON. I am interested in your statement, and I want to be sure on that proposition, that these textile people, these glue people who contend they must have tapioca in here for their trade, also state that they can not get a substitute for it, that it is better, and so forth, than the corn starch.

Mr. GERRY. If they can get it at \$2.31 instead of \$3.25, they are going to take it.

Senator SHORTRIDGE. Why don't you answer the Senator's suggestion? Is there anything in that opinion that, as to quality—

Mr. GERRY (interposing). I am going further than that in answer to Senator Harrison. When you take the glue made from tapioca, for some reason or other—why I do not know—while they are as a

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matter of fact identical chemically, there are apparently certain slight differences.

Now then, you take tapioca and make glue from it, and the situation is that it has a greater flow. If you make a similar glue from corn starch, it will take more corn starch than it would have if you used tapioca. So they will say here that tapioca is better, that it produces a better result, and that it is unquestionably true because they can use, say, 2½ pounds of tapioca as against the proposition of getting the same result with 3 pounds of corn starch.

Senator HARRISON. Economically they can use tapioca better than corn starch?

Mr. GERRY. Yes.

Senator WATSON. They use tapioca altogether on the postage stamps, do they not?

Mr. GERRY. Yes, sir, to the extent of about 800,000 pounds, but so far as—

Senator WATSON. Is there any real substitute for tapioca for use on postage stamps, to serve the purpose as well?

Mr. GERRY. We have never been able to ascertain from the Director of the Bureau of Engraving and Printing why he insists upon the use of tapioca. That is a question on which we have not been able to secure any affirmative answer.

Senator WATSON. What is your information on the subject, Doctor?

Doctor CATHCART. I did not hear all that Mr. Gerry said, and I hope I will not repeat anything he said. I was out of the room.

Senator WATSON. I asked him why they were using tapioca on postage stamps, and whether or not anything else will serve the purpose as well.

Doctor CATHCART. If I may go back to the glue proposition—

Senator WATSON. No; answer that.

Doctor CATHCART. Why they are using the tapioca dextrine on postage stamps?

Senator WATSON. Yes.

Doctor CATHCART. We are perfectly free to admit that up to the present time a dextrine produced from tapioca starch, which has to do entirely with its physical properties, is more satisfactory for postage stamps and envelope glue.

Now, that is, however, to be modified by this statement, that during the war, when the supply of tapioca was exhausted and you could not get it, we supplied that department with a dextrine for postage stamps. After the war, they resumed—

Senator SHORTRIDGE. How did it work? Did it answer the purpose?

Doctor CATHCART. Apparently it did. I was not able to find out what the difficulty was, because we make a great variety of dextrose, perhaps fifty or sixty varieties of dextrose. It may have been that the dextrine which they selected at the first shot was not the best one they could have gotten for that purpose.

We did not press the thing seriously; it is a small matter, anyhow—800,000 pounds is not very much, and if the Government wants to do it, that is all right, but we were unable to get from the practical men in the bureau the real reason why corn dextrine fell down.

Senator WATSON. If we put this tariff on, how much more would it cost to make the postage stamps than it now does, and how much more would it cost to make the envelopes with the glue on?

Mr. GERRY. I figured it out, and it would cost about one-sixtieth part of a cent on each postage stamp.

Senator WATSON. But the Government would not pay anything additional?

Mr. GERRY. The Government pays nothing additional, because what it takes out of one pocket is put into the other. That is about the average.

Senator SHORTRIDGE. You have argued that it would not cost any appreciable additional amount to the textile industries or to the paper industry—is that your argument? Your contention is that by placing a tariff on tapioca, it would not materially or appreciably increase any cost to our Government?

Mr. GERRY. That is right.

Senator SHORTRIDGE. You also argue, as I understand you, that it would not materially or appreciably increase the cost to the textile manufacturers who use this starch?

Mr. GERRY. Quite right.

Senator SHORTRIDGE. That is your position?

Mr. GERRY. Absolutely. But let me say this, that if as a matter of fact this duty on starch is imposed by you gentlemen, and this stuff is moved out, we are going to continue to buy corn. Moreover, if you put that duty of 25 cents on a bushel of corn, we will pay the increased price of corn when we buy it.

Senator HARRISON. You do not think you are going to pay any increased price by reason of this duty on corn, do you?

Mr. GERRY. I do.

Senator HARRISON. You made a mighty good impression on me, but if you go to arguing that kind of a proposition I will lose faith in your position.

Mr. GERRY. I told you there were about 250,000,000 bushels of corn. If we take 100,000,000 of those bushels, and if you keep out tapioca we have to go and buy more corn. If there is an increased production of sugar by virtue of the act of Congress in saying that we are placed in the same situation as cane or beet sugar, according to Mr. Hull we will then get 40,000,000 bushels more of corn, and that makes 140,000,000 bushels. Mr. Hull says you are going to increase the sale of corn by blackstrap 20,000,000 bushels, and that will make 160,000,000. You will then be getting to the proposition of the purchase of all available lots of corn, and that will create such a demand that it will raise to the point where corn can come over this barrier that you fix of 25 cents a bushel.

Senator HARRISON. So that the record at this time will show this, the exports last year on corn were nearly 26,000,000 bushels—is that right?

Mr. GERRY. Yes.

Senator HARRISON. And our importations were 616,000 bushels?

Mr. GERRY. Right.

Senator SHORTRIDGE. I understand your argument to be that by imposing a tariff on tapioca you would purchase more corn here in the United States?

Mr. GERRY. Yes.

Senator SHORTRIDGE. That is your argument?

Mr. GERRY. You keep out the tapioca and then the available uses that that tapioca goes to will be supplied by us through the purchase of corn.

Senator SHORTRIDGE. And your argument is that that would naturally increase the market price of corn?

Mr. GERRY. Most definitely.

Senator WATSON. Do you want to put an embargo on tapioca?

Mr. GERRY. I am not going to equivocate on that proposition. Lord, there are 1200 people who come down here and ask for embargoes, and I am not going to stay out in the cold if I can keep this starch out and convince you gentlemen of the wisdom of it.

Senator SHORTRIDGE. That rate would not keep it out.

Mr. GERRY. Not entirely; no. Take the Perkins Glue Company; are they going to keep it out? They are going to produce their starch, and the proposition is—

Senator WATSON. If they still continue to use it in this country, as they do, notwithstanding the tariff, how will that benefit you?

Mr. GERRY. They are going to use it in their own works. Here is an American concern that has gone over to Java to produce starch, and they are bringing that starch in and they are competing with an American concern, or eleven of them, right here in this country. Where do you get the reasoning of it? I do not see it. I can not see it to save my soul. You have a proposition of a large investment of capital here, eleven concerns, buying the product of the farmer, taking his wares, and tapioca is put on the free list for somebody that employs coolie labor at 12 cents a day.

Senator HARRISON. If you just stayed off of the proposition of this tariff on corn, you would get along better.

Mr. GERRY. That is the proposition.

Doctor CATHCART. I do not want to take the time of the committee, but when I came into the room you were talking about this vegetable glue proposition, and I wanted to say that in my discussions with the gentlemen connected with the tariff board on this particular proposition the comparisons have always been made as between tapioca or cassova starch as delivered and the crudest form of corn-starch, which is known in the trade as pearl starch. That is the crudest and cheapest form of starch. From that starch the various companies make a series of modified or improved starches, which cost a little bit more, on account of the work put on them. In many cases those modified starches equal these imported starches, particularly Java starch, for specific industrial purposes, and I want to say that during the past year, since the price of tapioca has been below that of corn, the corn products industry has lost considerable business to the wood ply people who were previously using cornstarch, showing it is a question of price in many instances, and likewise in the textile trade and in the paper trade. We do not want to be forced in the position of importing tapioca starch.

Senator CONNALLY. I thought most of the glue was made out of cows' hoofs.

Doctor CATHCART. That is animal glue.

Senator CONNALLY. I know it is. Is it superior to this glue, or is your glue superior to it?

Doctor CATHCART. This is using in a general sense. You have animal glue and you have various vegetable glues made from vegetable products.

Senator CONNALLY. They are all used for the same purpose, are they?

Doctor CATHCART. Substantially. They are in many instances interchangeable and they are mixable, a certain percentage of animal glue and a certain percentage of vegetable glue.

**STATEMENT OF ARTHUR L. STRASSER, NEW YORK CITY, REPRESENTING MANUFACTURERS, USERS, AND DEALERS IN TAPIOCA, TAPIOCA FLOUR, DEXTRINS, ADHESIVES, GLUES, AND TEXTILE FINISHINGS**

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. STRASSER. I represent manufacturers, users, and dealers in tapioca, tapioca flour, dextrins, adhesives, glues, and textile finishings, comprising the firms whose names were signed to the brief before the Ways and Means Committee of the House. If you gentlemen wish to have a copy of that brief now for reference, as I speak, it may be of some assistance to you.

Senator HARRISON. Did you appear before the House committee?

Mr. STRASSER. I did.

Senator WATSON. Now, Mr. Strasser, you may proceed to give us your views, but do not take too long to do it.

Mr. STRASSER. The concerns I represent are located in upward of 20 States and are engaged in a number of diverse industries, some textiles, textile finishings, textile bleaching, furniture makers, veneer manufacturers, plywood manufacturers, piano manufacturers, dealers in food products, bakers' supplies, dealers in adhesives and paper and box makers, and the like.

Tapioca is not produced in the United States. It has been on the free list about a half a century. There have been repeated attempts to impose a duty on tapioca in my own time, beginning in 1908.

Senator WATSON. Did anybody ever try to produce it in the United States?

Mr. STRASSER. It was tried to be produced in the United States by the Perkins Glue Co., and Mr. Stryker, who is to follow me, can give you the details of that. As I understand it, they spent a large sum of money before they became convinced that it was an entirely hopeless proposition.

There are two aspects of this discussion. One is on the question of whether or not tapioca is a real and serious competitor with any domestic product. The second proposition is that, assuming that to be the fact, will a duty help anybody with whose interests this committee should be concerned?

With respect to the competitive aspect of tapioca, let us look for a moment at the chief uses to which tapioca is put. To begin with, we will take food, the usual form of tapioca pudding. Tapioca is competitive as a food with domestic product, if chicken is competitive with beef, and if bananas are competitive with apples. If people are entitled to a choice of food, it is not competitive.

The next large use of tapioca is in wood glues. I shall not go into detail on that point, because Mr. Stryker, who is to follow me, is probably the largest handler of and dealer in tapioca in that aspect and knows all of the details, technical and otherwise.

Senator WATSON. Is it your theory that nothing can be used for sizing in the manufacture of textiles except tapioca?



Mr. STRASSER. No, sir.

Senator WATSON. Or as well as tapioca?

Mr. STRASSER. That situation in the textile industry is a very subtle one.

To begin with, of all sizings and finishings used in the textile industry, products of corn now comprise 86 per cent; products from potatoes comprise 6 or 7 per cent. Therefore, of all sizings and finishings used in the textile industry, tapioca comprises only 6 or 7 per cent.

There are certain perfectly obvious trade and manufacturing truths which override any theoretical discussion of any subject, and this is one of them.

No one can suppose that a sane, intelligent, competent, manufacturer of textiles or anything else, is going to carry a number of different products if one will answer all of his purposes. Almost every textile manufacturer carries all three of these products—corn, potatoes, and tapioca. The reason for that is plain. It is because a particular style or finish of merchandise required by the consumer requires the particular use of one of these three products or of the four, including wheat stock. So the manufacturer must have all to use either singly or in conjunction with the others in order to produce the particular style and type of finish that the consumer demands. Each of these products has its own particular efficient characteristics.

Senator HARRISON. In what respect?

Mr. STRASSER. Take textiles, for instance; our contention is that where a very glossy finish is required tapioca must be used because it gives a superior finish in respect of gloss. There are some fabrics in which a high gloss is demanded by the consumer. Secondly, there are fabrics in which the printing design must stand out very clearly and sharply, and in those fabrics we say that tapioca is superior to other articles made from corn, wheat or potatoes.

Senator HARRISON. Is it perceptible?

Mr. STRASSER. I can only say that it must be perceptible if the manufacturers of textiles keep on as they have for 50 years carrying these four different kinds of sizings and finishings. They are not doing it for their health.

Then there is what is called the feel or hand of the fabric. You know this yourself, whether you are buying a suit of clothes or whether the housewife is buying cloth for a dress or linen; she wants a certain feel. That is one of the tests. I should say that in certain fabrics you get a superior hand or feel out of the tapioca.

There are also certain fabrics that are subject to hard wear, fabrics that you can bend or twist.

It is in this aspect that we say that tapioca produces unique effects. But we do not ask you to buy upon our statement; we ask you to take your own general common knowledge of industry, which must tell you that no sane manufacturer will seek to carry more elements that go into his merchandise than he must carry.

Senator CONNALLY. You told about the superiority of tapioca.

Mr. STRASSER. Yes.

Senator CONNALLY. In what respects is cornstarch superior to tapioca?

Mr. STRASSER. I do not know except that in rough fabrics it may give a greater body, although I am not sure of that. But it seems to me the facts speak more accurately than anything I can say. In the textile industry of all products used for sizings and finishings corn only represents 86 per cent.

Senator CONNALLY. They only use this in linens and cottons; they do not use it in wool?

Mr. STRASSER. I do not think so. But I am not sure about that.

Senator SHORTRIDGE. Which?

Senator CONNALLY. The sizings.

Mr. STRASSER. I do not think they use it in the woolens, but I am not sure about it.

As I say, corn to-day, and for years, represents 86 per cent of all the materials used in the textile industry; potatoes represent 6 or 7 per cent, tapioca represents 6 or 7 per cent. I do not know how much of the field corn wants to occupy when it now occupies 86 per cent of that field.

Senator SHORTRIDGE. How do they make this stuff that they use in the country to-day that comes in great big chunks?

Mr. STRASSER. That is made out of corn.

Senator SHORTRIDGE. That is corn, you say?

Mr. STRASSER. Yes; corn.

I can take up the use of tapioca in adhesives upon the same basis, so we will dispose of that aspect of the subject immediately.

Senator HARRISON. How much cornstarch is used in the adhesive?

Mr. STRASSER. Do you mean the amount of corn?

Senator HARRISON. Do these figures apply to adhesive too?

Mr. STRASSER. I was speaking there only of textiles.

Senator HARRISON. That is as I understood it.

Mr. STRASSER. The report of the Tariff Commission has a very complete statement of the distribution of cornstarch by consuming industries for 1928. On page 6 of that report there is a table.

Senator WATSON. You might read that in, Mr. Strasser.

Mr. STRASSER. Table 6, on page 6, entitled "Sales distribution of tapioca, tapioca flour, and cassava in the United States in 1928."

Senator SHORTRIDGE. Hand that to the reporter and let him copy it in.

Mr. STRASSER. If you are interested in quantities, look at that table.

Senator WATSON. Just read it into the record.

Mr. STRASSER. The reporter has a copy. In that table, under textiles, it is shown that 17.9 per cent of the cornstarch used is used in textiles.

(The matter referred to is as follows:)

TABLE 5.—*Sales distribution of tapioca, tapioca flour, and cassava in the United States in 1928*<sup>1</sup>

Foods:	Per cent
Pearl, flakes, siftings, seeds.....	6.6
Flour.....	13.8
Sizing of textiles.....	9.7
Wood glues.....	33.1
Adhesives, gums, and dextrines.....	27.3

<sup>1</sup>Quantity covered was 124,611,200 pounds. No gaplak or gaplak meal included.

Miscellaneous:	Per cent
Explosives.....	0.3
Shipments to jobbers, use unknown.....	5.4
All other.....	3.8
	100.0

TABLE 6.—Sales distribution of cornstarch by consuming industries in the United States, 1928<sup>1</sup>

Food and household use:	Per cent.
Bakers, bakers' supplies, flour mills and mixers, bak'ng powder manufacturers, brewers, confectioners' supplies.....	13.8
Grocers (packages) <sup>2</sup> .....	15.7
Textiles, including bulk to laundry trade.....	17.0
Dextrin makers, founders, paper, paper box, paste, billboard, and asbestos.....	11.1
Export.....	27.1
Dealers and repackers (bulk).....	6.0
Chemists, color manufacturers, and explosives.....	3.0
Miscellaneous.....	5.4
	100.0

Senator SHORTRIDGE. You stated the amount was 86 per cent.

Mr. STRASSER. No, sir. There is this distinction, sir. Of all the products used for sizings and finishings in the textile industry 86 per cent comes from corn. But of all the cornstarch made, 17 per cent goes into the textile industry.

Senator SHORTRIDGE. The remainder, the larger quantity, going into other industries?

Mr. STRASSER. Precisely so.

With respect to tapioca in the adhesive industry, we maintain in this industry, as in the textile industry, that no manufacturer or user of adhesives is going to stock and use more materials than he needs in order to supply his customers' demands. If he is a wise merchant he must use everything that will produce the kind of merchandise his customers want.

Now, what is it that tapioca does that the other products do not do, or do not do to so important a degree?

In the first place, in adhesives there is what is called the ability to stick; that is, a quick stickiness. This is of great importance in the case of stamps and envelopes, where you have to give it a little lick and a pressure, and the postage stamp sticks and the envelope flap sticks.

Senator SHORTRIDGE. By "can not do," you mean by that that the others can not?

Mr. STRASSER. Yes, sir; can not do it. Because if these other products could, in the years of development of these industries they would have used these other products.

As I said before, manufacturers are in business to make a profit. the same as other business men, and if any other substance will do the work they will not carry tapioca. It seems to me that is an industrial fact. And that is a complete answer to any elaborate theoretical argument.

Senator HARRISON. Which is the higher in price?

<sup>1</sup> This sales distribution accounts for 838,604,716 pounds of cornstarch and was supplied by the Associated Corn Products Manufacturers.

<sup>2</sup> Much of this may be small packaged cornstarch for household laundry use.

Mr. STRASSER. Tapioca is higher in price as a rule. And the report of the Tariff Commission exports will show that.

Senator SHORTRIDGE. Is it purchased by the pound?

Mr. STRASSER. The price is by the pound. And it varies from a half a cent to a cent and a half.

Both corn and tapioca fluctuates throughout the year. I shall take up that question of the price of starch a little later in my discussion.

The superior characteristics of tapioca with respect to envelopes and stamps is one instance, and in that same connection there is the question of taste and palate. Tapioca is extremely free from grit. It also has a very pleasant taste—the postage-stamp taste and the envelope taste. I would not go so far as to say that tapioca never sours, but it certainly does not sour as quickly as these other adhesives do.

Again, there is fact which answers all inquiries.

After years and years of experiment, for whatever reason sufficient unto itself, the Government now specifies tapioca for those stamps and envelopes.

Senator CONNALLY. You do not know anybody who licks a postage stamp who gets a sweet taste.

Mr. STRASSER. I would not say that the main purpose of licking the stamp is that; but when you lick it to stick onto an envelope, the fact that it has a sweet taste is not a drawback.

Senator HARRISON. Did not the Government at one time use cornstarch?

Mr. STRASSER. I understand that during the war, when importations of tapioca were very small, the Government did resort to cornstarch.

Senator HARRISON. Was it successful?

Mr. STRASSER. Again, Senator, I refer you to the fact that as soon as tapioca became available the Government went back to tapioca.

Senator HARRISON. Why?

Mr. STRASSER. Evidently because the Government experts found that for the characteristics and functions required of stamps and envelopes that tapioca was superior.

Senator HARRISON. The witness before us yesterday stated that during the war cornstarch was used, and they went back to tapioca without any explanation, and they have been unable to get any from the Government.

Mr. STRASSER. I would say that the quarrel of those witnesses is not with us but with the Government.

Senator HARRISON. I was wondering if you had gotten any explanation.

Mr. STRASSER. Only that we suppose—

Senator WATSON. Not what you suppose; but did anybody ever make a statement to that effect?

Mr. STRASSER. Not that I know of.

Senator HARRISON. Of course, the proof of the pudding is in the eating.

Mr. STRASSER. Yes; and that is all I have to offer.

Senator CONNALLY. Perhaps it was because of change of administration.

Mr. STRASSER. Tapioca has been used in all administrations, so in that respect all administrations have been remarkably intelligent.

Then, with adhesives, there is the question of spread. A great many of these, where it is necessary, are applied by box makers by machinery, and the adhesive must have a quick and even spread. We maintain that the proof of the spread is in the using, and that as to certain articles the manufacturers must use tapioca.

Senator CONNALLY. Which is cheaper?

Mr. STRASSER. As a rule, corn is cheaper than tapioca.

Senator CONNALLY. In adhesives?

Mr. STRASSER. Yes; in every way—both with respect to tapioca flour, with respect to dextrines, and with respect to adhesives. Taken over a period of years, corn is cheaper than tapioca.

Senator WATSON. What would be the effect of putting on this tariff? Come down to the technical part of it, and tell us why you do not want the tariff and what would be the effect on the tapioca industry.

Senator SHORTRIDGE. It comes from Java, does it not?

Mr. STRASSER. Yes.

Senator SHORTRIDGE. Do you want to build up the industry in Java?

Mr. STRASSER. We have no concern with the industry in Java. Our concern is with the manufacturers of the United States, who for 50 years have been using tapioca as the basic raw material, and when it is not produced here.

Senator SHORTRIDGE. What will be the effect of a duty of it?

Mr. STRASSER. May I take it up negatively?

To begin with it will not do the farmer one iota of good.

In this branch of the argument I will assume that every pound of tapioca that comes in competes with corn. And my adversaries can not ask more than that.

What is the result? In terms of pounds the export corn amounts to 10 times as much as the tapioca imported. If every pound of tapioca was shut out of this country the farmer would not sell an additional bushel of corn until the exportable surplus, amounting to 10 times the amount of tapioca import, was absorbed.

Senator SHORTRIDGE. If you could not get any tapioca from which to make your starch, where would you get your starch?

Mr. STRASSER. Assume we buy it from corn.

Senator SHORTRIDGE. I am asking where would you get it, from what source?

Mr. STRASSER. I am willing to assume that we would buy it from corn. If the farmers sell another bushel of corn, that means it would stay here and be sold by the corn products manufacturers and until 10 times the amount of tapioca imports were used up the farmer would not have a market for one additional bushel.

Senator SHORTRIDGE. Frankly, I do not follow your logic.

Senator HARRISON. In other words, there is 10 times as much corn exported as could be used if you were to manufacture all of your starch out of corn that can be used as a substitute for tapioca.

Mr. STRASSER. Yes.

Senator SHORTRIDGE. The more corn you use here in the starch, the less surplus, assuming a surplus.

Mr. STRASSER. Yes; but until you have absorbed the surplus the farmer can not sell an additional bushel. And your surplus to-day is over 10 times the tapioca imports.

Senator SHORTRIDGE. I frankly do not see the major or minor premise or conclusion.

Senator HARRISON. It is quite true that formerly they used, in the manufacture of glues, and also in the textile industry, more tapioca, and they now use cornstarch.

Mr. STRASSER. I think not.

Senator HARRISON. They did not?

Mr. STRASSER. I don't think they ever used anything like the amount of tapioca in these industries that they do of corn.

Senator HARRISON. Hasn't it been a growing use of cornstarch and competitive starches?

Mr. STRASSER. Oh, yes; as against tapioca.

Senator HARRISON. And the diminishing use of tapioca?

Mr. STRASSER. Yes.

Senator HARRISON. In the industries in this country?

Mr. STRASSER. Yes.

Senator HARRISON. Well, there has been gradually more use of corn, then?

Mr. STRASSER. Yes.

Senator HARRISON. That is what I was trying to get at.

Mr. STRASSER. Until we get down to the residuum where the tapioca now used must be used for the particular characteristics it has.

The farmer can benefit from a duty if he can sell more corn or get a better price for it. But I have shown he can not sell corn until the exportable surplus is gone, and that is ten times the amount of tapioca import.

The tariff report in my brief will show clearly that there is not the slightest relation between the imports of tapioca and the amount of corn sold by the farmer to the corn-products manufacturers or the price the farmer gets for it.

What do I mean by that?

Senator HARRISON. Is it not true that in the use of tapioca or cornstarch that there are some uses to which either one could be used just as well as the other?

Mr. STRASSER. Yes, sir.

Senator HARRISON. In that class these manufacturers would buy tapioca, of course, if they could get it more cheaply?

Mr. STRASSER. Yes.

Senator HARRISON. Or they would buy the cornstarch if they could get it more cheaply?

Mr. STRASSER. Yes.

Senator HARRISON. So there is some competition in that particular class?

Mr. STRASSER. There is what is called a "no man's land," comprising a small percentage of tapioca imports and an infinitesimal percentage of cornstarch, because cornstarch is produced here to the extent of ten times the amount of import. Where the question is one of price only, of course, that is true.

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Senator SHORTRIDGE. Not to break up your statement, Mr. Strasser, but I want to ask this question. I understand you stated that imposing a tariff would help no one.

Mr. STRASSER. It will do worse than that.

Senator SHORTRIDGE. Well, just a minute.

Mr. STRASSER. Yes, sir.

Senator SHORTRIDGE. I understand that your position is that imposing a tariff on tapioca will help no one.

Mr. STRASSER. Yes, sir.

Senator SHORTRIDGE. And you are proceeding to justify that statement.

Mr. STRASSER. Quite so.

Senator SHORTRIDGE. And will you be good enough to point out wherein it would hurt anyone?

Mr. STRASSER. Yes, sir.

Senator SHORTRIDGE. All right, then.

Mr. STRASSER. Now, with respect to the price that the farmer receives for his corn, because, as I say, the farmer can benefit either by selling more corn or getting a better price for the corn that he does sell. But he can not sell more corn until our exportable surplus is absorbed.

Senator SHORTRIDGE. What do you mean by that? I have heard that several times, and I am sick of hearing this subject of surplus, as though that were the only thing to consider. Why do you say you can not sell more corn until you dispose of the surplus?

Mr. STRASSER. All right, I shall tell you. Last year there were 26,000,000 bushels of corn exported.

Senator SHORTRIDGE. Exported.

Mr. STRASSER. Yes; exported. On the same basis, pound for pound, assuming it is competitive, there were 3,000,000 bushels of tapioca imported. Now then, suppose no tapioca at all came into this country, what would happen?

Instead of exporting 26,000,000 bushels of corn we would use this 3,000,000 bushels of corn here to take the place of tapioca, and we would export 23,000,000 bushels of corn. But the farmer would not sell an additional bushel as an aggregate proposition.

Senator SHORTRIDGE. You have stated, at any rate, that more corn would go into the making of starch.

Mr. STRASSER. Yes. But that corn would not be additional corn coming from farmers, it would be corn which was not exported.

Senator SHORTRIDGE. But it came from the fields; it would be American-grown corn converted into starch. That is all I want to know about for the moment.

Mr. STRASSER. But instead of 26,000,000 bushels of American-grown corn being exported only 23,000,000 bushels would be exported.

Senator SHORTRIDGE. We will assume that. Certainly that is only subtraction. That is simple.

Senator CONNALLY. That is purely an assumption, though.

Senator WATSON. Do you mean to say, then, Mr. Strasser—and I am not taking either side of the controversy but it is just to develop your views—we now export 26,000,000 bushels of corn?

Mr. STRASSER. Yes.

Senator WATSON. Would the demand for that 26,000,000 bushels abroad cease because you brought some tapioca into the United States?

Mr. STRASSER. How could it?

Senator WATSON. Would we still send 26,000,000 bushels abroad; and if we used tapioca, then, to the extent of 3,000,000 bushels, wouldn't that have a tendency to increase the price of corn here, according to the additional demand?

Mr. STRASSER. No; because we only sell corn abroad, and we can't sell that corn here.

Senator WATSON. Then your surplus theory falls to the ground.

Mr. STRASSER. No. If you absorb 3,000,000 bushels here, you would have only 23,000,000 to send abroad.

Senator SHORTRIDGE. But if they send only 23,000,000 bushels the tendency would be to increase the price of the remaining 3,000,000 bushels?

Mr. STRASSER. If your world price suffered no change, if you withdrew from export 3,000,000 bushels of corn and the export demand remained the same in all aspects, there is no doubt about that with respect to the price which the farmer receives for his corn.

Senator SHORTRIDGE. Will you now proceed to the point wherein the farmer would not be benefited?

Mr. STRASSER. Yes, sir.

Senator SHORTRIDGE. Then, when you finish that, you will take up the other point?

Mr. STRASSER. Yes, sir.

Senator SHORTRIDGE. And point out wherein, if anywhere, anyone in America would be hurt?

Mr. STRASSER. Yes, sir.

Senator SHORTRIDGE. By imposing the duty on tapioca?

Mr. STRASSER. Yes, sir; I will.

The figures shown in the Tariff Commission's report in our brief before the Ways and Means Committee are clear that there is no relation between tapioca imports and the price which the farmer receives for his corn. In 1928 when tapioca imports were the highest in our history, the farmer sold the largest amount of corn to the corn grinders and received the second highest price in five years.

Now, it seems to me that if an imported article is a real competitor with a domestic article that in the year when the maximum imports occur it could not be economically possible that the domestic production would be at the highest rate and the price would be the second highest in five years.

I do not want to take up the time to go into all of the ramifications of those figures, because the Tariff Commission's report shows clearly that there is a complete lack of relationship between the price the farmer receives for his corn and the tapioca imports, and for that matter, between the price of corn starch and tapioca imported. And I will come to that shortly.

Senator CONNALLY. You say the imports of tapioca were heavier last year?

Mr. STRASSER. Yes, sir.

Senator CONNALLY. Doesn't it show there is an intimate relationship because of the fact there was a demand for starches and both of them went up?

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Mr. STRASSER. No; it does not, Senator.

Senator CONNALLY. Instead of being according to your statement it would be exactly the opposite—a shortage of starches and the price of starches went up.

Mr. STRASSER. There was no shortage of starches.

Senator CONNALLY. Your comparison does not prove what you state at all, to my mind, because they both went up. If one went up and one went down you would say that competition caused it.

Mr. STRASSER. That has happened, too. In some years one has gone up and the other has gone down; in other years the other one has gone up and the other one down, and in some years both of them have gone up together and have gone down together. I just picked out this particular illustration. An analysis of those figures shows there is not the slightest relationship between tapioca imports and the amount of corn or cornstarch made or the price received by the farmer for his corn.

Senator SHORTRIDGE. If that be so, why are you here opposing a moderate tariff on tapioca?

Mr. STRASSER. For the reason that the net result of a tariff on tapioca will be an increased cost to the consumer, including the farmer.

Senator SHORTRIDGE. You are concerned with the price paid by the consumer, of course. But you are a manufacturer, are you not?

Mr. STRASSER. Yes, sir.

Senator SHORTRIDGE. Primarily, of course, you are.

Mr. STRASSER. Yes; a manufacturer and user.

Senator SHORTRIDGE. And are entitled to consider your own interests.

Mr. STRASSER. Yes. But if a duty is placed on tapioca one of two things is going to happen—either the manufacturer must absorb a part or all of the cost—and then he is going to be harmed if he can not get more for his products—or he has to pass it onto the consumer.

Senator SHORTRIDGE. Is there any competition among the manufacturers?

Mr. STRASSER. There is the usual competition that there is among all manufacturers.

Senator SHORTRIDGE. Frankly, don't you think that if a small tariff was put upon tapioca yielding some revenue to the Government, that competition would keep the price about the same?

Mr. STRASSER. I do not. I think it would be added squarely to the price of the product.

Senator SHORTRIDGE. You think so?

Mr. STRASSER. Yes.

Senator SHORTRIDGE. It might reduce your price somewhat.

Mr. STRASSER. It might. It probably would where we could not get a higher price. Where we could the consumer would have to pay the freight; just as in every other situation such as this.

Senator SHORTRIDGE. You do not think competition would keep prices about as they are, subject to fluctuations?

Mr. STRASSER. It is pretty hard for me to play the roll of an industrial prophet. I should not. I should say also that I and nobody else could know definitely.

Senator SHORTRIDGE. Of course, you would like to see our people employed, would you not?

Mr. STRASSER. Of course we would. There is no question about that.

Senator SHORTRIDGE. And immediately it would help the man on the farm.

Mr. STRASSER. Surely.

Senator SHORTRIDGE. Much has been done, and I think rightly done, to help manufacturers in America.

Mr. STRASSER. Yes, sir.

Senator SHORTRIDGE. And, of course, we should do as much as we can to assist the man on the farm.

Mr. STRASSER. My answer is this. This will not assist the man on the farm.

Senator SHORTRIDGE. He thinks so. He is convinced that it will. But he may be in error, of course.

Mr. STRASSER. I do not wish to argue that point because I don't know. But I say that an analysis of the situation will show that the farmer can not sell an additional bushel nor get a penny more for his corn. He will pay more for his food, he will pay more for his textiles, he will pay more for his paper, he will pay more for his boxes, and he will pay more for his furniture and for everything in which tapioca is used.

Senator WATSON. Do you believe if we put the tariff on tapioca they will quit buying from the United States?

Mr. STRASSER. I would say any tariff worth talking about would mean an embargo. Any duty that would produce any revenue worthy of the name would, in my judgment, be prohibitive.

Will the committee please bear in mind that in the argument to which I have devoted most of my time I have made the assumption that corn and tapioca are competitive. I want the committee to bear in mind distinctly that not only do we not concede that, as a matter of fact, but we deny it. And we refer to the Tariff Commission's experts reports to show that the two things are not competitive.

But, I say, assuming they are competitive, any duty which would be of any avail would be prohibitive, and the farmer would not benefit, and it would merely mean an increased cost of all commodities in which tapioca goes.

Senator CONNALLY. You say it would be prohibitive. If it is prohibitive, what would you use?

Mr. STRASSER. We would have to go out of business with respect to those products in which tapioca is uniquely necessary; for instance, wood glues.

Senator CONNALLY. You could not make that?

Mr. STRASSER. They would have to go back to animal glue, which costs a great deal more.

I will leave that for Mr. Stryker, who will follow me.

Senator CONNALLY. Would you buy any corn at all for your other products?

Mr. STRASSER. Almost all users, as I said before, and makers of adhesives use all of these products.

Senator CONNALLY. Then it is competitive?

Mr. STRASSER. No; they use them for different purposes.

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Senator CONNALLY. You exclude tapioca; you can still go on and buy cornstarch and use it? It is competitive. You just said a moment ago that it was not competitive at all.

Mr. STRASSER. You can not go on making the things which to-day only tapioca will make.

Senator CONNALLY. But you said that was a small portion.

Mr. STRASSER. No, sir. I say that is a substantial portion. I say a small portion is that field where price is a ruling factor. There is a small percentage where the uses are interchangeable. But in more than 90 per cent of the uses of tapioca—special uses, adhesives, paper, envelopes, textiles, and so forth, they are noncompetitive.

Senator HARRISON. How did the Tariff Commission come to make this investigation?

Mr. STRASSER. I haven't any idea, except, I suppose, in the usual way before the Ways and Means Committee.

Senator SHORTRIDGE. I am told it was made at the request of the Ways and Means Committee.

Senator HARRISON. Then I understand this report and investigation made by the Tariff Commission was upon the request of the Ways and Means Committee?

Mr. STRASSER. Yes.

Senator HARRISON. Following the report of the Tariff Commission, the matter went before the Ways and Means Committee?

Mr. STRASSER. Yes, sir.

Senator HARRISON. And they left it as it is?

Mr. STRASSER. They left it where it has been for 50 years.

Senator SHORTRIDGE. Let's get this into the record. Last year there was imported 141,000,000 pounds of tapioca starch.

Mr. STRASSER. Tapioca—not tapioca starch. There is a distinction.

Senator SHORTRIDGE. And there came in 29,000,000 of what is known as tapioca meal?

Mr. STRASSER. Japlek, it is called.

Senator SHORTRIDGE. Is it meal?

Mr. STRASSER. Yes; that will do for this purpose.

Senator SHORTRIDGE. Certain interests are asking a certain tariff of two and a half cents a pound.

Mr. STRASSER. Yes, sir.

Senator SHORTRIDGE. The imported last year would have yielded \$2,480 to the Treasury.

Mr. STRASSER. Yes, sir; assuming it came in.

Senator SHORTRIDGE. Certainly, assuming it came in.

Mr. STRASSER. Quite so. But I venture to suggest that if any duty like that were imposed, or if anything of that nature were put in, there would not be a pound of tapioca brought into this country, and the Government would get nothing out of it.

Senator HARRISON. What would the industries do?

Mr. STRASSER. They would not be able to make the things at all for which tapioca is uniquely necessary. You would not have any tapioca for food nor for glue. All of these industries would have to go back to animal glue, for instance. And it would increase the price of the products.

Senator HARRISON. If they stopped bringing in bananas they would have to go to using something else.

Mr. STRASSER. I have heard that argument advanced. That is the theory of competition by indirect substitution—if we do not let bananas come in here people now eating bananas will eat domestically produced apples, pears, and what not. I have no answer to that proposition, Senator. If there is a logical and sound proposition, I say that applies here too.

Senator WATSON. Your theory is that if we put this tariff on tapioca it would quit coming to the United States altogether?

Mr. STRASSER. Yes, sir.

Senator WATSON. It is not your theory but that they would continue to buy it because they are compelled to have it?

They would not suspend all of these industries; they are compelled to have it and they would buy it, and it would become a mere tax, and the consumer would pay the tax. But they would continue to get it just the same.

Mr. STRASSER. I must confess to a sense of embarrassment in discussing an economic question with a committee which knows so much more about it than I do. I will not only concede it, but I will reiterate it.

Senator SHORTRIDGE. I am sure you are able to answer the query of Senator Watson. You say that you have industries wholly dependent upon tapioca?

Mr. STRASSER. Yes.

Senator SHORTRIDGE. You said a moment ago that if this tariff should be imposed it would result in an increase in price.

Senator WATSON. No; he said it would not come at all.

Senator SHORTRIDGE. He said it would first cause an increase in cost of production, which would either be shared or wholly borne by the manufacturer or passed on to the consumer.

Mr. STRASSER. Yes, sir.

Senator SHORTRIDGE. That was your statement?

Mr. STRASSER. Yes, sir.

Senator SHORTRIDGE. Now you say that if the tariff were put on it would result in an embargo?

Mr. STRASSER. Substantially.

Senator SHORTRIDGE. Well, you said an embargo, that you would not buy any. Now, which is correct? What would be the result?

Mr. STRASSER. All of those things are true; and, Senator Shortridge, you know very well in certain industries where tapioca is used, where the price which the manufacturer receives is enough to absorb the tariff and leave him a profit, in those industries tapioca would come in. I am not telling you, sir, anything you do not know.

No. 2.—In those industries where you add a substantial duty to that differential in cost between tapioca and corn to a point where the consumer would not pay, those industries could not import and would go out of business. What the percentage is, what the exact amount of what would come in is and what would not come in, I do not know. My general judgment is that it would result in a substantial embargo as to tapioca imports because I do not think that the industries could stand any substantial duty.

Senator SHORTRIDGE. Two and a half cents a pound?

Mr. STRASSER. Nothing like that.

Senator SHORTRIDGE. Well, could they stand 2 cents a pound?

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Mr. STRASSER. I don't think so.

Senator SHORTRIDGE. A cent and a half?

Mr. STRASSER. I am going to answer you no until you get to a point where I would say I do not know whether they could or not.

Senator SHORTRIDGE. I see your position.

Mr. STRASSER. Let us take the question of competition.

Senator WATSON. Your statement has been very long. You have had an hour. It is more than any one has had before the committee.

Mr. STRASSER. I will be through in about three minutes. I want to come to one final point, and that is the competition of tapioca with corn from the standpoint of these corn manufacturers.

There has been an average of about 110,000,000 pounds of tapioca coming into this country annually. That is the average.

Senator SHORTRIDGE. One hundred and forty-one million last year.

Mr. STRASSER. Yes, 141,000,000 last year. There have been average annual exports of cornstarch of approximately 240,000,000 pounds.

I think this might interest you, Senator Harrison.

The corn products manufacturers come before you and says, "We can not compete in the United States against tapioca."

What are they doing? They are exporting twice as much cornstarch as we are importing of tapioca—to 70 different countries, all of the markets of the world, where, in addition to their domestic costs, they must add freight, insurance, and other export charges. They are competing all over the world with tapioca to twice the extent of the tapioca imports here. And they come here and say that at their fireside and on their hearthstone they can not compete with tapioca.

Senator SHORTRIDGE. Do these several countries which buy the American cornstarch also buy Java tapioca?

Mr. STRASSER. Yes, sir.

Senator SHORTRIDGE. I assume it is used for a similar purpose?

Mr. STRASSER. Yes, sir. The reports of the Bureau of Commerce shows that in 1927—and I think this is very interesting—the exports of cornstarch were twice the amount of the average tapioca imports and went to 70 different countries, going to every part of the Globe, including British India and Japan.

Senator SHORTRIDGE. Cornstarch?

Mr. STRASSER. Yes, sir; cornstarch. The amount of that cornstarch exported to these 70 countries is twice the amount of the tapioca imported into this country. And the cornstarch manufacturers come here and tell you that here in their own home they can not compete against an average of 110,000,000 pounds of tapioca when they are competing all over the world to the extent of 240,000,000 pounds every year.

Senator SHORTRIDGE. Does the organization for which you speak have interests in Java?

Mr. STRASSER. No, sir; I do not represent any organization. If the Senator will just glance at the names of the people who signed the brief before the House he will find the character of the interests and the diversification of them and the nature of the businesses of the people I represent.

Senator SHORTRIDGE. Perhaps I spoke loosely. Have the users here in the United States of tapioca, in whatever form, any organization or any interests over in Java?

Mr. STRASSER. None that I know of. I think I can answer that question quite conclusively.

Aside from a tariff proposition, as the logical proposition that has puzzled me is, that the corn manufacturers come here and say, "We must have protection against tapioca; 140,000,000 pounds came in in 1928. If you do not put a bigger duty on it, enough to keep it out or to substantially diminish its use, we can not exist."

Otherwise, the corn manufacturers could not benefit.

Senator SHORTRIDGE. It is increasing very rapidly?

Mr. STRASSER. No.

Senator SHORTRIDGE. Now, one moment. In 1926 there were 103,000,000.

Mr. STRASSER. Yes.

Senator SHORTRIDGE. In 1927, 110,000,000?

Mr. STRASSER. Yes.

Senator SHORTRIDGE. In 1928, 171,000,000?

Mr. STRASSER. No; 140,000,000, because there are 26,000,000—

Senator SHORTRIDGE. Well, 171,000,000, or in that neighborhood.

Mr. STRASSER. In 1925, 118,000,000 pounds came in, and less than in 1926, and less in 1927.

Senator SHORTRIDGE. Then it goes up again?

Mr. STRASSER. Yes; it goes up again.

Senator SHORTRIDGE. In 1921 you say there were only 50,000,000. How did you get on here in America in 1921?

Mr. STRASSER. Probably the year before there was a large amount imported.

Senator SHORTRIDGE. Ninety-nine million.

Mr. STRASSER. I think the answer is here, Senator, that a large part of the increase of tapioca imports is due to the increased use of it for wood glue. Up to a comparatively few years ago the use in wood glue was a limited use; and Mr. Stryker will correct me if I am mistaken. It has grown by leaps and bounds. Whether a few years ago it was a negligible percentage of the tapioca imported, to-day I think it is a third. I think in all other industries there has been, particularly speaking; no substantial increase in the use of tapioca. It has been up to a more or less irreducible minimum and nonexpansionable maximum for many years because of the special things it does.

I will close my argument with a reiteration of this situation with respect to competition with cornstarch. I can not for the life of me understand the logic of an argument which says, "We can compete in 70 different countries of the world with tapioca, a very necessary product, to the extent of two hundred and forty or two hundred and fifty million pounds a year, where we had in addition to our domestic costs, insurance, freight, and other export charges, but we can not compete with half of that quantity of tapioca in the United States where we have every possible industrial advantage."

Senator HARRISON. In the foreign countries, where they have their plants, sometimes when the price of tapioca is cheap they use tapioca instead of corn?

Mr. STRASSER. Yes, sir. But I am talking not about the cornstarch made in their plants abroad; I am talking about the cornstarch that is exported from this country to the extent of almost 250,000,000 pounds a year—to 70 different countries, and an export business that has grown constantly.

Senator HARRISON. Do you think it is possible for mills located on the Atlantic seaboard to make starch out of tapioca?

Mr. STRASSER. Why not?

Senator HARRISON. Is it?

Mr. STRASSER. Yes; of course.

Senator HARRISON. Isn't that one of the things that comes before the people where there is a large investment over here—that it would bring about that competition?

Mr. STRASSER. I can not see where the threatened bogey of the tremendous importation of tapioca—which has not happened in all these years—should influence this committee in considering what is best to be done now. There are many things which can be accomplished to meet a situation when it arises. But I invite the attention of this committee to the validity of this argument of the import of vast quantities of tapioca by an industry which, if it did that, would have to scrap literally hundreds of millions of dollars of their investments in their plants in this country.

Senator SHORTRIDGE. You mean your plants?

Mr. STRASSER. No; I mean the plants of the corn products manufacturers.

Senator SHORTRIDGE. Frankly, I can not see how you reach that conclusion; but you may be right.

Mr. STRASSER. If the corn products people carry out the implied threat, the people who say 5,000,000,000 pounds, or something like that, of tapioca is available for export to this country out of which they can make starch and sugar and what not at their seaboard plants, what are they going to do with their plants in Illinois, in Ohio, and elsewhere?

Senator SHORTRIDGE. Let me ask you this question, and then I will not trouble you any more.

Mr. STRASSER. I am delighted to be troubled.

Senator SHORTRIDGE. There is the Island of Java, and there this article in question is raised.

Mr. STRASSER. Yes.

Senator SHORTRIDGE. Are they or are they not increasing the output in Java?

Mr. STRASSER. I think not substantially. Then there are two other things to be remembered, sir. Tapioca is shipped all over the world. Other countries compete with each other in addition to that. And the controlling element in the amount of imports of tapioca from Java is the rice crop. Tapioca and rice are the great food products of Java. When the rice crop is plentiful the natives eat rice. When the crop is short the tapioca exports from Java decrease. And that is the fluctuating control lever on tapioca imports from Java.

I shall be very happy to answer any questions that may be asked. I hope I have been able to meet the questions of the members of the committee in a manner desired by them.

Senator SHORTRIDGE. You claim it would benefit no one whatever; but, on the contrary, it would injure certain industries?

Mr. STRASSER. It would injure the manufacturers and users of tapioca and make the consumers pay an increased price for their products in which tapioca is a factor.

Senator WATSON. We are very much obliged to you, Mr. Strasser.

Mr. STRASSER. May I file this brief?

Senator WATSON. You certainly may, provided it is not the same as presented to the House.

Mr. STRASSER. It is not.

(Mr. Strasser submitted the following brief:)

**BRIEF OF THE MANUFACTURERS AND USERS OF AND DEALERS IN TAPIOCA, TAPIOCA FLOUR, DEXTRINES, ADHESIVES, GLUES, AND TEXTILE FINISHINGS**

The undersigned were the signatories of a comprehensive and detailed brief filed before the Ways and Means Committee on February 23, 1929. The members of the Senate Finance Committee are therefore respectfully referred to that brief for general information as to the imports and uses of tapioca, the absence of competition with any domestic product, and the reasons why tapioca should remain on the free list where it has been for half a century.

The purpose of this brief is to press upon the attention of the members of this committee four points only:

1. A duty on tapioca will not be of the slightest benefit to the farmer.
2. The manufacturers of corn products in the United States would not benefit by a duty on tapioca.
3. The manufacturers of corn products in the United States, even assuming that tapioca does compete with corn products, are not entitled to a duty on tapioca.

4. The only result of the imposition of a duty on tapioca will be an increase in the price to the consumer of all commodities in which tapioca is used.

1. A duty on tapioca will not be of the slightest benefit to the farmer.

(a) A duty on tapioca will not enable the farmer to sell a single additional bushel of corn. Our present exportable surplus of corn averages about 950,000,000 pounds. The average tapioca imports are about 110,000,000 pounds. The exportable corn surplus, assuming that tapioca competes with corn pound for pound, is almost ten times the amount of tapioca imports. The farmer's market for corn can not be increased by levying a duty on or prohibiting the imports of an article which represents almost one-tenth of the exportable corn surplus. Even if no tapioca came into the country at all, until the exportable surplus of corn was absorbed, the farmer would not sell an additional bushel. All he would do would be to change his customer from a foreign to a domestic customer. His sales would not increase one pound.

(b) There is no relation between the quantity of tapioca imported and the quantity of corn which the farmer sells to the corn-products manufacturers, nor is there any relation between the quantity of tapioca imported and the price which the farmer receives for his corn. The figures supporting this statement are set forth on page 6 of the brief submitted before the House Ways and Means Committee. Those figures show that in 1928, when tapioca imports were the highest in history, the farmer sold the largest quantity of corn to the corn grinders and received the second highest price in 5 years.

The result of a duty on tapioca, so far as the farmer is concerned, would be absolutely negligible so far as increasing his sales of corn or the price he gets for it. The farmer, however, would have to bear the burden of any duty in the price that he paid for a food tapioca, and for his envelopes, boxes, furniture, textiles, and all other commodities in which tapioca is an element of manufacture. There is, therefore, no conceivable benefit which can accrue to the farmer from a duty on tapioca, and there will be without question a demonstrable increase in the price he has to pay for the things he needs, and this is on the assumption that every pound of tapioca imported competes with the equivalent amount of corn. The facts, however, are quite otherwise, and the brief filed before the Ways and Means Committee, as well as the investigations of the Tariff Commission experts, are conclusive that tapioca and corn, in the main, are noncompetitive products.

2. The manufacturers of corn products in the United States would not benefit by a duty on tapioca.



Corn and taploca are noncompetitive products. One can not be substituted for the other, because each, whether it be in foods, textiles, or adhesives, supplies a distinct and different demand. In addition to this, over one-third of the taploca imported is used for wood and furniture glues, in which field corn can not be used at all.

Moreover, there is not the slightest relation between the imports of taploca, the amount of corn ground, or the price which the corn-products manufacturers receive for their cornstarch. The figures supporting this statement are set forth on pages 8 and 9 of the brief submitted before the Ways and Means Committee. These figures show, among other things, that the year 1928, the record year for taploca imports, was also the record year for the quantity of corn ground, and was the second highest year with respect to the price which the corn grinder received for cornstarch. Moreover, taploca has been on the free list for 50 years, and in the face of this condition, the quantity of cornstarch produced has steadily increased. Surely, if these two products were competitive the domestic industry could not increase in the face of increased importations of taploca.

3. The manufacturers of corn products in the United States, even assuming that taploca does compete with corn products, are not entitled to a duty on taploca.

That the corn-products industry is not entitled to a duty on taploca is conclusively demonstrated by the export situation with respect to cornstarch. Government statistics show that the corn-products manufacturers export annually twice as much cornstarch as there is taploca imported. In 1910 the exports of cornstarch were approximately 50,000,000 pounds. In the face of increasing taploca imports, the cornstarch exports in 1927 were more than 240,000,000 pounds. These exports went to 70 different countries in every part of the globe, including British India and Japan. In other words, the cornstarch manufacturers, who complain that they can not compete with taploca in the United States, are, as a matter of fact, competing with taploca to twice the extent of taploca imports, all over the world. When it is borne in mind that on their export business the corn-products manufacturers must pay, in addition to their domestic cost, insurance, freight, and other charges, it is almost impossible to give any credence to their statement that they can not compete in the domestic market where they have no export expense to add to their domestic cost. It seems to us that the export statistics on corn products constitute a complete answer to the plea of the cornstarch manufacturers for a duty on taploca.

4. The only result of the imposition of a duty on taploca will be an increase in the price to the consumer of all commodities in which taploca is used.

It has been shown that a duty on taploca will not sell a single additional bushel of corn for the farmer nor give him 1 cent more in price. It has also been shown that taploca does not compete with corn, and that even if it did the corn-products manufacturers successfully compete with taploca all over the world to the extent of twice the taploca imports, and therefore are amply able to compete with taploca in the domestic market. The continuous progress and growth of the corn-products industry in this country in the face of free taploca for 50 years is irrefutable proof that the corn-products manufacturers do not need a duty on taploca in order to do business at a substantial profit. The financial history of the leading cornstarch manufacturers is further evidence of their ability to compete with taploca in the United States.

The only real result of the imposition of a duty on taploca will be that the consumer, including the farmer, will have to pay more for every commodity in which taploca is used. Among these commodities are textiles, paper, furniture, veneer, food, ink, pianos, envelopes, boxes, and many others. We venture to press upon the attention of the committee that it is worse than folly to speak of a duty on taploca as a farm relief measure, when the only result of such a duty would be to increase the cost of living to the farmer.

Respectfully submitted.

Adex Manufacturing Co., Passaic, N. J.; Adler Manufacturing Co., Louisville, Ky.; Advance Furniture Co., Jamestown, N. Y.; Algonquin Printing Co., Fall River, Mass.; The Alling & Cory Co., Buffalo, N. Y.; American Furniture Co., Martinsville, Va.; American Hair & Felt Co. (Inc.), Newark, N. J.; American Printing Co., Fall River, Mass.; The Amoskeag Manufacturing Co., Manchester, N. H.; Anderson Tulley Co., Memphis, Tenn.; Arnold, Hoffman & Co. (Inc.), Dighton, Mass.; The Aspinook

Co., Jewett City, Conn.; Atlas Furniture Co., Jamestown, N. Y.; Bailey Table Co., Jamestown, N. Y.; Barber & Perkins Co., Philadelphia, Pa.; Bassett Furniture Co., Bassett, Va.; Wm. Bassett Furniture Corporation, Martinsville, Va.; Beech-Nut Packing Co., Rochester, N. Y.; Berlin-Jones Co. (Inc.), New York, N. Y.; M. H. Birge & Sons Co., Buffalo, N. Y.; The Geo. W. Blabon Co., Philadelphia, Pa.; Victor G. Bloede Co., Baltimore, Md.; C. H. Boley Co. (Inc.), Philadelphia, Pa.; Boston Envelope Co., Boston, Mass.; Brewster Gordon Co. (Inc.), Rochester, N. Y.; Brunswick Balke Collender Co., Chicago, Ill.; Buffalo Envelope Co., Buffalo, N. Y.; F. N. Burt Company (Ltd.), Buffalo, N. Y.; C. & M. Envelope Co., New York, N. Y.; California Oregon Paper Co., Los Angeles, Calif.; The Carter's Ink Co., East Cambridge, Mass.; Cayugo Linen & Cotton Mills (Inc.), Auburn, N. Y.; Ceylon Spice Co., Philadelphia, Pa.; The Champion Envelope Manufacturing Co., New York, N. Y.; Chautauqua Plywood Corporation, Jamestown, N. Y.; Chicago Starch Co., Chicago, Ill.; Clark Stek-O Corporation, Rochester, N. Y.; Charles J. Cohen Co., Philadelphia, Pa.; Compound & Pyrono Door Co., St. Joseph, Mich.; Consolidated Veneer & Panel Co., High Point, N. C.; Conwango Furniture Co., Warren, Pa.; Crescent Furniture Co., Warren, Pa.; Samuel Cupples Envelope Co., New York, N. Y.; Davils Furniture Corporation, Jamestown, N. Y.; Dennison Manufacturing Co., Framingham, Mass.; Denny Veneer Co., High Point, N. C.; Dill & Collins Co., Philadelphia, Pa.; H. R. Drake & Sons (Inc.), Palmyra, N. Y.; Durand, McNeill & Horner, Chicago, Ill.; Dutchess Bleachery (Inc.), Wappinger Falls, N. Y.; Estey Manufacturing Co., Owosso, Mich.; Empire Case Goods Co., Jamestown, N. Y.; Eureka Specialty Printing Co., Scranton, Pa.; E. E. Fairchild Corporation, Rochester, N. Y.; Fancher Furniture Co., Salamanca, N. Y.; Estate of W. U. Farrington, East Greenwich, R. I.; Feculose Co. of America, Boston, Mass.; F. M. Flickinger Co. (Inc.), Rochester, N. Y.; Foster Armstrong Co., Div. American Piano Co., East Rochester, N. Y.; The R. T. French Co., Rochester, N. Y.; H. B. Fuller Co., St. Paul, Minn.; Gaw O'Hara Envelope Co., Chicago, Ill.; General Paper Goods Manufacturing Co., Brooklyn, N. Y.; Globe Bosse World Furniture Co., Evansville, Ind.; Gluedtite Panel Co., of Cadillac, Cadillac, Mich.; T. R. Goodlatte & Sons (Inc.), Delawanna, N. J.; Good Luck Food Co. (Inc.), Rochester, N. Y.; The Gray Envelope Manufacturing Co. (Inc.), Brooklyn, N. Y.; Haberland Manufacturing Co., Passaic, N. J.; The Hood-Wright Co., Big Rapids, Mich.; Hardwood Products Corporation, Neenah, Wis.; J. A. Heinrichs Envelope Co., Minneapolis, Minn.; Henry & Henry (Inc.), Buffalo, N. Y.; Healey-Seaver Co., Dorchester, Mass.; Hart Food Stores (Inc.), Rochester, N. Y.; Hill Veneer Co., High Point, N. C.; Hooker Bassett Furniture Co., Martinsville, Va.; P. H. Haines Knitting Co., Winston-Salem, N. C.; Holliston Mills, Norwood Central, Mass.; Hamilton Woolen Co., Southbridge, Mass.; Imperial Desk Co., Evansville, Ind.; Imperial Printing & Finishing Co., Providence, R. I.; B. P. John Furniture Co., Portland, Oreg.; Jamestown Mantel Co., Falconer, N. Y.; Jamestown Furniture Market Association, Jamestown, N. Y.; Jamestown Panel Co. (Inc.), Jamestown, N. Y.; Kalamazoo Stationery Co., Kalamazoo, Mich.; Klamer Furniture Co., Evansville, Ind.; Fred Knight, Falconer, N. Y.; Joe Lowe Corporation, New York, N. Y.; J. E. Linde Paper Co., New York, N. Y.; The Louisville Veneer Mills, Louisville, Ky.; Thos. Leyland & Co. (Inc.), Readville, Mass.; Lawrence Plywood Co., Fall River, Mass.; David McMeehan Manufacturing Co., Brooklyn, N. Y.; McCormick & Co. (Inc.), Baltimore, Md.; Thomas McCabe Industries, Salamanca, N. Y.; Mersman Brothers Corporation, Celina, Ohio.; Monitor Furniture Co., Evansville, Ind.; Minnesota & Ontario Paper Co., St. Paul, Minn.; Monarch Nusbaum Paper Box Co. (Inc.), Buffalo, N. Y.; W. L. Macomber & Co., Boston, Mass.; Millville Manufacturing Co., Millville, N. J.; Martin Dyeing & Finishing Co., Bridgeton, N. J.; The Magee

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## BRIEF OF CERTAIN MANUFACTURERS AND USERS OF ADHESIVES MADE FROM TAPIOCA

The undersigned manufacturers and users of adhesives made from tapioca were among the signatories of a comprehensive and detailed brief filed before the Ways and Means Committee on February 23, 1929. The members of the Senate Finance Committee are, therefore, respectfully referred to that brief for general information as to the imports and uses of tapioca, the absence of competition with any domestic product, and the reasons why tapioca should remain on the free list where it has been for half a century.

The purpose of this brief is to explain and emphasize the importance of tapioca products in the adhesives industry, and to show how, in this particular industry, tapioca is an essential basic raw material not competing with any product grown in the United States.

1. Domestic manufacturers and users of adhesives, gums, and dextrines practically all make and use, as raw materials, tapioca and starches made from corn and potatoes. Different varieties of adhesives are made from these different products, either singly or in conjunction with each other. The users of adhesives, gums, and dextrines require different types of these products for different kinds of finished articles. Adhesives made from tapioca, corn, and potatoes produce, respectively, a different character and kind of adhesive, gum, and dextrine. The United States Government itself has recognized this in prescribing in its specifications only tapioca gums for postage stamps and envelopes. Hundreds of tons are used annually by the Government for these purposes. There is here, therefore, no competition with adhesives made from other materials such as corn or potatoes.

2. Tapioca possesses properties peculiar to itself and which result in certain manufacturing advantages not obtainable through the use of adhesives made from any other product. These may be shortly stated as follows:

A. Ability to retack, i. e., to stick quickly when moistened, particularly in the case of stamps and envelopes and other articles requiring almost instant adhesive qualities; the speed with which the stamp or the flap of the envelope adheres is a vital factor. In this respect tapioca is supreme.

B. Taste and purity. Tapioca is free from grit or other impurities, and, in addition, has a decidedly pleasant taste. This, of course, is an outstanding and essential quality which must be possessed by adhesives used on stamps and envelopes.

C. Spread: It is important that any adhesive should spread quickly, evenly and over a great area as possible. This is of significant usefulness where the spreading is done by machinery. The use of machinery in connection with adhesives is constantly and speedily increasing. Tapioca, therefore, is absolutely essential in the adhesive industry where a quick and even spread is required.

D. Tapioca remains fluid in solution for longer periods than adhesives made from other products. Mucilages and glues, therefore, last longer in the hands of the consumer without hardening or becoming pasty. The advantage of this is so obvious as not to need further discussion.

E. Flexibility: Great flexibility is an essential quality in any adhesive which has to stand the strain of bending, such as envelopes, paper boxes, and the like. Adhesives made from products other than tapioca have a tendency to become brittle and to crack. Tapioca, on the other hand, does not dry with age nearly so quickly as adhesives made from other products, and is therefore able to withstand for a longer period of time the strain of bending and twisting which is put upon it by box makers and other like manufacturers.

F. Superior adhesiveness: Tapioca is outstanding among all adhesives in respect of its high adhesive qualities. This particular characteristic is possessed by tapioca in so high a degree that manufacturers of furniture and veneers use tapioca as a wood glue. It is easily seen, therefore, that, as compared to corn or potatoes, when used on envelopes, boxes, and similar articles, tapioca is vastly superior to either of the other two.

3. The manufacturer who uses adhesives is compelled to furnish to the consumer the highest possible quality at the lowest possible price. There is no other adhesive which can compare to tapioca in those factors which make for high quality and speed in manufacture. The unique characteristics of tapioca as an adhesive, outlined above, all combine to produce an article which the public demands and which the manufacturer can supply at a reasonable price. The advantages of tapioca adhesives to manufacturers offset the higher price which the manufacturer must pay for tapioca as against other adhesives. Furthermore, the advantages to the user and consumer of adhesives made from tapioca are so demonstrably clear, and have become so well known, that the manufacturer must give these qualities to his merchandise in order to be able to sell it.

4. Domestic manufacturers of adhesives, gums and dextrines furnish to their customers the particular articles possessing the particular qualities required by the consumer. Tapioca furnishes certain of these qualities, corn certain others, and potatoes still others. Most adhesive manufacturers make products from all of these raw materials. It is inconceivable, if any one of them possessed all of the qualities required by the industry, that the manufacturers would carry and use the others. It must be taken, therefore, as a demonstrated fact that for certain definite and well-known purposes in connection with the manufacture of certain articles tapioca alone meets the demands and requirements of the trade and of the consumer. Tapioca, therefore, is not a competitor of adhesives made from corn or potatoes.

Two arguments have been advanced by those advocating a duty on tapioca in support of their position, namely, (a) that a duty would help the farmer, and (b) that a duty would help the manufacturer of corn products.

Approximately twelve to fifteen million pounds of tapioca are used in the manufacture of adhesives. The average annual exports of corn are about 17,000,000 bushels, or 952,000,000 pounds. Assuming (which is not the fact) that tapioca competes with corn in the adhesives industry, the farmer would not benefit even if no tapioca at all were imported into this country. The exportable surplus of corn is sixty times the amount of tapioca used in the adhesives industry. The sole result of a duty on tapioca would be that the farmer would change his customers but not increase his sales. In other words, the farmer would simply sell twelve to fifteen million pounds of corn more in the United

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States instead of exporting it. Before he could sell an additional bushel of corn, the remaining exportable surplus of 937,000,000 pounds would have to be absorbed by the domestic market.

Now, with respect to the corn-product manufacturers. There are exported annually approximately 240,000,000 pounds of corn starch. This is sixteen times the 15,000,000 pounds of tapioca used in the adhesives industry. Assuming again that tapioca competes with corn, the situation still remains that the exports of corn starch are sixteen times the amount of tapioca of which complaint is made. In other words, the corn products manufacturers are able to compete successfully in the markets of the world to the extent of sixteen times the amount of tapioca used in adhesive industries, and this despite the fact that in foreign competition they must add to their domestic manufacturing cost insurance, freight, and other charges. If they can so compete throughout the world with these additional charges, we are at a loss to understand why they are not able to compete in the domestic market.

#### CONCLUSION

Tapioca possesses special and particular characteristics which are essential in the manufacture of certain adhesives.

Tapioca does not compete with any domestic product.

If every pound of tapioca used in the industry were substituted by a pound of corn, the farmer would not derive the slightest benefit, for the reason that our exportable surplus of corn is sixty times the amount of tapioca used.

The corn products manufacturers export 240,000,000 pounds of corn starch annually, or sixteen times the amount of tapioca used in the adhesive industry. It is impossible to believe that if they can compete all over the world not only with tapioca but with other products, to the extent of sixteen times the amount of tapioca imported, they can not compete with tapioca in the United States.

A duty on tapioca would not benefit the farmer, is not needed by the corn products manufacturer, and would result only in increasing the cost of production to the adhesives manufacturers and users of the United States.

Respectfully submitted.

Arnold, Hoffman & Co., Inc., Dighton, Mass.; Victor G. Bloede Co., Baltimore, Md.; Chicago Starch Co., Chicago, Ill.; Clark Stek-O Corporation, Rochester, N. Y.; Healy-Seaver Co., Dorchester, Mass.; J. M. & J. S. Nicol, Inc., Hawthorne, N. J.; Russia Cement Co., Gloucester, Mass.; The Stein Davies Co., Long Island, City, N. Y.; Stein-Hall Manufacturing Co., Chicago, Ill.; Union Paste Co., Boston, Mass.

#### STATEMENT OF J. B. B. STRYKER, REPRESENTING THE PERKINS GLUE CO., LANSDALE, PA.

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. STRYKER. I represent the Perkins Glue Co., Lansdale, Pa., and South Bend, Ind.

Senator WATSON. What is the Perkins Glue Co.?

Mr. PERKINS. Manufacturers of vegetable wood glue.

Senator WATSON. Now, Mr. Stryker, make any statement you wish to make.

Mr. STRYKER. First of all, I want to say that I am going to confine my remarks on cassava to vegetable wood glue. That is our business. And I do not pretend to know a great deal about some of the other phases entering into it.

Senator WATSON. Do you use the words cassava and tapioca interchangeably?

Mr. STRYKER. Cassava is the root from which the eatable tapioca is made, from which the ground tapioca is made. Ground tapioca

comes into this country and is used for cattle. Last year large quantities came in.

About 25 or 30 years ago we tried to raise cassava in Florida, but we lost almost \$300,000 in the attempt.

Senator HARRISON. Where was that and when was it?

Mr. STRYKER. In Florida. We started in 1896. We continued to try to raise it for four years. It can not be raised there. The season is too short.

Senator SHORTRIDGE. What is the general appearance of the cassava plant?

Mr. STRYKER. It is like a large, overgrown sweet potato. It is about that long and about that big around [illustrating].

Senator WATSON. Wasn't there an experimentation made in California on one occasion?

Mr. STRYKER. I understand so.

Senator HARRISON. Was it a failure?

Mr. STRYKER. It was in California and also in Mississippi.

Senator HARRISON. In Mississippi also?

Mr. STRYKER. In neither of those places was it a success.

Senator HARRISON. I am surprised that it was not a success in Mississippi.

Senator SHORTRIDGE. You tried it in Mississippi and also in California?

Mr. STRYKER. Yes.

Senator SHORTRIDGE. In what section of Mississippi did you plant it?

Mr. STRYKER. It was planted around Bixoli, Miss., by one of the agricultural Government men, whose name I have forgotten.

Senator SHORTRIDGE. I do not see why it can not be raised there. I believe it can be; and I think there are other reasons. I think it is a question of 16 or 20 cents a day that you pay for labor in Java. Hasn't that something to do with it?

Mr. STRYKER. Who pays that in Java?

Mr. SHORTRIDGE. Well, I am assuming that is so. My question assumes that that is so.

What is the wage scale over in Java?

Mr. STRYKER. We pay 60 Dutch cents a day in Java.

Senator SHORTRIDGE. How much does that equal in American currency?

Mr. STRYKER. Practically 25 cents.

Senator SHORTRIDGE. Twenty-five cents a day?

Mr. STRYKER. Yes, sir.

Senator SHORTRIDGE. How much do you have to pay in Mississippi for like labor?

Mr. STRYKER. I do not know.

Senator SHORTRIDGE. It would not be 25 cents a day, would it?

Mr. STRYKER. I know that in Florida you can get all the labor you want for \$1.75 or \$2 a day.

Senator SHORTRIDGE. That is not 25 cents. There is a little difference between 25 cents and \$1.75.

Mr. STRYKER. Yes; there is; but you overlook the fact that it takes at least five Java coolies to do the work.

Senator SHORTRIDGE. It takes what?

Mr. STRYKER. At least five Java coolies to do the work of one Florida negro; and if it did not sound like an exaggeration I would say 8 or 10. But that sounds like too much of an exaggeration.

Senator SHORTRIDGE. Why? Incompetency?

Mr. STRYKER. Yes. They averaged about 110 pounds each in weight.

Senator SHORTRIDGE. What are the hours of labor in Java?

Mr. STRYKER. Eight and nine hours.

Senator SHORTRIDGE. Twenty-five cents a day?

Mr. STRYKER. Twenty-five cents a day. If you multiply that by five it becomes \$1.25.

Senator SHORTRIDGE. Do you mean to tell us here, seriously of course, that the Javanese working in the cassava field getting 25 cents a day—that it takes five of them to do the same amount of work that a colored man or a white man perform in Florida or in California?

Mr. STRYKER. That is exactly the thought I want to get across.

Senator SHORTRIDGE. Well, I hear it.

Senator HARRISON. As I understand it, it is not a question of the difference in cost of labor but it is just impossible to produce it in this country?

Mr. STRYKER. It can not be produced here. It takes 15 months to 16 months free from frost to make a crop. In Florida, or down in your country, Senator, as you probably know, you do not have 15 or 16 months.

Senator WATSON. Did you try to raise it in California?

Mr. STRYKER. No. But we were in touch with some people there.

Senator WATSON. Did anybody try to raise it in California?

Mr. STRYKER. At that time they did.

Senator SHORTRIDGE. In what section of the State?

Mr. STRYKER. I do not remember offhand.

Senator SHORTRIDGE. We have territorially a very large State. Take Imperial County, and much of it is below the sea and very hot. Does it require a high temperature to raise cassava?

Mr. STRYKER. A rather high temperature and continuously hot day by day.

Senator SHORTRIDGE. Do you know whether they have made any effort to raise this particular plant in Imperial County, Calif.?

Mr. STRYKER. I am under the impression they did, but I would not make that statement. I know they have tried it in California. We were in touch with the people at that time, but I have forgotten the location.

Senator WATSON. You own a plantation in Java?

Mr. STRYKER. We own about 9,000 acres.

Senator WATSON. And you produce your stock there and ship it to the United States?

Mr. STRYKER. One-third of what we use here we grow in Java, and two-thirds of it we buy there.

Senator WATSON. And you ship your products to your plants?

Mr. STRYKER. We ship the flour to Philadelphia and use it there.

Senator WATSON. To Philadelphia?

Mr. STRYKER. Yes.

Senator WATSON. What do you do at your Sound Bend plant?

Mr. STRYKER. We do the same.

Senator HARRISON. You do not use any corn at all?

Mr. STRYKER. During the war there was an embargo placed by the Government on shipments of this country to save cargo space. This embargo was placed by the Government to save cargo space and we were compelled to look for substitutes and we tried corn, but we could not make a success of it. Not only have we tried corn to make vegetable wood glue, but the Corn Products chemists themselves have tried for a long time to do it.

And I would like to read into the record what Doctor Wagner, an ex-chemist, said about it; in fact, he was more than that, he was plant superintendent, and had worked for them for a number of years. He was quite a capable man. I would like to read what he stated in an affidavit. This is from the record before the committee in the House, the Ways and Means Committee in regard to this matter.

I am familiar, in particular, with cornstarch and with tapioca flour, and have been actively engaged, from time to time, in efforts aimed at replacing tapioca flour with cornstarch. These efforts or, rather, the failures accompanying these efforts, and the experience hereinafter set forth have convinced me that, excepting perhaps a few isolated instances, cornstarch and tapioca starch are not competitive articles of commerce.

The absence of competition is strikingly shown in the case of vegetable glue. Notwithstanding thoroughgoing endeavors to produce vegetable glue from sources other than tapioca, the latter remains to this day the only amylaceous material from which a first-class vegetable glue can be obtained.

My own attempts and practical experience bear out this assertion in every particular.

Next to vegetable glue, its principal use is as an article of food, and, again, tapioca flour satisfies a demand which can not be filled by cornstarch. As people prefer white bread to coarse, wheat bread to rye, and vice versa, so many people prefer dishes made from tapioca to those made from other starches. Aside from that, however, certain tapioca products, such as sago, can not be made from cornstarch, and in making the assertion I am guided by practical and personal experience. While with the Corn Products Refining Co. though, many years ago, experiments were carried on at their Waukegan, Ill., plant and the production of marketable sago from corn was pursued for a considerable period of time. Even though we had the advantage of competent cooperation by a foreign chemist with special knowledge of the art, our efforts came to naught and had to be abandoned ultimately.

The third largest use of tapioca is found in the textile industry. It is frequently claimed by producers of cornstarch that it is interchangeable with tapioca flour. This is not a fact. While cornstarch is preponderantly the starch most used in heavy sizings for ordinary cotton fabrics, "gray goods," it can not be used in the finishing of quality goods, where a fine, a "velvety" touch and smoothness are essential requirements. That tapioca is indispensable for such purpose is also evidenced by the fact that the leading finishing mills carry cornstarch and tapioca, side by side, in their stock rooms, and since this branch of industry is not wanting for competent management, it stands to reason that a manager would not tie up his working capital in stocking two articles unless important different purposes were served by each.

Senator CONNALLY. You say he is a former chemist of the Corn Products Co.?

Mr. STRYKER. Yes, sir.

Senator CONNALLY. For whom is he working now?

Mr. STRYKER. A consulting chemist, I understand. He is president of the Chemists' Club, in New York.

Senator CONNALLY. Is he working with the tapioca or glue people now?

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Mr. STRYKER. Not to my knowledge.

Senator CONNALLY. For whom did he appear in the hearings?

Mr. STRYKER. He appeared for the same people that are represented by the list that Mr. Strasser referred to.

Senator CONNALLY. In other words he was formerly with the cornstarch people but is now with the tapioca people?

Mr. STRYKER. No, he is not with them.

Senator CONNALLY. He appeared here representing their interests, did he not?

Mr. STRYKER. He is acting as a general research chemist.

Senator CONNALLY. If the fact he was formerly with the cornstarch people is a recommendation as to his testimony, the fact that he is now with the tapioca people is an equal offset on the other side, is it not?

Mr. STRYKER. It might appear that way.

Senator CONNALLY. You stated the fact that he had formerly been with the cornstarch people as giving weight to his testimony.

Mr. STRYKER. Yes.

Senator CONNALLY. The fact that he is now working with the tapioca people is an offset to that; so I do not see that there is any point to be made of that.

Mr. STRYKER. I understand that his total work for the tapioca people today does not constitute 1 per cent of his work.

Senator SHORTRIDGE. But he appeared supporting your contention?

Mr. STRYKER. He did.

Senator CONNALLY. He was paid and had a fee for appearing, and he represented them like a lawyer; that is true, is it not? You employed him to come down here and do this, or your interests did?

Mr. STRYKER. I did not.

Senator CONNALLY. Other people did?

Mr. STRYKER. Other people did.

Senator CONNALLY. So that does not discredit him at all, but I think if the interests will influence him in one case it is apt to do so in the other case as well.

Senator SHORTRIDGE. On the theory that his client is always right. That is the lawyer's theory, isn't it?

Mr. STRYKER. I presume so.

Senator HARRISON. That does not go so far as to justify making an affidavit.

Mr. STRYKER. He made it under oath.

Senator SHORTRIDGE. He is expressing his opinion rather than facts.

Mr. STRYKER. Expressing his opinion based upon facts and a number of years' experimental work that he had done.

Senator WATSON. Now, answer this question, please. What would be the effect of this tariff on tapioca business in the United States?

Mr. STRYKER. In my judgment it would add an intense burden.

Senator SHORTRIDGE. Upon whom?

Mr. STRYKER. In the use of tapioca flour for wood glue it would add a burden to the cost of four hundred to five hundred and odd industries that are now using it in glue and who are already having rather serious trouble.

Senator SHORTRIDGE. Would it be a burden upon you and your Java plantation?

Mr. STRYKER. It would be serious, because cornstarch is not a substitute, as I have said before, for cassava.

Senator SHORTRIDGE. I don't care whether it is or not. Would it be a burden upon your Java plantation?

Mr. STRYKER. It would be a burden upon our business, in that we could not supply our customers at all with an A-1 vegetable glue.

Senator SHORTRIDGE. It would not work an embargo, would it? You would continue to cultivate your fields there and ship your tapioca to America?

Mr. STRYKER. No.

Senator SHORTRIDGE. Charging, perhaps, an additional price.

Mr. STRYKER. No.

Senator SHORTRIDGE. No?

Mr. STRYKER. No.

Senator SHORTRIDGE. Would you abandon your field of operations there?

Mr. STRYKER. We probably should; yes, sir.

Senator SHORTRIDGE. Probably could?

Mr. STRYKER. Probably should.

Senator SHORTRIDGE. Other nations buy that product, do they not?

Mr. STRYKER. We are not interested in the export of it, generally. It is not a particularly profitably commodity as such. But the main question, I think, you are losing sight of, which is that cornstarch will not do the work.

Senator SHORTRIDGE. That is another proposition entirely.

Senator HARRISON. I would like to ask you this question: When did you go into this business in Java? Were you in that business before you were in the glue business in this country?

Mr. STRYKER. No, sir.

Senator HARRISON. Did you go into that business incidental to your glue business here?

Mr. STRYKER. We did.

Senator HARRISON. For the reason that you could not produce this cassava in this country and you had to have this particular ingredient, and that is why you went down there?

Mr. STRYKER. That is the reason.

Senator WATSON. Now, I want to ask you this question: Is it your theory that the tariff here proposed would act as an embargo to shut out all tapioca from the United States?

Mr. STRYKER. What amount?

Senator WATSON. Whatever is brought in.

Senator CONNALLY. He means what amount of tariff.

Senator SHORTRIDGE. Would it amount to an embargo? That is the question.

Mr. STRYKER. No; not altogether, in my opinion. It would certainly reduce the amount brought in.

Senator WATSON. Why would it?

Mr. STRYKER. How much I do not know.

Senator WATSON. Take glue, for instance. You manufacture glue, do you not?

Mr. STRYKER. Yes, sir.

Senator WATSON. You could not use something else in the place of tapioca?

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Mr. STRYKER. I estimate that for probably 2 per cent of our customers to-day we could use corn. For the other 98 per cent the glue could not be made.

Senator WATSON. Then you have to have tapioca?

Mr. STRYKER. Yes; we have to have it.

Senator WATSON. Tapioca would still be grown in Java and the people here must have it?

Mr. STRYKER. Yes.

Senator WATSON. Then you would continue to import it, and the tariff, whatever it might be, would be a tax, and you would pass that on to the consumer; you would not close your factories?

Mr. STRYKER. We would.

Senator WATSON. You would continue to import it?

Mr. STRYKER. We would up to a point.

Senator WATSON. Certainly, you would continue to import it. You would continue to use it for glue or sizing, or whatever purpose it is used for, for which cornstarch can not be substituted. Then the tariff would be a tax because there is no home competition to cut down the price and the consumer would ultimately pay it and you would pass it on. Isn't that true?

Mr. STRYKER. We would pass it on, certainly.

Senator WATSON. But you would not quit business. Now, having arrived at that conclusion, will you answer this question, please? Do you believe it would or would not help the American farmer to put on this tariff?

Mr. STRYKER. I can not, for the life of me, see where the American farmer gets 1 cent benefit out of it. The proportional amounts involved appear to me to be far too great a difference. The amount of cassava brought in in total as compared with the corn crop, the total amount grown and the amount used by the wet corn grinders, appears to me to be so small that there would be no difference whatever. There is no new element entering into this argument any more than there was in 1909, in 1903, and 1922.

Senator WATSON. In other words, there are certain uses to which tapioca can be put and for which it can be used that can not be supplied by any American products.

Mr. STRYKER. Absolutely.

Senator WATSON. By any of the products of corn?

Mr. STRYKER. Yes, sir.

Senator WATSON. That is true.

Mr. STRYKER. Yes.

Senator WATSON. And therefore, it would not create a greater demand for corn if tapioca were shut out altogether.

Mr. STRYKER. In my estimation it would not.

Senator HARRISON. What per cent of the glue in the United States does your concerns produce?

Mr. STRYKER. I imagine we are making about 40 per cent.

Senator HARRISON. Do you supply the Government with the glue they use on the envelopes?

Mr. STRYKER. No, sir; that is an adhesive gum known as dextrin, whereas we make a wood glue exclusively.

Senator CONNALLY. Will animal glues serve the purposes of wood glue?

Mr. STRYKER. Originally the use to which this vegetable glue is put now while served by animal glue, but on account of a shortage of stocks the world over to make animal glue the price got so high that the industry in this country—the 400 or 500 industries I speak of—would be greatly handicapped. And by this time the hide-glue people, or some of them, told me there would not be enough of hide-glue stocks to supply it.

Senator CONNALLY. As you say, this tariff would shut out tapioca. I was wondering if it would not stimulate the animal glue?

Mr. STRYKER. The animal-glue people have about as much business as they can supply now with their available supply of raw materials. There is a shortage all over the world of hide stocks to-day, and the price of animal glue has already risen very much because of that.

Senator CONNALLY. What is hide glue now used for, or animal glue?

Mr. STRYKER. For joint work in making furniture.

Senator CONNALLY. That is woodwork.

Mr. STRYKER. Yes; that is woodwork. Our work is confined practically altogether to flat or veneer work, such as veneer on automobiles, radio cabinets, and that class of work.

Senator CONNALLY. In other words, animal glue is the superior and stronger glue than vegetable glue.

Mr. STRYKER. We do not admit that.

Senator CONNALLY. You say the animal glue is still used for joints, although it is high. That is, where the stress comes, of course.

Mr. STRYKER. That is because the body of the vegetable glue is much heavier than animal glue, and it can not be applied with the brush. Vegetable glue is applied altogether with machinery.

Senator WATSON. I asked you about corn a little while ago. Animal glue can be substituted for tapioca glue, can it not?

Mr. STRYKER. Yes.

Senator WATSON. If they were able to be obtained at the same prices, in your judgment, which would be used, animal glue or tapioca glue?

Mr. STRYKER. Tapioca glue would be used, for the reason that in using animal glue it always has to be very hot. The glue room has to be kept warm. It does not keep readily overnight, and it has a number of disadvantages. Vegetable glue can be made up to-day and used three or four days hence. It can be used in a cold room, and no hot coils are necessary to be put in. So I think there is no doubt in my mind on that question.

Senator SHORTRIDGE. Mr. Strasser, as I understood him, gave it as his opinion that this proposed tariff would work practically an embargo upon the importation of tapioca from Java. That is not your position, is it?

Mr. STRYKER. No, sir; it is not my position that it would work practically an embargo.

There is another point in the argument of the Corn Products people—that they can replace tapioca to make vegetable glue. Within two months' time representatives of the Corn Products Co. solicited our business to sell us, if possible, cornstarch. But they admitted, without any argument whatever, that unless we found a way to make vegetable glue out of their cornstarch that it could not be used. Those were their own people.

Senator WATSON. You say it can not be done?

Mr. STRYKER. I say it can not be done, except in a very small percentage of cases, and then it makes an inferior article, which is used for the cheapest class of glueing, and it makes an inferior joint at the same time.

Another point as to the importations: Last year some spokesman for the Corn Products Refining Co. stated 176,000,000 pounds of cassava product had been brought in in 1928.

Senator WATSON. You do not convert tapioca into food products at all, do you?

Mr. STRYKER. Not at all.

Some spokesman for the Corn Products Refining Co. stated 176,000,000 pounds of cassava had been brought in in 1928, but he failed to state that 51,000,000 pounds out of that 176,000,000 pounds was cattle food that was brought in and used by the farmers of the country. Whether he proposed to tax them for their own cattle food or not I do not know.

The statement has been made that the importations are increasing rapidly. The figures of the United States Department of Commerce do not show that.

Our opponents have taken the year 1921 and said 54,000,000 pounds came in.

Senator SHORTRIDGE. What year?

Mr. STRYKER. 1921.

Senator SHORTRIDGE. How much?

Mr. STRYKER. Fifty-four millions.

Senator SHORTRIDGE. There was not. It was 50,458,450.

Mr. STRYKER. In 1928, 176,000,000. This cattle food did not come in in any quantity worth while prior to 1928. So that leaves 125,000,000 pounds in 1928.

And I would like to read into the record the Department of Commerce figures of imports. I will give them in round numbers, leaving off the thousands: In 1919, they are 99,000,000 pounds; in 1920, 104,000,000 pounds; in 1921, 54,000,000 pounds; in 1922, 95,000,000 pounds; in 1923, 101,000,000 pounds; in 1924, 89,000,000 pounds; in 1925, 124,000,000 pounds; in 1926, 109,000,000 pounds; in 1927, 116,000,000 pounds; and in 1928, 176,000,000 pounds, less, however, 51,000,000 pounds for cattle food, which was not imported, except to a very slight extent, in any previous year.

Senator HARRISON. Can you tell from the customs receipts just what was used for cattle food? I am wondering how you get that 51,000,000 pounds.

Senator SHORTRIDGE. What year was that?

Senator HARRISON. In 1928.

Mr. STRYKER. The Customs Department does not keep separate records of different commodities made from cassava, but this has not been coming into the country in previous years except in very small quantities. And upon investigation it was found that it was being used as cattle food, and it is entirely different in texture and general principles.

Senator HARRISON. Merely an estimate.

Mr. STRYKER. So it is easily identified.

Senator HARRISON. But that is an estimate, is it not?

Mr. STRYKER. It is an estimate, but I think it is quite approximately correct.

Senator WATSON. Where did you get your figures, Mr. Stryker?

Mr. STRYKER. These figures I read here are from the United States Department of Commerce.

Senator WATSON. They do not tally at all with the Tariff Commission figures?

Senator SHORTRIDGE. Not at all.

Senator WATSON. How much of a discrepancy is there?

Senator SHORTRIDGE. May I read into the record this statement, and then we will determine which of the two statements is correct.

The division of agricultural products and provisions of the United States Tariff Commission from the statistics of the United States Department of Commerce for the year 1928 in regard to tapioca importations as follows: Tapioca, 13,033,226 pounds; tapioca flour, 128,521,898 pounds; cassava—

That is cattle food, isn't it?

Mr. STRYKER. Yes, sir.

Senator SHORTRIDGE (reading):

29,660,585 pounds, making a total of 171,215,709 pounds.

Senator HARRISON. Is that for 1928?

Senator SHORTRIDGE. Yes, Senator.

Senator WATSON. Twenty-nine million used for cattle food?

Senator SHORTRIDGE. That is included, Senator.

Senator HARRISON. There is a difference between the two of 56,000,000 and 29,000,000.

Senator WATSON. Yes.

Mr. STRYKER. I think probably part of that comes about by the fact that I understand the Department of Commerce has to work this out from the information they get from the Customs Department, and it is not always clear.

Senator SHORTRIDGE. Well, I don't know about it. These figures, I am warranted in stating, are from the Department of Commerce and are supposed to be authoritative and correct.

Senator HARRISON. He read from the Department of Commerce, but I do not understand where those figures come from.

Senator SHORTRIDGE. I do not understand it either.

Senator HARRISON. Of course, if we had a juggling of figures up at the Department of Commerce I would like to know about it. I never heard that charge brought against that department while Mr. Hoover was in charge of it.

Senator WATSON. No, I don't think so. There may be a variation because some times they use the calendar year and some times the fiscal year. But that wouldn't interfere with your argument in any way, or the point of your argument.

Mr. STRYKER. As a matter of fact, I don't think it makes any difference whether it is 56,000,000 or 29,000,000.

Starch is a very old article, and if it had been possible for some one to work out a vegetable glue from it, it would have been done. Corn Products people and German chemists have been working on it. The German chemists have been working on it for generations,

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and the Corn Products people for a number of years, and it stands to reason that if they could have done it, they would have done it and would not have waited until to-day. I do not think there is anything new in the argument excepting that it is brought under a different guise at the present time. But basically I think the same reasons are prevailing to-day that caused it to be left on the free list in 1909, in 1913, and in 1922.

Senator WATSON. Let me ask you this question: The glue you make is used in making wood furniture?

Mr. STRYKER. It is; yes, sir.

Senator WATSON. What do you get per pound for that?

Mr. STRYKER. We make several different grades, and we get from 4 cents to 7 cents a pound, or  $4\frac{1}{2}$  cents to 7 cents a pound.

Senator WATSON. If you had to pay this duty of  $2\frac{1}{2}$  cents a pound that would make your glue cost that much more, would it not?

Mr. STRYKER. It would cost exactly the equivalent of the duty assessed upon it.

Senator WATSON. Yes; because there is no competition of any kind here, and you would simply pay the tariff, and in that case it would be a tax, and then you would pass it on.

Now, how much would that add, in your judgment, to the price of the furniture in which that glue is used?

Mr. STRYKER. Well, I have never figured it out.

Senator WATSON. Could you figure it out, for instance, taking a rocking chair? Do you use any kind of glue in chairs like this [indicating]?

Mr. STRYKER. No; it is used mostly on flat work and flat veneers.

Senator WATSON. Is there any way of telling how much that would add to the price of a case of furniture?

Mr. STRYKER. It is very difficult, because it is all figured upon a square-foot basis.

Senator WATSON. The expert here says there were 40,000,000 pounds used last year, and  $2\frac{1}{2}$  cents would make a million dollars more on glue alone. Now, that added to the price of all the furniture in which that glue is used would not be consequential, would it?

Mr. STRYKER. Well, I should say it would be consequential in a way. The people would pay the price.

Senator WATSON. I just wanted to get your view of it.

Senator SHORTRIDGE. How much of the product of Java coming in here during last year did you import? What percentage, roughly?

Mr. STRYKER. Of the total imports of cassava products coming in from Java last year?

Senator SHORTRIDGE. Yes; that you imported.

Mr. STRYKER. Or the flour?

Senator SHORTRIDGE. As a producer in Java, as an exporter.

Mr. STRYKER. I understand, but are you speaking here upon the cassava products or cassava flour only?

Senator SHORTRIDGE. I was proceeding to develop a few facts. Assuming there was imported into the United States a certain quantity of tapioca, including both kinds, and that a tariff had

been imposed of 2½ cents, and it was figured that it would yield a revenue to the Government of \$4,280,000. Now, how much did you import? What percentage of the total did you import?

Mr. STRYKER. We imported of the total probably 15 per cent.

Senator SHORTRIDGE. Probably 15 per cent?

Mr. STRYKER. Probably 15 per cent.

Senator SHORTRIDGE. How many acres have you in Java?

Mr. STRYKER. Nine thousand acres.

Senator SHORTRIDGE. As to the wages paid there for employees you have stated they were about 25 cents a day. Is that correct?

Mr. STRYKER. That is correct.

Senator SHORTRIDGE. Now, if a tariff were imposed have you any way by which you can regulate the cost of your production in Java?

Mr. STRYKER. None whatever.

Senator SHORTRIDGE. Who fixes the price of labor there?

Mr. STRYKER. The people hiring them.

Senator SHORTRIDGE. Is there anything in the nature of our unions or organizations of workmen whereby they can in some degree fix the price of their labor in Java?

Mr. STRYKER. Not in agricultural lines. The only unions there are in the railway men's unions and the printers' union. Unions are starting there much the same as they started in this country.

Senator SHORTRIDGE. Frankly, if a tariff were imposed and you had to pay it here at the customs house, you would endeavor to reduce the cost of production, would you not?

Mr. STRYKER. We feel we have already done as much as possible.

Senator SHORTRIDGE. I mean yonder in the islands. You would endeavor to reduce the cost of production, would you not?

Mr. STRYKER. We probably should.

Senator SHORTRIDGE. And you would succeed, would you not?

Mr. STRYKER. I doubt it very much.

Senator SHORTRIDGE. So, in the end, you would come out above even? Don't you think you would? Don't you think you would reduce your cost of production in Java so as to about absorb the tariff that you would pay here at the customs house?

Mr. STRYKER. Not by a long shot.

Senator SHORTRIDGE. You think not.

Mr. STRYKER. This article is only selling for around 2.75 now.

Senator SHORTRIDGE. You do not get the point of my question. You pay 25 cents a day for labor in Java?

Mr. STRYKER. Yes.

Senator SHORTRIDGE. And you are an exporter there and here you are an importer. If you had to pay a tariff here on the article in question, would you not and could you not adjust yourselves so as to not lose a cent?

Mr. STRYKER. No, sir. It would be impossible.

Senator SHORTRIDGE. You could not reduce the wages in Java?

Mr. STRYKER. No, sir.

Senator SHORTRIDGE. You could not do that?

Mr. STRYKER. No, sir.

Senator SHORTRIDGE. You still hold to the theory that it takes five Javanese to do the work of one white man or one colored man in this country?

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Mr. STRYKER. Absolutely; because I have worked both of them. Senator SHORTRIDGE. But you think wages do not cut any figure at all? In Mississippi, in Florida, or in California you would pay \$1.75 or \$2 or perhaps a little more or less for farm labor, would you?

Mr. STRYKER. Yes.

Senator SHORTRIDGE. And 25 cents yonder?

Mr. STRYKER. Yes.

Senator SHORTRIDGE. Isn't it the price of labor here in America, in Mississippi, or in California, that enters into this problem, and while you do not endeavor to develop the raising of cassava here in America, isn't it the price of labor, to get right down to it?

Mr. STRYKER. Absolutely not, sir. We lost almost \$300,000 in the attempt, sir.

Senator SHORTRIDGE. Where?

Mr. STRYKER. In Florida.

Senator SHORTRIDGE. What part of Florida?

Mr. STRYKER. At Lake Mary.

Senator SHORTRIDGE. How many years did you carry on?

Mr. STRYKER. Four years; and we lost our shirts and our socks, and then some.

Senator SHORTRIDGE. What was the trouble? Was it the climatic conditions?

Mr. STRYKER. Absolutely. You can not grow cassava as a crop. You can grow it as a nice garden plant and all that, but you can not grow it as a commercial crop unless it is free from frost over its growing period, which is 15 or 16 months. It has to have a certain amount of rainfall, and that rainfall must come at certain seasons of the year, and it must have a certain amount of sunshine; and the soil itself must have some strength in it. And, as you know, Florida soil and Mississippi soil does not give that. We spent \$30 an acre for fertilizer in Florida and we got an average of one and three-fifths tons of root in Florida.

Senator SHORTRIDGE. Is this plant grown in any of the other islands?

Mr. STRYKER. It is grown all over the world in the tropics. It has been grown for centuries. It has been grown all over South America for centuries. It is a native of Brazil. And there are no different conditions now than there were for 25 years.

Senator SHORTRIDGE. That is very interesting. I have heard nothing here but about Java producing cassava. You say it is raised in all of the tropical countries?

Mr. STRYKER. All over the world.

Senator CONNALLY. And in the Philippines?

Mr. STRYKER. It is raised there.

Senator SHORTRIDGE. To any considerable extent?

Mr. STRYKER. Just how much I do not know. It is the food of the Brazilians. It takes the place of wheat in Brazil.

Senator SHORTRIDGE. The climate in Brazil is not like that of Java?

Mr. STRYKER. Some parts of it are very much the same.

Senator SHORTRIDGE. What part of Brazil has the Java climate?

Mr. STRYKER. From Rio on up.

Senator SHORTRIDGE. Is that section of the country free from frosts for 10 or 15 months?

Mr. STRYKER. Absolutely.

Senator SHORTRIDGE. And in Africa, too?

Mr. STRYKER. It is on both sides of the Equator, north and south, and naturally free from frosts.

Senator SHORTRIDGE. Near the Equator all around the world you will find cassava production?

Mr. STRYKER. Within a distance north and south of the Equator of 800 to a thousand miles.

Senator CONNALLY. Is that what we call the bread fruit of the Tropics?

Mr. STRYKER. Yes, sir.

Senator CONNALLY. You said they used it for making bread.

Mr. STRYKER. No. That is another vegetable.

Senator SHORTRIDGE. Is there any export tariff from Java?

Mr. STRYKER. Not at present.

Senator SHORTRIDGE. Why do you use that phrase "not at present"?

Mr. STRYKER. There is talk of one being put on. The Government is considering putting an export tariff on it.

Senator SHORTRIDGE. Do you ship anything to Java?

Mr. STRYKER. Nothing; no, sir.

Senator WATSON. What do you pay your laboring people in the United States, in your factories?

Mr. STRYKER. They average about \$4.25 per day.

Senator WATSON. They all belong to the union, do they?

Mr. STRYKER. As it happens, none of them do.

Senator WATSON. They do not?

Mr. STRYKER. We have never had any trouble with them.

Senator WATSON. You can reduce the price of wages so as to reduce the price of your products, could you not?

Mr. STRYKER. We would hate awfully to have to try it.

Senator SHORTRIDGE. You might reduce your dividends somewhat?

Mr. STRYKER. Well, that would be one way.

Senator HARRISON. What you would do would be to pass on whatever you paid to the customhouse to the consumer?

Mr. STRYKER. We would have to. There is no other way to do it.

Senator SHORTRIDGE. I do not agree to that. That is all the argument we have had here. Let the manufacturers come down a little bit.

Senator CONNALLY. In Java besides your plantation, do you have production plants or something that makes this up into flour?

Mr. STRYKER. We have the grinding plants. They grind it up in flour and ship it out.

Senator CONNALLY. How much of an investment do you have in Java?

Mr. STRYKER. About \$450,000.

Senator CONNALLY. Including the plantation and the mill, \$450,000.

Senator SHORTRIDGE. You went to Java legitimately for the purpose of producing this article and shipping it either to yourselves

or to other purchasers, of course, in the hope of making money thereby?

Mr. STRYKER. We also expected to get a more uniform product. It was not a question altogether of making more money or saving money. A number of varieties of this cassava flour came on to the market, good, bad, and indifferent, and we had difficulty to get at all times as much of the one quality as we required. It was one advantage we hoped to get in going there, that we could get more of that quality more readily. Another thing, the speculative element came into it somewhat. We hoped to eliminate that speculative element.

Senator SHORTRIDGE. Just as a matter of information, what other foreigners are in Java engaged in the raising of this cassava?

Mr. STRYKER. No others. We are the only ones there.

Senator CONNALLY. Is your company a separate corporation for Java, a subsidiary of yours?

Mr. STRYKER. Yes, sir.

Senator CONNALLY. And on the business you do in Java you pay no taxes in the way of Federal corporation taxes or income taxes, do you?

Mr. STRYKER. In Java?

Senator CONNALLY. No. On the proportion of business your plant represents there, you do not pay any United States Federal tax, do you?

Mr. STRYKER. Not a direct tax; no.

Senator CONNALLY. Under the foreign trade act passed some years ago, your company here, in making up its income tax statement and corporation tax statement, are exempted from the payment of taxes on that portion of your business which is done in Java?

Mr. STRYKER. Well, the profits come back—

Senator CONNALLY. Well, answer the question. That is true, is it not?

Mr. STRYKER. That is true.

Senator CONNALLY. Of course, the foreign products of these other corporations that have their business at home have to pay a corporation tax on their output at home?

Mr. STRYKER. Why do they not make all of their contracts in this country then instead of so much of them abroad?

Senator CONNALLY. I am not a partisan of that. How about your taxes to the Dutch Government; are they pretty high in Java?

Mr. STRYKER. Very.

Senator CONNALLY. On an ad valorem basis or corporation basis?

Mr. STRYKER. It is on a basis very similar to our own.

Senator CONNALLY. How about the ad valorem basis?

Mr. STRYKER. There is no ad valorem.

Senator CONNALLY. You pay no ad valorem taxes. Of course, in this country we pay the county, State, and municipal taxes.

Mr. STRYKER. We pay a personal property tax over there.

Senator HARRISON. You pay taxes on your real estate?

Mr. STRYKER. On our real estate, buildings and machinery.

Senator CONNALLY. You do pay those taxes?

Mr. STRYKER. Yes. But you spoke of an ad valorem tax.

Senator CONNALLY. I meant based on value.

Mr. STRYKER. On valuation. We pay those just the same as we do here.

Senator CONNALLY. Could you give me a rough estimate of what your total taxes in Java annually are?

Mr. STRYKER. The total tax?

Senator CONNALLY. On \$450,000.

Mr. STRYKER. No, I could not at the moment. I will look that up and give it to you, if you wish that information.

Senator CONNALLY. No, I do not care about it.

Senator HARRISON. What per cent of your investment is in Java as compared with this country?

Mr. STRYKER. About one-seventh.

Senator HARRISON. About one-seventh?

Mr. STRYKER. Yes, sir.

Senator HARRISON. That is about three million in this country?

Mr. STRYKER. Yes, sir.

Senator SHORTRIDGE. Is your stock on the market?

Mr. STRYKER. No, sir, and never has been.

Senator SHORTRIDGE. Is it privately owned?

Mr. STRYKER. All privately owned and always has been.

Senator SHORTRIDGE. Fairly profitable?

Mr. STRYKER. We have averaged 6 per cent dividends since we went into business.

Senator CONNALLY. And you have been in business how many years?

Mr. STRYKER. For 30 years.

Senator CONNALLY. Within recent years have you issued any stock dividends?

Mr. STRYKER. Not one; no stock dividends.

Senator WATSON. Who owns the company?

Mr. STRYKER. It is a family affair. My sister and I control it, Mrs. Burgen, and in addition to us two of her husband's aunts who put in some money and at one time lost most of our original capital. We own 95 per cent of it.

(Mr. Stryker submitted the following brief:)

**BRIEF OF THE PERKINS GLUE CO.; LANSDALE, PA., AND SOUTH BEND, IND.**

Cassava is the root from which cassava flour, edible tapioca and tapioca flour, and gapek are made. Cassava flour and tapioca flour are different names for the same article. It can only be produced in the real tropics. Twenty-five to thirty years ago we lost almost \$300,000 trying to grow it in Florida. Experiments have been made in other portions of the country without success. Of recent years it has been imported almost wholly from the Dutch East Indies.

We use cassava flour as raw material for manufacturing vegetable wood glue, which we discovered and invented, and our business was established on the assumption that cassava flour would continue to come in duty free, as it has since 1883, before which no worth while amount was imported. Being a tropical product it has certain well-defined characteristics not found in products made from corn or potato, which adapt it for use as wood glue, adhesives, sizings, etc.

On page 8397 of the printed record of the hearings before the Committee on Ways and Means, appears the testimony of Dr. William M. Grosvenor, and on page 9639 appears the testimony of Dr. T. B. Wagner, both expert chemists in starch and flours. Both testified that cornstarch was not suitable for the

manufacture of vegetable glue. In fact Doctor Wagner stated that while he was in the employ of the Corn Products Refining Co. efforts were made to replace tapioca flour with cornstarch but that the failures accompanying those efforts convinced him that except in a few isolated instances cornstarch and tapioca flour are not competitive articles of commerce, and that tapioca possesses virtues not shared by corn or potato starches. But if cassava competed with corn and/or potato, we maintain that the total imports of cassava are relatively so small as compared to the corn and potato crops, the amount of corn ground for starch and particularly the amount of cornstarch exported from this country, that its importation does not affect the amount of corn or potato grown, nor the price the farmer received from them. However, all cassava products imported are not flour. Those now advocating a duty being placed on cassava have stated that 176,000,000 pounds were imported in 1928, but they do not state that 51,000,000 pounds of this was ground cassava root, used by the farmers as a cheap cattle food. Will the farmer benefit if he has to pay more for his own cattle food? They state further that one-seventh of the imports were used for vegetable glue. Vegetable glue is made from the flour and of the importations of flour approximately one-third (and not one-seventh) was used for vegetable glue. Furthermore, a very material amount is used for food (and not a small amount as they state), in the shape of edible tapioca, candy making, and other forms. Unless we have to eat apples instead of bananas to protect the apple growers of the country, people who prefer tapioca to corn as food should reasonably be allowed to have it. They also state that 54,000,000 pounds were imported in 1921, as compared to 176,000,000 pounds in 1928. We believe the following schedule of importations will show the unfairness of this comparison:

*United States Department of Commerce figures*

	Pounds		Pounds
1919.....	90,274,000	1924.....	89,212,000
1920.....	104,843,000	1925.....	124,749,000
1921.....	54,612,000	1926.....	109,483,000
1922.....	95,078,000	1927.....	116,291,000
1923.....	101,327,000	1928.....	176,000,000

The year 1928 includes 51,000,000 pounds of ground gapelek used for cattle food, of which almost none was imported in previous years.

Thus they have picked the years 1921, the lowest year and 1928 the highest, for comparison. In 1920 there was practically as much imported as in 1926. Imports are not increasing greatly. In 1928 the flour imported showed no startling increase over the previous five years, as they try to make it appear.

The same characteristics referred to above also adapt cassava to the manufacture of certain lines of adhesives and textile sizings, as a matter of choice on the part of the user. The United States Post Office Department requires that cassava be used in its adhesives for stamps, envelopes, etc.

Repeated attempts have been made for the past 25 years to have Congress place a duty upon it and each time it has been refused. There must be a good reason for this. Having failed of a duty on previous occasions, the corn products refining companies now bring it in under the guise of "farm relief," which we submit is pure subterfuge.

We submit that relatively a very small portion of the importations of cassava, can in anywise compete with American grown products, and that this amount has not the least bearing on the price of corn or potato or starch or flour made therefrom. A duty on cassava or tapioca would benefit no one but distinctly penalize hundreds of American industries, including ourselves.

In conclusion, our position is that cassava flour has properly been on the free list, that it should remain there, and that the only new matter injected into the question has been that of a duty being of benefit to the farmers, is without basis in fact.

PERKINS GLUE Co.,  
By J. B. B. STYKKE,  
President.

JULY 5, 1929.

**LETTER FROM THE PACIFIC MILLS, BOSTON, MASS.**

Mr. WALSH. Mr. Chairman, I ask that a letter written by an official of the Pacific Mills of Lawrence, Mass., be inserted in the record of the hearings now being held on paragraph 1775 on tapioca flour. The writer urges the importance of keeping tapioca on the free list. (The letter referred to is as follows:)

JULY 10, 1929.

Hon. DAVID I. WALSH,  
*Senate Finance Committee, Washington, D. C.*

**CONTEMPLATED TARIFF ON TAPIOCA FLOUR**

GENTLEMEN: The Pacific Mills are the largest printers of cotton goods in the United States, having 51 printing machines, an investment of \$47,000,000 in all plants and equipment, and about 1,500 employees in the print works alone. We export most of our important lines of prints in considerable volume.

The finish of printed cotton fabrics is extremely important because the retail customer usually sees an attractive pattern, then feels the fabric to judge of its suitability and attractiveness for her needs.

For many years we have used tapioca flour in our finishes, and while we use considerable quantities of corn, potato, wheat flours, and starches, we find that tapioca has its own virtues which have not yet been duplicated by any other product.

We understand that tapioca can not be grown in this country and that it has been free of duty since 1883. The cost of this raw material is important to us; but the quality of our finishes, which are well known to most people who buy printed cottons, is an asset in selling which we hesitate to value. We believe that you realize how serious a duty on tapioca would be to us, and ask that you give it consideration from our point of view.

Yours very truly,

ALFRED E. COLBY, *Treasurer.*  
By FREDERICK L. WHITESIDE,  
*Purchasing Agent.*

**LETTER FROM THE UNITED STATES ENVELOPE CO.,  
WORCESTER, MASS.**

Mr. WALSH. Mr. Chairman, I request that a letter which I have received from the vice-president of The United States Envelope Co., of Worcester, Mass., be printed in the record of the hearings. This letter sets forth reasons for retaining tapioca, etc., on the free list.

(The letter referred to is as follows:)

WORCESTER, MASS., July 5, 1929.

Hon. DAVID I. WALSH,  
*Washington, D. C.*

MY DEAR MR. SENATOR: We are writing you with reference to paragraph 1776 of the tariff bill as passed recently by the House of Representatives. This paragraph retains tapioca, tapioca flour, and cassava on the free list where these products have been for half a century. We use large quantities of tapioca in our business and the imposition of any duty would work a substantial hardship to us.

The machinery which we use is almost exclusively of American manufacture, either being constructed in our own shops or purchased from a large manufacturer of envelope machinery in this country.

Tapioca flour is a raw material used almost exclusively by envelope manufacturers throughout the United States in the manufacture of all envelope adhesive for sticking the closed flaps of envelopes, which is moistened by the individual user when closing the envelope for mailing purposes. This must be an agreeable adhesive to the taste of the user.

Our firm, as well as other envelope concerns in this country, has been endeavoring constantly throughout the history of envelope making to find a substitute for tapioca flour—such as corn and other dextrines. It has been impossible to do this, although the technical staff of our research department is continually studying the subject of dextrines and trying out everything in the line of a suggested substitute originating either in this country or elsewhere.

Our research and glue-converting department, with tapioca flour as a base, uses many different formulas to produce the necessary number of different grades of converted dextrine made from tapioca flour, in order to assure satisfactory results for properly sticking the large number of different grades of paper used in the manufacture of envelopes.

Frequently there are two kinds of gum on the same envelope, one used in sticking down the back or closed flap, and another on the loose flap which is closed after moistening by the user. The attempted use of anything else but Tapioca flour for these purposes has met with complete failure.

From the foregoing it will be seen that tapioca products for these purposes do not compete with domestic products because the use of domestic products has been in the past and is now impossible.

It is our opinion that the Government has been wise in admitting tapioca flour free of duty as one of the raw materials necessary to giving employment to American labor and the utilization of domestic capital. The wisdom of this policy has been evidenced in the fact that tapioca flour has been on the free list since 1883.

In our opinion it would be very unfortunate if the Government were to place a duty on tapioca flour, which can not be purchased here and which is so necessary to our business.

Yours truly,

UNITED STATES ENVELOPE CO.,  
MILLARD E. SWIFT,  
Vice President.

## TYPEWRITERS

[Par. 1786]

### STATEMENT OF WARD J. DOWNS, REPRESENTING THE CODO MANUFACTURING CORPORATION, NEW YORK CITY, AND OTHERS

[Typewriter ribbons, par. 912, and typewriter spools, par. 998]

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. DOWNS. I represent the Codo Manufacturing Corporation.

The CHAIRMAN. You are interested in typewriters?

Mr. DOWNS. We are interested in typewriter ribbons and spools. Here is a list of about 18 manufacturers of ribbons whom I represent. (The list referred to is as follows:)

#### LIST OF COMPANIES REPRESENTED BY WARD J. DOWNS

N. S. Apter Mfg. Co., Chicago, Ill.	Rochester Ribbon & Carbon Co., Rochester, N. Y.
Allen & Co., New York City.	S. T. Smith Co., New York City.
Frank Bayer Co., New York City.	Snelling & Son, Brooklyn, N. Y.
E. E. Bushnell, Los Angeles, Calif.	S. S. Stafford (Inc.), New York City.
Caxton Laboratories (Inc.), New York City.	Steno Ribbon & Carbon Mfg. Co., Seattle, Wash.
Codo Manufacturing Corporation, Coraopolis, Pa.	Shallcross Co., Philadelphia, Pa.
Henry Gerber Co., New York City.	Union Ribbon & Carbon Co., Philadelphia, Pa.
W. Scott Ingram, New York City.	United States Typewriter Ribbon Manufacturing Co., Philadelphia, Pa.
Iron Coad Ribbon & Carbon Co., New York City.	Write (Inc.), Bridgeport, Conn.
Phillips Ribbon & Carbon Co., Rochester, N. Y.	Woodstock Typewriter Co., Chicago, Ill.

Senator REED. Do you represent the domestic manufacturers of ribbons?

Mr. DOWNS. Of typewriter ribbons; yes.

Senator REED. And spools?

Mr. DOWNS. No. The spools and typewriter ribbons were decided by the Customs Court to be parts of typewriters, and therefore free of duty. In the bill as prepared by the House now they have relegated typewriter spools to the metals-manufacturing end and typewriter ribbons to the cotton schedule.

The manufacturers I represent favor the duty on typewriter ribbons. Among the proponents of the brief that was presented some time ago of 17 or 18, there was but one in the list who manufactured typewriter spools, and yet the other 16 signers of that brief were users of typewriter spools.

They contend that a typewriter spool is not a part of a typewriter, but I have some spools here to show you the difference.

The practice has grown up now, chiefly by the machine manufacturers wanting to get the supply business, of furnishing a spool that goes right on the typewriter.

The CHAIRMAN. The spools now are free with the typewriter?

Mr. DOWNS. Yes. Typewriters and typewriter parts have been free; but the spools have now been transferred to the metal schedule, which puts a duty of 50 per cent on them, which we oppose.

Senator REED. They are in the basket clause, are they?

Mr. DOWNS. No; in the metal schedule.

Senator REED. Section 398—the basket clause of the metal schedule?

Mr. DOWNS. I think that is it.

Senator EDGE. As I understand, the House have simply substituted, in paragraph 1786, the word "typewriters," which would exclude the typewriter spools?

Mr. DOWNS. Which would exclude the typewriter spools from coming in free of duty and put a duty of 50 per cent on them by relegating them to the metal schedule.

Senator EDGE. They mention them by name, do they, in the basket clause—typewriter spools?

Senator REED. Let me explain it. I think I can make this clear.

In the 1922 act, typewriters were included in paragraph 1542 of that act with linotype machines and shoe machinery?

Mr. DOWNS. Yes, sir.

Senator REED. And at the end of that section there were also put on the free list "all the foregoing, whether in whole or in parts, including repair parts"?

Mr. DOWNS. That is right.

Senator REED. Under that act typewriter spools have been imported as parts, being free of duty?

Mr. DOWNS. That is right.

Senator REED. The House has taken typewriters out of that clause altogether and put them in a separate clause, known as paragraph 1786 of the new bill, merely as typewriters, but not including repair parts?

Mr. DOWNS. That is right.



Senator REED. Consequently, after this bill passes, a typewriter part, such as this spool, will come in the basket clause of the metal schedule and carry 50 per cent?

Mr. DOWNS. That is right.

Senator KING. Why should it?

Mr. DOWNS. It should not.

Senator KING. I agree with you.

Senator REED. Tell us why it should not.

Mr. DOWNS. In the first place, the typewriter industry in this country in 1927 produced \$50,000,000. We exported \$21,000,000.

Senator REED. You are talking about typewriters now?

Mr. DOWNS. Yes; but these spools are part of typewriters, and the Decorated Metal Co. are not the only manufacturers of typewriter spools. They are a small manufacturer. I do not suppose they begin to manufacture half of what is made in this country.

Senator EDGE. What company is this?

Mr. DOWNS. The Decorated Metal Manufacturing Co.

Senator EDGE. Are they the people that you mean to infer are now asking for a duty?

Mr. DOWNS. Yes. We have a funny situation. The manufacturers of carbons and typewriter ribbons are not very well organized; and a brief was submitted to them to sign, asking for a duty on typewriter ribbons, and two-thirds of that brief was devoted to typewriter spools, of which those 17 manufacturers were buyers, and are going to stand an increased cost of 50 per cent.

Senator REED. You are a buyer of the spool and a manufacturer of the typewriter ribbon?

Mr. DOWNS. That is right.

Senator REED. You want a duty on the ribbon, do you not?

Mr. DOWNS. Yes.

Senator REED. But you want to get your material free?

Mr. DOWNS. We want the spools on the free list, for the reason that before 1923, when an English manufacturer started to import spools we were paying \$22 a thousand for Underwood spools. The Decorated Metal Co. went to England and sold Underwood spools in the English market for about \$12.88. The English manufacturer then came over to this country and sold Underwood spools in this country for \$16.50, and the Decorated Metal Co. then met that price in this country, and have done a nice business on it.

Now, they do not make the spools that they sell for use on the Remington machines. The Remington people make their own spools and supply the Decorated Metal people with the spools which they sell.

The L. C. Smith spool is a patented spool. The L. C. Smith Co. make their own spools for their own use, make some the spools that the Decorated Metal Co. sell, and license them to make the balance.

Senator KING. They would get the benefit of the tariff, would they not?

Mr. DOWNS. Absolutely. I will show you, further, where they are going to get a greater benefit than that.

The spool that the Royal Typewriter Co. use is a patented spool and is made by the Royal Typewriter Co., and I think even to-day

they are making the spools which the Decorated Metal Co. sell. The only spool that the Decorated Metal Co. are making in any great quantity is the Underwood spool.

Now, as I understand—this was told to me a number of years ago by one of the officials of the Decorated Metal Co.—they supply Underwood spools to the Remington Typewriter Co., and get, in return, Remington spools to sell to the trade. You see, the Remington Typewriter Co. make typewriter ribbons as well. They are one of the large manufacturers of them. So we have a situation where we produce \$50,000,000 worth of typewriters and parts in this country, export \$21,000,000, and in 1927 imported only \$72,000 worth of parts.

Senator REED. All consisting of these parts?

Mr. DOWNS. No; spools and parts of typewriters and completed foreign typewriters.

Senator REED. Yes; but the great bulk of the imports was of spools?

Mr. DOWNS. The imports of spools last year—I do not know what they were the year before—but, as near as I can get at it from those who manufacture them, last year they imported about \$50,000 worth of spools, and the total imports were \$102,000. I do not know what the domestic production of typewriters is.

Here is a situation that presents itself as far as typewriter-ribbon manufacturers are concerned:

The Underwood Typewriter Co. and the Elliott-Fisher Co. have recently combined, and have bought out the Neidich Process Co., one of the large ribbon manufacturers. The Underwood Typewriter Co. make their own spools, and no doubt will furnish the Neidich Process Co., which is a subsidiary, with the spools which they require, will they not? The Remington Typewriter Co. will just have to make their own Remington spools, and they are getting the benefit of an exchange with the Decorated Metal Co. for their Underwood spools. The L. C. Smith Co. are making their own spools; and they recently purchased the Miller-Bryant-Pierce Co., another one of the largest manufacturers of ribbons. They will no doubt supply Miller-Bryant-Pierce with spools to make theirs; and the Royal Typewriter Co. now have typewriter-ribbon-making machinery for making theirs. Now, beyond an exchange of spools among themselves, the same as Remington and Decorated are doing to-day, three of the four or the four large typewriter manufacturers in this country are going to be able to have their spools with no increased cost; and we independent typewriter-ribbon manufacturers who had to bear the brunt of furnishing ribbons for years, while the typewriter manufacturers were not making them, are going to stand a 50 per cent increase in the cost of our spools.

The CHAIRMAN. What does your spool cost, wholesale?

Mr. DOWNS. The Royal spool costs \$35 a thousand. The L. C. Smith spool is about \$82; the Underwoods are \$16.50, and the Remington, \$16.50.

Senator EDGE. Where is your market now, with all these large concerns manufacturing all their product?

Mr. DOWNS. Where their market is—every place.

Senator EDGE. I mean, for the spools alone?

Mr. DOWNS. Oh, where do we get our spools, do you mean?

Senator EDGE. No, no; where do you sell them if these big companies make their own?

Mr. DOWNS. We sell the ribbons. We simply use the spools.

One of the other signers of the brief asking for this duty, a ribbon manufacturer, has two plants abroad, and is affiliated with one in Canada and one in Mexico. If they buy spools from foreign manufacturers in their foreign plants, we are going to be at a disadvantage on the export.

Senator REED. Mr. Downs, you got no duty protection under the 1922 act, did you? Your typewriter ribbon was considered a part, and it came in free of duty?

Mr. DOWNS. Yes.

Senator REED. So you had foreign competition coming in against you?

Mr. DOWNS. We have now on typewriter ribbons; yes.

Senator REED. The House bill has undertaken to put a tariff on your product and give you protection?

Mr. DOWNS. That is right.

Senator REED. And you are glad to have that; but you do not want the spool manufacturers to have what you are getting? That is what it comes to?

Mr. DOWNS. That is absolutely it.

Senator REED. It is a selfish world, is it not?

Senator KING. I do not think the spool manufacturers ought to have it, particularly in view of the fact that substantially all of them are made by the typewriter manufacturers of the United States, who are exporting millions of dollars worth, and have almost a monopoly upon the domestic market.

Mr. DOWNS. That is right.

Senator KING. I want to ask you one question. Who makes these spools, aside from the typewriter companies?

Mr. DOWNS. The Decorated Metal Manufacturing Co. manufacture spools that are sold to the ribbon manufacturers for Underwood machines and some of the miscellaneous ones; but the four that I have mentioned here are the four leading ones, and for their own use they make their own spools.

Senator KING. Then to all intents and purposes the spools that are manufactured by these typewriter companies are a part of the typewriter?

Mr. DOWNS. Absolutely.

Senator KING. They manufacture them in the same process?

Mr. DOWNS. Yes.

Senator KING. Now, take the Decorated Metal Manufacturing Co.: What do they manufacture, aside from spools?

Mr. DOWNS. Spools are only a small part of their business, as I understand. They make typewriter-ribbon cans, and they make a great many metal specialties, like these new things they are winding adhesive tape on. They make no end of things.

Senator KING. What is that company?

Mr. DOWNS. The Decorated Metal Manufacturing Co.

Senator KING. Where is it located?

Mr. DOWNS. Brooklyn, N. Y.

Senator KING. Do you know anything about its capital and its earnings?

Mr. DOWNS. No; I do not.

Senator KING. Could you furnish me a statement of its capital and earnings?

Mr. DOWNS. I do not believe I could. They naturally would not be furnishing it to me.

Senator KING. What proportion of the spools do they manufacture?

Mr. DOWNS. I can not tell exactly. I should say certainly not nearly half of the spools that are made in this country—not nearly half.

The CHAIRMAN. This means 8 cents on a dozen typewriter ribbons, does it not?

Mr. DOWNS. No; it means 12 cents on every dozen ribbons that we manufacture, on the average.

The CHAIRMAN. I am speaking of the spools now.

Mr. DOWNS. That is what I am speaking of. On the average—because there are different prices—if they increase their price to the full extent of this duty, it will increase our cost of every dozen typewriter ribbons that we make about 12 cents.

The CHAIRMAN. Your typewriter ribbons?

Mr. DOWNS. Yes.

Senator EDGE. Because of the duty on the spools?

Senator KING. They have to buy the spools.

The CHAIRMAN. I asked you what the spools cost. What is the cost of the spools?

Mr. DOWNS. They are all different. The price of the Underwood spools is \$16.50 a thousand. The spool for the Remington machine is \$16.50. The spool for the L. C. Smith machine is around \$32, and the spool for the Royal machine is between \$32 and \$35; I do not remember just exactly now.

We manufactured last year in this country one million one hundred and some thousand dozen typewriter ribbons, according to the other brief. On that basis, at a 12-cent increase, we are going to pay over \$125,000 next year.

Senator EDGE. Where did you get your spools last year to wind these ribbons on? Where did you buy them?

Mr. DOWNS. We buy some from importers. We buy some from the Decorated Metal Manufacturing Co. The English spool only acts as a sort of a balance on the price of spools in this country.

Senator KING. What are the imports of the spools?

Mr. DOWNS. Last year they were, roughly, \$50,000, as nearly as I could get the figures.

Senator KING. And what is the value of the spools manufactured each year in the United States, according to the prices charged?

Mr. DOWNS. Pardon me?

Senator KING. What is the domestic price of the spools manufactured in the United States?

Mr. DOWNS. As nearly as I can figure it out, we are only importing about one-sixth of the spools used in this country.

Senator EDGE. Well, then, will you not continue buying your spools in this country? You assume that the price is going to go up with this duty, do you not?

**Mr. DOWNS.** That is a perfectly natural assumption, is it not?  
**Senator EDGE.** It is natural if the laid-down price from Great Britain would justify it.

**The CHAIRMAN.** The cost is  $3\frac{1}{2}$  cents a spool?

**Mr. DOWNS.** It is on some of them, and on others it is different. On the average, it costs us between 22 and 24 cents per dozen.

**The CHAIRMAN.** That would be 2 cents a spool?

**Mr. DOWNS.** Yes; on the average, about 2 cents.

**The CHAIRMAN.** And the duty on that is a cent?

**Mr. DOWNS.** A cent—12 cents a dozen.

**Senator KING.** They are on the free list now?

**Mr. DOWNS.** Yes.

**Senator EDGE.** He is assuming that the imposition of the duty means the absolute raising of the price of the American article to that extent. That does not always follow.

**The CHAIRMAN.** A cent on a typewriter?

**Mr. DOWNS.** On a typewriter ribbon. We are not interested in the typewriter.

**Senator EDGE.** He is assuming that this duty will mean that he will have to pay that much more for his spools.

**Mr. DOWNS.** And, if we do, the industry in the next year will pay about \$125,000 to exclude the imports of about \$50,000 worth of spools, which only acts as a balance on the market here in this country to-day, and will also give the typewriter manufacturers, who are now striving to get the supply business in this country, that advantage over the ribbon manufacturers, which we claim is not fair.

**Senator EDGE.** Would you be satisfied to have the duty on ribbons taken off?

**Mr. DOWNS.** I would rather have the duty on ribbons taken off and have the duty off the spools, because up to date we have not had very much competition, but there are now concerns in Europe that are growing to be big concerns in the ribbon industry, and they do threaten the production over here.

**Senator SMOOT.** Do you speak for the industry generally?

**Mr. DOWNS.** I am speaking for about 18 of the smaller manufacturers.

**Senator SMOOT.** And they prefer to have free ribbons and free spools?

**Mr. DOWNS.** No; they want the duty left on ribbons. They want the ribbons put under the cotton schedule.

**Senator SMOOT.** But rather than have duty on spools they would rather have free spools and free ribbons?

**Senator EDGE.** That is what we would like to get their view on.

**Mr. DOWNS.** I do not know what their view is. I would say personally that I would rather have the duty off on spools than the duty off on ribbons. But, of course, you can not tell what the competition is going to be from European manufacturers. But the point is that the price before spools were put on the free list was 41 cents higher in this country.

**Senator KING.** I would like to know the reason why there should be a tariff on spools, in view of the fact that the typewriter companies, who constitute a monopoly, manufacture most of the spools themselves, only \$50,000 worth of them being imported.

Senator EDGE. Well, let us consider putting both of them on the free list.

Senator KING. Yes; let us consider putting both of them on the free list.

Mr. DOWNS. I do not think typewriter ribbons should go on the free list.

Senator KING. Well, they have been on the free list. Let us put them both on the free list.

Mr. DOWNS. That is all right so far as I am concerned. I want to leave a brief with you.

(Mr. Downs submitted the following brief:)

**BRIEF OF AMERICAN TYPEWRITER RIBBON MANUFACTURERS**

In opposition to the request of certain domestic manufacturers for the removal of typewriter-ribbon spools from the free list to the dutiable list

**COMMITTEE ON FINANCE,**

*United States Senate, Washington, D. C.*

**GENTLEMEN:** This brief is filed by a number of independent American typewriter-ribbon manufacturers who buy spools upon which they wind their ribbons for the American market and are dependent for their supply on imported as well as domestic spools.

The Decorated Metal Manufacturing Co., manufacturers of typewriter-ribbon spools and other articles, together with a number of other companies engaged in the manufacture of typewriter ribbons and carbon papers, asked the Committee on Ways and Means to remove both the spools and the ribbons from the free list (par. 1542, Title II, Schedule 15, tariff act of 1922) to the dutiable list. (Hearings, Tariff Readjustment, revised, pp. 8288-8292.)

Said paragraph 1542 provides free entry for "typewriters, \* \* \* whether in whole or in parts, including repair parts," which has been held by the courts to include both spools and ribbons.

Their request for a change in the law, which H. R. 2667 grants them ("typewriters" themselves are now provided for in par. 1786 of the free list, which relegates "parts" of typewriters to the dutiable list, according to the material of which they are made), puts typewriter ribbons on the dutiable list, and is reasonable, and the signers of this brief joined them in that request.

We are opposed, however, to the placing of empty ribbon spools on the dutiable list, for it will result in a grave injustice to those companies who manufacture only ribbons, and will give to the larger typewriter companies, which also manufacture ribbons, a decided advantage, as we will point out later.

The brief of the manufacturers seeking this duty on both spools and ribbons states that the companies named therein represent 90 per cent in volume of the typewriter ribbon industry of this country. There are some 17 companies named. Of these 17 companies only 1, the Decorated Metal Manufacturing Co., is engaged in the manufacture of spools.

Consider the situation which presents itself here. All the companies signing the brief which was presented to the Ways and Means Committee of the House of Representatives, except one, are engaged in the manufacture of ribbons only, and therefore necessarily must use empty spools upon which to wind these ribbons, in order to produce the finished article as marketed. If a duty is placed upon the spools it means that these companies will necessarily have to pay materially increased prices for such spools (the duty being 50 per cent which will increase existing prices of these spools by one-half). They join in an appeal with a spool manufacturer for a duty on spools. All but one of the signers of the brief were, as we have stated, interested in obtaining a duty on ribbons, and we believe that they joined in said brief with this object in view only, and did not appreciate the fact that the brief was directed not only to the ribbons but to the spools. Our belief has been confirmed by some of the signers of said brief, and your committee has no doubt, received requests from some of these ribbon manufacturers that their names be withdrawn from that portion of said brief, which requests that spools be removed from the free list and made dutiable.

Only a small percentage of the ribbon manufacturers are organized and this small group controls certain patents on ribbon-making machines and carbon-coating machines. This small organization, which numbers among its members only a few of the signers of the brief, and the Decorated Metal Manufacturing Co., prepared the brief, and took the initiative in getting the signers and presenting it to the Ways and Means Committee.

The claim is made and justly so, that large foreign factories engaged in the manufacture of ribbons now menace our domestic interests and that protection is necessary from a probable large increase in imports of such ribbons. (hearings, tariff readjustment, 1929, p. 8290.) No such situation exists in the case of the spools which have been imported since 1923, and there is no reason to suspect that there will be any larger imports of these than have been made heretofore. Fears of any such probable increase in imports of spools are absolutely unfounded. It is also stated that the duty paid by American manufacturers of ribbons upon cotton cloth used in the manufacture of such ribbons amounted to approximately \$1,000,000. (Hearings, Tariff Readjustment, 1929, p. 8290.) But in so far as spools are concerned no claim is made that large amounts of duty have been paid by American manufacturers of them upon raw materials used in the manufacture of such spools, but merely that such material is subject to a high rate of duty. This may be so but we have been informed that most spools manufactured in the United States are made from domestic metal, sheet iron or sheet steel. Hence, a duty on the finished spools is not necessary as the American manufacturers of them do not need any "protection" so far as the material from which they are made is concerned.

Now let us see whether they need any protection so far as the imports are concerned.

The value of the domestic production of typewriters and parts for 1927 was \$50,886,757. The value of imports of typewriters and parts for 1927 was \$72,435. Of this amount we may assume that only a small portion actually consisted of empty spools, considering that in the said amount of \$72,435 is included all parts of and also typewriters. The exports of typewriters and parts amounted in 1927 to \$21,866,454. We therefore have a domestic production of over \$50,000,000, exportation of over \$21,000,000, and a total importation of \$72,435, and upon the basis of these statistics, it is represented that a duty is necessary upon typewriter ribbon spools in order to protect the American industry. The above information will be found in the Summary of Tariff Information, 1929, on tariff act of 1922, pages 2252-2253, where it is stated: "Imports, made up to a large extent of parts, are unimportant in comparison with domestic production. Germany and Canada have supplied the bulk of the small importation." Considering the magnitude of the domestic industry the value of the imports is practically negligible.

Decorated Metal Manufacturing Co. states that imports of spools are seriously affecting the spool industry in this country. They say that in 1923 importations of foreign made spools began and they still continue. It is interesting to note that this condition was brought about by the Decorated Metal Manufacturing Co. itself in the following manner: During 1923 they were selling Underwood spools in the United States at \$22 per thousand. There was no foreign competition at that time and the Decorated Metal Manufacturing Co. and the typewriter manufacturers had a virtual monopoly in the sale of American manufactured spools. Not being satisfied with this, the Decorated Metal Manufacturing Co. established in London, England, a selling agent for their spools thus invading the English spool market. We have in our possession a letter dated November 9, 1923, written by their English agent, and quoting their spools as follows:

"Underwood spools, at 56 shillings per thousand (the Grafton spool, an English made spool, was then selling for 60 shillings per thousand); Remington spools, at 74 shillings per thousand (the Grafton spool was then selling for 79 shillings per thousand)."

Here we have a situation in which the Decorated Metal Manufacturing Co. was selling its Underwood spools to American manufacturers at \$22 per thousand, and could ship spools to England, and sell them in that country to competitors of American ribbon manufacturers for about \$12.88 per thousand, or about 41½ per cent less than they were charging in their own home market. This, we plainly submit, shows that the American consumer was being grossly

overcharged for his spools, for when domestic prices are reasonable, and the selling cost not a big factor, the exported surplus is not sold at such an enormous discount.

Naturally, after Grafton & Sons found they were being undersold they had to find a market for their spools or cease to exist. They established a selling agency here, and were able to sell spools in the American market at \$10.50 per thousand for the Underwood spool. The Decorated Metal Manufacturing Co. at once met this price, and in many instances undersold it, and has continued for over five years to do a good business at that figure in competition with the English spools, again clearly demonstrating that their former price was exorbitant and unwarranted. And now, after practically forcing Grafton & Sons to ship spools over here to exist as a going concern, they complain that these almost negligible imports cripple them.

The fact is that they are not crippled, or anything akin to being crippled, but evidently long to return to their former high prices.

In view of the prices at which Decorated Metal Manufacturing Co. were able to sell their spools in the English market, and subsequently in the American market, it is unreasonable for them to state that they need "protection" from the foreign imports. It is not protection that they want but a monopoly of the typewriter-spool market, and the elimination of the small ribbon manufacturer. If a duty is placed upon empty spools they and the typewriter manufacturers are practically certain to secure such monopoly.

We are asking that empty spools be admitted free of duty because we feel that it is vitally important to our business as American manufacturers of typewriter ribbons, employing American labor, that such spools be admitted free. While we use a great many domestic spools, we also use some imported spools. The imported spools act as a sort of a balance in the spool market. They prevent the Decorated Metal Manufacturing Co., and the typewriter manufacturers who practically control the American market, from charging any price they see fit, no matter how unreasonable, while at the same time they do not affect the making of a reasonable and legitimate profit by such companies for they still obtain about 21 per cent high prices in the United States than abroad. If empty spools are not permitted to continue to be imported free of duty it will only result in the independent American ribbon manufacturers like ourselves having to pay more for their spools, and put greater profits into the pockets of the Decorated Metal Manufacturing Co. and the typewriter manufacturers, with a resultant increased cost to the ultimate consumer.

It will be noted that, while the brief filed by the interests asking the increased duty on ribbons and spools states that the companies named therein represent 90 per cent in volume of the typewriter ribbon industry in America, that over two-thirds of such brief is devoted to the argument for a duty on spools. It would appear that such brief really was an appeal for a duty on spools and the duty on ribbons was secondary in importance. We feel that to most of the parties who signed that brief that the duty on ribbons was the main consideration and that when they got a duty on the ribbons it should have ended their interest in this matter, but because of the unorganized condition of the manufacturers who are engaged exclusively in the manufacture of ribbons, the brief is prepared by the Decorated Metal Manufacturing Co. and the typewriter interests.

If they were looking for protection from foreign manufacturers of ribbons, this could have been accomplished by separating ribbon spools without ribbons on them from either ribbons or ribbons on spools, and considering them empty spools as typewriter parts to be admitted free of duty, and the finished ribbon, whether wound on spools or not, as a dutiable item. We have no objection to a duty being put on the finished ribbons whether they are wound on spools or without spools. In fact, we urge that such a duty be placed upon them, but we do feel that a duty on the empty spool is unjust and a hardship, and not warranted by the facts. No protection is needed by the domestic manufacturers of spools which includes the typewriter manufacturers, and none should be given. The statistics which we have quoted amply support our contention.

Typewriters are provided for in the free list of the proposed bill. Then why should parts of typewriters excluding the ribbons, not be provided for free? In the statement of L. R. Mason, representing the interests asking for duty on spools and ribbons, he said: "The operator takes off the spool and ribbon and puts on a new one and it is in no sense a permanent part of the machine." We respectfully submit that a part of a machine does not necessarily have to be



a permanent part of a machine, to be considered a part of a machine. There are in use to-day thousands of machines which have parts that are in no sense of the word permanent, but are still considered essential parts of the machine.

Then in the brief filed by Mr. Mason is found the following:

"First. The spools and ribbons are manufactured separate from typewriting or other machines, many more of them being made by independent concerns than by manufacturers of typewriters.

"Second. In the early days of the development, spools were truly parts of typewriters and were permanently attached to machines. Typists unwound ribbons from temporary wooden holders and rewound them on the permanent spools on the typewriting machines. Now practically all ribbons are sold already wound upon spools, \* \* \*." We take direct issue with the first statement. The Remington Typewriter Co., which is also one of the largest manufacturers of typewriter ribbons, makes not only all the spools they require for their own machines but makes all the spools for use on Remington machines which the Decorated Metal Manufacturing Co. sell, and in turn the Decorated Metal Manufacturing Co. have a working arrangement with the Remington Co. whereby they pay for said spools by supplying the Remington Co. with Underwood spools which said Remington Co. use in their ribbon-manufacturing department.

The Royal Typewriter Co. make all of the spools they require for their machines and also the Royal spools sold by the Decorated Metal Manufacturing Co., to ribbon manufacturers. The L. C. Smith-Corona Co. make their own requirements of L. C. Smith and Corona spools, and supply the Decorated Metal Manufacturing Co. with part of the L. C. Smith's spools which said company sells and licenses them to make the balance. The L. C. Smith-Corona Co. now owns Miller-Bryant-Pierce Co., large manufacturers of ribbons, and it is reasonable to suppose that they also make the L. C. Smith and Corona spools required by their subsidiary. The Underwood, Elliott-Fisher Co., make the spools which they require for their machines and inasmuch as they recently purchased the Nedich Process Co., large manufacturers of typewriter ribbons, it is reasonable to suppose that they will also supply their subsidiary with spools for the Underwood and probably the Elliott-Fischer machines. So here we have a situation where the four largest manufacturers of typewriter machines, making the Underwood Standard, Underwood Portable, Underwood Bookkeeping, Elliott-Fisher Billing, Remington Standard, Remington Portable, Noiseless Royal No. 10, Royal Portable, L. C. Smith and Corona Machines, and all of them making their own spool requirements both for their new machines and the spools which their manufacturing and supply departments require for their supply business. The Decorated Metal Manufacturing Co. does not make any of the wooden spools which they sell and so it would appear that about the only spools which they do make in any quantity are the Underwood spools sold to ribbon manufacturers other than Nedich Process Co., and part of the L. C. Smith spools which they sell.

With regard to the second statement, it seems obvious that if the spool was once a part of a typewriter it must still be considered a part of a typewriter and the proof of it is that the larger typewriter manufacturers still make spools for their respective machines. These spools are not interchangeable and the newer design spools are still patented and can not be made without a license.

The extravagant practice of furnishing ribbons wound on special spools to fit the respective machines was started by the manufacturers of the various machines in hopes of controlling the ribbon supply business of their respective users. To meet this competition the ribbon manufacturers were compelled to likewise furnish ribbons wound on the respective spools at a great increase in cost without being able to obtain the additional cost from the buyer.

For a number of years the typewriter manufacturers and the users of typewriters had to depend entirely upon the exclusive ribbon manufacturers for their ribbon requirements and we manufacturers of ribbon to-day have large sums of money invested in our industry. A number of years ago one of the large typewriter manufacturers bought out a ribbon plant and within the past two years two of the other three large typewriter manufacturers have bought out large plants which manufacture ribbons and the fourth company now owns ribbon-making machinery. The largest manufacturer of adding machines has recently added a ribbon-manufacturing department and the two next largest adding-machine manufacturers are now owned by typewriter companies who make their own ribbons.

None of these machine manufacturers will have their costs on their own made spools increased as a result of this bill and there is nothing to prevent them from working out an exchange arrangement whereby they could obtain all types of spools they require with the cost no greater than if they made the spools themselves. The exclusive manufacturers of ribbons at the same time would under the proposed tariff have their spool costs increased 50 per cent and would be unable in most instances to compete against the companies making machines, spools, and ribbons.

We contend that the spool is a part of the typewriter and no less an authority than the Court of Customs Appeals, in *Decorated Metal Manufacturing Co. v. United States* (12 C. C. A. 140 (T. D. 40061)), held typewriter spools to be parts of typewriters, so, judicially at least, that question would seem to be settled law.

We respectfully suggest that if Congress sees fit to admit a complete typewriter free and the typewriter manufacturers have, apparently, no objections, then they should admit parts of typewriters free. If in a particular case, as with the ribbons, where protection is necessary for a domestic industry, then such protection may be given by a proper wording of the paragraph providing for free entry of typewriters, without excluding, to the detriment of others, the necessary parts of such typewriters from free entry.

#### SUGGESTED CHANGE IN PARAGRAPH 1542

In order to exclude typewriter ribbons, whether wound on spools or not, from free entry under paragraph 1542, tariff act of 1922, as "Parts of typewriters," and thus make them dutiable under the cotton schedule, we suggest that it is only necessary to add the words "but excluding typewriter ribbons whether wound on spools or not," after the words "including repair parts," at the end of the said paragraph.

Respectfully submitted.

M. S. Apter Manufacturing Co., Chicago, Ill.; Allen & Co., New York, N. Y.; Frank Bayer Co., New York, N. Y.; E. E. Bushnell, Los Angeles, Calif.; Caxton Laboratories, New York, N. Y.; Codo Manufacturing Co., Corapolis, Pa.; Henry Gerber Co., New York, N. Y.; W. Scott Ingram, New York, N. Y.; Iron Clad Ribbon & Carbon Co., New York, N. Y.; Phillips Ribbon & Carbon Co., New York, N. Y.; Rochester Ribbon & Carbon Co., Rochester, N. Y.; S. T. Smith Co., New York, N. Y.; Snelling & Son, Brooklyn, N. Y.; S. S. Stafford (Inc.), New York, N. Y.; Stenno Ribbon & Carbon Manufacturing Co., Seattle, Wash.; The Shallcross Co., Philadelphia, Pa.; Union Ribbon & Carbon Co., Philadelphia, Pa.; Write (Inc.), Bridgeport, Conn.; Woodstock Typewriter Co., Chicago, Ill.

LETTER OF WARD J. DOWNS

JULY 15, 1929.

HON. REED SMOOT,  
Chairman Senate Finance Committee,  
Washington, D. C.

DEAR SENATOR: Our reason for asking that typewriter ribbons be placed under the cotton schedule and made dutiable is not because we want protection from foreign competition but to make foreign-made ribbons carry at least the same duty, on the cotton fabric contained in the ribbon, that we American manufacturers now pay on the imported cloth which, with the duty, constitutes as high as 76 per cent of our material cost.

Practically all ribbons made in this country are manufactured from imported cloth, and the duty on the cloth used by American manufacturers amounts to about \$1,000,000 per annum.

When typewriter ribbons are classified under machine parts, as they are now, the foreign manufacturers can import this same cloth duty free, when in the form of a typewriter ribbon.

When I appeared before your committee Saturday morning, July 13, I was asked a question at a place during my testimony which changed the train of conversation and this phase wasn't properly covered.

I think this letter will clear up any impression you might have obtained that we were inconsistent when asking for a duty on our own product and opposing a duty on typewriter spools.

May I request that this letter be added to my testimony of July 13 and be printed in the record.

Respectfully yours,

WARD J. DOWNS.

## UREA

[Par. 1788]

### STATEMENT OF HARRY C. BUTCHER, WASHINGTON, D. C., REPRESENTING THE NATIONAL FERTILIZER ASSOCIATION

[Including ammonium phosphate and ammonium sulphate, par. 7]

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. Chairman and gentlemen, the tariff policy of the National Fertilizer Association was presented in full to the House Committee on Ways and Means by Charles J. Brand, executive secretary and treasurer of the association, and chairman of the tariff committee. Mr. Brand's statement and brief appear on pages 8570 to 8583 in the printed hearings on the free list before the House committee. In view of your committee's request that testimony presented in detail to the House Ways and Means Committee be not repeated here, I am taking for granted that your committee will give due consideration to our request as presented to the House committee.

Appearances were made before the House committee, both by Mr. Brand and by myself, in support of increased duties on agricultural products as requested by the American Farm Bureau Federation and the National Grange. Our interest in endeavoring to aid agriculture in getting more adequate duties under the American protective system is apparent from the fact that the farmer is the fertilizer industry's principal customer. When the farmer suffers, we suffer. When he prospers, we prosper. The dependence of this industry on agriculture is evident from these facts, which are shown in our brief as Table I.

Cotton, for instance, takes over 2,000,000 tons a year.

Corn takes 1,500,000 tons.

Potatoes, 688,000 tons.

Wheat, 682,000 tons.

Tobacco, 470,000 tons.

The five crops just named take 80 per cent of the total fertilizer consumption of the United States.

In this short presentation I wish to emphasize urea and sulphate of ammonia. They are important sources of nitrogen used in fertilizers. Sulphate of ammonia is the most important of any source of nitrogen used in complete fertilizer; that is, fertilizers containing the three most essential plant foods—nitrogen, phosphoric acid, and potash. In our request to the House committee we asked that the 35 per cent ad valorem duty on urea be removed, and that the duty of \$5 a ton on ammonium sulphate be either reduced or removed.

The tariff bill as passed by the House carried urea on the free list; and we trust that your committee will leave it there, because it is rapidly becoming an important source of nitrogen for fertilizer. So far as I know, urea is not made in this country. It is made synthetically in Europe, and is the most highly concentrated carrier of nitrogen, containing about 46 per cent.

Sulphate of ammonia, on the other hand, was left unchanged in the tariff bill passed by the House. It was on the free list in the 1909 and 1913 tariff acts, but was made dutiable in the 1922 act at one-fourth of 1 cent a pound. It was kept at that rate in the House tariff bill, in section I, paragraph 7. Coke and gas plants are practically the sole source of ammonium sulphate in this country, although it is made synthetically in Europe. Each ton of coal that is coked in by-product ovens, which are operated principally in connection with the steel industry, produces a little over 22 pounds of sulphate of ammonia. The increase in the production of by-product ammonia in terms of ammonium sulphate in the United States can be shown at one stroke by saying that in 1913 its production was 149,000 tons, whereas in 1928 it exceeded 788,000 tons.

Table 2 shows the production and distribution of domestically produced sulphate of ammonia, and the estimated consumption as fertilizers in the United States.

I am showing a table here which gives the production of sulphate of ammonia.

Senator SMOOT. The duty-free imports represent about 4 per cent of the total of all fertilizers.

Mr. BUTCHER. That is right.

Senator SMOOT. It is about 4 per cent.

Mr. BUTCHER. Yes, sir.

Senator SMOOT. Two per cent in 1927.

Mr. BUTCHER. It will be observed from the figures that sulphate of ammonia is produced in quantities exceeding the domestic demand. In other words, there normally is an exportable surplus of this commodity. However, at times, despite the production of an exportable surplus, American fertilizer manufacturers who purchase this material are forced by market conditions to buy it from abroad and pay the \$5 a ton duty. For example, in 1928, 42,000 tons were imported, the duty alone amounting to \$210,000, which eventually is passed on to the farmer and is paid in his fertilizer bill. The chart which I have here illustrates the conditions which prevailed in 1928. I think the southern Senators, particularly, will be interested in this.

Senator SMOOT. Why the southern Senators any more than any other Senators?

Mr. BUTCHER. They use more fertilizer in the South.

Senator SMOOT. They use it all over the United States.

Mr. BUTCHER. That is true; but a great deal more is used in the South than in other States.

Senator EDGE. Then we had better put it on the free list.

Mr. BUTCHER. Nitrate of soda is on the free list. Sulphate of ammonia is dutiable at \$5 a ton. In the spring, along in February, March, and April, most of the fertilizer is moving, in the South, particularly, as you will see from this chart [indicating]. This shows the year 1928.

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The demand for sulphate of ammonia exceeded expectations. Consequently it was necessary for manufacturers to buy abroad, and they had to pay the \$5 duty. I simply show this to illustrate the condition that may happen any year. The \$5 a ton duty on sulphate of ammonia may have an effect on nitrate of soda, which is a closely competitive nitrogen source. You will notice that sulphate of ammonia is exported rather uniformly throughout the year, the dotted line showing the imports. The red solid line shows the imports. There is a narrow margin between exports and imports, but enough is exported regularly throughout the year so that sometimes the domestic market is a little short.

Senator REED. The price rose from \$2.45 per hundred pounds in January of last year to about \$2.87 in April, did it not?

Mr. BUTCHER. Yes.

Senator REED. A rise of about 42 cents. Then it came down, and since then has been below \$2.40.

Mr. BUTCHER. Yes.

Senator REED. Your chart omits the \$2. It starts at \$2 at the bottom line and rises to \$3, so that it seems to exaggerate the price fluctuation.

Mr. BUTCHER. I might say this, in perfect fairness to sulphate of ammonia. This chart does indicate that sulphate of ammonia is higher priced than nitrate of soda, which is not true. Sulphate of ammonia contains a higher concentration of nitrogen, being 20½ per cent, whereas nitrate of soda is 15.6 per cent; so the relationship is not exactly right.

Senator REED. My suggestion is that, as your chart is prepared, it indicates that the price of sulphate of ammonia doubled in four months, which, of course, is not what you meant at all.

Mr. BUTCHER. No; I do not think it does show that it doubled. It shows a variation from \$2.45 to \$2.87 or \$2.88, and it very properly shows that which is intended to be shown, the relationships of price of ammonium sulphate and nitrate of soda during this period. Both commodities are shown on the same scale; therefore the relationship is properly shown.

Senator BARKLEY. He is taking the red line, as compared with the whole surface.

Senator REED. My impression, sitting at the opposite end of the table, was that the chart showed more than a doubling of the prices. It is not until one reads the small figures on the left of the chart that he realizes that that is not so.

Mr. BUTCHER. We have no desire, of course, to deceive in any way. I presumed the figures could be easily read by all.

Senator SMOOT. The price of the importations in 1925 was \$2.30 in 1926, \$2.10; and in 1927 it was \$2.

Mr. BUTCHER. Yes. It has been declining, as all nitrogen materials have been declining, and the production of sulphate of ammonia has been increasing rapidly.

In view of the close relationship normally shown between the prices of sulphate of ammonia and nitrate of soda, it seems logical that when the \$5 duty on sulphate of ammonia is effective the price of nitrate of soda likewise is influenced.

This is a point of considerable importance to farmers. Since the duty actually paid on sulphate of ammonia in 1928 amounted to

\$210,000 in itself, and since the effectiveness of the \$5 a ton duty may be felt not only on sulphate of ammonia, but on its related product, nitrate of soda, it is apparent that the farmers have considerable interest in this request for a complete or partial removal of the duty on this important raw material.

Under the present tariff act and decisions rendered by the Customs Bureau and the Court of Customs Appeals the manufacturer of complete fertilizer is confronted with the very undesirable situation of having a duty on this important raw material which if made up as finished fertilizers may enter free.

That is a point I wanted specially to emphasize.

The American manufacturer must buy sulphate of ammonia behind the tariff wall, but he is forced to compete with free importations of the same material if mixed with phosphoric acid and potash, or either one, in the form of a finished or "complete" fertilizer. Certainly if the benefits of the protective policy of this country are to be spread with any measure of fairness over all citizens, then fertilizer manufacturers are entitled to relief from this situation.

The coke ovens, in which about 90 per cent of the sulphate of ammonia made in the United States is produced, are made by the Koppers Co., of Pittsburgh. In speaking during the conference on mineral raw materials for the fertilizer industry, held at the Institute of Politics at Williams College, Mass., in 1926, the vice president of this company, Mr. C. J. Ramsburg, a nationally recognized authority on the subject, stated that:

The United States is now producing a surplus above consumption of ammonium sulphate, and this product is being obtained at plants on which the capital charges have already been realized.

Ammonia produced in the by-product coke ovens has a fuel value, if left in the gas and burned in the average steel plant practice, of approximately one-third of a cent a pound, but the products of its combustion are noxious and its corrosive action on valves and appliances is so great as to more than offset its fuel value. It follows that ammonia will invariably be removed from the gas.

The cost of producing sulphate of ammonia is threefold: (1) Capital cost of apparatus; (2) labor, steam, and sulphuric acid; and (3) maintenance and repair. An analysis of the cost of production of sulphate in existing plants indicates that by-product ammonium sulphate will continue to be produced in undiminished quantity so long as its selling price at the plant does not fall far below the direct cost of its production. The lowering of its price below this cost will increase the cost of coke and consequently of steel.

This request presents a clear-cut issue. If the duty is left on, the steel industry will benefit; if it is removed or lowered, the farmers will benefit. Severe competition among the 600 and more fertilizer companies will force the transmission on to the farmer of the benefits arising from partial or complete removal of the duty. The current tariff revision is intended to be in behalf of agriculture, and this is one important item by which the expressed tariff-revision policy of President Hoover may be carried into effect. The American Farm Bureau Federation, the National Grange, and the National Horticultural Council are strongly advocating action on the sulphate of ammonia duty.

I wish to add to this, if I may, that the National Fertilizer Association supports Mr. Ledoux, who testified before me on pyrites. It is a very important source of sulphur, as you know, in making sulphuric acid, which is used in making superphosphate, which goes into fertilizer. About 4,000,000 tons of superphosphate are used annually in this country in agriculture, and if the duties were imposed on the

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zinc or lead content of pyrites, owing to the rather narrow margin on which the companies operate, this added cost would probably impair this as a source of sulphur for the manufacturing fertilizers.

(Mr. Butcher submitted the following brief:)

BRIEF OF THE NATIONAL FERTILIZER ASSOCIATION

SENATE FINANCE COMMITTEE,  
Washington, D. C.

GENTLEMEN: The tariff policy of the National Fertilizer Association was presented in full to the House Committee on Ways and Means by Charles J. Brand, executive secretary and treasurer of the association and chairman of the tariff committee. Mr. Brand's statement and brief appear on pages 8570 to 8583 in the printed hearings on the free list before the House committee. In view of your committee's request that testimony presented in detail to the House Ways and Means Committee be not repeated here, I am taking for granted that your committee will give due consideration to our request as presented to the House committee.

Appearances were made before the House committee, both by Mr. Brand and myself, in support of increased duties on agricultural products as requested by the American Farm Bureau Federation and the National Grange. Our interest in endeavoring to aid agriculture in getting more adequate duties under the American protective system is apparent from the fact that the farmer is the fertilizer industry's principal customer. When the farmer suffers we suffer; when he prospers we prosper. The dependence of this industry on agriculture is evident from the facts shown by Table I:

TABLE 1.—Quantities of fertilizer used on certain crops in 32 States in 1927

(Total is 97.5 per cent of all fertilizer used in the United States in 1927)

Crop	Tons	Per-centage of total	Crop	Tons	Per-centage of total
Cotton.....	2,108,000	31.4	Rye.....	18,000	0.3
Corn.....	1,506,000	22.5	Peanes.....	15,000	.2
Potatoes.....	688,000	10.3	Sweet corn.....	14,000	.2
Wheat.....	682,000	10.2	Rice.....	13,000	.2
Tobacco.....	476,000	7.0	Strawberries.....	12,000	.2
Beans.....	328,000	4.9	Beans (dry).....	12,000	.2
Citrus.....	1,241,000	3.6	Cucumbers.....	8,000	.1
Hay.....	184,000	2.7	Soy beans.....	7,500	.1
Sweet potatoes.....	112,000	1.7	Cabbage.....	6,000	.1
Tomatoes.....	78,000	1.2	Cantaloupes.....	4,500	.1
Vegetables (miscellaneous).....	60,000	.9	Sugar beets.....	4,500	.1
Peanuts.....	49,000	.7	Onions.....	4,500	.1
Buckwheat.....	26,000	.4	Cowpeas.....	3,000	.....
Watermelons.....	22,000	.3	Sugar cane.....	2,000	.....
Berley.....	20,000	.3			

<sup>1</sup> Florida only.

<sup>2</sup> Georgia only.

<sup>3</sup> Louisiana only.

In this short presentation I wish to emphasize urea and sulphate of ammonia. They are two important sources of nitrogen used in fertilizers. Sulphate of ammonia is the most important of any source of nitrogen used in complete fertilizer, i. e., fertilizers containing the three most essential plant foods—nitrogen, phosphoric acid and potash. In our request to the House committee we asked that the 35 per cent ad valorem duty on urea be removed, and that the duty of \$5 a ton on ammonium sulphate be either removed or reduced.

The tariff bill as passed by the House carried urea on the free list, and we trust that your committee will leave it there, because it is rapidly becoming an important source of nitrogen for fertilizer. So far as I know, it is not made in this country. It is made synthetically in Europe by the German Dye Trust and is the most highly concentrate carrier of nitrogen, containing about 46 per cent.

Sulphate of ammonia, on the other hand, was left unchanged in the tariff bill passed by the House. It was on the free list in the 1909 and 1913 tariff acts, but was made dutiable in the 1922 act at one-quarter cent a pound. It is dutiable at the same rate in the House tariff bill, paragraph 7, Schedule I. Coke and gas

plants are practically the sole source of ammonium sulphate in this country, although it is made synthetically in Europe. Each ton of coal that is coked in by-product ovens, which are operated principally in connection with the steel industry, produce a little over 22 pounds of sulphate of ammonia. The increase in the production of by-product ammonias in terms of ammonium sulphate in the United States can be shown at one stroke by saying that in 1913 its production was 149,000 tons, whereas in 1928 it exceeded 788,000 tons. Table 2 shows the production and distribution of domestically produced sulphate of ammonia, and the estimated consumption as fertilizers in the United States:

TABLE 2.—Production and distribution of ammonium sulphate in the United States

Source: Bureau of Mines, U. S. Department of Commerce, excepting estimate of consumption as fertilizer in United States, which was made by the National Fertilizer Association)

Year	Total equivalent production	Imports (tons of 2,000 pounds)	Exports	Domestic consumption for all purposes	Estimated consumption as fertilizers in United States
1928.....	788,000	42,066	93,015	737,051	628,000
1927.....	717,490	17,153	138,092	595,921	490,000
1926.....	715,076	9,392	202,960	522,506	.....
1925.....	664,019	26,013	137,106	522,714	.....
1924.....	569,622	6,720	132,571	443,771	.....
1923.....	603,363	3,967	172,118	435,212	.....
1922.....	449,000	5,524	161,011	293,513	.....
1921.....	328,000	2,641	114,928	215,913	.....
1920.....	469,000	2,897	66,714	405,183	.....
1919.....	373,000	2,636	.....	.....	.....
1918.....	349,000	3,352	.....	.....	.....
1917.....	280,000	9,157	.....	.....	.....
1916.....	235,000	121,732	.....	.....	.....
1915.....	173,000	164,417	.....	.....	.....
1914.....	143,000	.....	.....	.....	.....
1913.....	149,000	.....	.....	.....	.....

1 Fiscal year ended June 30.

It will be observed from the figures shown in Table 2 that sulphate of ammonia is produced in quantities exceeding the domestic demand. In other words, there normally is an exportable surplus of this commodity. However, at times, despite the production of an exportable surplus, American fertilizer manufacturers who purchase this material are forced by market conditions to buy it from abroad and pay the \$5 a ton duty. For example, in 1928, 42,000 tons were imported, the duty alone amounting to \$210,000, which eventually is passed on to the farmer and is paid in his fertilizer bill.

The chart which I display illustrates the condition which prevailed in 1928, and which may occur again in any year. The data on which this chart is based are as follows:

Comparison of prices of sulphate of ammonia (dutiable) and nitrate of soda (on free list), the imports of sulphate of ammonia and nitrate of soda, and exports of sulphate of ammonia, by months, in 1928

	Price of ammonium sulphate	Price of nitrate of soda	Imports of ammonium sulphate	Imports of nitrate of soda	Exports of ammonium sulphate
	Per 100 pounds	Per 100 pounds	Long tons	Long tons	Long tons
1928					
January.....	2 450	2 388	5,448	69,867	9,182
February.....	2 650	2 338	3,396	144,716	6,565
March.....	2 760	2 320	3,292	177,167	8,978
April.....	2 875	2 325	4,842	131,819	6,235
May.....	2 600	2 325	2,479	113,722	9,126
June.....	2 370	2 210	231	76,135	8,425
July.....	2 350	2 150	472	28,150	11,329
August.....	2 400	2 144	219	75,318	8,569
September.....	2 400	2 110	2,565	39,644	6,597
October.....	2 303	2 150	5,671	48,395	6,197
November.....	2 350	2 175	7,438	46,577	7,582
December.....	2 350	2 175	5,763	85,391	3,924

Source of prices: U. S. Bureau of Labor Statistics.  
Source of imports and exports: U. S. Department of Commerce.

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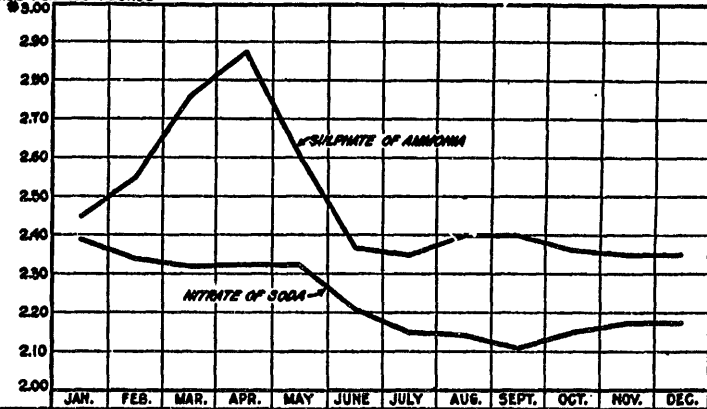
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The upper chart shows by months a comparison of prices of sulphate of ammonia and nitrate of soda, which is on the free list. Sulphate of ammonia and Chilean nitrate of soda are highly competitive as sources of nitrogen purchased by fertilizer manufacturers for use in complete fertilizer. Both also are used as top dressing or side dressing materials and are purchased by farmers for single applications to crops. This practice applies particularly to cotton and corn in the South.

**COMPARISON OF PRICES OF SULPHATE OF AMMONIA (DUTIABLE), AND NITRATE OF SODA (ON FREE LIST) (BY MONTHS - 1928)**

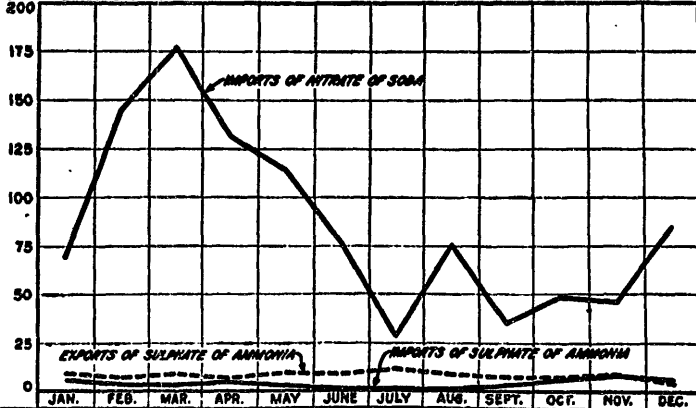
PRICE PER 100 POUNDS



SOURCE OF PRICES: U.S. BUREAU OF LABOR STATISTICS.  
SOURCE OF IMPORTS AND EXPORTS: U.S. DEPT. OF COMMERCE.

**IMPORTS OF SULPHATE OF AMMONIA AND NITRATE OF SODA, AND EXPORTS OF SULPHATE OF AMMONIA (BY MONTHS - 1928)**

THOUSANDS OF LONG TONS



Since the two commodities are so highly competitive it is only natural that the prices of both should show a sympathetic relationship, just as do the prices of wheat and rye. Normally the prices of the two commodities follow each other closely, but the price for 100 pounds of nitrate of soda is normally lower than that of 100 pounds of sulphate of ammonia, because the former contains only 15 per cent of nitrogen and the latter 20.5 per cent of nitrogen.

You will observe from the upper chart that the price of sulphate of ammonia sharply increased in the heavy fertilizer-buying months of 1928 and reached a high point in April, when farmers, particularly in the South, are heavily in the market for fertilizers.

On the other hand, the price of nitrate of soda, which bears no tariff, did not rise during the period in which the price of sulphate of ammonia showed such a sharp increase. You will note the heavy imports of nitrate of soda during this period of higher prices for sulphate of ammonia, and also that the price of nitrate of soda held steady until that of sulphate of ammonia dropped, when the more or less normal relationship was resumed. Imports of sulphate of ammonia also increased, all of which had to come in over the \$5 tariff wall. In view of the close relationship normally shown between the prices of sulphate of ammonia and nitrate of soda, it seems logical that when the \$5 duty on sulphate of ammonia is effective the price of nitrate of soda likewise is influenced.

This is a point of considerable importance to farmers. Since the duty actually paid on sulphate of ammonia in 1928 amounted to \$210,000 in itself, and since the effectiveness of the \$5 a ton duty may be felt not only on sulphate of ammonia but on its related product, nitrate of soda, and probably on other nitrogen materials, it is apparent that the farmers have considerable interest in this request for a complete or partial removal of the duty of this important raw material.

**MANUFACTURERS OF COMPLETE FERTILIZERS ARE NOW "WHIPSAWED" BY DUTIABLE SULPHATE OF AMMONIA AND FREE ENTRY OF FINISHED FERTILIZERS**

Under the present tariff act and decisions rendered by the Customs Bureau and the Court of Customs Appeals the manufacturer of complete fertilizer is confronted with the very undesirable situation of having a duty on this important raw material which if made up as finished fertilizers may enter free. The American manufacturer must buy sulphate of ammonia behind the tariff wall, but he is forced to compete with free importations of the same material if mixed with phosphoric acid and potash, or either one, in the form of a finished or "complete" fertilizer. Certainly if the benefits of the protective policy of this country are to be spread with any measure of fairness over all citizens, then fertilizer manufacturers are entitled to relief from this situation.

**AMMONIA MUST BE REMOVED IN STEEL-PLANT PRACTICE, AS IT IS INJURIOUS TO EQUIPMENT**

The coke ovens in which about 90 per cent of the sulphate of ammonia made in the United States is produced are made by the Koppers Co., of Pittsburgh. In speaking during the conference on mineral raw materials for the fertilizer industry, held at the Institute of Politics at Williams College, Massachusetts, in 1926, the vice president of this company, C. J. Ramsburg, a nationally recognized authority on the subject, stated that—

"The United States is now producing a surplus above consumption of ammonium sulphate, and this product is being obtained at plants on which the capital charges have already been realized.

"Ammonia produced in the by-product coke ovens has a fuel value, if left in the gas and burned in the average steel-plant practice, of approximately one-third of a cent a pound, but the products of its combustion are noxious and its corrosive action on valves and appliances is so great as to more than offset its fuel value. It follows that ammonia will invariably be removed from the gas.

The cost of producing sulphate of ammonia is threefold—(1) capital cost of apparatus, (2) labor, steam, and sulphuric acid; and (3) maintenance and repair. An analysis of the cost of production of sulphate in existing plants indicates that by-product ammonium sulphate will continue to be produced in undiminished quantity so long as its selling price at the plant does not fall far below the direct cost of its production. The lowering of its price below this cost will increase the cost of coke and consequently of steel."

This request presents a clear-cut issue: If the duty is left on, the steel industry will benefit; if it is removed or lowered, the farmers will benefit. Severe competition among the 600 or more fertilizer companies will force the transmission on to the farmer of the benefits arising from partial or complete removal of the duty. The current tariff revision is intended to be in behalf of agriculture, and this is one important item by which the expressed tariff-revision policy of President Hoover may be carried into effect. The American Farm Bureau Federation,

the National Grange, and the National Horticultural Council, as well as other farm organizations and agricultural institutions, are strongly advocating action on the sulphate of ammonia duty.

Respectfully submitted.

HARRY C. BUTCHER,  
*The National Fertilizer Association*

WASHINGTON, D. C., July 13, 1929.

Hon. REED SMOOT,  
*Chairman Committee on Finance, Washington, D. C.*

MY DEAR SENATOR: You may recollect that in the statement presented on behalf of the American Farm Bureau Federation relative to fertilizers during the afternoon of Thursday, July 11, it was urgently recommended that ammonium sulphate be made free of duty.

At that time it was suggested that the National Fertilizer Association would appear before the Finance Committee and in its own way make a similar request relative to ammonium sulphate.

As an indication of the cordiality which exists between the association which represents and speaks for the manufacturers of fertilizers and the American Farm Bureau Federation which represents and speaks for a large group of fertilizer users, I am pleased to transmit to you by a representative of the National Fertilizer Association for incorporation in the record immediately following the brief of that association this restatement of position regarding ammonium sulphate on the part of the farm bureau.

Trusting this letter may be made of record as above suggested, for the further information of all members of the Finance Committee, I am,

Very respectfully,

THE AMERICAN FARM BUREAU FEDERATION,  
CHESTER H. GRAY, *Washington Representative.*

THE NATIONAL GRANGE,  
*Washington, D. C., July 14, 1929.*

Hon. REED SMOOT,  
*Chairman Finance Committee,  
Senate Office Building, Washington, D. C.*

DEAR SENATOR: We trust that the Finance Committee of the Senate may see its way clear to put ammonium sulphate on the free list. Under the present act this commodity is made dutiable at the rate of \$5 per ton.

As you are no doubt aware, ammonium sulphate is the principal domestic source of nitrogenous or ammonia fertilizers, although small quantities still come from packing-house offal.

The policy of Congress has for a long time been to keep fertilizers and fertilizer material on the free list. This is looked upon as a partial offset to the present inability of the protective tariff system to protect many of our principal farm crops.

Since ammonium sulphate is one of several by-products of the steel industry, the cost of producing it can not be very accurately determined. However, we feel that the producers of ammonium sulphate will not suffer if this commodity is placed on the free list, and it will be quite a help in keeping down the price of fertilizers.

Sincerely yours,

FRED BRECKMAN,  
*Washington Representative.*

## WITHERITE

[Par. 1796]

STATEMENT OF HON. FRANK W. MONDELL, WASHINGTON, D. C.,  
REPRESENTING THE FOOTE MINERAL CO., PHILADELPHIA, PA.

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. MONDELL. Mr. Chairman and gentlemen, I appear on behalf of the Warren M. Foote Mineral Co. of Philadelphia, in the matter of witherite. Witherite appears upon the free list without the words "without limit or qualification."

Senator SMOOT. Just the same as it is in the existing law.

Mr. MONDELL. We desire to have it remain there.

Senator KING. On the free list?

Mr. MONDELL. On the free list. At the time of the House hearings, however, we were not aware of the fact, which we discovered later, that owing to the fact that the word appeared without limit or qualification, the Treasury had decided that manufactured witherite could also be imported free. While there have been small importations, limited importations up to this time, there is no obstacle under the present decision of the department against the importation of the manufactured article free. We had supposed that the ground or manufactured witherite was dutiable under paragraph 214 of the tariff act, which provides for a duty of 30 per cent ad valorem on earthy or mineral substances. In view of the decision of the Treasury in the matter we ask that the word "witherite" remain as it is on the free list, and that there be added to it the words "crude unground." If those words are added, ground witherite, prepared witherite, advanced witherite will take the same duty that all earthy and mineral substances do.

Senator EDGE. Under paragraph 214?

Mr. MONDELL. Under paragraph 214.

Senator KING. Why should not the whole product be free, Mr. Congressman? It seems to be valuable for important purposes, and the production of it is limited throughout the world. It is a very scarce product.

Mr. MONDELL. For the following reasons, Senator. At the time of the hearing on the chemical schedule in the House of Representatives, Mr. James J. Riley, of the Barium Products Company, of West Virginia, appeared before the committee in favor of and asking for various increases of duty on barium products. He made no reference to witherite in his oral statement. But in his brief he referred to witherite, and asked that a duty be placed on witherite, that it be taken from the free list, that a duty of \$15 per ton be placed upon it, on the theory that it competed, if not directly, at least indirectly, with artificially precipitated barium carbonate made from barytes.

At that time Mr. Foote appeared, Mr. Foote being the principal importer of witherite in the United States, and made a statement against the removal of witherite from the free list, not knowing at that time, however, that the manufactured article came in. Mr. Riley's statement was to the effect that there was a competition with the artificially precipitated article.

Now, in the statement which you have before you from the Tariff Commission they say that witherite does compete somewhat with artificially precipitated barium carbonate in the manufacture of face brick and tile and that sort of thing. But as a matter of fact the Tariff Commission, recently investigating the matter, said:

"In brick manufacture witherite can not ordinarily be substituted for barium carbonate because it contains impurities, is not uniform in chemical composition, is not fine enough. Likewise, witherite may be used in some case-hardening compounds, but not in others."

Now, while we believe that witherite ought to remain on the free list in order to give a comparatively cheap product to the brick manufacturer, and the tile manufacturer, and particularly in the refining of beet sugar, where witherite is used as a refining agent on the heavy molasses which is obtained from beet sugar, we do believe, on the other hand, that if there is any competition with the barium product that competition ought not to come free in a manufactured state, and furthermore we do manufacture witherite. We are interested in having enough duty or witherite to pay the manufacturing cost.

Senator EDGE. The Tariff Information does not give any information as to the importation of manufactured witherite. Do you know as to whether there has been any importation of manufactured witherite?

Mr. MONDELL. It is very limited, Senator. My impression is that neither the importers nor the producers in England have been under the impression that the article could in its manufactured state be imported free. But there has been some so imported, and now that the Treasury has ruled in the matter there is no reason why it should not all be prepared over there. It can be done very much more cheaply than here.

Senator EDGE. When you speak of being "prepared," do you mean when it is ground? Is that what you refer to?

Mr. MONDELL. The ordinary method of preparing witherite is to grind and pulverize and air-float it. That is, it is pulverized fine enough that it can be air-floated, and in that form it can be used. Witherite is so impure that it is very difficult to carry it beyond the state of a powdered product. It is very difficult indeed to so advance it as to bring it in direct competition with the fine precipitated barium carbonate. And therefore it is not directly in competition with it.

Senator SMOOT. But they are grinding it so fine now that that is what they claim they are.

Mr. MONDELL. Well, I have just read what the Tariff Commission said after careful consideration of the matter, that the competition is exceedingly limited. That it is true, possibly, that if there were no witherite that the beet-sugar manufacturers might use the artificially precipitated barium carbonate. I am not sure about that. But it would cost them three or four times as much, and they never have used it. They use the witherite simply broken. Not finely ground. Simply broken, for their purposes. And it is just possible, I think, that this finely prepared and expensive material artificially precipitated might be brought in competition, might be used for those purposes. It has not been used. The competition has been very slight.

Senator EDGE. Well, it would be under paragraph 214, and call for a 30 per cent ad valorem duty.

Mr. MONDELL. That is what the effect would be.

Senator SMOOT. Yes.

Senator KING. Well, Mr. Congressman, my present opinion is—and if you want to leave a brief I would be very glad to have you—that not only the witherite but the powdered witherite should come in free of duty. It is important, and I think that if they attempted to manufacture it there, they could not compete with our mechanical appliances here; and, moreover, if they manufactured it and imported it in the dust form, I think that the freight rate would be higher than in the crude form. So if you have anything to say in reply I should be very glad to hear it, because my present view is that the finished product as well as the raw material should come in.

Mr. MONDELL. Well, I shall be glad to prepare a brief. But may I say just very briefly that there is no reason on earth why they could not grind it more cheaply in Northumberland than we can grind it in Philadelphia, for instance, where we import the material or in the West where we import it. Labor is very much cheaper, and their mechanical appliances are just as up to date as ours are, in England, where they have been mining for hundreds and thousands of years. And they can grind it exceedingly cheaply—more cheaply than we can. And we put out of business the few men in America who have been using the limited amount of the imports.

Senator EDGE. You mean the men in America who have been grinding it and preparing it for use?

Mr. MONDELL. Yes; who have been grinding it and preparing it for use. For instance, the people I represent, that is their only business. They prepare about 2,500 tons a year for the trade. They have been at it for 20 years. It is not a very remunerative business, but it makes them a fair living. They pay \$30 a ton for this material laid down, whereas the barytes from which the artificial article is prepared only costs about \$11 or \$12 a ton at the factory.

Senator SMOOT. All right; thank you.

Mr. MONDELL. I shall be glad to submit a brief, if I may.

Senator SMOOT. Yes; you may.

Mr. MONDELL. Thank you very much.

(Mr. Mondell submitted the following brief:)

**BRIEF OF THE FOOTE MINERAL CO., PHILADELPHIA, PA.**

Witherite is a mineral, a natural barium carbonate, containing various impurities, and so far found and mined only in the vicinity of Settlingsstones, in Northumberland, England. According to the Department of Commerce, only one mine was producing in 1928, with an output of less than 10,000 tons, of which, according to the Tariff Commission, a little more than 4,000 tons was imported into the United States. Witherite imported is pulverized and is used as an anticlimbing agent in the manufacture of face brick and terra cotta and tile. It is also used somewhat for casehardening, and a certain amount of it is used in the recovery of sugar from the heavy molasses produced in the manufacture of beet sugar.

When the tariff bill was before the House committee, Mr. Foote, of the Foote Mineral Co., of Philadelphia, appeared before the House committee to protest against the removal of crude witherite from the free list, as had been suggested in a brief filed in connection with the hearings on the chemical schedule. Witherite remains on the free list, as we desire.

Since that hearing, however, the fact has developed that the Treasury holds that manufactured as well as crude witherite is entitled to free entry because of the fact that it appears upon the free list "without limit or qualification."

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The importers of raw witherite were under the impression that the ground or manufactured article was dutiable.

It was believed to be dutiable under paragraph 214 of the tariff act, which reads as follows:

"214. Earthy or mineral substances wholly or partly manufactured, and articles, wares, and materials (crude or advanced in condition) composed wholly or in chief value of earthy or mineral substances, not specially provided for, whether susceptible of decoration or not, if not decorated in any manner, 30 per centum ad valorem."

As I have heretofore stated, the Treasury holds that while this is a mineral substance, it does not take this 30 per cent duty, even when ground or advanced in condition, because it appears upon the free list without limit or qualification. It is, of course, in the interest of both those who import and use raw witherite, as well as those who manufacture articles that might directly or indirectly compete with witherite, that the advanced or manufactured article should carry a duty. In order to accomplish this purpose, we suggest the addition, following the word "witherite" in the free-list paragraph, of the words "crude, unground."

We suggest the word "crude" in order to distinguish the mineral in anywise advanced from the crude material, and we suggest the word "unground" because the ordinary process of advancing or improving witherite is one of grinding.

#### CRUDE WITHERITE SHOULD REMAIN ON THE FREE LIST

During the hearing before the House committee on the chemical schedule Mr. James J. Riley, of the Barium Reduction Co., of Charleston, W. Va., appeared in behalf of increases in duty on barium products, and in the brief which he presented to the committee, and which was published on page 268 of the hearings, he asked that crude witherite be taken from the free list and subjected to a duty of \$15 per ton on the theory that crude witherite when ground is sold in competition with artificially precipitated barium carbonate. As a matter of fact, crude witherite does not, to any appreciable extent, compete, directly at least, with any of the products manufactured from barytes. It is true that the Tariff Commission, in its summary of information to the committee, page 2045, states that ground witherite competes with domestic precipitated barium carbonate as an antiscumming agent in the manufacture of face brick, terra-cotta roofing, and building tile, but in a recent report of the Tariff Commission, in which the matter was carefully considered, the following statement is made:

"In brick manufacture witherite can not ordinarily be substituted for barium carbonate because it contains impurities, is not uniform in chemical composition, and is not fine enough \* \* \* likewise, witherite may be used in some case hardening compounds but not in others."

From all of this it is very evident that the competition as it exists is very slight, is indirect, and as to the important use of witherite for the recovery of sugar from the heavy molasses of the beet sugar refineries there has been no competition.

Furthermore, any considerable competition is impossible, owing to the great difference in the cost of the raw material, unless the barium carbonate people expect to secure a very largely increased price. Mr. Foote, of the Foote Mineral Co., of Philadelphia, testified before the House committee February 22 that crude lump witherite costs slightly over \$30 per ton without a duty, while barytes, from which artificially precipitated barium carbonate is produced, costs at the most \$11 or \$12 per ton at the plants of the manufacturers. This fact and the further fact that owing to its impurities witherite can only be used for a few purposes and can not be successfully refined, owing to its high cost, in competition with precipitated barium carbonate produced from barytes, there is little, if any, direct competition, certainly not enough to overcome a raw-material cost nearly three times that of barytes.

As I have stated, the production is confined to one limited area, at present to one mine. It has been testified that it would be impossible to greatly increase the output. Our importations are small. The product, although not one of great volume, is important to the industries that use it, particularly those who need a cheap antiscumming material for brick and like products and for the beet-sugar industry. No American industry can be injured by keeping witherite on the free list. A variety of industries can be injured by having it placed upon the dutiable list.

It may be urged by the producers of precipitated barium carbonate that witherite should be taken from the free list because it is a natural barium carbonate and because barytes, which is the basis of artificially precipitated barium carbonate, bears a tariff rate of \$4 per ton. There may be a good reason for a small duty on crude barytes, but such a duty does not in the least justify a duty on crude witherite. It is true that witherite is also a barium carbonate, but it is a barium carbonate so impure that the expense of purifying it in order to bring it into direct competition with precipitated barium carbonate is prohibitive.

It has never been so purified to any considerable extent. The attempts to do so have not been successful. Furthermore, as above stated, the cost of the raw material laid down is three times that of the raw material of artificially precipitated barium carbonate.

The barium manufacturers have claimed that a ton of witherite takes the place of two tons of barytes. This is an exaggerated statement, but if it were true it would not justify a duty on raw witherite, as raw witherite costs three times as much without a duty as barytes costs at the American mills. It would be most unfair to those who are conducting a comparatively small business of importing witherite to lay a duty which would amount to an embargo on their business. It would be manifestly unfair to such manufacturers of brick and tile as can use witherite and be an additional burden on them. It would be most unfair to the beet-sugar industry to burden that industry with an additional cost on crude witherite.

On the other hand, it would be equally unfair to the importers and grinders of crude witherite to allow the ground and manufactured article to come in free. In the section of England where witherite is mined labor is very much cheaper than in America; grinding machinery is much cheaper than it is here, and the material could be ground and thus imported in a manufactured state, to the very great disadvantage of the handlers of witherite in America, and in all probability without any profit to the ultimate consumer, as witherite, ground in the United States, is sold at a very close margin.

It might also be said that it would not be entirely fair to the manufacturers of artificially precipitated barium carbonate produced from barytes to have the ground witherite imported free. Whatever competition there is between witherite and the artificially precipitated barium carbonate would be increased. Furthermore, there is no more reason why advanced ground or manufactured witherite should be imported free than there would be for the free importation of other manufactured earths and minerals. All such products, though they may be imported free, in the raw state, are subject to the 30 per cent duty provided in paragraph 214 when they are advanced manufactured or ground and witherite so manufactured or ground should take the same rate as do other like products so advanced and manufactured.

For the above reasons we most earnestly urge that witherite be retained on the free list, and that following the word "witherite" there be added the words "crude, unground" or other words which the committee may suggest which will differentiate between the crude and the ground or manufactured product.

FOOTE MINERAL Co.,  
By F. W. MONDELL.

**STATEMENT OF COL. JAMES J. RILEY, REPRESENTING THE BARIUM REDUCTION CO., CHARLESTON, W. VA., AND THE MANUFACTURING CHEMISTS' ASSOCIATION**

(The witness was duly sworn by the chairman of the subcommittee.)

Senator Smoor. Colonel Riley, you appeared before the House committee?

Mr. RILEY. I appeared before the House committee. I did not speak upon witherite, but filed a brief and referred to it.

Senator Smoor. That is what I say; the brief is there now, and we do not want you to take the time of the committee here in repeating that brief.

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Mr. RILEY. No, sir; I am not going to do it. I want to correct an entirely false impression that has been given by the preceding witness, and seemed to have been taken out of the brief. They harp upon the question of competition with barium carbonate. I present here a brief signed by 10 producers of barytes ore. These are in Cartersville, Ga.; in Tennessee, in Missouri, and in Virginia.

Now, what really happens is this: Witherite is natural barium carbonate. In this country we produce barium in the form of a sulphate. But what we are producing, what we are dealing with, is barium. It comes in two different chemical forms. Now it has been decided that the American raw material shall be protected to the extent of \$4 a ton.

Senator KING. Do you mean witherite?

Mr. RILEY. No, sir; barium as mined in America, in sulphate form.

Senator SMOOT. Well, we are on witherite now.

Mr. RILEY. Well, witherite is barium.

Senator KING. Suppose we take the tariff off of the other?

Mr. RILEY. Then you will be up to the question of having much more importation and affecting the Georgia, Tennessee, Utah, Colorado, and all the different people engaged in this.

Senator EDGE. Under what paragraph are we protecting that at \$4 a ton?

Mr. RILEY. The crude-ore paragraph.

Senator EDGE. It is in the earthenware list, and I want to make a memorandum of it.

Mr. RILEY. Paragraph 69.

Senator KING. I take it, Mr. Riley, you want a tariff on witherite?

Mr. RILEY. Yes, sir. Each ton of witherite or artificial barium carbonate imported replaces 2 tons on this side. And do not forget that witherite is barium. Each ton of the barium imported in the witherite form replaces 2 tons of American ore.

Senator SMOOT. Well, that has been the case right along, and the importations have not amounted to anything.

Mr. RILEY. At the start of the tariff it amounted to 600 tons. Now it has risen to 6,000 tons.

Senator EDGE. That is the manufactured form?

Mr. RILEY. Yes; witherite.

Senator SMOOT. In 1922 when we had the tariff bill up everything was just happening six months before we passed the tariff act, and everything that was going to destroy was to come just as soon as the bill passed.

Senator KING. I would be inclined, I will say frankly, Mr. Riley, to put barium on the free list too. But go ahead and I will listen to you. I like to be frank with you.

Mr. RILEY. We are protected on our barium ore to the extent of \$4. Now, it is only fair that to import barium in another form which replaces 2 tons of our ore we should have it on the basis of our replacement ton by ton, \$8 duty. If you put it on the value you will get \$15 duty.

Senator KING. The raw material now costs \$30?

Mr. RILEY. Yes.

Senator KING. The barium?

Mr. RILEY. Yes.

Senator KING. You want a duty on that of how much?

Mr. RILEY. A minimum of \$8, because it replaces 2 tons of American ore.

Senator KING. I think it is advantageous if you can get it cheaper here, because of the important uses to which the witherite is put, in building tiles, and so on.

Mr. RILEY. Excuse me, sir; it is no more important than any of the other barium uses. Barium is one of these small key industries which we did not have when the war started, and they had to have it, and they gave all sorts of priorities to get barium. It is not a big industry, not a terribly big industry in volume, but it is one of these small key industries which America did not have, and which they had to have.

Senator EDGE. It is in the same class as tungsten, manganese, and all the other raw materials which were discovered during the war, and we have had seven years to find out if we could produce them. They were put on the dutiable list in the 1922 act to give all the industries a chance to see if they could meet the American demand. Now you are in the same class, as I understand you?

Mr. RILEY. No, sir; we are not in the same class. We are on our feet. We have established an industry.

Senator EDGE. I believe thoroughly in protection, but if an American product can not be produced in anything like sufficient quantities to take care of the American needs I think that should be taken into consideration. And I understand witherite is not being produced here at all. I understand your explanation is that it is practically the same thing?

Mr. RILEY. Yes.

Senator EDGE. But it takes 1 ton of witherite to do the same work as 2 tons of yours?

Mr. RILEY. Approximately.

Senator EDGE. Do you mean to say that your supply of barium is practically inexhaustible? Is that your statement?

Mr. RILEY. There always is enough and more, sir.

Senator SMOOT. You want \$8 a ton on barium?

Mr. RILEY. Yes, on witherite.

Senator SMOOT. On witherite?

Mr. RILEY. On witherite, sir.

Senator SMOOT. Oh, on witherite.

Mr. RILEY. Not on barium.

Senator SMOOT. You want \$8 a ton only on witherite?

Mr. RILEY. We want \$8 a ton only on witherite to make it equivalent to the present duty on barium, sir. I am asking for no more on barium at all.

Senator SMOOT. Witherite, \$8.

Mr. RILEY. Yes. I have here the brief on behalf of the 10 miners of the ore.

Senator SMOOT. All right, it will be placed in the record.

(Mr. Riley submitted the following brief:)

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## BRIEF OF THE BARIUM REDUCTION CO.

## FINANCE COMMITTEE,

*United States Senate, Washington, D. C.*

GENTLEMEN: "Witherite," or natural barium carbonate ( $\text{BaCO}_3$ ), according to the tariff act of 1922 (par. 1689) comes in on the free list.

In 1921 the imports were only 668 short tons, and it was not looked upon as an import of importance. Since then, however, the imports have risen till in 1927 they stand at 3,300 tons.

"Witherite," according to the brief filed by the importers, goes into uses supplied by barium chemicals. These barium chemicals are in turn made from crude barytes ore ( $\text{BaSO}_4$ ). The protection granted us on our crude barytes ore is \$4 a ton. Each ton of witherite or barium imported in the form of natural carbonate, when used in the manufacture of barium chemicals (the chloride, sulphate, carbonate, or nitrate), replaces approximately 2 tons of barium in the form of natural barium sulphate, which we mine.

We feel that it is unfair to allow the witherite to come in duty free, and that it should be assessed a duty equivalent to the American crude barytes which it displaces, \$8 a ton; although based upon the relative selling prices of the crude barytes and the witherite and the present duty on barytes the duty should be \$15 a ton.

Respectfully submitted.

Barium Products (Inc.), New Riverside Ochre Co., The Paga Mining Co., Chicago Copper & Chemical Co., Superior Mineral Co., Adelbert E. Stocking, A. H. Long, Evans & Russell, T. F. Blount, Barium Mining Corporation.

## SOFTWOOD LUMBER

[Par. 1798]

**STATEMENT OF ALBERT W. COOPER, PORTLAND, OREG., REPRESENTING THE NATIONAL ASSOCIATION AGAINST A TARIFF ON LUMBER, SHINGLES, AND LOGS**

[Including shingles, par. 403]

(The witness was duly sworn by the chairman of the subcommittee.)

Senator COUZENS. Proceed.

Mr. COOPER. I am appearing here on behalf of the national association against a tariff on lumber, shingles, and logs. This association is an informal organization representing the views of more than 1,300 companies, including a number of the largest operators of the Pacific Northwest and of the South, also several in the North and other parts of the country, as well as a large number of wood-working firms, wholesalers of lumber, and lumber retailers, and the stained shingle industry.

While I was trained as a forester, for many years I have been identified with the lumber manufacturing industry as manager of the Western Pine Manufacturers Association. I am now financially interested in the manufacture of pine lumber in New Mexico.

I understand that your committee does not wish to have repeated before it testimony that has been offered to the Ways and Means Committee. I shall try therefore to confine my testimony to some of the outstanding reasons against a tariff on softwood lumber, which is now on the free list.

I believe there is no more outstanding or cogent reason against a tariff on lumber than that of conservation of our natural resources. This subject has been so distorted and so often advanced by the advocates of a tariff as a reason for a tariff that I believe it should be clarified.

We have always been a Nation with tremendous timber resources, and lumber manufacturing has been one of our outstanding industries, but we are reaching the point where we must stop and consider our future timber supply very carefully. The best available information on our remaining timber resources, and the rate at which they are being depleted indicates that there remains not to exceed 2,000,000,000 feet which we are depleting at the rate of 60,000,000,000 feet annually. The most optimistic estimate does not put our implacement by new growth at more than 15,000,000,000 feet annually. Thus, we are faced with the fact that, even making allowance for immature timber that will become merchantable in the meantime, within 40 to 50 years we shall have entirely exhausted our forests.

There are those who view this situation with a certain cheerful optimism and who claim that our per capita consumption is decreasing and that other materials will take the place of wood, but they do not take into account the growing population of the country and the fact that new uses for wood are constantly developing. I know of no sincere student of forestry that is not agreed that we must begin to prepare for this inevitable period when we shall have reached the end of our existing stand of timber.

This is a broad picture of our forest situation. In specific cases, and locally, it is often even more serious. For example, testimony has been brought before Congress showing that in the fir region of Washington, which we have regarded as one of our great sources of future supply, the next 20 years will very nearly have seen the end of merchantable timber at the present rate of cutting. I do not want to be unduly an alarmist on this subject, and I fully appreciate that this country has been arousing itself to the seriousness of the situation and that efforts looking to reforestation of our cut-over lands are steadily increasing. But unfortunately we can not reap the results of what we do not, or a few years from now, for at least 50 to 75 years, when a new crop of timber has matured. We must, therefore as a nation face the fact that there will be a period when raw material for our forest industries will be very difficult to secure if we continue our present rate of consumption. In other words, there will be a gap between the last of the old timber and the time when the new will be ready for marketing. It seems to us the part of sound national policy to recognize this fact and to do nothing that will discourage imports which do not constitute a very high percentage of our annual consumption as it is conceivable that as our own resources decline imports may increase. At any rate it is obvious that the effect of these imports is to piece out our own resources and by that much prolong their life. The thought I would like to leave with you is that this is going to be of tremendous help in bridging the period of timber famine to which I have referred above.

There are those who have argued before your committee that a protective tariff was essential to conserve our natural resources, basing this statement on the assumption that only through a protective tariff would stumpage values increase sufficiently to make attrac-

tive the growing of new crops of timber. There are several rather obvious fallacies in this argument. First of all, what concerns the commercial timber grower today is the cost of growing it rather than its problematic value 40, 50, or 75 years hence. And he sees two very serious obstacles; the fire hazard which may wipe out the accumulated investment of years, and which is an ever-present menace to the owner of young timber; and the unsound methods of timberland taxation which exist in most of our states and by which timber is taxed year after year at its current valuation although it can only be harvested once after a long period of years. These, as every forester knows, constitute the main obstacles to growing our future crops of timber. The question of future timber values will be determined by supply and demand and the prices of competing materials prevailing when that day arrives. There is no doubt that they will be substantially higher than they are now.

I think you can see that obvious fallacy of assuming that a protective tariff which applies wholly to existing competitive conditions can have any bearing on the value of a young tree that can not be marketed for 60 to 75 years. And yet this idea has been seriously advanced as an argument for a tariff.

The argument may be made that we can not afford to tie up our own resources at the present time by letting in Canadian supplies, but this is also fallacious in view of actual conditions. In the first place we can produce limber cheaper than our Canadian competitors; in the next place there is no indication that imports are going to increase with any great rapidity. In fact, they have fallen off within the past six years and they are not sufficient in volume to be a determining factor in holding back any considerable amount of timber as far as the individual operator is concerned. In other words, nationally they are valuable but spread over the entire country, they have very slight effect on the individual operator.

There is another phase of the lumber tariff problem which indicates that it would be inimical to the industry itself. The cost of moving a felled tree to the mill constitutes a large portion of the total cost of manufacture. The character of timber, the topography of the country, and the accessibility of the timber, all enter into determining this cost, and it will be found that between individual operations there is a wide range. In other words, we have wide extremes between the low-cost producer and the marginal producer. A tariff would presumably have as its object the increasing of lumber prices; if it did not do this, it would be difficult to show that it was of any benefit. If it does increase prices by the amount of the protective tariff, which is usually the measure that is applied, it will have the effect of bringing into the field a new set of marginal producers. Timber which should be left either to grow and mature, or to wait until the development of the country has reached it, will be thrust upon the market by the increased values created by the tariff. This will accelerate production and likely end in overproduction, finally reacting upon the industry in the inevitable periods of depression. I do not know that I make this point clear, but the thought is that we are delicately adjusted and undue stimulation of prices is bound in the long run to result detrimentally. We have had it in the past and a tariff will encourage it again. This, of course, would be harmful not only to the industry but also, by reason of unnecessarily increased forest depletion, to the country.

There is another point that should not be overlooked in any consideration of the tariff question, and that is its effect on the consumer. There is a close relationship between a lumber tariff and the farm problem. Directly and indirectly the farmers of this country consume about 45 per cent of the production of the industry. Assuming that a tariff will benefit the industry through the only channel it can, namely increased prices, the consumer will be asked to pay an additional bill of not less than \$150,000,000 annually, nearly half of which will come out of the pockets of the farmer. The farmer, be it noted, as the chief customer of the industry is of direct concern to the industry. He has been going through a period of readjustment, he has not been prosperous and as a result he has delayed building or deferred it wherever possible. We are now entering the period where he will be increasingly in the market for the products of the lumber industry. A tariff at this time will create what amounts to an accumulated burden on the farmer and may, in the end, still further defer and delay his building and repair projects.

I will not take your time by discussing the question of our trade relations with Canada except to say that here too is an argument against a tariff which merits attention. Through her forest exports to us Canada is to a considerable extent helped in meeting her bill for the goods she buys from us.

All these arguments against a tariff on lumber might lose some of their weight could it be shown that the industry needed protection; in other words, that it is a victim of lower costs abroad, unfair competition, or an increasing flood of imports. Such, however, is not the case; it has been amply proved by the record and by figures that have not been controverted that imports have been decreasing, that costs are higher in Canada which furnishes us practically all our softwood lumber imports, and that Canada does not use our markets as a dumping ground. In the absence of any need for protection we believe in the interests of conservation and of the welfare of the industry itself through the prevention of overstimulation, as well as the unnecessary burden a tariff will place on American consumers, that lumber should remain on the free list.

Senator COUZENS. What do you say as to birch and maple; would what you say apply equally to birch and maple?

Mr. COOPER. Broadly speaking, it does.

Senator COUZENS. How do you regard the argument of the birch and maple people to the effect that a tariff on imports coming into the country is necessary in the policy of conservation to enable them to clean up their forests, and there is enormous waste because of competition from Canadian imported birch and maple?

Mr. COOPER. I think that the argument of utilization is very much overdone, Senator. As a matter of fact, the more complete use of the forest is more dependent of the local markets that a manufacturer enjoys, or the local field where he can use otherwise waste material. That has been the experience in every region. Just to illustrate, if you have a mill in the city with a considerable population you could sell your stuff you would otherwise burn in your burner for firewood. That is simply an illustration of what I mean; and you would save that much waste and make something out of it.

Senator COUZENS. Would what you say equally apply to shingles?

Mr. COOPER. Not exactly. The shingle problem is a little different.

Senator COUZENS. You are not including the shingle problem in your statements, then?

Mr. COOPER. Not particularly. I was appearing on lumber. I am fairly familiar with the shingle problem.

Senator COUZENS. You are not opposing a tariff on shingles, then?

Mr. COOPER. Our organization is; yes. We think it would be a very unfortunate tariff, because the lumber industry has felt for a good many years that shingles were detrimental to the use of wood as they are now being cut and have been cut in Washington and Oregon. It is creating a prejudice against wood, the slash-grain shingle, as you know, probably; and I think it has been testified here that the low-grade shingles bring on antishingle ordinances and they are very apt to start antiwood ordinances. Prejudice is created by this type of shingle; and it is a fire menace.

Senator WALSH. What type did you call it?

Mr. COOPER. Slash-grain shingles.

Senator WALSH. What do you call the Canadian shingle?

Mr. COOPER. That is a vertical grain, or edge grain shingle as they are more often called.

Senator COUZENS. There is one economic statement you made that I do not think necessarily follows, and that is that the tariff automatically raises the cost of the consumer. If there is fair competition in the home industry the tariff simply puts the foreign importations on the same basis of competition that the American industry is confronted with. In other words if a plant is running 50 or 60 per cent of its time and due to the reduction of imports is able to operate 100 per cent of its capacity that does not necessarily mean that there is a raise in price, does it?

Mr. COOPER. Not necessarily. I quite agree with you, Senator.

Senator THOMAS. Is it not a fact we have three kinds of tariff; we have a revenue tariff, a competitive tariff, and a protective or prohibitive tariff. If you have a tariff for revenue only it will not be very severe. If you have a competitive tariff you would have a tariff based upon the scientific basis, or compromises that would equalize the foreign basis and the domestic basis; it would be a reasonable tariff based on the experience of competition. So far as applied to those two types of tariff I think Senator Couzens's statement is logical, but when you come to a trade tariff, a protective tariff which is made higher than the limit necessary to equalize competitive conditions, then a margin is left within which the domestic manufacturers will raise their price where a protective tariff is operative.

Senator COUZENS. I think that as you state it it is correct, but experience has proven that a plant running at nearly full capacity can sell goods cheaper than a plant that only runs at part capacity.

Mr. COOPER. That is quite true, Senator.

Senator COUZENS. Yes. And the point with respect to what Senator Thomas says regarding a competitive tariff—and that is what we are talking about—or at least that is my interpretation of the protective and the competitive tariff—they are really the same thing—they make the foreign producer compete on equal terms with the American producer.

Mr. COOPER. In the case of lumber I do not think it would permit the foreign producer to compete on equal terms because his costs are higher to start with; and were there a \$3 tariff on lumber, as has been proposed, it would exclude lumber, or at least it would materially decrease the imports, because it would only be the low cost, or Canadian producer that could continue to export stuff to this country. They would be practically barred out. A \$3 margin on lumber is a very considerable margin and constitutes an amount greater than the average profit. It would be a profit that most lumber men would consider very satisfactory in itself.

Senator COUZENS. What have you to say as to the contention that is made that the British Columbia shingles are superior to the Washington and Oregon shingles and that that is the real reason that we are unable to compete with British Columbia shingles?

Mr. COOPER. I think that unquestionably true, for this reason: The Washington and Oregon shingles of high grade are few in number. The American shingle is theoretically the equivalent of the British Columbia shingle, but in grading shingles and lumber you handle a large amount of material rather rapidly and, unless you exercise great care, you put into a shipment a certain amount of the low-grade stuff.

That has been one of the things that has injured the Oregon and Washington shingle. Shingles and lumber are graded to more or less standard grades. The Canadian has taken great pain with the grading of his shingles. He eliminates that 5 or 6 per cent of below-grade material in a bundle of shingles. Shingles are expensive to rehandle. The consumer can not afford to re-sort them. With lumber he can to some extent. That may only cost him 50 cents or a dollar a thousand to re-sort and pick out low-grade lumber; but he can not do that with shingles. Consequently he is willing to pay more to be sure of his grade.

Senator WALSH of Massachusetts. Some of the evidence before us shows that the logs of British Columbia are used first to make shingles, while the logs in the northwest part of this country are used first for log purposes; and, secondly, or as a by-product, for the making of shingles; and that is the reason why the domestic shingle is inferior to the British Columbia shingle. Is that a fact?

Mr. COOPER. That is quite true. The operator in this country has a number of markets for his cedar logs. He has an export market for them, particularly in Japan and the Orient; and he picks out the best type of logs for this purpose and then he takes usually the next best logs for the manufacture of cedar lumber, which is a very high-priced type of lumber. What is left he puts into shingles. Now, even in shingle logs, as they are called, on the log market, the average operator puts a considerable per cent of his shingle logs, the better end of them, into lumber. That leaves him entirely a low-grade type of log for his shingle manufacture.

Senator WALSH of Massachusetts. Is not the British Columbia lumberman faced with the same temptations?

Mr. COOPER. Yes.

Senator WALSH of Massachusetts. And the same markets?

Mr. COOPER. Yes.



Senator WALSH of Massachusetts. But he chooses to use his log material for shingles and put a high-grade shingle product on the market.

Mr. COOPER. Yes. Probably necessity hit him first and it seems as though necessity is the only cure for some of those mistaken practices in an industry.

Senator COUZENS. When you started you said you represented an informal organization. Who composes this organization?

Mr. COOPER. There are quite a number of lumber manufacturers in this country, and stained-shingle people who purchase stained shingles, a large number of wholesale lumbermen, wholesale distributors, and a considerable number of retail firms, and also some woodworking establishments.

Senator COUZENS. How much money have you raised for the purposes of this association?

Mr. COOPER. That I do not know, Senator. I have had no connection with the raising of any money whatever.

Senator COUZENS. Who has paid the expenses of the organization here in Washington?

Mr. COOPER. As far as I know my connection has been entirely with the Shevlin Carpenter & Clarke people, of Minneapolis. Sums have been raised from American operators, some of whom also have interests in Canada; and, as far as I know, some money may have been raised from the stained-shingle industry which has been actively interested in this tariff organization.

Senator COUZENS. What is your particular business, Mr. Cooper?

Mr. COOPER. For years I have been the secretary-manager of the Western Pine Association. At the present time, however, I am in business in New Mexico, in the lumber business, lumber and mining.

Senator COUZENS. That is retailing?

Mr. COOPER. No; as a manufacturer.

Senator COUZENS. Where do you get your lumber from?

Mr. COOPER. From the Zuni Mountain region in New Mexico.

Senator COUZENS. You have no idea how much money has been raised, then, to defeat this tariff clause?

Mr. COOPER. I do not know.

Senator COUZENS. Have any Canadians contributed to the organization?

Mr. COOPER. That I do not know.

Senator COUZENS. Who does know? Who can tell us how much money has been raised and where the money has come from to defeat the tariff proposals?

Mr. COOPER. Possibly Mr. Bahr, who has been connected with this organization, can give you some information on the source of it.

Senator COUZENS. Is he located here in Washington?

Mr. COOPER. He has carried on the work of collecting and getting together information and maintains an office here.

Senator COUZENS. For how long?

Mr. COOPER. For some five months—about the time the hearings first began in the Ways and Means Committee.

Senator COUZENS. The testimony is so contradictory and at variance it seems to me between those who are for and those who are against the tariff that as far as I am concerned I am in doubt sometimes

of some of the motives back of these things. I do not know of any schedule where the evidence seems so contradictory and the views so widely separated from supposedly all-American interests. I can understand the difference of opinion existing between an importer and an American producer, but I can not understand it when we get such a variance of views from those who appear to be solely Americans. It is very difficult for me to understand.

Mr. COOPER. Might I suggest, Senator, that the lumber industry has been tariff minded in the past. It has had experience with tariffs. I can recall the day when it appeared en masse in behalf of tariff; but that condition has changed very materially. With the changing conditions and with a riper experience perhaps the sentiment of the industry has been gradually going away, moving away, from the tariff idea.

A great many manufacturers—take the organization that I was with formerly—we have consistently opposed the tariff on lumber for seven years. Twelve years ago we would have been down here—or 15 years ago we would have been down here—on behalf of a tariff. We have realized gradually with a better conception of the economics of our industry, that a tariff was, in the long run, detrimental to us.

We have been considerable exporters to Canada. There are certain classes of materials that go into Canada from the northwestern region and Arizona and New Mexico. It is quite surprising to know that there are actual imports into eastern Canada from that section of pine lumber.

Senator COUZENS. What percentage of your organization are active producers?

Mr. COOPER. Probably not to exceed, out of the 1,300 that I mentioned—probably not to exceed 5 per cent, because the number of producers are very much outnumbered by retailers, distributors, and other types of organizations interested in lumber.

Senator COUZENS. From your observation, are the majority of the producers in Washington and Oregon, with respect to this particular type of lumber, in favor of or against a tariff?

Mr. COOPER. I would classify them into three classes. There is a small group that are actively out for the tariff, very strongly. There is a considerable group that think it is a bad thing; and the vast majority are in between; they are not very keen for a tariff, but feel that they are not going to do anything to secure a tariff, nor are they going to do anything to oppose a tariff, and, in a way, they would just as soon see it.

Senator COUZENS. What effect would this tariff have on standing timber?

Mr. COOPER. It would increase its value ultimately, I think. Especially in the Northwest would that be true where we have mill capacity that in many localities is beginning to see the end of the supply; and it would tend toward a monopoly of supply in the Northwest.

Senator COUZENS. What have you to say as to the argument that the Washington and Oregon timber has been cut back from the water for miles and miles, and therefore logging is more expensive there than in Canada where it is still on the water line?

Mr. COOPER. I do not think that is entirely true. I have been in Canada a good deal, and the same thing has taken place along the

shore line there. The former areas right at tidewater have all been cut over on Vancouver Island and the mainland. I think you would have to get very far north in Canada before you found that condition did not exist. That is a natural tendency, anyway.

Senator COUZENS. What have you to say of the contention made by operators that oriental labor is employed in Canada more or less?

Mr. COOPER. Oriental labor is pretty much confined to the shingle industry in Canada. Personally I can not see that it has any bearing whatever on the tariff, because it is as well paid as the white labor. In fact on piece work it is sometimes paid more, and it is purely a domestic question in Canada. I think the tendency is away from oriental labor. It has been in the States. Very few American operators, even when it is available, employ oriental labor any more. There are a few that have used the Japs extensively.

Senator COUZENS. Your contention is that even though they do use oriental labor they pay the same level of wages to them that they do to the white labor?

Mr. COOPER. Yes, sir; exactly.

Senator DENEEN. Do you use Mexican labor down in Arizona?

Mr. COOPER. We have to to some extent.

Senator DENEEN. Do you pay them the same as you do American labor?

Mr. COOPER. Yes; in common labor, if you have American, but usually the American is above common labor.

Senator COUZENS. Is the common labor comparable, then?

Mr. COOPER. No; I do not think the Mexican is as good as the American.

Senator COUZENS. Do you pay the same per diem rate, then?

Mr. COOPER. Where we employ them on the same job you almost have to to avoid trouble—where the work is of the same class.

Senator THOMAS. Is it not a fact that for a certain class of work around the mill you have to have a foreman, and under him will be a gang of Mexicans to do the work?

Mr. COOPER. Yes.

Senator THOMAS. Mexicans will not work in mixed groups; they have to have a foreman to give orders—sort of a company or squad.

Mr. COOPER. Yes; they need rather careful looking after. That is my experience.

Senator THOMAS. What lumber products do you manufacture?

Mr. COOPER. In New Mexico?

Senator THOMAS. Yes.

Mr. COOPER. It is pine lumber, logs—the usual product of a sawmill with a planing mill attached.

Senator THOMAS. Do you own standing timber?

Mr. COOPER. Some; yes.

Senator THOMAS. In New Mexico?

Mr. COOPER. Yes.

Senator THOMAS. About how much?

Mr. COOPER. Not to exceed twenty or twenty-five million feet. We have a contract with the Forest Service.

Senator THOMAS. Can you give us any idea how much standing timber there is in New Mexico?

Mr. COOPER. There is probably 2,000,000,000 feet in that State at least, and probably more than that.

Senator THOMAS. How much is there in Arizona?

Mr. COOPER. In Arizona it would be rather less than that, I should say a billion and a half.

Senator THOMAS. Where else to you find any considerable quantity of standing timber suitable for such work?

Mr. COOPER. In the United States, do you mean?

Senator THOMAS. Yes.

Mr. COOPER. We find that in California and the coastal regions, redwood region; and in the Sierras, which we call the pine region; and the region in the interior of the country, Northwest, east of the Cascade Mountains, is another pine region.

The distinction in the West and Northwest is between pine and fir regions. They are divided by the Cascade Range. West of them is fir and east of them is pine. Then there is also the southern pine region, of course, in the Eastern States—Texas, Louisiana, Alabama, and Florida.

Senator THOMAS. Have you any figures to show the amount of timber left of the original total supply in the United States?

Mr. COOPER. I have gone on the figures of the McNary committee, very largely; and they have simply been brought down to date by the Forest Service in some of its publications. I think that on the whole they are very accurate, about as accurate as you could get unless you made a careful survey of the entire country.

Senator THOMAS. What are those figures?

Mr. COOPER. Approximately 2,000,000,000,000 feet.

Senator THOMAS. Now left?

Mr. COOPER. Now left.

Senator THOMAS. And how much was it to start with?

Mr. COOPER. I do not recall offhand, but it gets into such large figures it is hard to remember. We had 800,000,000 acres at one time. I think the figure is 5,200,000,000,000.

Senator THOMAS. At the present rate of consumption how long will our available, known, visible timber supply last?

Mr. COOPER. I figure it this way: We are consuming in lumber, firewood, pulpwood, fence posts, hewn ties, and so forth, about 60,000,000,000 a year. At that rate 60 into 2,000 would only make about 33 years. But, there is timber growing in the United States to offset that; and the most optimistic estimate is 15,000,000,000 feet a year growing, which would extend the life of our timber supply by another 12 or 15 years.

Senator THOMAS. Just one more question: It is a fact, is it not, that within a short time the available supply of American timber will be exhausted unless first the country enters upon a program of reforestation; and, second, that the country develops a substantial supply of wood substitutes?

Mr. COOPER. Yes.

Senator COUZENS. I am interested to know what proportion of the standing timber is in New England; do you know?

Mr. COOPER. I have not the figures for New England, but it is relatively small percentage; a very small percentage of it.

Senator COUZENS. Are they cutting any in New England to any extent?

Mr. COOPER. Yes, they are, in Maine, New Hampshire, and Vermont.

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Senator WALSH of Massachusetts. For local uses.

Mr. COOPER. Yes, for local uses. They have a very intensive market. For example—entirely for local uses—they cut white pine in New England that we could not afford to cut in the West. I have seen little trees 10 and 12 inches in diameter being cut there for box lumber. They are so close to their market, and they compete only on box lumber that comes 1,500 or 2,000 miles.

Senator THOMAS. A small tree is fitted for that sort of thing, being tender and soft and pliable; it is more adapted to the box-making industry than an old toughened gnarly, knotted tree.

Mr. COOPER. Wood in a tree is much the same at any age, except the difference between heart wood and sap wood, Senator. Of course the small tree has a large percentage of sap wood.

Senator WALSH. Does the building lumber used in New England come in any appreciable quantity from Canada?

Mr. COOPER. Only certain types that we do not produce. You get spruce dimension in New England, for instance, from Canada.

Senator WALSH. Eastern Canada.

Mr. COOPER. Yes; eastern Canada.

Senator WALSH. But it is not any appreciable amount compared with the total consumption.

Mr. COOPER. No; it is not.

Senator WALSH. Do you transport your lumber to the eastern market that you manufacture in New Mexico?

Mr. COOPER. Yes.

Senator WALSH. How can you compete with the domestic producers of Washington and Oregon in view of the difference of trade rates?

Mr. COOPER. We have an advantage over Washington and Oregon slightly in the freight rate.

Senator WALSH. To what market do you refer?

Mr. COOPER. The Chicago markets.

Senator WALSH. And to the New York market also?

Mr. COOPER. Yes.

Senator WALSH. So that you really can compete with them advantageously?

Mr. COOPER. Yes.

Senator WALSH. Because of the freight rate?

Mr. COOPER. We have a somewhat lower quality of timber; but that is offset by the difference in freight rates.

Senator WALSH. Something has been said about the raising of money here on the part of those who are opposing this tariff. Has it not been alleged that money has been raised also by the domestic producers who favor the tariff?

Mr. COOPER. It has; yes.

Senator WALSH. I think a circular was put in evidence here which was sent generally to the trade asking for contributions.

Mr. COOPER. Yes; I have seen those.

Senator WALSH. Do you know how much money was asked for in this circular, and how much was raised?

Mr. COOPER. I have no knowledge of what was raised. They asked for \$3 a thousand.

Senator WALSH. How much?

Mr. COOPER. \$3 per thousand. They asked for that on the basis of a day's production.

Senator WALSH. What would that amount to if they were successful?

Mr. COOPER. If they were successful on that basis they would raise in excess of \$100,000, considerably in excess of \$100,000. Perhaps it would be as much as \$150,000.

Senator WALSH. Who sent out this circular?

Mr. COOPER. It was sent out, I think, by the so-called Lumber Industry Tariff Committee, which is an organization in Everett, Wash.

Senator WALSH. Who is the treasurer of that committee?

Mr. COOPER. I think Mr. Condon, as I recall, at least he is an officer of it.

Senator WALSH. Does he live here in Washington?

Mr. COOPER. Washington, D. C.?

Senator WALSH. Yes.

Mr. COOPER. No; he lives in the West.

Senator WALSH. Is he here in the city?

Mr. COOPER. Not that I know of at present.

Senator WALSH. Who is the main representative of the domestic producers in charge of the tariff hearing here in the city?

Mr. COOPER. Mr. Frank Lamb appears for them on lumber, or seemed to be their spokesman on lumber; and Mr. Edwards and Mr. Bratlie on shingles. They are all members of this committee that you referred to.

Senator WALSH. The fact of the matter is that both sides have been raising money to pay the expenses of employing attorneys.

Mr. COOPER. That is undoubtedly true.

Senator WALSH. Employing funds for so-called lobby purposes.

Mr. COOPER. When you speak of lobby you use an ill-defined word.

Senator WALSH. I said "so-called lobby purposes."

Mr. COOPER. So called.

Senator WALSH. For hiring offices, maintaining stenographers, sending out letters and communications, and so forth.

Mr. COOPER. Yes; it has been if it is lobbying to collect statistics and data and prepare them to present to the committees of Congress; why, I presume there is a Canadian lumber lobby.

Senator COUZENS. Is Mr. Bahr, your representative, here in the room?

Mr. BAHR. Yes, sir.

Mr. COOPER. Yes; he is.

Senator COUZENS. I would like to ask Mr. Bahr a few questions after we finish with Mr. Cooper.

Senator THOMAS. I would like to ask this witness one further question. These tariff hearings have now been under way for approximately eight months. Would the amount of money which you suggest that even your trade organization hoped to raise, \$150,000, be an exorbitant sum to cover the expenses of sending the brightest minds to Washington, because they are the ones that come here, maintaining a headquarters here with an equipment, printing briefs, and, in effect, paying the expenses of a business presentation—in your judgment would that sum be exorbitant to cover all the expenses of a group of men for eight months' time?

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BRIEF

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Mr. COOPER. No; I do not think that it would be, especially for westerners who come a long distance and who can not run back and forth between home and Washington.

I would like to have the permission of filing a brief and would also like to file a supplementary brief which we are now preparing.

Senator COUZENS. Whatever you want to file must be in the hands of the clerk before the hearings go to print.

(Mr. Cooper submitted the following brief:)

BRIEF IN OPPOSITION TO THE PROPOSED DUTY OF \$3 PER M ON LUMBER OTHER THAN CEDAR

Mr. Frank H. Lamb and others appeared before Subcommittee No. 4 of the Senate Finance Committee, asking for a duty of \$3 per thousand feet on soft-wood lumber imported into the United States. Mr. Lamb's arguments were so general in nature and so unsupported by adequate figures and facts, that we do not believe it necessary to make any detailed answer. Suffice it to say that Mr. Lamb argues that a tariff on lumber is essential to stabilize the industry in the United States, while at the same time he disclaims that it will increase the price of lumber. He also argues that a tariff is essential as a protective measure to insure the growing of timber in the United States, and implies that there is great disturbance of the market by reason of dumping of lumber on the Atlantic seaboard in cargo lots by Canadian mills. These contentions of Mr. Lamb are fully answered in the lumber brief filed with the Ways and Means Committee and need not be repeated here. (See hearings before the Ways and Means Committee, pp. 9543 to 9598.)

We propose to discuss the lumber tariff question by considering in detail the question of (1) unemployment in the lumber industry, (2) alleged shipping advantages of Canadian mills, (3) comparative costs of production, (4) lumber imports and exports, (5) forest conservation and depletion, and (6) other economic considerations.

UNEMPLOYMENT IN THE LUMBER INDUSTRY

1. Mr. W. A. Pratt of Portland, Oreg., who testified before the Senate subcommittee in favor of a tariff on lumber, urged a tariff would decrease unemployment in the lumber industry. Mr. Pratt at the outset admitted that his organization, namely, the Loyal Legion of Loggers and Lumbermen, constitutes less than 10 per cent of the men employed in the lumber industry in the Pacific Northwest, and that he only represented about one-third of the employees in the "4L."

It is inevitable that fluctuations will occur in employment in the lumber industry just as they do in every other industry. Certainly, an industry constituted such as the lumber industry in the States of Washington and Oregon is particularly vulnerable in this respect. Periodically large numbers of workers from the Middle West and Eastern States migrate to the Pacific Northwest seeking employment. They come because of various reasons, including depletion of timber in the regions where they previously resided. Land values are lower in the West—wages are usually higher—and it is the popular conception that opportunities are more numerous in the Western States. It should also be borne in mind that the lumber industry in the Pacific Northwest obtains a considerable percentage of its labor from transient labor which finds its employment in lumbering, fruit picking, harvesting, and other occupations of a seasonal nature.

It is noted that Mr. Pratt has submitted no statistics or definite figures as to the extent of unemployment in the lumbering industry in the Portland district. In fact, he admits that while he is an officer of the employment branch of the Loyal Legion of Loggers and Lumbermen, he is unable to do so. In this connection it is interesting to note that so far as woods labor is concerned the "Western Operators," the largest labor hiring organization in the lumber industry in the Pacific Northwest, with offices at Seattle, Aberdeen, Centralia, Portland, and other important lumbering centers in Washington and Oregon, reported on July 9, 1929, that there is no surplus of men and that they anticipate a shortage of common labor and certain grades of skilled labor earlier this year than is normal. Conditions are the same in British Columbia, as is evidenced by the telegram from the Loggers Agency (Ltd.), of Vancouver, British Columbia, appended hereto as Exhibit A.

Of particular interest in regard to unemployment in the Pacific Northwest is a recent pronouncement of Col. W. B. Greeley, secretary-manager of the West Coast Lumbermen's Association. In a recent address before the Pacific Northwest advisory board, contained in the July 5 issue of the Mississippi Valley Lumberman, Colonel Greeley, whose knowledge of lumbering conditions in that region is unquestioned, states "that the pay rolls of the logging and sawmilling industry of the State of Washington reached their peak in 1924. Since then these two branches of the industry have declined by approximately \$5,400,000, due broadly to depletion of saw timber in certain portions of the State." But he added "that the combined pay rolls of the logging, sawmilling, pulp and paper and woodworking industries of the State have held up in 1928 to where they stood four years ago. In other words, the increase in pulp and paper manufacturing in the woodworking industries has been sufficient to offset decline in pay rolls in the logging camps and sawmills."

It seems obvious that in an industry faced with periodic immigrations of job seekers in large numbers from other States, in view of the fact that timber is being depleted at different points, will always have a percentage of unemployed workers except at such times as this labor surplus is drawn to other occupations such as harvesting, fruit picking, etc.

#### ALLEGED SHIPPING ADVANTAGE OF CANADIAN LUMBER MILLS

2. Mr. Charles E. Dant, Portland, Oreg., in his testimony before the subcommittee, advocated a tariff on hemlock and fir lumber to equalize supposed advantages which British Columbia mills enjoy over Washington and Oregon mills in shipping rates in the intercoastal trade to the Atlantic seaboard. We propose to show that no such advantage exists and that on the contrary shipping facilities—and frequently shipping rates—are more favorable to domestic mills than to their Canadian competitors.

Mr. Dant alleges that British Columbia is in a position to secure shipping services to the Atlantic seaboard from British and continental tramp steamers which have discharged east-bound cargoes from the Orient and are looking for business at any price on their homeward voyage. Puget Sound mills by reason of American shipping laws are denied the use of these vessels in the intercoastal trade.

It is true that a considerable portion of British Columbia's Atlantic seaboard lumber shipments move in these foreign bottoms. On the other hand it is decidedly not true that freight rates quoted by these tramps are always lower than those quoted by United States Shipping Board (United States lines); and, further, British Columbia mills are under a very serious handicap because of the irregular and sporadic nature of this service, and because these tramp steamers will not take less than a full cargo. Compare this with the position of the domestic mills on Puget Sound and Columbia River. There is available to them in the Atlantic-Pacific service 138 vessels aggregating 1,200,000 tons of shipping, have regular dates of sailing from both coasts, thoroughly dependable, and taking lumber in quantities of 50,000 feet to a full shipload. As to rates, there is attached to this brief (Exhibit B-1) a letter from the Williams Steamship Co. (Inc.), a concern operating 10 steamers in the intercoastal trade, carrying approximately 150,000,000 feet of lumber annually, which gives the rates in effect during the year 1928 and for the first six months of 1929. It will be seen that the intercoastal domestic rate during the months of January and February, 1928, was \$12; March, \$12.50; April, \$13; May and the balance of the year, \$14. During the first six months of 1929 the shipping rate on lumber was still \$14, but at the present time the average freight rate is probably \$11, and it is reported that some lines are quoting as low as \$10.50 per thousand.

As an exhibit (Exhibit B-2), there is attached a copy of telegram under date of July 10, 1929, from the Seaboard Lumber Sales Co. of British Columbia, containing a summary of shipping rates prevailing in the British Columbia-Atlantic seaboard trade during the year 1928 and the first six months of 1929. For the first quarter of 1928 rates averaged \$12.95 as against rate of \$12 and \$12.50 for the domestic intercoastal lines. British Columbia-Atlantic seaboard rates in the second quarter of 1928 averaged \$13.25; third quarter, \$12.90; fourth quarter, \$13.25; first quarter, 1929, \$13.50; second quarter, \$13.40.

While, therefore, on the average, British Columbia mills have no advantage in the intercoastal trade, it is true that during the period of peak shipping, British Columbia mills occasionally enjoy an apparent slight advantage in rates. But this advantage by no means offsets the irregularity of the British Columbia

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service and higher loading charges due to the large percentage of shipments that must be loaded by lighter. The American mills on the other hand by reason of the heavy west-bound traffic, enjoy a well-organized balanced shipping service which enables them to ship lumber regularly in any quantity. This gives them a very material advantage over British Columbia mills.

Mr. Dant in his testimony, beyond his suggestion that a tariff would equalize these shipping advantages which British Columbia is supposed to have, gives no indication of the amount of duty necessary to bring this about, nor does he explain how a duty could be assessed on certain lumber shipments without affecting the price of the commodity as a whole.

It is interesting to note that in 1928 out of a total of 1,964,221,055 feet of lumber shipped from the Pacific coast to the Atlantic seaboard, British Columbia shipments amounted to 282,294,438 feet, or approximately 15 per cent. According to the information submitted by the Seaboard Lumber Co. roughly 20 per cent of this was carried in American ships and presumably under Mr. Dant's theory should not be subjected to a tariff. Further, a considerable quantity of this lumber was shipped during months when British Columbia rates were actually higher than those charged by the domestic and intercoastal lines. In addition it seems likely that from time to time, due to competitive conditions between domestic shipping concerns east bound rates on domestic shipments will be considerably below those prevailing in British Columbia. Mr. Dant's testimony has not proved that British Columbia mills enjoy lower shipping costs than domestic mills. He makes no mention of the irregularity of the service on which British Columbia mills have to depend, or to the frequent periods of higher shipping rates which prevail in the British Columbia-Atlantic trade. When these are taken into consideration, we submit that the domestic mills have the decided advantage.

#### COMPARATIVE COSTS

3. In any consideration of a tariff for protective purposes, in our judgment the most essential feature is the knowledge of costs in the domestic industry as compared with those abroad, or at least in competing countries. No facts have been presented to Congress which in any way justify the vague general statement that lumber costs are higher in the United States than Canada. On the other hand, all sources from which comparative costs can be secured show definitely that costs are higher in Canada. This applies not only to Douglas fir lumber in the Pacific Northwest, but to the pine of the intermountain region, to the white pine of the Lake States, and Ontario, to shingles, and to birch and maple lumber. Considering these singly:

1. Comparative costs for Washington, Oregon, and British Columbia show for a 6-year period higher costs for British Columbia mills, ranging from 39 cents to \$1.51 per thousand feet. (See Exhibit C-1.)

2. Comparative costs for British Columbia mountain mills and mills in the inland empire of Eastern Washington, Oregon, and Idaho show for the year 1927 a cost of \$1.19 per thousand feet higher for the Canadian mills. (See Exhibit C-2.)

3. Comparative costs for two white-pine mills, one in the United States and the other in Canada, and less than 150 miles apart, over a 3-year period, show a higher cost for the Canadian mill, ranging from 90 cents to \$1.89 per thousand feet. (See Exhibit C-3.)

4. Comparative costs, submitted in the form of a sworn statement by lumbermen, opposing a duty on birch and maple lumber show very much higher costs for the Canadian operation. (See Exhibits C-4 and C-5.)

5. An exhaustive investigation by the United States Tariff Commission showed conclusively that shingle costs were substantially higher in Canada than in the United States. (See Exhibit C-6.)

These are facts. They have moreover been in the published tariff hearings for more than five months, and no data in any way disputing their accuracy have been called to the attention of Congress. An analysis of the reason for this higher cost level in Canada is not out of place. Firstly, all the evidence presented to Congress indicates that living conditions, labor conditions, and wages are very much the same, from East to West, on both sides of the international boundary, which is a normal condition in view of the kinship of the two peoples and the free interchange between the two countries. Naturally this would tend to produce a very close parity between costs on both sides of the line for similar types of operation, and such cost data as is available fully substantiates this so far as these elements of cost are concerned.

The reason why Canadian costs tend to be on a higher level is because of the fact that Canadian machinery and supplies are higher. Much of the Canadian sawmill and shingle mill machinery is imported from the United States and pays a fairly high duty. This brings about a higher investment cost in plan for the Canadian operator as contrasted with his American competitor. In the matter of supplies the same situation exists, as the Canadian mill uses extensively supplies imported from the United States, some of which pay a duty, and as a result its supplies cost more. It is in these elements of cost that the Canadian finds himself at a disadvantage, and they fully explain the general higher cost level north of the international boundary.

#### LUMBER IMPORTS AND EXPORTS

4. An examination of the real situation in regard to exports and imports from the United States has a distinct bearing on the question of the tariff. One of the first questions that presents itself is whether our imports of lumber are decreasing or increasing. We give below a table showing the imports from 1923 to 1928, inclusive. (From the summary of Tariff Information, free list, p. 2653.)

#### Imports of softwood lumber

	In M feet		In M feet
1923.....	1, 868, 181	1926.....	1, 776, 512
1924.....	1, 655, 004	1927.....	1, 665, 785
1925.....	1, 735, 042	1928.....	1, 368, 881

Practically all of the above imports are from Canada; and it is interesting to note that during the 6-year period covered there has been a steady downward tendency in imports, 1928, showing a decrease as compared with 1923 of over 25 per cent. Certainly there is nothing in this situation that would indicate a need for protection.

On the other hand, the United States exports nearly 3,000,000,000 feet annually to all parts of the world, which amounts to practically twice the volume of imports. These exports compete in such foreign markets as Australia and Japan with Canadian lumber. In the former country, also a part of the British Empire, the west coast mills of the United States outsell Canada by a ratio of 7 to 1.

The agitation for a tariff on lumber has come chiefly from the Douglas fir region of Washington and Oregon. In this connection it is interesting to compare for a period of four years the exports of that region as compared with the exports of British Columbia to the United States.

#### Comparison of British Columbia exports to the United States and the exports of Washington and Oregon to foreign countries

[Sources: Report of forest branch, Department of Lands, British Columbia, and Commerce and Navigation of the United States]

	British Columbia exports to United States	Exports from Washington and Oregon
	Feet	Feet
1924.....	313, 104, 821	1, 433, 196, 000
1925.....	361, 016, 940	1, 264, 526, 000
1926.....	400, 347, 692	1, 392, 716, 000
1927.....	392, 074, 628	1, 51, 237, 000

The above table shows that the exports of the Douglas fir mills are four times the imports from British Columbia. It should further be borne in mind that the United States actually exports lumber into Canada. In 1927, for example, we exported 177,729,000 feet and in 1928, 201,167,000 feet. Another point of interest in connection with exports and imports is the fact that nearly two-thirds of our lumber imports from Canada are of species that are no longer extensively produced in the United States, and for which there is a domestic demand.

## CONSERVATION AND DEPLETION

5. The proponents of a tariff on lumber have tried to use conservation as an argument to support the need of a protective tariff. A brief consideration will show the fallacy of their reasoning. Firstly, all the evidence, facts, and figures available show that the United States is depleting its timber at an alarming rate; that this depletion is not being replaced by new growth, except to the extent of 20 to 25 per cent at the most; and that depletion in many localities has now gone so far that some of our original valuable timber resources are entirely exhausted. All students of this situation agree that in probably 40 years, and in some localities in less time, we will find ourselves with our original old growth timber resources exhausted. The period before we will be faced with shortage is not sufficiently long to remedy the situation through reforestation or new growth. In other words, there will inevitably be a period of scarcity of timber resources pending the maturing of a new crop. It becomes then a matter of sound common sense not to discourage Canadian imports, for regardless of whether their volume be small or not, they do by just that much help us to bridge the gap between the exhaustion of our old crop and the maturing of a new crop.

The theory that protection is necessary to encourage the growing of young timber would be too fallacious to consider, were it not for the fact that it has seriously been advanced as an argument for a tariff. All students of forestry and conservation of the United States are in accord that the great obstruction to raising new crops of timber commercially are the problems of fire protection and taxation, neither of which have any relation to a tariff. Furthermore, a tariff on lumber now has no relation whatsoever to growing young trees, which will only be marketed 50, 60, or 100 years from now. A tariff deals with current competitive conditions—not with those 50 or 60 years hence—and it is very obvious that a \$3 duty now will have no bearing on the value of stumpage in this country 50 years from now. Consequently every dictate of statesmanship and common sense from the point of view of the conservation of our own natural resources demands free lumber.

## OTHER ECONOMIC CONSIDERATIONS

6. Some stress has been laid on the comparative methods of taxation between British Columbia and Washington and Oregon as a reason for a tariff. Much of the British Columbia timberland has been sold to private operators under what are termed timber licenses, and the fact that the holders of these licenses sometimes pay only \$140 per annum on 640 acres of timberland, has been used as an argument that the Canadian operator paid infinitely less in taxes. The fact, however, that he must also pay a royalty or severance tax to the Government at the time he cuts the timber, and that this severance tax is on a sliding scale and has been increased every five years, is usually overlooked. On No. 1 and No. 2 logs, for example, this tax now amounts to \$1.35 per thousand feet, and constitutes a big factor in taxation. Furthermore, the system of increasing it as timber values increase tends to absorb for the Government's benefit the major portion of timber value enhancement. It should also be borne in mind that these licenses are bought and sold just as is timber, in fee simple. We will assume that an operator pays \$2 per thousand for a timber license. He will then pay his annual tax of \$140 per 640 acres and other carrying charges, and at the time he cuts his timber, from 90 cents to \$1.85, according to the grade of the logs, in addition; also, he will have the prospect that this latter fee will have increased very materially by the time he does cut the timber. When this situation is carefully analyzed it becomes obvious that there is no particular difference in the burden of taxation on either side of the line. It is also true that 30 per cent of British Columbia timber is held in fee simple, and on it taxes are about the same as in the United States.

Furthermore, taxes are an integral part of costs and have no bearing on a tariff problem, except in so far as they affect costs. If total costs, as has been shown, are higher in Canada than in Washington and Oregon, then differences in tax costs cease to have any significance in the economic justification of a tariff.

Another argument that is sometimes advanced by the advocates of a tariff on lumber is the condition of the industry in the United States, and it may not be amiss here to briefly analyze chief phases of the lumber industry. In the first place, lumber manufacturing, like mining, has certain economic aspects that differentiate it from other manufacturing industries. One of the main elements in the cost of lumber production is the logging end; that is, getting the raw ma-

terial from the forest to its point of manufacture. This element of cost will naturally vary with the quality and accessibility of the timber, and also sometimes with the skill displayed by management in laying out a logging operation. Consequently the lumber industry has, just as the mining industry, the marginal producer. Oftentimes mines are developed or timber tracts are opened up during an era of high price that by their very nature are too high-cost operations to survive under normal conditions. Every undue advance in the market price of lumber has seen the opening up of operations of this type, and every recession in price has seen these operators in distress. This condition is so inherent in a natural resource industry that it has no bearing whatsoever on a tariff, and it is safe to say, as has been indicated by the testimony of Mr. J. H. Bloedel, that in the main lumber manufacturing is thoroughly prosperous and profitable wherever the operation has been well selected, well laid out, and well managed.

#### CONCLUSION

We have endeavored to set forth the fallacies underlying the arguments advanced on behalf of a tariff on lumber. Briefly, they have followed certain general lines, all of which have been largely local in character and confined to the Pacific Northwest. These have been differences of taxation in Canada, lower transportation costs and even alleged lower costs of production, but figures and facts controvert the existence of any of these reasons. Another reason advanced for the tariff has been the argument of dumping on the Atlantic coast, but no proof that this has existed has been brought forward by the proponents of the tariff, and in the brief filed with the Ways and Means Committee, this subject was fully covered. The conservation argument of protecting future growth has also been disposed of. We would, therefore, in conclusion point out some very salient reasons why there should not be a tariff on lumber. First and foremost, of course, is the question of the conservation of our natural resources, which has been fully covered. Second, is the burden that a lumber tariff will place upon the consuming public. It is safe to say that by the time such a tariff reaches the consumer, it will have increased the lumber bill of the country more than \$150,000,000 annually. To say that it will not increase the price of lumber is equivalent to arguing that a tariff will have no effect, and consequently that it is useless. Obviously its proponents expect to gain at least the amount of the tariff.

Finally is the important question of our trade relations with Canada, which can not be overlooked, as it is of too vital importance to the economic welfare of our own country. As has previously been pointed out, we export now to Canada almost twice what we import from her. One source of Canada's meeting her trade balance is her export to us of forest products, Canada in turn importing heavily of our fresh fruits, machinery, canned goods, and other commodities. An attack on her forest industry will, by force of economic necessity, have to be met somehow, either by retaliatory measures that will exclude American products, or by the curtailment of their consumption. Certainly this feature has cogent weight in the absence of any sound arguments for a tariff on lumber.

Respectfully submitted.

A. W. Cooper, chairman National Association Against a Lumber and Shingle Tariff; on behalf of Winton Lumber Co., Gibbs, Idaho; McGoldrick Lumber Co., Spokane, Wash.; Shevlin-Carpenter-Clarke Co., Minneapolis, Minn.; Bloedel-Donovan Lumber Mills, Seattle, Wash.; Kirby Lumber Co., Houston, Tex.; McCloud River Lumber Co., McCloud, Calif.; Yawkey-Bissel Lumber Co., White Lake, Wis.; Shevlin Hixon Co., Bend, Oreg.; Silver Falls Timber Co., Silver Falls, Oreg.; Pollys Lumber Co., Missoula, Mont.; Brooks Scanlon Lumber Co., Bend, Oreg.; J. Nells Lumber Co., Klickitat, Wash., Libby, Mont.; Craig Mountain Lumber Co., Winchester, Idaho; and Brooks Scanlon Corporation, Eastport, Fla.

## EXHIBIT A

## WESTERN UNION

Received at 813 Seventeenth Street NW., Franklin 7100—Branch 23.

VANCOUVER, BRITISH COLUMBIA, July 9, 1929.

A. W. COOPER, *Powhatan Hotel*:

Western operators report as at July 8 labor situation Oregon and Washington normal for this time of year. No surplus of men expect shortage of common labor and rigging men to be earlier this year than formerly. Conditions practically identical in British Columbia.

W. B. LACK,  
*Manager Labor Department B Loggers Association.*

## EXHIBIT B-1

COMMERCIAL STEAMSHIP CO. (INC.),  
(Formerly Williams Steamship Co. (Inc.))  
*New York City, June 25, 1929.*

Mr. J. H. BLOEDEL,  
*Williamstown, Mass.*

DEAR SIR: United States Intercoastal Steamship Lines being menaced by foreign vessels operating from British Columbia to the United States Atlantic coast ports in the carriage of lumber.

The movement of lumber from Oregon, Washington, and British Columbia for the past three years has averaged about 2,000,000,000 feet per annum of which about 12½ per cent has moved from British Columbia in both American and foreign vessels, probably about two-thirds of the British Columbia shipments has actually moved in foreign tonnage and it is my opinion this has not been any serious menace to the American steamers.

The Williams Steamship Co. has been engaged in the intercoastal trade more than eight years and in 1928 operated 10 steamers and carried about 150,000,000 feet of lumber, which was probably more than carried by any other line. Part of our carryings were loaded in British Columbia. The same rate of freight applied on the carriage of both American and British Columbia cargo.

The freight rates during the year of 1927 remained at \$14 per thousand feet. In 1928 the months of January and February the rate was \$12; March, \$12.50; April, \$13; May and the balance of the year, \$14.

In 1929, the rates were \$14 up to June 30. The lumber rate is now open. It has been rumored some lines have quoted as low as \$10.50 per thousand while the average freight rate to-day is probably \$11 per thousand.

During the past few years British Columbia mills have been able to secure foreign vessels somewhere between \$12.50 and \$13 per thousand feet, and at other times they have been obliged to engage vessels by time charter which the shipper has somewhat of a gamble as to what his rate of freight will cost him after paying all expenses. Over a period of years there have been times when the British Columbia mills could move their lumber at a lower rate in foreign vessels than they could by American vessels and again a number of the American vessels have not been inclined to go to British Columbia, particularly those that are maintaining a fast and regular westbound intercoastal service, also steamship lines that own their own mills direct or through subsidiary companies and most of the cargo consisted of lumber controlled by them.

The British Columbia mills have been more or less at a disadvantage as they are obliged to supply full cargoes averaging perhaps 4,500,000 per vessel, while the American mills are able to get a regular and dependable service from a large number of lines with whom they can book parcel lots of lumber to suit their convenience. Practically none of the regular intercoastal lines call at British Columbia on their westbound voyage, as there is very little general westbound cargo offering for British Columbia. The movement of westbound cargo from the United States Atlantic coast ports to British Columbia probably would not exceed 3 per cent of the total westbound business.

There have been times when the Steamship Lumber Conference has been able to maintain a stabilized freight rate. There have been many other times when there have been open rates. It has been very hard to control the lumber rates on

account of the extremely large volume of business and being bulk cargo. It has always been the experience in world shipping that it was almost impossible to control rates on steamship bulk cargoes. Then to some extent the regular lines are always obliged to meet competition of some American tramp steamers as well as foreign tramp steamers. This, however, has never been any great factor.

Of course, you know British Columbia also moves some lumber by Canadian owned steamers through the Panama Canal to Quebec and Montreal during the St. Lawrence open season.

United States Government records show the movement of westbound cargo through the Panama Canal averages per annum about 2,500,000 gross tons. This amount of cargo naturally enables the lines to operate a large number of steamers in the intercoastal trade some of which do not carry any lumber eastbound.

American Hawaiian carry mostly general cargo eastbound and very little lumber.

The Williams Line eastbound cargo is about 75 per cent lumber and 25 per cent is general cargo, the latter principally out of California.

Luckenbach Line probably averages 50 per cent lumber and 50 per cent general cargo.

Panama Mail, Panama Pacific, and Dollar Lines carry no lumber, practically all the rest of the lines depend on lumber for their eastbound cargoes.

Yours very truly,

GEO. T. WILLIAMS, *President.*

Line	Number of steamers	Average deadweight per steamer	Total deadweight
		Tons	Tons
American Hawaiian Line.....	22	10,000	220,000
Arrow Line.....	8	8,000	64,000
Munson McCormick Line.....	8	8,000	64,000
Nelson Line.....	10	6,500	65,000
Quaker Line.....	18	8,000	144,000
Williams Line.....	7	10,000	70,000
Luckenbach Line.....	18	12,000	216,000
Transmerine Line.....	8	5,300	42,400
Isthmian Line.....	20	10,000	200,000
Panama Mail Line and Panama Pacific Line.....	(1)	-----	-----
Dimon Line.....	7	8,600	60,200
Hammond Line.....	2	6,000	12,000
Argonaut Line.....	8	9,600	76,800
Dollar Line.....	(9)	-----	-----
	136	-----	1,291,200

<sup>1</sup> Carry no lumber.

<sup>2</sup> Westbound cargo only; no lumber.

#### EXHIBIT B-2

VANCOUVER, BRITISH COLUMBIA,  
July 10, 1929.

A. W. COOPER,  
*Powhatan Hotel, Washington, D. C.:*

Reference Bloedels telephone conversation Vandusen from best obtainable information 78 boats have loaded cargoes lumber from British Columbia to United States Atlantic Ports January, 1928, to June, 1928. Average costs per thousand feet, board measure, by quarters follows last year, first quarter, 1,286; second quarter, 1,325; third quarter, 1,290; fourth quarter, 1,325; this year, first quarter, 1,350; second quarter, 1,340; total average, 1,323. Between October last and this April 14 American flagged conference vessels were given cargoes which number included in above 78. Account American laws prohibiting foreign vessels carrying intercoastal cargo American vessels have sole access highly remunerative westbound cargo movement thus carrying cargoes both eastbound westbound which distinct advantage over foreign vessels—as no cargo westbound from United States Atlantic ports to British Columbia. Due ever increasing American lumber concerns directly or indirectly operating intercoastal steamers the American rate means nothing as it is cost that governs and because of highly remunerative westbound cargoes American coasts very much lower than costs foreign flagged vessels carrying one way lumber cargo.

C. H. GRINNELL,  
*Seaboard Lumber Sales (Ltd.).*

EXHIBIT C-1

CHART B.—Comparative costs of Producing lumber in British Columbia and Washington-Oregon

[Per M feet]

	1923		1924		1925		1926		1927		1928	
	British Columbia	Washington-Oregon	British Columbia	Washington-Oregon	British Columbia	Washington-Oregon	British Columbia	Washington-Oregon	British Columbia	Washington-Oregon	British Columbia	Washington-Oregon
Cost of logs sawn.....	\$14.56	\$15.33	\$13.52	\$13.60	\$12.29	\$12.45	\$12.41	\$11.83	\$11.64	\$11.36	\$11.35	\$11.45
Labor.....	5.51	5.35	5.07	4.81	3.70	4.33	3.87	4.42	3.79	4.77	3.58	4.61
Supplies.....	1.27	.54	1.08	.53	.58	.46	.64	.44	.67	.20	.52	.19
Mill expenses.....	.03	.58	.07	.43	.66	.35	.58	.32	.43	.86	.47	.77
General and administrative expense.....	1.67	1.49	1.81	1.69	1.97	1.61	1.91	1.42	1.01	1.24	1.75	1.09
Depreciation.....	1.50	1.27	1.50	1.80	1.50	1.74	1.50	.80	1.50	.50	1.50	.73
Total manufacturing expense.....	9.98	8.91	9.53	8.28	8.61	7.49	8.53	7.40	8.20	7.87	7.82	7.59
Total cost of lumber manufactured.....	24.54	24.24	23.05	21.88	20.90	19.94	20.94	19.23	19.84	19.23	19.17	18.84
Shipping and selling expense.....	1.71	1.02	1.55	1.55	1.52	1.62	1.52	1.72	1.51	1.66	1.51	1.33
Total cost of lumber sold.....	26.25	25.80	24.60	23.43	22.42	21.56	22.46	20.95	21.35	20.80	20.68	20.17
Higher cost of British Columbia mills.....	.39	.....	1.17	.....	.86	.....	1.51	.....	.46	.....	.51	.....

The above table prepared from data taken from published reports of the British Columbia Lumber & Shingle Association and the West Coast Lumber Association, shows a comparison and the trend of comparative costs of producing lumber in Washington-Oregon and in British Columbia.

These data were not prepared for the purpose of supporting any tariff proposals, but are those regularly sent by the associations to their subscribers. They are the facts, substantiated by other material covering the same field, and show plainly the competitive difference in favor of the American product.

EXHIBIT C-2

Comparative costs between British Columbia mountain mills and mills of Inland Empire

	1926 Inland Empire, average 26 mills	1927 Inland Empire, average 19 mills	1927 Mountain, British Columbia, average 5 mills	1928 Mountain, British Columbia, average 5 mills
Log cost per M feet of lumber.....	\$10.40	\$10.28	\$13.58	\$13.71
Stumpage cost per M feet of lumber.....	2.45	2.42	2.17	2.42
Sawing, planing, and shipping.....	7.18	7.56	6.60	6.57
Depreciation and overhead.....	2.63	2.79	2.91	2.77
Felling expense.....	1.22	1.32	1.19	1.19
Other costs (taxes, etc.).....	1.02	.87	.....	.....
Total cost.....	24.93	25.24	26.43	26.66

The above costs for the Inland Empire mills are taken from the published reports of the Western Pine Manufacturers' Association. The British Columbia figures are from the report of the Mountain Lumbermen's Association of British Columbia.

EXHIBIT C-3

Cost per M feet of producing lumber in Minnesota compared with cost in Ontario  
(These two modern mills were approximately the same size and 150 miles apart)

	Bemidji (Minnesota) operation—Crookston Lumber Co.			Fort Frances (Ontario) operation—Shevlin-Clarke Co. (Ltd.)					
	1923	1924	1925	1923	1924	1925	1926	1927	1928
Operating costs (all on lumber scale or mill tally basis):									
Logging, without stumpage.....	\$9.49	\$9.84	\$9.56	\$10.44	\$11.01	\$11.04	\$10.53	\$9.94	\$11.47
Stumpage.....	5.50	7.20	5.86	7.67	6.11	5.91	5.31	6.04	5.78
Cost of logs.....	14.99	17.04	15.42	18.11	17.12	16.95	15.84	15.98	17.25
Manufacturing, boom to pile.....	4.11	4.04	3.65	4.90	4.66	4.52	4.20	4.31	4.20
Planing mill.....	.62	.62	.70	.71	.62	.67	.60	.65	.58
Shipping.....	1.15	1.18	1.15	1.58	1.44	1.46	1.36	1.41	1.37
Selling.....	.73	.68	.80	.78	.73	.79	.89	1.08	1.04
Cost in car without overhead.....	21.60	23.66	21.72	26.08	24.67	24.39	22.89	23.43	24.44
Insurance and general overhead.....	2.80	3.30	2.86	3.88	3.29	3.17	2.82	2.51	2.85
Taxes.....	1.85	1.30	1.16	.11	.11	.12	.11	.09	.11
Total cost.....	26.25	28.16	25.74	30.07	27.67	27.68	25.82	26.03	27.49
Total cost without stumpage.....	20.75	20.96	19.88	22.40	21.88	21.77	20.61	19.99	21.62
Ontario cost above Minnesota cost.....				1.65	.90	1.89		(Minnesota mill closed.)	

I hereby certify that the above figures agree with the original cost records of Crookston Lumber Co. and Shevlin-Clarke Co. (Ltd.). Those two companies were allied and generally managed by the same head office. The same cost system was used by both companies, and they were supervised by the undersigned, who was comptroller for both companies. Crookston Lumber Co. finished its operation in 1926.

D. P. LARSEN, Comptroller.

Sworn to and subscribed before me this 22d day of January, 1929.

A. M. HARTIS, Notary Public.

EXHIBIT C-4

DISTRICT OF COLUMBIA, ss:

I, E. R. Plunkett, president of the Plunkett-Webster Lumber Co. (Inc.), of New Rochelle, N. Y., hereby certify that the said Plunkett-Webster Lumber Co. (Inc.), financed entirely a sawmill in Dallas, Me., cutting birch and maple timber during the logging season of 1928-29 from forests not to exceed 20 miles south of the Canadian border line.

I further certify that the said Plunkett-Webster Lumber Co. (Inc.), paid the entire amount of the pay roll necessary to cut, draw, and manufacture the hardwood timber mentioned above, and that the total cost of cutting and hauling of logs was \$15 per M feet and the total cost of the sawing, piling, and loading into cars was not to exceed \$12 per M feet, or the total cost of manufacturing and loading was not to exceed \$27 per M feet.

(Signed) E. R. PLUNKETT.

Subscribed and sworn to before me this 17th day of June, A. D. 1929.

{SEAL.}

(Signed)

PEARL P. CRAMER,  
Notary Public.

EXHIBIT C-5

CANADA, PROVINCE OF QUEBEC,  
District of St. Francis:

I, George M. Stearns, president of Lake Megantic Pulp Co., of Lake Megantic, Quebec, doth depose and say:

That Lake Megantic Pulp Co. during the past five years have sawn into lumber for export to the United States of America about 500,000 feet of birch logs which was cut from their own land.

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Last season's cut of 596,540 feet of logs cost the said company \$25.50, exclusive of stumpage, per 1,000 feet delivered at their sawmill; the sawing and piling in their yard cost them \$6.69 per 1,000 feet, board measure.  
So help me God.

G. M. STARNES.

Sworn before me at the town of Megantic, this 8th day of the month of June, 1929.

[SEAL.]

D. L. LIPPE.

EXHIBIT C-6

*Cost of production of shingles in Washington-Oregon and British Columbia*

[U. S. Tariff Commission: Report on red cedar shingle industry to President, March 2, 1927, p. 44]

(1) Royals, No. 1, 24-inch, 4/2:	Per 1,000
Washington-Oregon cost.....	\$10. 690
British Columbia cost.....	\$11. 305
Higher foreign cost..... per cent..	5. 8
(2) Perfections No. 1, 18-inch, 5/2-1/4:	
Washington-Oregon cost.....	\$4. 528
British Columbia cost.....	\$4. 774
Higher foreign cost..... per cent..	5. 4
(3) Perfects (or XXXXX) No. 1, 16-inch, 5/2:	
Washington-Oregon cost.....	\$3. 681
British Columbia cost.....	\$3. 851
Higher foreign cost..... per cent..	4. 6
(4) Extra clears, 16-inch, 5/2:	
Washington-Oregon cost.....	\$2. 835
British Columbia cost.....	\$2. 845
Higher foreign cost..... per cent..	0. 4
(5) Eureka's, No. 1, 18-inch, 5/2:	
Washington-Oregon cost.....	\$3. 508
British Columbia cost.....	\$4. 465
Higher foreign cost..... per cent..	27. 4
Weighted average for all shingles produced:	
Washington-Oregon cost.....	\$3. 098
British Columbia cost.....	\$3. 802
Higher foreign cost..... per cent..	22. 7

**STATEMENT OF CLARENCE L. BAHR, ATTORNEY AT LAW,  
WASHINGTON, D. C.**

(The witness was duly sworn by the chairman of the subcommittee.)

Senator COUZENS. Are you employed on a salary basis by this voluntary association, or temporary association?

Mr. BAHR. I draw a small retainer fee—you might call it a salary.

Senator COUZENS. How long did they retain you for?

Mr. BAHR. For no set period. There is no set period.

Senator COUZENS. You have heard the questions I asked Mr. Cooper?

Mr. BAHR. Yes, sir; I have, Senator.

Senator COUZENS. Could you tell us something of the finances of the association?

Mr. BAHR. All I can tell you is that I was employed by Mr. A. A. D. Rahn; that I opened an office in the Hill Building, 1006 Hill Building, gathered statistics and information to prepare briefs on the tariff last January. We appeared before the Ways and Means Committee at that time and filed briefs. A good many letters, and so forth were sent out.

Senator COUZENS. We are not asking about that.

Mr. BAHR. I know. Of course, I have had my expenses paid by Mr. Rahn and my salary. I kept a record of all the expenditures I made and was reimbursed. The extent of it I could not tell you.

Senator COUZENS. You had nothing to do with raising money?

Mr. BAHR. I had nothing to do whatever with raising any money and, so far as I know, there was no money raised. There was no large fund raised to fight the tariff.

Senator COUZENS. You say you had nothing to do with raising money. You heard the statements made by Mr. Cooper?

Mr. BAHR. I have no knowledge of any large fund raised to fight the tariff on lumber, logs, and shingles.

Senator COUZENS. How is that?

Mr. BAHR. I do not know of any considerable expenditure, any large expenditure.

Senator COUZENS. You say you acted as manager for the group?

Mr. BAHR. I might have spent \$14,000 or \$15,000.

Senator COUZENS. Is that altogether, including the office and your salary and all?

Mr. BAHR. Including everything it might run a few thousand dollars more.

Senator COUZENS. And it all comes from this gentleman you referred to?

Mr. BAHR. Yes, sir.

Senator COUZENS. So you knew nothing about any campaign to raise money to fight the tariff.

Mr. BAHR. There has never been any campaign so far as I know.

Mr. RAHN. Mr. Chairman, I am Mr. Rahn. I can tell you that Mr. Bahr is wrong in his statement of expenditures.

Mr. BAHR. It might have been wrong at that, Senator. Mr. Rahn knows.

Senator COUZENS. But there was no campaign that you were cognizant of?

Mr. BAHR. No, sir; there has been no campaign so far as I know to raise funds to fight the tariff on lumber.

Senator WALSH. You were only employed as an attorney?

Mr. BAHR. Only as an attorney.

Senator WALSH. How long have you been practicing?

Mr. BAHR. About a year.

Senator WALSH. Did you ever know of this organization before it came to Washington?

Mr. BAHR. No, sir; I did not.

Senator WALSH. And they came and got in touch with you as a lawyer, did they?

Mr. BAHR. They did; correct.

Senator WALSH. To establish an office and office force and prepare briefs?

Mr. BAHR. Yes.

Senator WALSH. And that is all of your connection with it?

Mr. BAHR. Yes.

Senator WALSH. You did not raise the finances for this purpose?

Mr. BAHR. I just kept a record of the expenditures. I kept books in the office of all the expenditures and will be glad to exhibit them to you.

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Senator WALSH. Is that your own office or was it a separate office?

Mr. BAHR. It is my own office, Senator.

Senator WALSH. So you permitted your office to be used by persons, stenographers, and others who were employed to gather statistics and get information?

Mr. BAHR. Yes, sir. I have been representing the hardwood and shingle interests as well.

Senator WALSH. And you were in charge of that for them?

Mr. BAHR. Yes, sir; I handled that for them.

Senator WALSH. But so far as being a member of any association, or organization interested in this tariff question you have no connection except as counsel?

Mr. BAHR. No, except as I am an officer, the vice chairman, of the National Association Against a Lumber and Shingle Tariff which we organized, you might say, for convenience sake to better express the views and arguments of those opposed to the tariff.

Senator COUZENS. This is the national association lumber, shingle tariff committee, is it not?

Mr. BAHR. The national association against a lumber and shingle tariff. There is an error in the program there.

Senator COUZENS. They left out the word "against" in the list of witnesses here.

Mr. BAHR. Yes.

Senator COUZENS. When was this organized, not until after they got in contact with you?

Mr. BAHR. No, it was organized I think about three months ago.

Senator COUZENS. Before they came in contact with you?

Mr. BAHR. No, Senator, after. About three months ago.

Senator COUZENS. Afterwards?

Mr. BAHR. Yes.

Senator COUZENS. How did you make contact with these gentlemen?

Mr. BAHR. I have known Mr. Rahn for about a year, I should say.

Senator THOMAS. How long have you resided in Washington?

Mr. BAHR. About six years, Senator.

Senator THOMAS. From what State did you come?

Mr. BAHR. I came from the State of South Dakota.

Senator THOMAS. Is that a timber State?

Mr. BAHR. No, sir; it is a prairie State, a farm State.

Senator THOMAS. You were not employed, then, because of your knowledge of timber, but because of your knowlege of the law?

Mr. BAHR. I should say so, sir.

**STATEMENT OF ANDREW A. D. RAHN, REPRESENTING THE SHEVLIN CARPENTER & CLARKE CO., OF MINNEAPOLIS, MINN.**

(The witness was duly sworn by the chairman of the subcommittee.)

Senator COUSINS. What is your business connection?

Mr. RAHN. I am vice president of the Shevlin Carpenter & Clarke Co. of Minneapolis, Minn., operating mills at McCloud, Calif., Bend, Oreg., Port Francis, Ontario, and Blind River, Ontario.

Senator WALSH. How large is your capitalization?

Mr. RAHN. I should say about \$14,000,000.

Senator WALSH. Are these companies all separately organized?

Mr. RAHN. They are separately organized and have separate stockholders and officers, but there is one operating company, the Shevlin Carpenter & Clarke Co.

Senator WALSH. Do you make all kinds of lumber, or do you specialize.

Mr. RAHN. Yes, all kinds of softwood lumber, except fir and California Redwood.

Senator COUZENS. What proportion of your business is done in the Ontario plants?

Mr. RAHN. About 25 per cent—20 to 25 per cent.

Senator COUZENS. You heard the questions I asked Mr. Cooper and Mr. Bahr. Can you elaborate upon any of those questions?

Mr. RAHN. Yes. The expenses here probably ran around about \$20,000. They were for compiling briefs and different things of that sort. I would be very glad to show you the books in connection with the expenditures. They have been for briefs, printing, postage, stenographic work, and that is all the expenditures were for.

Senator COUZENS. Where did the money all come from?

Mr. RAHN. Some of it has not been collected yet. I have advanced a considerable amount, and some of it has been collected from different concerns that have interests in the United States and Canada.

Senator COUZENS. Name some of them.

Mr. RAHN. The Winton's. Off hand—

Senator COUZENS. Give the addresses as you name them.

Mr. RAHN. Yes. The Winton's, Idaho Falls; and I think Plunkett & Co., over in New Rochelle, New York—I am not in the position to give you very many of them accurately. I would be inside of 10 days, when I get home. I will be very glad to; but there has not been a great deal of money raised so far. We have advanced considerable ourselves.

Senator COUZENS. How much?

Mr. RAHN. I should say possibly \$10,000 or \$15,000.

Senator COUZENS. You expect to be reimbursed by these Ontario and California companies?

Mr. RAHN. Yes; all of them expect to contribute. I expect to be reimbursed for all these expenditures. I would be very glad indeed to show you our books and vouchers. That is all our expenses have been for except my personal expenses which I did not charge up and never have, of course, being an official of my company.

Senator WALSH. How long have you been in the lumber business?

Mr. RAHN. Twenty-five years.

Senator THOMAS. So you have only spent about \$20,000?

Mr. RAHN. Something like that.

Senator WALSH. You do not feel as though you have spent very much, do you?

Mr. RAHN. It has all been spent for stenographic services, economists, and legal hire; printing briefs, preparing maps, gathering data; and you understand that this is the only place where the data could be obtained; it has been necessary to come here and establish a headquarters and employ stenographers in order to secure the information. That is where the expenditures came in.

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Senator COUZENS. Do you manufacture shingles?

Mr. RAHN. No; we do not.

Senator WALSH. The proponents have a similar organization on their side, do they not?

Mr. RAHN. Yes. Their organization has been in existence for the past three years.

Senator WALSH. In the city here?

Mr. RAHN. No, part of the time here. They have been here at different times. I have not followed them up but they have been here from time to time.

Senator WALSH. Have they an attorney here?

Mr. RAHN. I can not answer that.

Senator WALSH. Who represented them before?

Mr. RAHN. Mr. Condon. He was the national committeeman from Washington. Mr. Edwards has been with them for some time—the past two years.

Senator WALSH. They have maintained a research and clerical force the same as you have?

Mr. RAHN. No; they have been carrying on their work on the west coast—Oregon, Washington, and California. They have been circularizing all the retail lumber dealers and all the wholesalers and so forth, which we have not done. We have confined our expenditures to the items I mentioned; in the preparation of briefs and the study of statistics. It has taken time and expense to secure this data.

Senator WALSH. Were you solicited as a domestic producer to contribute to the proponents of the tariff?

Mr. RAHN. All of our western companies were solicited.

Senator WALSH. Did you contribute?

Mr. RAHN. No, sir. It costs money for them to operate. Necessarily they collect some.

Senator COUZENS. Have you any plants in Washington and Oregon?

Mr. RAHN. We have in Oregon. We have a big plant that manufactures 200,000,000 feet. We have a big box factory there.

Senator COUZENS. Do you own your own timber?

Mr. RAHN. We own our own timber at Bend, Oreg., and McCloud, Calif.

Senator COUZENS. You have been informed that the witnesses who have been the strongest advocates for the tariff are those who do not own their own timber but have to go out and buy in the market? Is that correct?

Mr. RAHN. Yes. Any tariff would accrue to the stimulation of the stumpage value, which is a bad thing at the present time. The present prices of lumber are high. Those interested in the lumber business and who have the welfare of that business at heart believe that lumber prices are about as high as they ought to be, and they are endeavoring to stabilize those prices. With the exception of the marginal producer I might add that the present prices of lumber, with the conditions and economic changes that have been brought about through operations in the past three or four years, give us a very fair return upon our investment. I know that all of our stockholders are satisfied. We have a big plant at McCloud, Calif. Our capacity there is 200,000,000 feet per year.

Senator COUZENS. How do you account for all this "poor mouth" testimony about the shingle manufacturers in Washington and Oregon?

Mr. RAHN. Senator Couzens, you did not have a shingle operator owning timber testify. There was not one of them that dared to put his testimony in if you asked him for the figures from his books. I have some Dun reports lying on my desk. They are confidential, but they show a surplus by many of the shingle manufacturers of the West.

Senator COUZENS. Did they appear here asking for a tariff?

Mr. RAHN. They did not. Mr. Jamieson was here at the hearing before the Ways and Means Committee, one of the most successful operators out there. He did not appear before your committee. There were some very small operators that appeared.

Senator COUZENS. What you call marginal producers?

Mr. RAHN. Yes; those who have to buy their timber. Mr. Brattle probably was the best of them all. I noticed in his testimony, which I read, that he stated that he could not furnish the costs. I know him by reputation. I have known that he has prospered in his shingle business from the time he took hold of it—previously he was in the real estate business. He was unfair in his testimony and his statements were made without producing figures.

I think that the opponents of this tariff have given the committee comprehensive statements on costs. We have gone to great trouble to get the figures from various concerns. We have gone to the trouble of digging up all the figures connected with the Western Pine Association over a period of years. Those figures are filed in the brief. They are accurate figures. I have given you a sworn statement of the costs of mills operating, one in Fort Frances, Ontario, Canada, and one in Bemidji, Minn. As I recall the figures year after year, the last that we have got, comparing Fort Frances with regard to white pine, they ran about 50 cents to as high as \$1.80 difference per thousand feet in costs.

Senator WALSH. Per what?

Mr. RAHN. Per thousand feet.

Take white pine. The only northern white pine left in the United States to-day is in the hands of the Weyerhaeuser interests, Cloquet, Minn. In Minnesota we built up a large pine business; in Pennsylvania, Ohio, Michigan, and various states. In Minnesota prior to cutting out the white pine we operated plants at St. Hilaire, Bemidji, and Crookston, but as we cut out it was necessary to go north into Canada, where the white pine was, in order to supply our trade.

Our first mill was established at Fort Frances and as we cut out at Bemidji we established a white pine mill at Blind River, Ontario, two years ago. As the timber depletion took place the remaining supply fell into the hands of fewer and fewer operators.

It is a fact that the Weyerhaeusers are the largest single owners of timber in the States of Washington, Idaho, and Oregon.

Senator COUZENS. They want a tariff?

Mr. RAHN. They are not active.

Senator WALSH. Is it your claim that where the lumber business is carried on on a large and efficient scale the domestic producers are prosperous?

Mr. RAHN. Positively so.

Senator WALSH. There is no doubt about that?

Mr. RAHN. No doubt about it. We will be very glad to give you our figures.

Senator WALSH. Where the business is not carried on efficiently there is likely to be an unprosperous condition, and those are the people asking for a tariff?

Mr. RAHN. That is quite true. At the peak of the prices in the period of 1920, on a runaway market, certain timber tracts were sold at very high values, as farm lands were sold in Iowa and Minnesota. The water has got to be taken out of those particular transactions. There are a few concerns of that type asking for a tariff.

Senator COUZENS. Does what you have said as to this other lumber apply to birch and maple?

Mr. RAHN. I am not familiar with the hardwood business, Senator, only in a general way. The price of hardwoods is very high. I do know this, that in connection with the Canadian importations and our exports, we export a lot of 1-inch birch which we produce in Michigan and in Wisconsin. That, of course, is the lower-price material. They make hardwood flooring out of the poorer grades and they ship a lot of that into Canada, as well as oak, and so forth, from Tennessee. I have forgotten the figures, but the exports are very great from this country.

Our imports of hardwoods are entirely a different type. In the Canadian forests they produce 8-quarter or 10-quarter, which is used in the automobile industry and in the manufacture of various farm implements, and we have a very, very limited supply of what you would call clear hardwood, of the thickness required for dimension stock.

Senator COUZENS. Do you call the imports from Canada of the poorer quality? Is that what you are trying to get at?

Mr. RAHN. No; but a thicker wood that we can utilize. You get in Detroit from across the line for your woodworking industries in there the desired thicknesses of hardwoods. In the New England States you will find in New Hampshire and Maine, for instance, that they have some of these small hardwood plants and you will find that they are shipping a great amount of 1-inch stuff to Canada, but, on the other hand, are importing 2-inch and 3-inch hardwoods.

Senator COUZENS. Does Canada charge any tariff on the importation of birch and maple over there?

Mr. RAHN. Not in the rough; 80 per cent of all that is shipped in the rough from any nation. That applies from Canada into this country as well as from this country into Canada.

I might add that Canada affords even for the west coast a very substantial market for low-grade fir. In other words, they take a No. 3 fir in the prairie country right now. I know one firm that has contracted for several million feet of American low grade in the prairie country.

The southern mills which possibly produce 12,000,000,000 feet—you will find none of them are asking for a tariff. They produce much more than on the west coast. They ship into Ontario in competition with western Canada, and western Canada can not compete in Ontario. It amounts to approximately thirty-five or thirty-eight million; I do not recall. I can furnish you the exact figures; but in going over the figures I find that Canada buys from us per capita twice as much as we buy from them.

In Canada they do not have the large trees which make shop material; that is, sash and door lumber. They have in eastern Canada, in the Ontario country, white pine and spruce, a type of lumber that makes a good common building material, and so forth; and when we built up at Blind River and came to check our sash and doors we found that they were made out of California sugar pine. In checking over I find that the business in California sugar pine on shop is increasing every year in Canada.

You understand what I mean by "shop." It is cut from very large trees. There are very large knots. You can not make dimension lumber of it; you can not make common lumber out of it. You get a piece the length of this table, a big knot over here and a knot down here, and so forth [illustrating]. You get one piece that will make the top of a door; you get another piece that makes the side of a door. The panel is a little different; that is a higher price. But all they buy is those pieces. The knots are cut out.

Canada to-day is increasing her purchases of that type of lumber.

On the west coast, in connection with sales recently, 20,000,000 feet of fir was sold in Canada. I have in mind one sale that went out of Everett, of fir, that went into Canadian territory; so that the business is more or less interchangeable.

Senator THOMAS. Do your interests own or operate any retail lumber yards?

Mr. RAHN. Yes; in Montana.

Senator THOMAS. What is the territory for your product?

Mr. RAHN. We ship into 32 States.

Senator THOMAS. And how many foreign countries?

Mr. RAHN. Very few foreign countries. We ship a little white pine into Mexico; we ship to Mexico City, and a little white pine into Cuba because of its peculiar ability to absorb or not absorb moisture.

Senator WALSH. Do you ship into Canada?

Mr. RAHN. Yes; we ship sugar pine into Canada occasionally.

Senator THOMAS. You stated a while ago that it was your opinion and the opinion of the interests that you represent that the prices are now about as high as the trade would stand or as high as lumber should be?

Mr. RAHN. Just about. What I have in mind is this—

Senator THOMAS. Do you mean to contend that in the event this tariff goes on, the lumber price will go up to the consumer?

Mr. RAHN. Yes, sir.

Senator THOMAS. Just elaborate that, please. Why?

Mr. RAHN. It will exclude a certain percentage of lumber, and the natural tendency will be to increase the price. What some of the men in the lumber industry are trying to do is to stabilize this price so that we will get back to where the retailer knows to-day and to-morrow what he is paying so that he can contract six or eight months ahead of time with the big sash and door factories to avoid these breaks that often take place.

Recently several prominent lumber men met and sent a memorial to the President along the same lines as the big oil companies in connection with oil conservation. Many of the most prominent lumber men of the United States in that particular meeting brought out the one thought, and that was to conserve. The question of depletion has just begun to dawn on them. In California they are really prac-



ting selective cutting, going into the woods and taking out the large trees and conserving the lower-grade timber such as white fir, and the operating concerns expect to go back into that timber in years to come. The thought of forest engineering is being advanced, and the question of depletion is one of the problems that is confronting the lumber man who has his big stand of timber and his big overhead in connection with it.

Senator THOMAS. Is it your contention that the tariff on lumber would be a portion of the program of the conservation of our natural resources, meaning the standing timber?

Mr. RAHN. No, sir.

Senator THOMAS. It would be an adverse influence?

Mr. RAHN. Yes, because you have not the market for that low-grade lumber. Contrary to what some have said, the low grade to-day is a surplus in the American market itself. The low grade to-day is being exported. The low grade to-day is going into Canada; millions of feet.

Senator THOMAS. Those who are asking for a tariff on lumber are not doing that, are they, in order to increase the revenues of the Treasury, in your judgment?

Mr. RAHN. You mean, as a revenue producer for the Government?

Senator THOMAS. That is not their incentive?

Mr. RAHN. Oh, no; their incentive is simply a question of increasing values.

Senator COUZENS. What you have to say does not apply to hard wood, does it? All that you are saying with regard to qualities and exports and imports only applies to softwoods?

Mr. RAHN. Yes. I am not familiar with the hardwood situation, only in a general way.

Senator THOMAS. You say you have had charge of the financing of the campaign that has been made so far as the opposition to the lumber schedule has been carried on in this country?

Mr. RAHN. Yes, up to a certain point. I do not say I have had charge of it. I assisted and sort of directed it.

Senator THOMAS. Basing your answer upon your experience, how much money would it take to put on the kind of a campaign that you think should have been put on to have opposed the tariff on lumber?

Mr. RAHN. I do not think it would take any more. All we did was simply to dig up facts and file them.

Senator THOMAS. Have you spent all the money that you saw opportunity to spend legitimately?

Mr. RAHN. Yes. We have our books. If you want them we will send them down to you.

Senator THOMAS. About \$20,000 you say you have spent?

Mr. RAHN. It would be around that—maybe \$25,000. I can not answer as to the exact amount, but the books will show. I have advanced some of that and expect to get it back.

Senator THOMAS. How long would it take you to prepare and furnish the committee an extract from your books, what they show so far as raising the money is concerned, and the expenditures, not in detail, but substantial detail, so that we will have an idea of where the expenditures have gone?

Mr. RAHN. It would not take very long. In fact, you can have the original books.

Senator WALSH. Of course you desire to get the same information for the committee from the other side?

Senator THOMAS. Oh, surely; that is my idea. Would you do that?

Mr. RAHN. Yes, sir.

Senator THOMAS. Will you have prepared a statement showing the contributions and the sources and expenditures?

Mr. RAHN. It would take me a couple of weeks.

Senator COUZENS. I think that would be all right.

Senator THOMAS. You will do that, will you?

Mr. RAHN. Yes, sir.

Senator THOMAS. Send it to Senator Couzens.

Senator WALSH. Do you know whether the men to whom you have referred as being the leaders among the proponents are in the city?

Mr. RAHN. I do not know, sir.

Senator WALSH. I want to divert your attention to another matter. I suppose that in preparing your case you have made a very thorough survey of the attitude of the farm associations and organizations throughout the country on this matter of the tariff on lumber and shingles?

Mr. RAHN. Yes, sir; we have kept in contact with them.

Senator WALSH. What information can you give us as to the percentage or extent to which the farm organizations in this country have taken a position for or against the tariff on lumber and shingles?

Mr. RAHN. The National Grange has taken a position as a national organization and most of the States have come in; that is, they have come in with local resolutions.

Senator COUZENS. Against or for?

Mr. RAHN. Against the tariff.

Senator WALSH. The National Grange and the local organizations of the National Grange have declared against the tariff?

Mr. RAHN. Yes. It was brought to my attention on the shingle question that you spoke about. I read a brief that one of the Senators let me have, of the proponents of a shingle tariff. They stated that the National Grange in Washington and Oregon wanted to have a tariff. Both local organizations in the State of Washington and in the State of Oregon passed resolutions against the tariff on lumber, logs, and shingles; also the Farmers' Union in the State of Oregon; the Wool Growers Association; the fruit organizations in the State of Oregon and the big poultry associations in the State of Washington—

Senator WALSH. They passed resolutions?

Mr. RAHN. Yes.

Senator THOMAS. Where can we get copies of these resolutions?

Mr. RAHN. I think we can get them together. That is what we have been undertaking to do, to gather this information up.

Senator THOMAS. Will you furnish us copies?

Mr. RAHN. Yes.

Senator WALSH. What other organizations?

Mr. RAHN. The retail organizations all over the country—

Senator WALSH. I mean, farm organizations.

Mr. RAHN. Oh. Quite a few of them, but I can not tell you off-hand.

Senator WALSH. Somebody has made the statement that as many as 80 per cent of the farm organizations have been opposed to the tariff.

Mr. RAHN. I think 80 per cent of the Farm Bureau organizations and 100 per cent of the grange, which is the largest one in the United States. Their brief was filed before the Ways and Means Committee.

Senator DENEEN. Did the American Farm Bureau take a stand upon it?

Mr. RAHN. Not nationally, no; but various organizations in Minnesota, Kansas, Texas, Ohio, Indiana—various of them. I can find out.

Senator COUZENS. How do you account for the fact that the members of the Senate and House from Oregon and Washington are practically 100 per cent for the tariff?

Mr. RAHN. I am familiar with that country out there, Senator. It is like some of my friends said, if the opponents of the tariff had started out with the same tactics that the proponents of the tariff did out in Washington and Oregon, possibly the Senators would not have been so strong for this but would have been neutral both ways. But this work on the tariff has been going on for a couple of years out there and the opponents have not been active.

Senator COUZENS. Senator Dill, I understand, made it a campaign issue in his campaign.

Mr. RAHN. Senator Dill, I think, when he comes up for reelection again in the State of Washington, is going to have a lot of trouble if he does not mind his p's and q's.

Senator COUZENS. He did campaign on it?

Mr. RAHN. I know; but he has been misguided a little by some of the mill towns, because the farmers and the fruit growers up there are up in arms.

Senator WALSH. Was that the controlling issue in his campaign?

Mr. RAHN. I do not think so. It was a fight between Governor Hartley, who is for a tariff on shingles, and Mr. McIntosh, who ran against Senator Dill. Mr. Hartley is a Republican and Mr. McIntosh is also a Republican, but due to the fight in their own party Senator Dill was elected this time.

Senator COUZENS. He is for a tariff on shingles.

Mr. RAHN. But I think it was a fight between Governor Hartley and Mr. McIntosh.

Senator COUZENS. Both the Senators from Washington are very "pro-tariff" on shingles and lumber.

## BRIEF OF THE LUMBER INDUSTRY TARIFF COMMITTEE

### THE TARIFF CHANGE REQUESTED

The western lumber industry respectfully asks that what is known as softwood lumber be removed from the free list, placed on the dutiable list, and that a specific duty of \$3 per thousand feet, board measure, on the American valuation plan, be fixed as an import duty on all softwood lumber products, other than cedar (a tariff on which is requested in a separate brief), when imported to the United States.

Paragraph 1700 of the present tariff act places lumber on the free list, and there are now no restrictions or prohibitions of any kind limiting the importation of lumber products to United States markets. The differences in cost of production, including foreign transportation advantages, at present existing

between American lumber production and the production of lumber in British Columbia, the present principal lumber competitor in United States markets, average approximately the amount of tariff requested.

Western American labor, American business, and American lumber producers, who have no foreign mill or timber interests, are practically unanimous in supporting the request for a tariff on softwood lumber products. They are aware a number of American owners of foreign mill and timber interests, lumber importers, and retail lumber dealers, are opposed to a tariff on the importation of lumber. These American owners of foreign mill and timber interests led in the opposition that was presented against a lumber tariff at the recent tariff hearings that were held before the Ways and Means Committee. American lumbermen ask special attention to the several interests and reasons of the opponents of a lumber tariff, and assert that foreign interests, even though emanating from American citizenship, should not in fairness be considered in the placement of American tariffs that are intended to protect American labor and American industry, and generally benefit all of the people of the United States.

Lumber and shingles are of the few important building materials that are not now on the protected list.

#### REASONS FOR RECOMMENDING A TARIFF ON SOFTWOOD LUMBER

Western lumbermen are asking for a tariff on softwood lumber for the following reasons:

To promote the general welfare of all of the people of the United States and increase American progress and prosperity.

To protect and give employment to idle American labor which has been forced into much idleness because of the enormous foreign importations of competing lumber products.

To prevent the forcing of American labor and American manufacture into direct and open competition in the United States markets with foreign and orientally produced lumber.

To give at least an equal opportunity to American labor and American industry in the production of American lumber for sale in the markets of the United States.

To remove existant advantages that are now congressionally afforded foreign lumber production over the production of American lumber.

To eliminate discriminations and handicaps now existant against the production of lumber in the United States.

To foster, encourage, and increase American business, and American commerce in the United States.

To protect and preserve American business, and American industry, and prevent increased distress to western labor, business, and industry.

To carry out and fulfill the pledges and promises of both of the great political parties, which have promised and pledged protection to American labor and American industry, to the end that American labor and American industry may again command the home market, may maintain the American standard of living, and count upon steady employment in the accustomed fields.

#### IMPORTANCE OF THE AMERICAN LUMBER INDUSTRY

The American lumber industry has a total of more than 20,000 lumber-producing plants throughout the Nation; its development began with the settlement of the American Continent, and its future gives every promise of perpetual continuance. Its investments far exceeds a total of more than \$500,000,000, and employment is given to several million workmen. It annually contributes millions to the maintenance of kindred industries, is one of the Nation's heaviest taxpayers, and one of the largest supporters of the transportation systems of our Nation.

Western lumber mills, which are those most vitally affected, because of the lack of tariff on lumber, total more than 1,500 and have an investment of over \$200,000,000. They give employment to fully 200,000 workmen, support a population of more than a million people, and furnish an annual pay roll to American labor in excess of \$200,000,000.

## COMPARABLE PRODUCTION COSTS OF COMPETING COUNTRIES

The principal foreign lumber-producing country competing with American lumber products in the United States at the present is Canada. From Department of Commerce reports, showing lumber imports, it will be noted that Canadian lumber exports to United States markets total more than 98 per cent of all softwood lumber imports. The stumpage value in Canada, and general wages paid, are lower than those paid in the western lumber industry. Oriental labor constitutes 39 per cent of the employees in British Columbia sawmills, and these orientals come into direct and open competition with American labor in the production of lumber products that enter American markets free, and which are sold in direct competition with the lumber products of American workmen. Because the present tariff laws of both the United States and Canada now specially favor Canadian lumber production it may be fairly charged that the orientals of Canada are legislated actual employment preference over American workmen in the production of lumber products for sale in United States markets.

Department of Commerce reports show softwood lumber imports to United States markets as follows:

Year	Canadian M import	Total M import	Valuation	Per M valuation
1925.....	1,717,324	1,734,870	\$50,431,401	\$29.63
1926.....	1,748,938	1,775,505	48,775,815	27.46
1927.....	1,592,971	1,633,785	43,179,785	26.43
1928.....	1,302,004	1,322,380	34,482,308	26.08

A study of the foregoing table discloses a continual lowering in price, an annual decline in imports, except for 1926, and that Canadian exports to United States markets equal approximately 22 per cent of the production of Northwest lumber mills. The decline in imports and decreased prices imply that the United States lumber market is not only unprofitable to American lumber producers but because of the demoralization of prices and industry conditions the American market is even becoming undesirable to foreign exporters. There can be no question but what foreign importations of lumber and forced American curtailment of lumber production is the precise cause for decreased American mill prices and general American lumber industry distress.

It is commonly known that retail lumber prices have suffered no decrease in the past several years, and this fact substantiates the claim that low prices to mills and price fluctuations do not follow to ultimate consumers.

Forced American curtailment in lumber production in Northwest lumber mills averaged 15 per cent in 1925, approximately the same in 1926 and 1927, and a fraction more than 20 per cent in 1928. Curtailment in 1929 to April 1 ran as high as 30 per cent.

The present cost advantages to British Columbia lumber production over American lumber production are:

Average lower labor cost.....	per M feet.....	\$0.48
Average lower stumpage price.....	do.....	.70
Average lower stumpage tax.....	do.....	.08
Average lower log cost.....	do.....	.45

Total cost advantage favoring British Columbia.....do..... 1.69

In addition to the above advantages a large amount of Canadian exports have lowered transportation rates to American markets than have the Northwest mills. This is due to the American navigation laws, and these lower rates amount to as much as \$2 per thousand feet.

## THE RUSSIAN MENACE

Russian lumber export to the United States markets is just beginning. Russian timber stands are among the finest in the world, and nationalized Russian labor receives a total of 40 cents per day as wages, and comparability of Russian production costs with American costs is valueless at

present. The timber in Russia was confiscated by the Soviet Government from its former owners, and the only item of probable cost comparability is the 40 cents a day Russian wage compared with the \$4 to \$10 per day wage that is paid to American lumber workmen.

Department of Commerce reports show Russian lumber imports to United States markets as follows:

Year	Total import	Valuation	Per M valuation
	<i>Feet</i>		
1925.....	10,000	\$636.00	\$63.60
1927.....	5,592,000	298,310.00	53.14
1928.....	20,276,000	447,283.00	22.04

Early in the present year it was rumored that Russian lumber sales to the United States would total several hundred million feet in 1929. To date of February 16 the Department of Commerce had a report that 396,000,000 feet of Russian timber had been sold to the United States.

The tremendous increases shown in the foregoing table and general knowledge of Russian conditions amply justifies the fear of the American lumber industry that future imports from Russia will be sufficiently large to produce continued and greater distress to the American lumber industry.

Authorities on the American business outlook assert that Russian lumber exports to the United States presage tremendous disaster to American lumbering interests within the next two years, unless a lumber tariff is imposed. An official of one of the largest American timber owners and manufacturers states his company came into competition with a cargo of Russian lumber that was delivered on the dock in the city of New York at a lower price than it could be produced at the mill of his company. It is therefore evident that the price at which the Russian cargo was sold was at least \$9 under the American cost of production, as transportation costs alone, according to forestry-department statistics, average more than \$9 per 1,000 feet.

#### AMERICAN PAY-ROLL LOSSES

Forced idleness to western lumber employees during the past four years occasioned wage losses in the State of Washington totaling more than \$100,000,000, decreased American commerce approximately \$400,000,000, and curtailed American business profits fully \$40,000,000. During the same period Oregon wage losses totaled at least \$60,000,000, further decreased American commerce \$240,000,000, and lessened American business profits \$24,000,000. Figures from other Western States are not available, but it is certain wage losses in other lumbering States have been enormous, and there can be no question but what the States and our Federal Government shared very extensively in these tremendous losses.

Domestic production of the lumber imported into the United States would give annual employment to 20,000 American workmen, afford an additional American pay roll of \$40,000,000, produce an annual product of \$60,000,000 and support a population of 100,000 people.

Forced curtailment of mill operations constitutes one of the very large but now necessary items of expense in lumber production. Closing the mills does not affect the continuation of taxes, interest, insurance, watchmen, and other numerous expense items that are impossible of elimination. If American mills were able to operate full time, this enormous waste expense would be eliminated.

#### THE LUMBER TARIFF IS PROPERLY AN AMERICAN LABOR AND BUSINESS QUESTION

It is clear American labor is the largest loser through idleness of American lumber mills and that American business interests in all lines sustain the next largest loss. The question of a lumber tariff is therefore one in which labor and business is most vitally interested. American progress and prosperity can not continue without the American payroll, and American business is tremendously dependent on the pay check of the American workman. American labor can not possibly compete with the oriental of Canada nor the 40 cents a day

workman of Russia without reducing the American standard of living to the level of the oriental and Russian. No American will wish or even countenance tearing down the high standard of American living, and there is therefore imperative necessity for protection to American lumber that the existing high standard of the American lumber worker may be maintained and continued. Distress to the American lumber industry and its labor is certain to reflect to every nook and corner of our Nation; and distress is like a contagious disease—it spreads until checked. The only way to check the spreading of American labor and lumber industry distress is through the imposition of a lumber tariff to equalize production costs with competing nations.

THE AMERICAN FARMER IS INTERESTED

It is claimed a lumber tariff will be injurious to the farmer, but it is noted the farmer interposed no objections to such a tariff at the hearings before the Ways and Means Committee. Farmers generally favor tariff protection for others as well as for themselves. They know the lines of industry must be operative to employ labor, that labor is the farmer's best customer and the largest consumer of farm produce, and that there must be payrolls or the purchase of farm produce will be greatly decreased.

No American farmer has any faith in being able to dispose of his products to the oriental of Canada or the low-priced workman of Russia. It is seemingly agreed that Congress will grant fair tariff protection to the farmer. There is therefore necessity to protect the farmer's best customer—labor; and to accomplish this there must be protection for the American industries which furnish the employment to labor and pay the wages that buy the farmer's produce. Failure to protect the farmer's best customer and largest consumer will largely defeat the aim and intent of any farm relief measure that is possible of enactment.

The farmer is far more interested in large American payrolls, and the complete employment of American labor than he is in cheap prices for any manufactured product, and especially is this true when the farmer knows the cheap price to the producer seldom reaches the purchasing farmer.

PRICE FLUCTUATIONS AND CONSUMERS GUARANTY

Price fluctuations are clearly of little or no benefit to the ultimate consumer of lumber products. Market demoralization, the part of the speculator, to the detriment of both producer and consumer. Lumber consumers need have no fear that a tariff will raise prices for lumber products, because speculators will stand as a perpetual guarantee for lumber prices and must be charged in order to protect the producer. Lumber as the leader in building materials.

The tariffs on steel and other natural products have produced high prices for those materials. There is no doubt that a tariff on lumber will produce high prices.

Much has been said regarding who bears the burden of the tariff. Explanations and differ. Idle workmen produce unnecessary expense. The total production costs are added to the tariff. American mills are enabled to operate at full capacity. Labor employment and more business, add tonnage to American lumber sales at lower prices and unnecessary expense, and a saving in all probability will result. In any event the resultant increase in American lumbering conditions will more than justify the payment of such a tariff. In any event, the tariff could possibly fall.

## OPPOSITION TO A LUMBER TARIFF

At the recent tariff hearings before the Ways and Means Committee only seven western mills, out of a total of more than fifteen hundred, presented objections to a lumber tariff. Four of that number are definitely known to have extensive foreign mill and timber interests. The remaining opponents to a lumber tariff were shingle staining companies, lumber importers, and retail lumber dealers, and the principal opposition presented was clearly that of American foreign ownerships and importing interests.

The retail lumber dealers in presenting their opposition to the requested lumber tariff merely assume they may be injured in some way, but they offer no proof of probable injury or damage, nor do they present any facts that would tend to evidence a possible damage to the retail lumbering interests.

American lumber producers emphatically state that a lumber tariff will not in any way injure the retail lumber dealer and assert that, on the other hand, through increased American pay rolls, extended American business, and resultant greater American prosperity, a lumber tariff will be a positive, definite, and important benefit to the American retail lumberman, as well as to American labor and American industry.

The fact that existing tariffs on structural products have not injured the retail dealer in such materials affords fair evidence to prove that a lumber tariff will in no way damage or injure the retail lumberman. It is unreasonable to assume that a lumber tariff will operate differently from tariffs on other kinds of structural products.

## DEVASTATION AND RECLAMATION

Cutthroat prices force devastation to natural resources. This has been true with western lumbering. Lumbermen have been forced to waste millions of dollars of materials in an effort to meet production costs of foreign competition. The United States and some of the western States are large owners of timber. They have shared largely in these tremendous waste losses, and such losses have been impossible of evasion because they are forced through the present existent discriminatory tariffs.

Reclamation activities, as a result of existing western lumbering distress, have been greatly curtailed, and almost entirely suspended. Reforestation was very recently an actuality, and progress in that line was even surprising, prior to the serious encroachment of foreign lumber imports and demoralization of industry conditions. Only a few years ago thousands of acres of cut over lands were being cleared and reduced to a state of cultivation. To-day, clearing in many western lumbering States has been almost wholly abandoned. These conditions are the indisputable results of the distress of the western lumbering industry and the uncertainty of the employment of the lumber workman. The West has been robbed of its progress and its people has lost their confidence in prosperity.

## LUMBERING DATA

The total timber stand in the United States, as estimated by the Forestry Department, is 2,317,000,000,000 feet. Of this amount, 27½ per cent is in national forests or belongs to States. In some Western States over 50 per cent of the standing timber belongs to the Federal Government and the respective States.

The average annual lumber production in the United States totals approximately 38,000,000,000 feet. Western lumber mills produce about 20,000,000,000 feet each year, and the yearly import of lumber to the United States averages close to 2,000,000,000 feet.

The present annual timber growth in the United States equals about 35 per cent of the yearly consumption. The experiences of timber growing nations justify the belief that the United States could, in a short time, be annually producing as much timber as is yearly consumed, but this is an impossible attainment as long as our tariff laws remain discriminatory, force devastation, and prevent reproduction of forest areas.

The per capita consumption of lumber in the United States in 1925 was 525 feet. For the past five years it has averaged slightly in excess of 300 feet.



## REFORESTATION

More than 1,626,000 acres were planted to forests in the United States in 1928. Of this total 211,877 acres were planted by the Federal Government, 160,774 acres by the several States, and 1,254,000 acres by individuals and private corporations. Timber growing has not subsequently increased as it should, and it is plain that the lack of tariff protection to forest products has been the chief retardant to reforestation. Capital will never invest in timber-growing enterprises as long as American laws are antagonistic to American lumber production and American forestry enterprises.

## CANADIAN AND UNITED STATES TARIFF POLICIES

Canada charges an import tax on lumber exported from the United States to Canadian markets, totaling as high as 25 per cent ad valorem, exacts an export tax on logs of from \$1 to \$2 per thousand feet, and limits, restricts, and prohibits log exportations to American mills. American lumber products are practically barred from Canadian markets.

The United States charges an import tax on logs, but grants free, unrestricted, and unlimited importation of lumber products to all United States markets.

Canadian interests can have no just cause for complaint because of the imposition of a United States lumber tariff. American markets have been open to Canadian timber products in every particular. Even the United States log tax is only reciprocal. Canada could have had complete reciprocity with the United States, but has chosen to retain her import and export taxes, to keep the advantages existing by reason of both the United States and Canadian tariff laws, and to maintain her restrictions and embargoes. Canadian interests (more properly American owners of Canadian mills and timber) clamor for free access to American lumber markets, but Canada rigidly excludes American lumber from Canadian markets. It is therefore seemingly clear that the objection to a lumber tariff, alleged to come from Canada, is not from Canada, but from American interests and investments in British Columbia mills and timber.

American lumber producers and American labor are taxed in various ways to support and maintain the United States Government. Those taxes also produce and maintain our American markets, and free lumber importations grant foreign lumber producers, oriental laborers, and the low-priced workmen of Russia greater privileges and benefits in our own American markets, under our present tariff laws, than are afforded to the people who produce, maintain, and make possible United States markets. Such a condition, which gives favor, benefit, and advantage to foreign labor and industry over American labor and industry is unjust, unfair, and contrary to every American principle of justice.

If American markets are desirable to foreign exporters, such exporters should in fairness share in the expense of maintaining and supporting the markets they so freely enjoy. The sharing in such an expense can be compelled only through the imposition of a tariff. No possible reason can be shown or argument advanced which will justify forcing American labor and American industry to solely support and maintain a market the privileged benefit and use of which is legislated to foreign labor and foreign industry.

## THE IMPERATIVE NEED FOR A LUMBER TARIFF

A tariff on lumber products is needed in the United States, not only to benefit American labor and American industry, but to increase American business, encourage forest reproduction, and prevent other nations, whose laws we can not change, from discriminating against American labor and American commerce. It is needed to assist in the support of the largest consumer and best customer of the American farmer, of benefit to produce revenue and lessen taxation, and indispensable in advancing American progress and prosperity.

American lumbermen most respectfully urge that a lumber tariff is necessary and essential to the conversation and preservation of the American lumber industry; that there is no fair, just, or reasonable cause why such a tariff should not be granted. They therefore earnestly ask that the tariff

requested be imposed to the end that our general welfare may be promoted, and that American labor and American industry may again command the home market, maintain the American standard of living, count upon steady employment in the accustomed field, and that American labor and American industry may at least have an equal opportunity to manufacture and produce American lumber products for sale in the markets of the United States.

Respectfully submitted.

R. W. CONDON,

*General Chairman Lumber Industry Tariff Committee.*

Lumber industry tariff committee: Hon. Roland H. Hartley, Governor of State of Washington; Mark E. Reed, Reed Mill Co.; George Bergstrom, C. B. Lumber & Shingle Co.; H. J. Brattle, Brattle Bros. Mill Co.; Carl J. Foss, Edison Shingle Co.; H. B. Van Duzer, Inman-Poulsen Lumber Co.; Albert Schafer, Schafer Bros. Lumber & Door Co.; Joseph Irving, Monroe Logging Co.; Edward W. Hartley, Clough-Hartley Co.; Frank H. Lamb, North Western Lumber Co.; A. C. Dixon, Booth-Kelly Lumber Co.; R. W. Condon, general chairman; A. C. Edwards, Edwards Shingle Co., secretary.

Subcommittee United States cedar industry: George Bergstrom; Edward W. Hartley, and A. C. Edwards.

## BRIEF OF RICHARD S. WHITE, REPRESENTING THE NEW YORK LUMBER TRADE ASSOCIATION

*(Including shingles, par. 403)*

HON. REED SMOOT,

*Chairman and Members of the Senate Finance Committee,*

*Washington, D. C.*

GENTLEMEN: The writer has been appointed spokesman of the New York Lumber Trade Association to make verbal protest before the members of your committee in Washington, in connection with the proposal to place duties on lumber, timber, lath, shingles and logs imported into the United States, but inasmuch as you have expressed a desire to limit the hearings to as few witnesses as possible, and having learned that others also in opposition to the aforesaid duties, who did not plead their cases during the previous tariff hearings, wish to appear, our association has decided instead to give place to them and file a brief with you, setting forth additional reasons for our attitude, not covered in our brief submitted during the hearings on February 23 last before the Ways and Means Committee, copies of which have already been sent to your committee.

The New York Lumber Trade Association, comprising a membership of 155 lumber companies, is one of the oldest organizations of its kind in the United States, having been founded in 1886. Our members are situated in probably the most densely populated and one of the greatest lumber-consuming centers in the Union. Our field of operations, however, is not confined to the metropolitan area of New York. On the contrary, we sell lumber in a wide territory, extending probably from the Ohio to the Atlantic seaboard, including New England and many of the Southern States. Through our traveling salesmen considerable trade comes to us from the cities of eastern Canada also. Some of our wholesale members do an export business with Europe, South America, and the West Indies. Because of our wide area of activities, our association has long regarded the tariff question from a broad economic standpoint, and during the framing of the Fordney-McCumber bill in 1921 and 1922 we protested before your committee the proposal to place a duty on lumber and shingles, calling attention to the splendid trade we were building up with Canada, which this action would jeopardize. In short, our opposition to the proposed duties on lumber and related products is not based on the narrow sectional interests of the New York metropolitan market alone, as might be expected, but rather on the welfare of a large part of the eastern United States, the manufactures and products of which can not all be consumed within our own borders and for which a profitable export trade has been built up to take care of the surplus. The prosperity of the East depends in large part on the healthful activity of the industries in this territory, and in this the members of our association

are primarily interested. Added to this, of course, is our concern that building operations be not discouraged because of the excessive cost of materials and that the use of lumber in this connection be not abridged because of price. The business contacts of our members, we believe, warrant us in presenting these viewpoints, as we propose to do in the paragraphs to follow.

#### WHAT CANADIAN TRADE MEANS TO US

We beg to call attention to the several purposes of the proposed tariff act of 1929, as mentioned in the preamble. It reads in part as follows: "A bill to provide revenue, to regulate commerce with foreign countries, to encourage industries of the United States, to protect American labor, and for other purposes. \* \* \*"

The framing of a tariff which will effect a maximum of the benefits mentioned in the aforesaid preamble and avoid the creation of a number of boomerangs is certainly a complicated and difficult task. If our country could consume all our products it would be comparatively easy. However, where we have a foreign customer who we actually outrade by a ratio exceeding 8 to 5, it seems to us that it behooves us to proceed with extreme caution in connection with those schedules on which so much of this trade depends. We refer, of course, to Canada. As has already been stated here before, our sales to that country during 1928 amounted to \$825,740,612, whereas her sales to us of Canadian goods amount to \$492,641,120, or, including foreign-made merchandise, a total of \$513,691,765. We were, therefore, the gainer to the extent of \$312,048,847. In other words, American industries and American labor benefited to this very substantial extent under the workings of the tariff act of 1922. Much evidence is at hand to indicate that many of the rates in the new proposed tariff bill are causing feeling to run high in Canada. Discussions as to retaliation and the development of new trade channels are now rife in the Canadian press.

A cursory examination of the statistics put out by the Department of Trade and Commerce of the Dominion of Canada covering the trade between Canada and the United States during the calendar year of 1928 is very enlightening. We beg to give a brief list below, picked more or less at random, indicating the value of a number of the more important items sold by us to Canada last year, showing some of the industries in the United States which will suffer if the present amicable trade relations with Canada are disrupted:

Vehicles .....	\$92,506,251
Automobiles.....	40,454,203
Auto parts.....	48,552,417
Machinery.....	51,534,672
Rolling-mill products.....	45,509,051
Cotton and its products.....	44,171,933
Farm implements.....	39,381,051
Fruits.....	31,670,480
Chemical products.....	25,423,284
Electrical apparatus.....	21,564,666
Rubber and its manufactures.....	21,643,690
Engines and boilers.....	17,099,475
Books and printed matter.....	12,867,878
Silk and its manufactures.....	10,043,849

Now, if goes without saying that such trade as is evidenced by the above figures is worth retaining. It makes for prosperity in those districts where most of these goods are produced. The members of the New York Lumber Trade Association obtain considerable business directly and indirectly through the activity of many of the industries covered by the foregoing partial list. And, finally, if the intention of the preamble of the new tariff bill, which we have quoted, is carried out, whereby American industries are encouraged and American labor protected, our Government will take no action that will jeopardize this favorable trade balance of over \$300,000,000 created by the sale of the products of American labor directed by American business enterprise. Canada is expanding, and its resources and per capita wealth are very great.

If we handle this Canadian trade with care and understanding, there is no telling to what extent it may grow as time goes on. But, of course, we can not expect to sell to her on any such scale if we are not prepared to buy from her also. In this connection we maintain that lumber is one of the most logical commodities.

Canadian lumber has been bought freely by Americans in the East during a great many years. Because of its many fine qualities, it has been popular with our lumbermen. Take, for instance, the case of eastern Canadian white pine and spruce. These woods have many specific uses. Our own supplies of woods of similar type, species, and texture are practically exhausted. These woods are not cheap. They can not compete on a price basis with many of the western and southern types of lumber. A duty on these woods would be a needless tax on the consumer and an irritation to Canada.

**CONCERNING THE REQUEST FOR A BLANKET DUTY OF \$3 PER THOUSAND ON ALL SOFT-WOOD LUMBER OTHER THAN CEDAR**

We have observed from the record, request has been made to you for a duty of \$3 per thousand on all lumber other than cedar now on the free list. We have read with interest what reasons have been put forth by the proponents of this duty to justify its imposition. One particular witness has talked learnedly on forestry, reforestation, lumber conditions in Russia, Korea, and other distant lands. He has descanted with an impressive array of figures on taxation and the cost of production of lumber in the United States, but whereas he asks for a blanket rate of protection on the lumber of all the Canadian provinces on the basis of production costs in British Columbia versus Washington and Oregon, claiming that whereas \$3 per thousand may not fully protect these States, it will stabilize the market, he gives no cost figures relating to the other provinces of Canada to which he wants this \$3 per thousand rate to apply. He completely ignores the Southern States of the Union where some very cheap negro labor is employed in the lumber business. Boiling his testimony down to those essentials which should determine the fairness of the \$3 rate, it seems to us that his figures are very inconclusive.

The New York Lumber Trade Association has no statistical department and could not hope to obtain comprehensive data whereby the cost of production in all parts of Canada could be compared with those of all the lumber-producing States of the Union, nevertheless there are some figures that are easily obtained whose authenticity can not be questioned. We refer first to the report of the United States Tariff Commission under date of March 2, 1927, relating to the costs of producing red-cedar shingles in British Columbia, as against Washington and Oregon, and we find on page 45 the statement that in connection with perfects and perfections No. 1, the two grades on which it is stated competition is keenest between the United States and Canada, comparisons made by three methods showed higher costs in British Columbia than in Washington and Oregon. As apparently most of the agitation for a duty on lumber and shingles originates in Washington and Oregon and is directed against British Columbia primarily, this statement by the Tariff Commission is very significant. We have one other source of information which seems equally dependable, and that is the report of the Royal Commission in respect to the Lumber Industry of New Brunswick, Canada, 1927. We beg to attach a copy of this to our brief herewith. You will note that the average costs of production of 24 mills operating with Crown land timber was \$30.17 per thousand and that the average loss was \$5.54 per thousand. In regard to the 14 mills cutting freehold timber (which is a small part of the lumber industry of the Province on account of the very limited supply of freehold timber) the average cost was \$24.37, and the average loss, 60 cents per thousand.

This report of the Royal Commission does not show a very prosperous condition in the lumber business of New Brunswick. It shows that no matter whether operators were cutting on government-owned or privately owned lands, they both made a loss because of the high costs of production incident to lumber manufacture in that Province. And yet the witness, whose testimony before your committee on June 20 prompts the submission of the above figures, claims that the imposition of \$3 duty on Canadian lumber will not affect the importa-

tions but will only prevent dumping and will stabilize the market, preventing cut-throat prices. It is hard for us to see how an industry with as high costs as those reported by the Royal Commission in New Brunswick can menace the American market by dumping at cut-throat prices. The New Brunswick operators would certainly have to be gluttons for punishment. You will note the 24 operators cutting on Crown lands averaged a return of \$24.63, and yet they lost an average of \$5.54 per thousand. The Washington witness reports that the average return on lumber to the mills of Washington and Oregon is \$21 on to-day's market. The prices on New Brunswick softwoods are substantially the same to-day as they were in 1927. What change there has been has been upward. And now, gentlemen, what do we propose to show by the foregoing facts? We believe that no figures have been or can be produced from authentic sources to prove that Canada enjoys advantages that enable her to produce lumber more cheaply on the average than we can do here; rather the reverse is probably the case. The proposed \$3 tax on all Canadian softwoods other than cedar is not warranted on the grounds of protection and would act as a virtual embargo in many cases. The witness from Washington ought to know this. Furthermore, we do not believe the troubles of the lumber industry are due to lack of tariff and can be remedied by the imposition of one. Certainly it has been shown that New Brunswick lumbermen are having their own troubles in spite of the fact that their lumber has been on our free list for many years, and inquiries we have made in the Provinces of Quebec and Ontario indicate that conditions there are little better. We regret we have no authentic government statistics to substantiate this.

*Profits and losses in the lumber business.*—Because of the fact that testimony has been given before your committee to the effect that the lumber industry in the Northwest is not prosperous and the blame for this is laid at the door of lack of tariff protection, we would like to call your attention to the brief of the Northeastern Retail Lumbermen's Association filed with the Ways and Means Committee of the House of Representatives in February, because this brief contains very interesting information on the very meager profits, or rather lack of profits which have obtained for some time past in the retail lumber business. Our reason for citing this brief is because it shows that, if it is true that the manufacturing of lumber in the Northwest has not been lucrative of late, neither has the retailing of same been gainful in the East, and the lack of tariff has had nothing to do with that situation. As a matter of fact retail lumbermen as a class are opposed to a tariff, as evidenced by the large number of retail lumber associations which have gone on record as opposed to it. To them, a tariff means high lumber prices, increased building costs, and consequently fewer houses built.

*Summary and conclusion.*—We have tried to call to your attention in the foregoing the remarkable trade balance we have built up with Canada and what this must mean to American business and labor. According to the testimony of most of the proponents of duties on logs, lumber shingles and lath, who have testified at the hearings in Washington, the ratings asked for are not intended to raise the prices to the consumers, but to stabilize the American market and protect and give additional employment to American labor engaged in the lumber business. Assuming that prices will not be raised, although we find this hard to believe, let us look into how this may work out.

If the costs of production in Canada on logs, lumber, shingles, and lath are substantially the same as in the United States, in view of the keen competition existing at the present time, these proposed duties will tend to work as a virtual embargo, for Canadians will hardly sell their products where they can make no profit, at least not indefinitely; then Canadian lumber exports to the United States will be cut off, amounting to about 1,500,000,000 feet board measure annually. Add to this shingles to the extent of 203,551,000 feet and lath at 270,778,000 feet. Please note that we have taken the Canadian Government figures of 1928 on shingles and lath and translated them from pieces to board feet. We therefore have a total, including timber, planks, boards, shingles, lath, etc., amounting to about 1,974,329,000 feet of soft and hard woods combined. Allowing a value of \$30 per thousand, f. o. b. American mills, which is a very high average, the wood products which these Canadian

exports to us displace, would amount in value to, say, \$59,229,870. In other words, if the imports of Canadian lumber, lath, and shingles are cut off by a tariff, a total of slightly over \$59,000,000 will be divided among all the lumber-producing States of the Union. Now, what may be the consequences? Let us see:

Forest products taken as a class rank high in importance among Canada's sales to us. Every Province in the Dominion ships more or less of its forest produce to us, even including the Prairie Provinces which have lumber mills strung along the timber belt of their northern districts. The potential popular resentment against interference with this long-standing trade is substantial. All the Provinces would have a grievance and the political pressure for retaliation would be swift and powerful. The Liberals, who have been in power for the past eight years, are the low-tariff party of Canada. The Conservatives are the high-tariff party and are looking for an issue. Who knows but that a tariff on these forest products might be the brand that would start the fire. Furthermore, our contacts over many years with Canadian lumbermen have indicated to us the existence of an acute sensitiveness on their part in connection with suggestions to impose a tariff on their wood goods. And what is at stake? An annual trade of \$825,740,612 of which \$312,048,837 is pure velvet. In short, in the name of giving American labor additional employment valued at \$59,229,870, we jeopardize a situation which gives American labor work estimated in terms of goods at \$312,048,847, which would be lost if our trade with Canada even dropped to parity. Surely, this is bad business.

The slogan of the New York Lumber Trade Association is, "Satisfy the customer, and to have friends be friendly." We know of no instance where it has better application than in the case in point.

In conclusion, we trust your committee will approve of no changes in the tariff act of 1922 relating to timber, lumber, shingles, and lath. We attach hereto copy of resolution adopted unanimously by the members of the New York Lumber Trade Association, December 28 last.

[SEAL.]

NEW YORK LUMBER TRADE ASSOCIATION,  
RICHARD J. WHITE.

Attest:

FRANK A. MILES, *President*.

(The resolution referred to is as follows:)

The New York Lumber Trade Association's board of trustees at a meeting held in New York City, December 28, 1928, after a referendum vote by its entire membership, unanimously passed the following resolution:

Whereas it is reported that the Ways and Means Committee of the House of Representatives is considering levying a duty on timber, lumber, lath, and shingles imported into the United States; and

Whereas we view with strong disapproval this measure for which there seems to be no good cause and which, for the following reasons would do harm:

First. It is directed at Canada, which trade statistics show is our best customer among all nations, having bought from us in 1927 about 70 per cent of her total imports, amounting to the amazing figure of about \$70 per capita, based on her entire population.

Second. Canada, during 1927, spent 71 cents for American-made goods every time we spent 47 cents for Canadian products. If she can not pay us largely in forest products, which is her principal item of export, she must of necessity curtail her purchases here to protect her dollar against a depreciated exchange value.

Third. Lumber, lath, and shingles are among Canada's biggest items of export to the United States, and consequently important mediums of paying her bills to us.

Fourth. At a time when our industries are suffering from the falling off in our European and foreign trade, we can not afford to jeopardize our Canadian market.

Fifth. It is generally conceded that our lumber industry needs no protection, as lumbering costs are no less and frequently higher in Canada than in the United States.

Sixth. There are certain important species of lumber and wood products supplied us by Canada which can not be duplicated in the United States.

Seventh. It would cause unnecessary irritation to our very friendly neighbors and might cause retaliation and ill-feeling, which would be unfortunate.

Eighth. It would be contrary to our national forest conservation program, for which our Government is spending large sums of money. Now, therefore, be it

*Resolved*, That we, the members of the New York Lumber Trade Association, protest against the proposal to place a duty on Canadian timber, lumber, lath, and shingles; and be it further

*Resolved*, That the officers of this association and individual members therefore urge upon our representatives in Congress to vigorously oppose this proposed legislation.

[SEAL.]

NEW YORK LUMBER TRADE ASSOCIATION,  
FRANK A. NILES, *President*.

Attest:

H. B. COHO, *Secretary*.

## BRIEF OF LATH MANUFACTURERS OF MAINE

[Laths]

### FINANCE COMMITTEE,

*United States Senate, United States Capitol.*

GENTLEMEN: This memoranda is submitted to your committee for its consideration relative to lath manufacturing in the United States, and to bring before your committee pertinent facts showing the exact conditions of that industry at the present time. By reference to reports which are hereinafter set forth, it will be definitely established that the conditions which obtain in Maine are largely similar to the conditions all over the United States.

The lath industry in the United States since 1923 has shown a steady decrease in production, whereas the consumption of laths in the United States has not shown a similar reduction. The decrease of production of laths in the United States is due not to the lack of demand for such product here nor to the shortage of raw material out of which laths are produced. It is due to the importation into the United States of laths from Canada, which is the chief competitor of the domestic lath industry. Statistics which will be appended to this memoranda as Exhibit A, will show that since 1923 the production of laths in the United States has decreased in a larger proportion than any decrease of demand of that product in the United States could possibly reflect. Therefore, we must assume that some cause is existent, other than that of supply and demand.

This reduction from 1923 in the production of laths is 50 per cent, a decrease of one-half of the total production of laths from 1923 to 1928. The reduction in consumption of laths in the United States in that same given period is 39 per cent, whereas the production of laths in Canada reflected a vast increase in production for said given period, except the year 1928, where a decrease is shown. However, it is not near the volume shown in the United States, and can be attributed largely in that year to the lack of demand for laths here. The lath manufacturers of the United States can not compete in price with the price of laths produced in Canada. This is for many reasons. Labor in Canadian mills is cheaper than the American mills, and the raw material from which laths are manufactured are cheaper there; laths manufactured in Canada can be shipped to ports in the United States, such as New York, which is the largest market in the United States, cheaper than can the lath manufacturer of Maine ship his finished product to the same market. The Canadian manufacturers ship the greater part of their production in foreign vessels, which can give a cheaper freight rate than American vessels, because of the smaller wages paid to ship hands by foreign vessels. The American manufacturer must ship his products to market by rail or by American vessels, whose freight charges are much higher, due to the higher standard of wages obtainable on American ships. He can not ship his products in foreign vessels, because foreign vessels, under the shipping laws of the United States, are not allowed to load a cargo in a port of the United States to be delivered to another port here. The proportionate differences in wages and raw materials in Canada, as compared to the United States, is approximately 25 per cent less. The greater part of the production of laths in the United States must be shipped by rail, because of the geographical location of the raw materials.

The freight rates of the American railroads are greatly in excess of the rates paid by Canadian manufacturers to ship their products to the same markets.

In most shipments of laths, the difference in freight rates between water and rail is approximately 50 to 65 per cent less in favor of the water rates, and as stated above, Canada exports a great part of its lath production by water. That the Canadian manufacturer has greatly encroached upon the American manufacturer by reason of the above inequalities is definitely proven by a recourse to statistics which appear in Exhibit A, appended to this memoranda, showing that in 1923 the American manufacturer of laths supplies 68.9 per cent of the total consumption of laths used in the United States; in 1928 he only supplied 56.6 per cent of the total laths used in America; whereas, Canadian manufacturers, in 1923, shipped to the United States 31.9 per cent of the total consumption; whereas in 1928, the Canadian manufacturer shipped to this country 44.1 per cent of the laths consumed here. It is clearly shown therefore, that on the part of the American manufacturer, he is steadily losing business; whereas, on the part of the Canadian manufacturer he has steadily gained in business. Exhibit A, the last two columns thereof, marked "Ratios" show that each year there has been a decrease in supplying laths in the United States by the American manufacturer, as contradistinguished to a proportionate increase each year by the Canadian manufacturer.

The cause for this, it is respectfully submitted, is that the American manufacturer is not being given the same opportunity of competition that the Canadian manufacturer enjoys.

The domestic exportation of laths to other countries is of such small importance, as shown by Exhibit A that is not necessary to deal with that subject here. It does not affect, in any manner, the lath industry, because of the small number exported.

The statistics under Exhibit A, are compiled by the Forest Service, Department of Agriculture, under date of June 20, 1929.

In 1923, the State of Maine produced 173,394,000 laths, and a proportionate production of laths as reflected by the entire production with the United States. In 1927, the lath manufacturers of Maine produced 117,756,000 laths. This is the last year for which statistics have been compiled. These statistics can be verified by reference to Forest Service Bulletin, No. 21, issued October 1927, revised March 1928.

Conditions in the lath industry have vastly changed during the last 20 years. Laths formerly were manufactured from slabs which were taken from the logs in lumber mills, where large lumber was cut. This does not obtain any longer, as the lumber mills have practically all closed down. Therefore, the lath manufacturer has looked to the small timber for his supply of raw material. Spruce, balsam fir, and white cedar are all being utilized in the making of laths. In the State of Maine, for the last 10 years, the lath manufacturers have relied principally, for his raw material, upon the wood cut by the farmers from their acreage. The cutting of timber by the farmer during the winter months, and thus utilizing his spare time, has been one of steady growth each year for the last 10 years. More small timber has been cut by the farmers in the State of Maine each year, to supply raw material for the lath manufacturers, until to-day the principal source of raw material for the lath manufacturers of Maine is the lath wood furnished by the farmer.

This has been a source of great revenue to the farmer, and has helped him to reduce the stumpage upon his holdings into cash. This is particularly helpful to the farmer, as it enables him to realize moneys during the winter months, when he can not turn his crops into cash. The cutting of lath wood by the farmer in the winter enables him to devote time which he could not otherwise utilize; but, if he had to market this wood as pulp wood, the timber would have to be cut and peeled in June and July, when the bark peels from the wood. This is the only season when the bark peels from the wood, and pulp wood is of very little value and of very limited demand unless peeled. The farmers are relying upon this revenue during the winter months, and, if this is denied them, it will work a great hardship. This will be the result if the lath manufacturers of Maine do not receive tariff protection at this time. It has already been shown that they can not hope to compete with the Canadian manufacturer under the present conditions and the lath industry in Maine, and also all over the United States, is rapidly declining. Not only does the lath industry in Maine offer a source of income to the farmer, as has been shown above, but it gives to thousands a means of employ and a daily wage. The mills employ numerous mill hands, who would otherwise have no source of employment, due to the fact that most of the mills for the manu-



factory of laths are located in small communities, where there is no other industry, and large industries could not thrive. Should the lath manufacturer be forced to close down, there is no other industry which could be started to take the place thereof, due to the secluded districts where lath mills are located.

The farmers who do not benefit by their own acreage, as above set forth, help to cut the acreage on timber lands owned by other interests, and in this way employment is furnished to the farmers who are not land holders. If this were not the fact, a great deal of small-sized wood in the lath-wood districts would be destroyed either by natural causes, forest fires, or forest parasites, before it would become of a size large enough to be used for saw logs, from which lumber can be sawed. Timber lands in Maine yield practically three cuts of small timber suitable to the manufacture of laths, while in the same time they would yield but one cut sufficient for saw logs, and each of the cuts of small timber equal nearly as many cords per acre as the cuts of large timber. It has been proven that when a given area of our Maine forest has been cut of its virgin growth, it takes many years before this area will naturally reforest, and if the area thus is once reforested with small trees, it would take approximately 100 years for said area to accumulate a growth of trees suitable for saw logs. During this time, there would be many trees that would grow up to a small size and die. Thus the growth they had made would be lost. This lath wood, when cut, affords the smaller sized trees growing conditions, by allowing the sunlight and winds to get to them. Trees to reach a healthy growth must have sunlight and wind. The cutting of the lath wood enriches the forests and aids in the rapid growth thereof.

A protective tariff on laths imported into the United States would not make the price of this commodity materially higher to the American home builder. The lath manufacturers of the United States are in a position, with their idle mills, to make all the laths necessary for domestic consumption. Statistics compiled by the Forest Service, hereinbefore referred to, state that Maine has available 60 mills for the manufacture of laths, and if these mills were run to capacity, their output would be practically 300,000,000 laths per year, or approximately three times the output for the year of 1927. To-day, not more than 30 of these mills are running, and many of those are only at partial capacity. By such quantity production, the domestic lath manufacturers would be able to make the overhead per thousand laths decrease substantially, and this decrease in the cost of manufacture would materially be reflected in the price to the consumer, and give our manufacturers a fair profit for his commodity, and at the same time give to the domestic home builder laths at the same relative price as the average price for the last five years.

At the hearing before your committee, on this question, I appeared solely on behalf of such manufacturers. Such was the case because the lath industry in Maine is not organized; most of the persons engaged in this industry are in the remote sections of the State, and the industry in the last five years has not been sufficiently lucrative to foster organized effort to better conditions; but this committee may be assured that many owners of mills, mill hands, farmers, and persons dependent upon the manufacture of laths in Maine are depending for their subsistence on the protective tariff which this committee can afford by taking laths of wood off of the free list.

Recurring to the above statements, wherein it is shown that domestic lath manufacturers pay 25 per cent more for labor and material than the Canadian manufacturers, not to allude to the increased rates which they must pay for shipment, it is respectfully submitted that a 25 per cent ad valorem tariff rate be imposed, according to American values, at the port of entry, upon the importation of foreign laths of wood into the United States. Such would off-set the disadvantage under which the domestic lath manufacturer operates in order to keep American labor at its proper standard, and to give the farmer and other persons furnishing raw material their reasonable value. If this were done, the lath industry would thrive in America. Thousands of citizens would be afforded a decent wage and the communities wherein this industry is principal, would prosper. The converse will be the result unless such protection is given to the lath manufacturers, and an industry in which many of the States were pioneer, and which for many years has supported large communities, must perish.

Respectfully submitted on behalf of the lath manufacturers of Maine.

LESTER S. CRANE.

## EXHIBIT A

## United States lath production and consumption, imports, exports, and derived ratios

Year	A. Production		B. Imports of mds. (free)		C. Domestic exports (quantity)	D. Apparent consumption		Ratios	
	Quantity	Ratio to 1923	Quantity	Ratio to 1923		Quantity	Per capita	A+D	B+D
1923.....	<i>M pieces</i> 3,328,013	100	<i>M pieces</i> 1,639,228	100	<i>M pieces</i> 40,158	<i>M pieces</i> 4,827,083	<i>Pieces</i> 43	<i>Per cent.</i> 68.9	<i>Per cent.</i> 31.9
1924.....	2,961,200	-11	1,675,427	+9	28,824	4,607,803	40	64.3	36.4
1925.....	3,181,137	-5	1,969,178	+28	26,099	5,104,216	44	61.9	38.6
1926.....	3,083,130	-7	1,831,623	+19	43,348	4,871,405	42	63.3	37.6
1927.....	2,372,333	-29	1,704,818	+11	29,240	4,047,911	34	58.6	42.1
1928.....	1,660,000	-50	1,293,079	-16	21,384	2,931,695	24	56.6	44.1
Total (6 years).....	16,565,613	.....	10,013,353	.....	189,053	26,390,113	.....	.....	.....
Average.....	2,760,969	-17	1,668,892	+8	31,509	4,398,352	38	63.0	37.9

<sup>1</sup> In the absence of official record a reduction of 711,000 in 1928 is here assumed, being equal to the reduction in the previous year.

<sup>2</sup> Preliminary figures. Monthly Summary of Foreign Commerce, December, 1928.

<sup>3</sup> Average exports constitute 0.7 per cent of average consumption—a negligible quantity.

Source: Compiled and computed in U. S. Forest Service, June 19, 1929. Production figures from bulletins of the Bureau of the Census, cooperating with the Forest Service. Imports and exports from Foreign Commerce and Navigation of the United States.

## BAMBOO POLES

[Par. 1801]

## BRIEF OF W. W. SUTTON, FAYETTEVILLE, N. C.

FINANCE COMMITTEE,  
United States Senate.

We hereby make application for a protective tariff based on 2 cents each on 9-foot poles, cut to length, trimmed, and joints smoothed, other lengths in proportion, and made of bamboo or other woods not specially provided for and used for rug poles.

Reasons for this application are hereto appended.

We have been for nine years engaged in the manufacture of wood rug poles, utilizing for the purpose a species of gum timber grown in the State of North Carolina and other Southern States, for which little or no other disposition can be made. Wood rug poles, as made by us, are satisfactory and suitable for the purpose for which they are intended, never having had a rejection.

Formerly we could sell these at a price which would enable us to operate at a profit, in spite of the competition from the bamboo poles coming in free of duty from foreign countries, but the price has now been reduced so low that without adequate protection we will be forced to abandon this business, as has already been done by other manufacturers.

We refer to Exhibits A, B, C, and D hereto attached.

In 1925 we made and sold 532,685 wood rug poles, receiving therefor, delivered destination, 7 cents each for the 9-foot pole.

In 1928 we made and sold 442,186 wood rug poles, receiving therefor, delivered destination, 6 cents each for the 9-foot pole.

The first six months of this year (1929) we have made and sold 168,960 wood-rug poles (12 months, 333,920), receiving therefor, delivered destination, 58.75 cents each for the 9-foot pole.

Our average freight charge per 9-foot pole is 1 cent each.

Our average cost to make the 9-foot wood-rug pole, including delivery, is 6 cents each, and our business is showing a loss at this time.

The bamboo poles sold last year for 5.13 cents per 9 feet, which is under our cost and is the element that is putting us out of business.

The Japanese laborers engaged in cutting and trimming bamboo poles receive, as per International Labour Review, March, 1929, 1.91 yen for men and 0.78 yen for women per day, in the exchange prevailing at that time 87 cents and 35 cents, respectively.

Our laborers engaged in the manufacture of wood-rug poles receive \$2 per day.

Government statistics do not show the number of rug poles imported nor the domestic production.

The bamboo from which rug poles are made grows wild and in abundance, particularly on the islands between China and Japan.

The former owner of raw material, from which wood-rug poles are made, received suitable compensation for timber used, enabling him to pay cost of clearing swamp land and making ready for cultivation.

In the House tariff bill of 1929, paragraph 410, repeating 407 of the previous tariff bill, in the last clause of which there is no change, says, "All articles not specially provided for, wholly or partly manufactured of rattan, bamboo, osier, or willow, 45 per cent ad valorem."

There can be no question that these bamboo poles are not only "partly" manufactured, but completely manufactured and ready for use.

We feel that paragraph 410 of the 1929 tariff act should be applied to the completely manufactured rug poles, and we would be satisfied.

In the 1929 tariff act, paragraph 1806, repeating 1703 of the previous act, says: "Sticks of partridge, hair wood, pimento, orange, myrtle, bamboo, rattan, india, malacca joints, and other woods not specially provided for, in the rough, or not further advanced than cut into lengths suitable for sticks for umbrellas, parasols, sunshades, fishing rods, whips, or walking canes." This is on the free list.

However, the Board of Appraisers (now the United States Customs Court) in 1905 T. D. 26350, decided that bamboo rug poles are free of duty, the bamboo sticks, the subject of the board's decision consisted of bamboo, the ends of which had been rounded and the joints smoothed, and thus prepared for use as dyers' sticks. The board stated that the processes to which the sticks had been subjected had not destroyed their identity as bamboo and that they were still bamboo sticks, and the importers' protest was therefore sustained by the board that the sticks were properly free of duty under paragraph 700 of the tariff act of 1897, which paragraph corresponds to paragraph 1703 of the present tariff act. The language of paragraph 700 of the act of 1897 was carried forward without change, so far as this question is concerned, to the tariff acts of 1909, 1913, and 1922.

We call to your attention that rug poles and dyers' sticks are not synonymous terms but are used for an entirely different purpose.

It might simplify the matter and serve every purpose, if to paragraph 1806 of the 1929 act could be added the words "and for no other purpose whatsoever," or similar expression, that would serve to make this paragraph applicable to rug poles so that under either paragraph 1806 or 410, rug poles would be protected.

Our need is for adequate protection in order that we may remain in business and keep our men employed, either a specific duty or such change in wording of paragraph 1806 as would be interpreted by the customs court as making the 45 per cent ad valorem applicable or the passing of a law requiring the application of paragraph 410 to rug poles, would serve the purpose.

We prefer the flat rate of 2 cents on the 9-foot pole, but suggest the other methods as perhaps likely to meet with the least resistance.

W. W. SUTTON.

Brief submitted by W. W. Sutton, Fayetteville, N. C., July 3, 1929.

STATE OF NORTH CAROLINA,  
Cumberland County:

Personally appeared before me, this, the 3d day of July, 1929, W. W. Sutton, who being duly sworn, states that he believes the above statements are correct.

[SEAL.]

\_\_\_\_\_, Notary Public.

My commission expires Jan. 7, 1931.

## EXHIBIT A

FOUR OAKS, N. C., June 25, 1929.

Mr. W. W. SUTTON,  
Fayetteville, N. C.

DEAR SIR: Answering yours of recent date, beg to advise that we had to stop making poles because the price got below the cost of production.

In 1923 we got 7 cents each for the 1½-inch 9-foot pole, and in 1926 the price had fallen to 5½ cents each delivered in Philadelphia, and we were losing money on every pole we made.

Trust you will be able to get a high tariff on the bamboo pole as this is what brought the price down.

Yours truly,

H. M. STEWART.

## EXHIBIT B

FOUR OAKS, N. C., June 25, 1929.

Mr. W. W. SUTTON,  
Fayetteville, N. C.

DEAR SIR: In reply to your letter asking us why we discontinued the manufacture of rug poles, will say in regards to same, was because we were forced to shut down our plant, as the price we received for our poles after manufacturing and delivering them on the northern market did not leave us a sufficient margin to operate our plant, and were compelled to close down.

The main cause of the price decline on our wooden poles was the bamboo pole coming on the market and being sold for less money than we could possibly manufacture the wooden for.

Yours very truly,

SANDERS HANDLE CO.,  
By D. H. SANDERS.

## EXHIBIT C

SMITHFIELD, N. C., June 25, 1929.

Mr. W. W. SUTTON,  
Fayetteville, N. C.

DEAR MR. SUTTON: In reply to your question as to the reason why we discontinued the manufacture of rug poles (wood).

In 1921 we were getting \$80 per thousand for the standard 1½ inch 9 foot pole. The price dropped to \$55 per thousand in 1926. This price being below the cost of production, we were forced to discontinue the manufacture of rug poles. This was quite a loss to us as we had to abandon the rug pole machinery and were unable to realize anything for it, because there were no rug poles being manufactured, consequently no demand for the machinery.

The manufacturers of wood rug poles should be protected against the importation of the bamboo rug pole, for we are satisfied that this has been the direct cause for the price getting below the cost of production of wood poles.

All of our customers were satisfied with the wood pole and would have continued to buy from us if we had been able to meet the competition in bamboo poles.

Yours very truly,

CAROLINA HANDLE CO.,  
By J. L. YORKE.

## EXHIBIT D

MOBILE, ALA., June 18, 1929.

Mr. C. O. CHADBOURN,  
Secretary Fayetteville Chamber of Commerce,  
Fayetteville, N. C.

DEAR SIR: Referring to yours of June 10 regarding rug poles.

Something over three years ago we quit making these poles. \* \* \*

Rug poles naturally have to go North and East, a high freight rate from us here. During the war period and immediately following, when ocean rates

were so high, we got a fair price for these poles, made several million yearly and satisfied our customers. As soon as ocean rates dropped the oriental bamboo began to come in. Careful protection was laid around all the steel goods, etc., that we had to run with as well as a lot of things we had to live on \* \* \* we simply quit the business and turned to other more profitable work.

Yours truly,

HALLETT MANUFACTURING Co.,  
By J. A. DENNISS.

STATE OF NORTH CAROLINA,  
*Cumberland County:*

Personally appeared before me this, the 29th day of June, 1929, W. W. Sutton, who, being duly sworn, says Exhibits A, B, C, and D are true copies of the original letters and are attached hereto.

[SEAL.]

C. W. RANKIN, *Notary Public*.

My commission expires Jan. 7, 1931.

## ORIGINAL PAINTINGS WHICH ARE WORKS OF ART

[Par. 1802]

### STATEMENT OF MISS LEILA MECHLIN, WASHINGTON, D. C., REPRESENTING THE AMERICAN FEDERATION OF ARTS

[Including antiques]

(The witness was duly sworn by the chairman of the subcommittee.)

Miss MECHLIN. I am secretary of the American Federation of Arts. The American Federation of Arts represents 440 art museums and associations throughout the United States. I am here to reaffirm our position of desiring art to remain on the free list. We have already submitted a brief and have given testimony before the House committee.

Senator THOMAS. Outline briefly, if you will, to the committee what you embrace in the words "works of art."

Miss MECHLIN. Exactly what stands in the bill at present.

Senator THOMAS. Just for the record, indicate, please, an outline of what is embraced.

Miss MECHLIN. Original paintings, sculpture, etchings, lithographs and engravings printed by hand, and works of art over a hundred years old.

Senator THOMAS. Do you include antiques?

Miss MECHLIN. Yes; as presented in the bill. The only exception we would make is that we would be glad to have antique rugs and carpets included in that, which are now excluded. Otherwise our desire is that it should stand exactly as it now stands if it should become a law.

Senator COUZENS. So far as the House bill stands, you are entirely satisfied?

Miss MECHLIN. With the single exception of including antique rugs and carpets.

Senator WALSH. How about tapestries?

Miss MECHLIN. Tapestries also.

Senator WALSH. They are not included now?

Miss MECHLIN. I think they are included now.

Senator WALSH. Do you desire to leave a brief with the committee?  
Miss MECHLIN. I would like to file this brief, if I may.  
(The brief referred to is as follows:)

**BRIEF OF THE AMERICAN FEDERATION OF ARTS**

At a meeting of the Board of Directors of the American Federation of Arts, held in New York on February 11, 1929, the following resolution was passed:

*Resolved*, That the American Federation of Arts opposes any change in the present tariff affecting the free importation of paintings and other works of art, as well as antiquities, and directs its officers to attend any hearings in Washington on this subject and to present a memorandum or brief opposing any such change.

\* \* \* \* \*  
**THE AMERICAN FEDERATION OF ARTS,**  
By *LEILA MECHLIN, Secretary.*

At the Seventeenth Annual Convention of the American Federation of Arts, held in Washington, D. C., May 12, 13, and 14, 1926, the following resolution, advocating the placement of antique rugs and carpets on the free list, was presented by the committee on resolutions and unanimously adopted:

"Whereas the finest type of oriental carpets constitute works of art of beauty and importance valuable for artists and designers and scholars; and

"Whereas they are specifically exempted from the provisions of the rule admitting antiquities over one hundred years of age free of duty into the country; and

"Whereas, although there is no adequate justification for the discrimination and the assessment of a duty of 55 per cent on antique carpets; and

"Whereas the supply of antique rugs is practically exhausted and every effort should be made to encourage their acquisition in this country; Now, therefore, be it

"Resolved That the American Federation of Arts declares that it is decidedly to the interest of art in this country, whether in museums, universities, or in the work of artists, designers, or in the studies of scholars, that the present discrimination and penalty against antique carpets shall be removed and that the clause exempting carpets from the operation of paragraph 1708 of the tariff act shall be at the earliest possible moment struck out."

**STATEMENT OF WILFORD S. CONROW, REPRESENTING THE  
AMERICAN ARTISTS PROFESSIONAL LEAGUE, NEW YORK CITY**

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. CONROW. Mr. Chairman and gentlemen, I am secretary of the American Artists Professional League. The American Artists Professional League is a nation-wide organization, with over 2,000 members residing in 47 States and Territories of this country.

Senator COUZENS. What is your membership?

Mr. CONROW. A little over 2,000. We are about 18 months old. It was formed for the purpose of collective action and of broader cooperation between professionals in all the fields of visual arts, so that we have architects, landscape architects, sculptors, painters, designers, craftsmen, etchers, people working in every field of visual art.

In the matter of the tariff we have proceeded on the same principles of Americanism by which our Federal Government is run, but we took not only one group but two, and in that we had a larger percentage of our professional vote than, so far as I am aware, occurs in most of our presidential elections; and of those voting,

there were over 97.2 per cent who felt that there should be a modification of the existing laws, and that a duty should be placed on contemporary art.

The American artist has been in a very peculiar situation. The general public entirely misunderstands him, exactly as the general public entirely misunderstood the camouflaged section of the Fortieth Engineers of the American Army in the American Expeditionary Forces. Men like General Summerall over there came to the conclusion, even before Cantigny, where he remarked at mess one day that he would as soon go into action in this man's war without ammunition for his artillery as he would without camouflage, because you could not get along without either. There was something that was as logical and had the same degree of common sense that you have in building a road or in building a bridge or in building a dug-out, if you please.

Now, the artist inherently—and this will bear examination, and our Chief of Engineers at that time, Gen. William Black, got and made use of this statement in one of his speeches before the foreign military representatives here in 1917—inherently the mind of the able artist is identical with the mind of the able engineer. Their approach to this problem is almost the same. The only difference is that the engineer leaves—you can see his struts and so on, but the other man has the same kind of common sense. You go back through our own history and you will find that the man who gave us the steamboat, Robert Fulton, was a portrait painter; the man who gave us the telegraph was the first president of the National Academy of Design, S. F. B. Morse.

The American artist since he got under the present law has been very much in the position of the man who alone in a regiment was out of step and his proud mother said, "Just see, everybody is out of step in that regiment but Willie." And since the efforts of some 30 years ago to have art placed on the free list the American artists have been out of step with American life. But we are American citizens just like you. We pay our bills just like you, and we have got to earn our living, and under existing conditions we have not got the protection of the difference between living costs abroad and here. I lived abroad many years as a student, and over here I have always wanted to make my living in America. I am down here in Washington now where I have just finished a portrait of your former Postmaster General, Harry S. New. If you are through with me to-day, I will go to-morrow to the home of the late Senator Oscar Underwood, where I will finish a portrait painting of him. That is my professional business. I have got to make my living. I have got to pay my bills just like anybody else. Under existing conditions the American artist is penalized if he chooses to live and do his work in his own native land.

Senator COUZENS. Just at that point, you do not mean to say that former Senator Underwood's picture or former Postmaster General New's picture will be made in Europe?

Mr. CONROW. No; I am merely saying this: That in the field of visual art the European artist pays—he can produce pictures and sell them for less. Under existing conditions he does not compete

at all, but his pictures are bought in Europe at current European prices; they are brought in duty free and they are sold here at American prices. Consequently you have such a sign as this in a Broadway art store—this is a letter signed by Edward Dufner, dated December 24, 1928. Mr. Dufner is a national academician. This sign reads:

A wonderful collection of foreign original etchings just arrived from abroad and sold at foreign prices, as we don't pay duty on works of art.

Now, we do not want any special privileges. Not a bit of it. We want to be absolutely reasonable, but we feel that we want to keep step with that which has developed to be customary in America; to have the same treatment as skillful workmen in their native country as is accorded by the Congress of the United States to other skillful workmen.

It would be ideal if it were possible to have an equalization tariff, but we haven't enough data to get at that yet. It is largely guesswork. But our position is this: That if you decided to prefix to this paragraph—I think you call it now 1802—in this reprint in the United States Daily that I have it is called 1807—if you should decide to prefix to that paragraph this sentence: "When produced 30 years or more prior to importation; and if works of art acquired abroad by or for American museums of art or American educational institutions, all, irrespective of the date of production," would be on the free list. The rest of the paragraph being identical. With that, automatically, the works of contemporary art would throw back to paragraph 1549.

We define contemporary art as works produced within 30 years of the time of importation. That is, practically speaking, what might be a generous allowance of what would be the stock in trade of a living, working, landscape artist, if you please.

Senator COUZENS. What have you to say as to the rate?

Mr. CONROW. The rate of duty, I think, at the present time does not matter. The thing is to get a record so that we can be just and fair. If you throw it back to 1549 at any rate, without any loss to ourselves, the record would be available, so that at a future time the artists of America could explicitly advise that a certain rate should be an equalizing rate of duty, and an equalizing rate of duty would not be unfair to any artist anywhere on earth. It would be merely that the dealer would say: "Here are things which we believe to be of equal merit. They cost you the same. We make as much with this or the other." But should you do this other, the record would be available, and then without guesswork, at a future hearing several years hence, we can bring to your attention and say that on the data now available we would recommend such and such a rate of duty.

Senator WALSH. Mr. Hobart Nichols, of New York City, represented your organization, the American Artists Professional League, before the House committee?

Mr. CONROW. Yes, sir.

Senator WALSH. And made a statement for the same interests you are now appearing for?

Mr. CONROW. Mr. Hobart Nichols is chairman of our committee.

Senator WALSH. He recommended duties between 40 and 50 per cent, did he not?



Mr. CONROW. Yes. But I have all those figures, that I have acquired from available sources, but because it is largely guesswork, it is not full enough; there is nothing that is available now. We think it is much wiser not to guess at a rate of duty but to get a duty so that we would have Government figures available, as to the amount of imports and so on. This would give that, and then later—Rome was not built in a day, and the best things are not done in a hurry—later we will recommend what we do believe would be really an equalizing tariff.

That is all I have to say, sir. I would like to file these papers for the record.

(The papers referred to follow:)

BRIEF OF THE AMERICAN ARTISTS PROFESSIONAL LEAGUE

COMMITTEE ON FINANCE,  
*United States Senate.*

GENTLEMEN: Representing professional artists of American citizenship, resident in practically every State and Territory, we request that you amend paragraph 1802 of the House Ways and Means Committee's readjustment tariff bill of 1920, by prefixing the following sentence:

"When produced 30 years or more prior to importation; and if works of art acquired abroad by or for American museums of art or American education institutions, all, irrespective of the date of production."

Adoption of the above will immediately put into active operation paragraph 1549, and a duty of 20 per cent ad valorem would be collected on contemporary foreign works of art imported into the United States. Contemporary art, we define, as that produced within 30 years of the present time.

So amended, the inspirational and educational status of contemporary foreign art remain unaffected and unimpeded in the United States. On the free list, as before, are all importations of both antique and contemporary art by or for American museums of art and American education institutions.

Our amendment is solely an economic proposition. It is a fact that rent, food, clothes, and artists' materials cost more here than abroad. The American artists whom we represent do not wish special advantages. They would like to see equal competition in America for the contemporary art works of all the world. A duty on contemporary works of foreign art is a practical way available to American citizens of effecting this result. To be ideal, this duty should be an equalizing duty. But the imposition of a duty of 20 per cent ad valorem, which we estimate to be two-fifths, only, of a proper equalizing duty, would be an economic step in the right direction on behalf of the artists of our country. Moreover, hereafter the volume and value of the contemporary foreign art annually imported into this country will be known. There is no record of the above to-day.

The American artist is a citizen like yourselves. He pays American prices for everything. That which he produces he must sell. It is the art dealer only who can profit by keeping contemporary art on the free lists. He buys contemporary foreign art abroad at current foreign prices and sells it here at American prices. Many dealers give preference to the sale of foreign art because it is more profitable to do so.

The tariff laws which create prosperity for practically all other classes of workers in America are to-day a handicap to all artists resident here. This tariff bill, in paragraph 67, even adds to the artists' burden by a quite unnecessary increase in duty on the artists' colors that he uses.

Artists are an important, skillful, and desirable class of your fellow citizens. Artists must earn their living and pay their bills like other citizens. An economic wrong to them exists as long as you permit contemporary art to remain on the free list. We ask you to correct that wrong by approving our amendment to paragraph 1807.

THE AMERICAN ARTISTS PROFESSIONAL LEAGUE,  
By F. BALLARD WILLIAMS, *Chairman.*  
WILFORD S. CONROW, *Secretary.*  
HOBART NICHOLS.  
ALBERT T. REID.

**STATEMENT OF ALBERT T. REID, REPRESENTING THE ARTISTS' GUILD, NEW YORK CITY**

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. REID. Mr. Chairman and gentlemen, I represent the Artists' Guild, New York City.

Senator COUZENS. In other words, you want a tariff on these designs?

Mr. REID. Yes, sir.

Senator THOMAS. Explain for the record just what the Artists' Guild means, or represents, will you?

Mr. REID. The Artists' Guild is an association of the professional commercial artists in this country who have reached a certain standard.

Senator COUZENS. Do they include those who make these designs for the department-store advertising and all that group?

Mr. REID. They include those who make designs, illustrations, wood cuts, paintings.

Let me call your attention to paragraph 1549 of the House bill 2667. It says:

Works of art, including paintings in oil or water colors, pastel, pen and ink drawings, and copies, replicas, \* \* \* not specially provided for, 20 per cent ad valorem.

Then, turning to paragraph 1807 of the same bill, we find under the free list original paintings in oil, mineral, water colors—the same things enumerated. In the first paragraph we are given a 20 per cent duty, and in the second paragraph, 1807, the same articles of art are admitted duty free.

Senator WALSH. Is that the present law, too?

Mr. REID. That is the present law, too; yes, sir.

Senator WALSH. What distinction have the customs authorities made in these two paragraphs?

Mr. REID. As near as we can find out, there was only a small amount of this stuff which was declared and duty paid upon it. I might give you the figures as I remember them.

Three years ago there were about \$7,000,000 worth of importations under this paragraph 1807.

Senator COUZENS. That is, \$7,000,000 was free?

Mr. REID. No; that was on which duty was paid.

Senator COUZENS. You said 1807; 1807 is a free paragraph.

Mr. REID. Well, there was about that much, they say, was imported. That is what I was trying to get at. Year before last the figures went up to over \$10,000,000, and last year to over \$15,000,000. The importations under paragraph 1807 have doubled in the past two years. The bars are down and the flood of foreign work is increasing steadily and alarmingly. There are between 150,000 and 175,000 people working in the visual arts in the United States. They are widely distributed over the country and include our young men and women who are just launching into the field of design, illustration, and painting. Members of this committee have many of these people in their home States, in their home cities.

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We find under schedule 13 all classifications of rayon taxed up to 70 and 75 per cent, yet the designs used with this material are admitted duty free. The cost of designs or patterns taxed even a thousand per cent, spread over the quantity of rayon material manufactured, would be almost negligible. I cite rayon simply as an example and not to single it out. This same condition exists in practically everything where art work in design is used.

The point that I want to make—as the man who preceded me made—is that the design is comparable to the printing used in publishing that book, and the artist does not feel that the man should have a protective duty for poor judgment in the selection of designs. He is just as liable to make mistakes in selecting American designs.

Many manufacturers, of automobiles for example, are using duty free art work to exploit their highly protected product.

Let me call your attention further to the fact that artists' colors have been increased from 20 per cent ad valorem to 40 per cent, and even 70 per cent since 1913. Oils, brushes, boards, canvas, have steadily increased, and greater duties are still being urged.

Obviously there is a great economic difference in the conditions under which art work is produced here and abroad, which the American artist can not escape. He is no different from any other kind of labor. He must wear the same clothes and shoes and hats produced under a tariff. He eats protected products; he sleeps in protected beds and bedding, under a roof which covers protected building material and workmanship, and he works with and upon highly protected utensils and materials.

A duty on commercial art, except that imported for exhibition or gallery purposes—we are not asking for that—will not affect any work intended for educational or uplift purposes. This will affect art work brought into the United States by dealers and agents, and upon which dealers make as high as 1,500 per cent.

Senator WALSH. Now you are talking about paragraph 1806?

Mr. REID. 1807, Senator.

Senator WALSH. Glass, mosaics, which are works of art? There is some difference in our paragraph here. You mean works of art, carpets and so on?

Mr. REID. No, it is 1807 in this.

Senator WALSH. Read it, please.

Mr. REID (reading):

Original paintings in oil, minerals, water, or other colors.

I wonder if yours is different.

Senator KEYES. It should be 1802, Mr. Chairman.

Mr. REID. Well then, it has been changed since this was sent to me. I hope that correction will be made in my statement.

The American artist is not seeking any advantage. His work needs no ballyhooing in any world competition. He asks that he be not discriminated against; that he be not handicapped. He asks your honorable committee that all others be asked to start at scratch with him.

I should like to make it clear to you that I have no selfish reasons for asking for a tariff on art works. This would hardly affect my work at all, for the cartoons and advertisting work that I produce

must be timely and produced with an intimate knowledge of the American mind. But I am a member of the executive committee of the Artists' Guild, and I know the havoc that is being wrought by this competition which the American artist can not meet.

Senator WALSH. Have you made an analysis of the paragraphs on art from 1800 down to 1807?

Mr. REID. Have I made an analysis?

Senator WALSH. Yes.

Mr. REID. Of all of them?

Senator WALSH. Yes, certain works of art, such as those described in paragraph 1806 come in free of duty if they are 100 years old.

Mr. REID. Yes. We are willing that they all come in if they are over 30 years old.

Senator WALSH. What is the difference between those works of art referred to in 1806, which come in free of duty if over 100 years old, and those works of art, original paintings and so forth, that are referred to in 1802? Why should there be a distinction?

Mr. REID. How should there be a distinction?

Senator WALSH. Yes, and what is the distinction?

Mr. REID. I can not see that there is any distinction excepting that that 100 years old is placed on articles such as old furniture, antiques, and things like that. Just why it is 100 years I do not understand.

Senator WALSH. But, as a matter of fact, paintings and other works of art that are one year old come in free, too, as well as 100 years old?

Mr. REID. Yes, sir.

Senator WALSH. That is why I have asked you if you had prepared an analysis of these different distinctions.

Mr. REID. We tried to, but after reading this first one, where they get 20 per cent ad valorem, and then in the next one where it is all taken off, I confess that none of our committee is able to understand it.

Senator WALSH. I think if you will file an analysis of all these paragraphs it would be helpful, showing just what the distinction is, if there is any.

Mr. REID. We think that a duty on all this art work, excepting that imported for exhibition or educational purposes will compel a registration of such material, and that the Tariff Commission may then arrive at a correct and tangible figure for any further solution and adjustment of this item in our tariff schedule. We respectfully ask that you give this serious consideration and that a tariff be placed on all kinds of art for commercial purposes.

Senator COUZENS. Do I understand that the paragraph that you read, which placed a 20 per cent ad valorem duty, is satisfactory to you?

Mr. REID. No, even 60 and 70 per cent would not mean anything on the basis of the cost of this stuff abroad. These designs they are talking about, these foreign designs, they buy them for little or nothing over there.

Senator COUZENS. Does the new bill propose to raise the materials that the artists here use?

Mr. REID. Yes, sir.

Senator COUZENS. And to leave you without any protection in your work?

Mr. REID. Let me correct that. I have had a number of letters and statements from dealers, and I am not clear whether they have increased the duties on those things. All I know is that the paints and brushes and oil people were all over here asking for duties, and it was my impression that the duty had been increased in a number of cases.

Senator WALSH. You said they have been increased since 1913?

Mr. REID. Since 1913, yes; they have been increased.

Senator WALSH. But you do not know just what duties were increased in the House bill?

Mr. REID. No, sir.

Senator COUZENS. With reference to what Senator Walsh said awhile ago about the classification, I assume that you have more reference to current business?

Mr. REID. That is exactly what we have. We are willing to bring it down to 25 or 30 years. Contemporary stuff is what we are interested in.

Senator WALSH. Now, you claim that there are two paragraphs in this bill, one levying a duty and the other putting it in free?

Mr. REID. The other taking it all off.

Senator WALSH. And you, as an artist, and your coartists think they both mean the same thing, as I understand it?

Mr. REID. Yes, sir.

Senator WALSH. Is that right?

Mr. REID. We can not distinguish the difference.

Senator WALSH. You don't know of any article that could not come in and be attributed to either one of these paragraphs?

Mr. REID. Those that are enumerated there, Senator—and I have read them—paintings and reproductions, water colors, pen and ink drawings, and designs.

Senator KEYES. The paragraph that provides for 20 per cent ad valorem is 1547?

Mr. REID. Yes, sir. It was 1549 in this print.

Senator WALSH. You want that increased?

Mr. REID. Yes, sir.

Senator WALSH. And the paragraph putting these same works of art on the free list stricken out? That is your position?

Mr. REID. Yes, sir.

Senator COUZENS. You spoke of contemporary work. I got the impression from a previous witness that he was only referring to goods that were made within a year or two, for immediate sale in this country.

Mr. REID. Yes, sir.

Senator COUZENS. And not artistic work that was made 25 or 30 years ago?

Mr. REID. Yes, sir.

Senator COUZENS. In other words, he was talking about the competitive situation and for current business?

Mr. REID. That is exactly it.

Senator COUZENS. Is that what you have reference to?

Mr. REID. I have reference to the same thing. I say that the design that they are buying is only a little ingredient in that great manufactured product that they produce.

Senator COUZENS. I am frank to say that I do not know how you would frame a tariff act that would cover all those articles on any ad valorem basis.

Mr. REID. It would be very hard in one respect, because I say even a high duty would not thoroughly protect the American artist, because these things, many of them, are bought at such ridiculous values over there.

Senator COUZENS. In other words, it seems to me that the only protection you can get at all is through some specific duty. I believe your guild has been remiss in not having presented your case well. I do not charge you with that, but I mean you offer no constructive discussion to the committee to work on, and I would like to suggest that if you can make up some recommendations and submit them to the committee as to what ought to be done, I think you should do that. I frankly do not get anything from your statement that would lead me to be able to arrive at any sound conclusion as to what ought to be done.

Mr. REID. We believe that a duty of at least 60 per cent on contemporary art and designs and these articles that are enumerated in that paragraph should be fixed.

Senator COUZENS. But would you take the foreign valuation or the foreign invoice, or the American valuation, or what?

Mr. REID. I think we should take the American valuation, but as I understand it, you have not determined yet whether you are going to take American valuation or not, have you?

Senator COUZENS. No; that is true, but what I am trying to get is your recommendations.

Mr. REID. As I said to the House committee, I would recommend American valuation.

Senator COUZENS. You said that to the House, did you?

Mr. REID. Yes, sir.

Senator COUZENS. Is that all now?

Mr. REID. Yes, sir. I would like to submit this brief on behalf of the Artists' Guild.

(The brief referred to is as follows:)

BRIEF OF THE ARTISTS' GUILD

SENATE FINANCE COMMITTEE,  
Washington, D. C.

GENTLEMEN: During the past four years a tremendous amount of foreign commercial water-color drawings and other commercial illustrations have been and are still being imported into this country duty free under section 1, paragraph 1704, of the tariff act of 1922. These drawings are used in advertising, book illustrations, and in periodicals; also for other commercial purposes for profit. They are imported so cheaply and in such quantities as to lower the wage scale of the commercial art industry of this country and the continuance of these importations is an open threat toward the annihilation of the industry. Commercial designs for silks are coming in abundantly, yet the silk industry is protected to the extent of approximately 60 per cent ad valorem. Automobiles are protected highly with a duty, but drawings are being imported to advertise these highly protected automobiles. Although we do not wish to exclude entirely foreign commercial art work, we desire it to be on an equal basis of competition with our domestic industry. We respectfully request and urge the committee to

alter paragraph 1440 of the tariff act of 1922 (1547, tariff act 1920) in such a manner as to maintain the standard of living of the commercial artists in this country by eliminating from the said paragraph 1547, tariff act of 1920, the phrase "not specially provided for," and to substitute the following, "for advertising, book illustrations, periodicals and other commercial purposes, 60 per centum ad valorem."

The commercial art industry of this country is entitled to protection against the destructive competition resultant from the large-scale importation of cheap drawings produced by cheap labor. It is the duty of Congress to uphold the living standards in the United States, and it can not permit the reduction of the standard in the commercial art industry.

Respectfully submitted.

ALBERT T. REID,  
Chairman Tariff Committee, the Artists' Guild,  
Authors' League of America.

Senator WALSH. Mr. Chairman, I suggest that we ask the customs experts to communicate with the committee as to what differences they ascribe to paragraph 1547, which carries a duty on certain paintings, and paragraph 1802, which refers to paintings that do not bear a duty.

**STATEMENT OF ROBERT C. KAHRMANN, NEW YORK CITY,  
REPRESENTING THE ASSOCIATION OF INDUSTRIAL DESIGNERS  
OF AMERICA**

[Industrial designs]

(The witness was duly sworn by the chairman of the subcommittee.)

Senator COUZENS. Whom do you represent?

Mr. KAHRMANN. I represent the Association of Industrial Designers of America, New York. We have filed a brief with the different Senators. The commercial designer in America has absolutely no protection. Designs come in from Germany and France, all hand work, absolutely free of duty.

Senator THOMAS. Just define for the record what you mean by industrial designs.

Mr. KAHRMANN. Industrial designs are original designs for wall paper, cretonne, linoleum, carpets, tapestries, designs for all printed and woven fabrics or printed on paper.

Senator COUZENS. They are on the free list?

Mr. KAHRMANN. Yes, sir; and brought in under works of art. If you gentlemen would permit me I would like to show you some original designs.

Senator COUZENS. Did you appear before the Ways and Means Committee of the House?

Mr. KAHRMANN. No, sir.

Senator COUZENS. Nor have you been before any subcommittee of the Finance Committee of the Senate?

Mr. KAHRMANN. No, sir. We have never appeared in Washington in regard to it.

Senator COUZENS. This is your first appearance, and you are here now in opposition to those items being on the free list?

Mr. KAHRMANN. Yes, sir.

Senator COUZENS. All right. You may make any statement that you choose.

Mr. KAHRMANN. If you gentlemen will permit me, I would like to show you some designs. I am not going to leave these with you.

Senator COUZENS. You ought to leave with us anything that you exhibit to influence the committee with.

Mr. KAHRMANN. I will leave a few.

Senator COUZENS. The one that you are now exhibiting should be marked and referred to as "A."

Senator THOMAS. Is that an original design, handmade?

Mr. KAHRMANN. Yes. I am a public designer. All the members of our association are public designers. They make these designs, some at home, some having studios employing help; and we go out and try to sell them to the manufacturers.

Senator THOMAS. What rate of duty do you want on them?

Mr. KAHRMANN. A hundred per cent would not be too much.

Senator THOMAS. Does your brief contain an application for the rate that you would like to have?

Mr. KAHRMANN. Yes, sir.

Senator THOMAS. Where does your competition come from?

Mr. KAHRMANN. Germany and France.

Senator THOMAS. Do they send to America the designs, or do they make the designs and have goods made from their designs in Germany and France and then the manufactured finished product comes into America?

Mr. KAHRMANN. No, sir. They have designs. We make a sketch like this [exhibiting]. If we can sell it, if a man likes it—

Senator DENFEN. Is that foreign?

Mr. KAHRMANN. No, sir. We first make a sketch, and if we sell it we finish it up like that [exhibiting], so it is put into a wall paper machine to make a wall paper design for a bedroom.

Senator THOMAS. The original design is Exhibit A. What is this you hold in your hand?

Mr. KAHRMANN. This is a sketch. We first submit a sketch like that. If we sell it, we finish it up like that [exhibiting], and sell it to a customer for about \$70.

Senator THOMAS. What is the difference between those two papers that you hold in your hand?

Mr. KAHRMANN. This is just an idea for a wall paper machine. All these touches represent a roller, a yellow roller, a green roller, a red roller, a gray roller, and so forth.

This, gentlemen [exhibiting], is a cretonne design suitable for furniture and draperies. We get about \$75 for a design like that. They bring them in from Germany.

We have never bothered the Government about it. We have been so much interested that we did not think much about it until we could hardly make a livelihood.

A design like that brought in from Germany will sell for \$50 at a maximum. If you buy more than 15 designs they will give you a discount of 25 per cent, bringing the design down to \$38.50, and a cash discount.

Senator COUZENS. How long does it take you to make a design like that which we will call Exhibit C?

Mr. KAHRMANN. To make a preliminary sketch before we make this, sometimes a week. We do not sell every design we make. There are hundreds of them that we have not sold. These are all designs over a year old. Wherever I go to sell my designs I am con-



fronted with foreign designs, and the American manufacturer wants me to try to sell them. They buy them by wholesale.

Take the wall paper manufacturer, for instance—the cheapest wall paper brought into the United States, as I understand it, sells for about 18 cents, the very cheapest. The American manufacturer makes wall paper that sells at less than 5 cents a roll, the cheapest. Yet there is a duty somewhere between 25 and 35 per cent.

The same applies to the cretonne manufacturer. I do not know why we do not have protection. Every industry in this country that I know of that employs American labor has some protection. The American designer has absolutely none.

Senator THOMAS. That is because you never asked for it, is it not?

Mr. KAHRMANN. Yes; but we want the foreign designer to live.

Senator THOMAS. You must get over that idea.

Mr. KAHRMANN. He is stepping too fast. He comes over here. I have seen articles with regard to the commercial artists trying to get a duty, and the editorial writer says that it is a shame—"Why does not the American designer start out and beat the foreign designer"?

He has got so large a start on us, our Government is giving us so large a handicap that he beats us on price.

Senator THOMAS. Is your industry organized?

Mr. KAHRMANN. We have a small organization.

Senator THOMAS. How large?

Mr. KAHRMANN. We had 18 at one time; but it is down to about 6.

Senator THOMAS. How many are there to be organized?

Mr. KAHRMANN. The trouble is that most of the American designers are importing designs. These six American designers employ 60,000 people, all told.

Senator THOMAS. It is your contention, then, that unless you get some help the business of designing will soon become a lost industry?

Mr. KAHRMANN. A lost art, absolutely.

Senator DENEEN. How would you value these designs for the purpose of applying the tariff? Have they any market value or export value or United States value?

Mr. KAHRMANN. I would say, anywhere from—it is hard to strike an average—an average of \$60 to \$70 or \$75.

Senator KEYES. Have you stated in your brief what change you would like to have made in the law?

Mr. KAHRMANN. Yes, sir.

Senator THOMAS. Have you any samples of imported designs?

Mr. KAHRMANN. No, sir. I would like to bring more information about the cost of foreign designs, but the manufacturer we sell to is the only one we can get information from and he will not give it to us because he is saving money by buying abroad.

Senator THOMAS. You can get exhibits of their work, can you not?

Mr. KAHRMANN. I could get the printed samples.

Senator COUZENS. But not the originals?

Mr. KAHRMANN. No. I have seen plenty of them and I have worked on them and made changes and alterations and have redrawn them; but it belongs to the man that I do business with, and I can not take his property and bring it down here.

Senator THOMAS. Give us some idea of the relative merit of the foreign designer and the American designer. I mean, their work.

Mr. KAHRMANN. The American designer I think makes better commercial designs. Living in this country he has the advantage of knowing the needs of the country and makes better designs.

Senator THOMAS. In what way are they better?

Mr. KAHRMANN. They sell better, whether for wall paper or cretonnes.

I think some of you gentlemen know Mr. George McGeachin, who was here last week. Mr. McGeachin buys designs. He is an importer of cretonnes and a domestic manufacturer of cretonnes. He buys imported cretonnes and domestic cretonnes. Here is what he says:

George McGeachin, being duly sworn, deposes that he is president of Witcombe, McGeachin & Co. (Inc.), of New York.

That he buys textile designs, and that it is his opinion that textile designers of the United States should be protected against foreign designs coming in under the free list.

That the professional designers of the United States, who, after intensive study and training, find a barrier of foreign professional designers' work coming in duty free and thereby preventing their making a living.

In view of the above, I believe that it will be for the best interest of the United States and the designing profession in this country that a duty be placed upon these goods instead of allowing foreign designs to come in free, as under the present act.

Dated, New York City, July 11, 1929, and acknowledged before Harry Demarest, Notary Public, Kings County.

(Mr. Kahrman submitted the following brief:)

#### BRIEF OF THE ASSOCIATION OF INDUSTRIAL DESIGNERS OF AMERICA

##### PRELIMINARY STATEMENT

The tariff act of 1922, paragraph 1449, provided for a duty upon "works of art, including paintings in oil or water colors, pastels, pen and ink drawings and copies, etc. \* \* \* not specially provided for, 20 per cent ad valorem." Although it would seem, on the face of the language used in this paragraph, that industrial designs (described more at length hereafter), are comprehended therein, the Treasury Department has held that industrial designs are free of duty and come under the "free list."

The tariff act of 1929 as introduced in the House does not correct this vagueness, nor provide any separate paragraph anywhere, covering industrial designs.

It is sought to obtain a definition of industrial designing under a separate paragraph and to obtain a duty thereon of 100 per cent ad valorem.

##### HISTORY OF INDUSTRIAL DESIGNING

The industrial designer is the product of the American art schools and schools of design, as well as studios engaged in preparing designs for various classes of manufacture. The industrial designer by means of sketches or drawings or paintings in color prepares his conception of the proper design or pattern or style or final application in printed form to linoleum, wallpaper, textiles, and in woven form to rugs, carpets, etc. There are now thousands so employed or carrying on their studies to enter this field.

The industrial designer's training commences with such art instruction as he receives in the public schools or high schools and thereafter in special schools devoted to the teaching of this subject, in addition to practical study in such studios as employ the student in this field of artistic production.

During the World War our country was in large measure dependent upon Europe for industrial designs. These importations ceased because of war conditions, and as a result thereof the need for American industrial designers was keenly felt. Since the war much has been accomplished in various industries to develop the field of design and to render us comparatively independent of Europe. However, now that the European countries are reaching a normal stage they have commenced to compete actively with the American field of de-

sign, and they have made inroads to such an extent as to make it necessary that our students and graduate designers be protected by a proper import duty; all the more so, if our own schools and workers in this newly developed field are to be encouraged in their artistic development and in the creation of a school expressive of American thought, ideas, and institutions.

The question submitted to your committee is not only one of wages for those employed as industrial designers, but concerns the United States in a larger and deeper sense.

We quote from *Art in Industry*, by Charles R. Richards (an industrial art survey under the auspices of the department of education of New York State):

"On the other hand, our people represent standards of living considerably above those of any other country and consume an amount of goods in which art quality has a recognized value greatly in excess of any other nation. The demand for artistic goods, now large, must inevitably increase. Whether this supply is to be produced by ourselves or borrowed from others depends on the direction that our national culture takes. Rome borrowed the art of Greece. The trade-rich cities of South America before the war decked themselves with the art of Latin Europe. We have largely built upon or borrowed our art from the Old World. We do so to-day. Whether this will continue in the new phase of economic dominance on our part and the sapping of creative vitality in the older countries of Europe remains to be seen.

"One matter is clear—if we are to attain fullness and maturity in our national life we must inevitably reach the point of expressing ourselves artistically as well as materially, for no nation can attain full spiritual and intellectual development until it comprehends in its own life all the powers of expression needed to satisfy its aspirations and desires.

"On the economic side we have obviously the strongest reasons for endeavor in this field. At present we pay a heavy toll to Europe for art products and designs. It is not only desirable to save this outlay but to gain the increased value for our goods that higher artistic standards will bring. The United States has practically but one market for the products of its art industries. Paris has the whole world for its market. In the future the expansion of our trade must take into account not only the production of goods which are required to satisfy material needs, but which may command a world market because of their artistic value."

In order to bring about a field of art now comparatively new in our country it becomes necessary to encourage the workers in that field.

The student who becomes an art designer has spent anywhere from three to five years of his youth in a school and thereafter in a studio of design or in some commercial establishment before he becomes sufficiently trained to command a living wage.

This type of worker must not be confused with the artist engaged in painting or in sculpture whose creation has no alliance with industrialism. Paragraphs 1807 to 1811, inclusive, of the act of 1929 takes care of the artist.

The output of the designer is intimately connected with various useful forms of manufacture such as wall paper, linoleum, textiles, and carpets.

The situation has now reached a point where the competition from abroad has become so keen by reason of the importation of these designs on the free list, that the designer in our country is becoming less in number from month to month. If we are concerned with something more than the material success of our Nation and if we are to live up to the promise made by men of patriotic vision, all artistic endeavors should be encouraged.

In plain language, the designer must live in order to practice his profession and to create a certain style of art, native to our country and expressive of its ideas and institutions.

The increase which is sought in the form of a seemingly large import duty will not even make an appreciable impression on the price of the manufactured article. For example, a design for wall paper will be used on 50,000 to 75,000 rolls; the average American design sold, brings from about \$45 to \$100. Assuming the tariff is increased and our home product costs double the foreign, the increase on any one roll of wall paper would amount to about one five-hundredth of a cent.

#### LABOR CONDITIONS ABROAD AND HERE

It requires no lengthy exposition of the difference between the labor market abroad and here and this applies equally well to high artisanship as well as to the work of the common laborer. Quoting from the report on the Tariff Readjustment, 1929 (H. Rept. No. 7, 71st Cong., 1st sess.):

"The labor cost is an essential factor. The average of wages abroad is 40 per cent or less than that in the United States. While the effectiveness of foreign labor is increasing, their wage surveys have not increased in proportion. This creates a serious situation not only to the manufacturer, but to the laborer. It is the desire in the United States to maintain wages consistent with the American standard of living. The opportunity of labor to secure employment and of the employer to pay wages depends upon the ability of industry to market its products. \* \* \* Speaking generally, values represented in invoices should be multiplied by three to represent American values."

The importation of foreign designs has been so extensive as to cause a large number of the studios of design in this country to close their doors and become agents for foreign studios; in many cases, receiving trunkloads of designs on consignment. The graduate student or employee finds the outlet for his talents increasingly restricted. It is only a question of time when this competition of foreign design will make it impossible to maintain the remaining studios.

The designs from abroad are sold in our market for less than one-half of the cost of the American design. It is not a case of better design. It is purely a case of the manufacturer getting something cheaper and compelling a lower price of the American designer. And the ultimate addition to the cost price of the product to the manufacturer is negligible. We have already commented on the hardly noticeable addition to the cost of the product to the ultimate consumer.

There is no claim made by the American manufacturer as evidenced by the survey made by Mr. Richards that the foreign design in the large average is superior to that of the American.

We have a right to look to the American manufacturer of wall paper, linoleum, textiles, etc., who has gained so much from the bounty of our country and our tariff, that encouragement be given to workers in the American arts.

#### COMPARATIVE LEGISLATION

Paragraph 396 of the present act provides for a duty of 72 per cent ad valorem on print rollers and print blocks, to which the industrial designs are transferred and thereafter imprinted on wall paper, linoleum, or other similar material. The print cutter who works out the industrial design in brass or wood on these blocks is a craftsman of high grade; yet he is not of the same standard as the artist designer who is the creative genius of the design finally embodied in brass or wood. However, our Government has seen fit to protect this artisan against foreign invasion by placing a 72 per cent ad valorem duty on similar products coming in from abroad. The designer should be equally protected and encouraged in his artistic work.

As Mr. Richards has said in his work: "To obtain better student material in our art schools we also need not only higher material rewards for designers but a more recognized and dignified status. With us the designer has practically no status other than that of a worker in the industries. In Europe he is regarded as an artist and occupies a dignified position in the community."

If we were concerned merely with artistic efforts in the form of paintings by artists of note or statues by sculptors of note, there would be no argument about the proper admission thereof without duty. We are concerned with a high-class artisan or student of style, design, and beauty whose efforts are intimately interwoven with manufacturing and commerce. Many thousands are graduated each year into this field and many thousands have been and are employed in studios or as free-lance designers. But of late years the profession is dwindling and the art schools find no outlet for employment for their students unless such students are willing to work for a mere pittance.

Not only must the student of designing be familiar with the broad general principles of art, but he must likewise identify himself with and become a student of the particular industry for which he is to manufacture designs.

According to the report of the Ways and Means Committee, from which we have quoted above, "The records denote that the sundries schedule has been a prolific source of litigation in the United States Customs Court and the United States Customs Appeals." It is for this reason that we request your honorable committee to specify the industrial designs under a separate and distinct paragraph and we would suggest that the paragraph read as follows: "Designs, sketches, drawings, patterns, whether prepared, drawn, executed or painted in oil, mineral water, or other colors, pastel, pen and ink, pencil, or water colors, whether in final or proof form, which designs, sketches, drawings, and patterns

are ultimately used for imprint upon or transference to or weaving into textiles, linoleums, carpets, floor coverings, wall paper and wall coverings of any and all natures, types, and description."

## CONCLUSION

If our efforts are to carry us far it is clear they must comprehend both the ideal and the material. Manufacturers and schools and all interested in progress in the field must not only lend their efforts to further all practical measures that will advance our standards, but they must as earnestly unite to educate our people to the belief that the development of our industrial arts is a spiritual as well as an economic achievement necessary for the country's growth. When once the idea reaches our consciousness as a people that a finer quality of art in American life constitutes for us a national need, we may hope for steady and continuous advance that will bring us in time to an art worthy of the ideals of American democracy.

June, 1929.

Respectfully submitted.

ASSOCIATION OF INDUSTRIAL DESIGNERS OF AMERICA,  
By ROBERT C. KAHRMANN, *President*.  
JAMES C. HUNNIFORD, *Secretary*.

**STATEMENT OF ROBERT E. FATHERLEY, REPRESENTING  
H. SCHWEIZER, NEW YORK CITY**

[Industrial designs]

(The witness was duly sworn by the chairman of the sub-committee.)

Senator WALSH. Whom do you represent?

Mr. FATHERLEY. I represent Mr. H. Schweizer, of New York City.

Senator WALSH. Who is he?

Mr. FATHERLEY. A man who has a studio in Paris and in New York and sells textile designs in the European market and in the New York market.

Senator WALSH. You want them kept on the free list?

Mr. FATHERLEY. In the statement of our case concerning the entry into this country of textile designs, and primarily those coming from France for printing on silk—

Senator THOMAS. Just what do you mean by technical design?

Mr. FATHERLEY. All of the designs that are printed on paper by an artist, original designs to be reproduced on cloth; and I have special reference to those printed on silk.

Senator THOMAS. What commercial use is made of those designs?

Mr. FATHERLEY. No commercial use is made of the designs other than carrying the idea for application on silk. Silk of course is used mainly in attire for women.

Senator WALSH. Are designs sold to manufacturers?

Mr. FATHERLEY. Yes, sir. An individual buys the designs and buys the gray goods or the raw silks; he buys both of them and sends them to the mill.

Senator WALSH. We had a witness here the other day who testified with reference to designs for wall paper and cretonnes.

Mr. FATHERLEY. That is out of our category.

I would like to bring to your attention three pertinent facts:

First, the relative numerical insignificance of the field of American artists whom a tariff on designs would attempt to aid, as compared with that vast army of American laborers deriving their daily bread

from our textile-printing industry, the prosperity of which would be immeasurably deterred by the exclusion of French designs, incident to the erection of a tariff wall.

Secondly, I shall endeavor to point out why a tariff would tend to exclude a commodity such as designs.

Third, and finally, I shall outline the effect that a duty and the subsequent exclusion of French patterns would have upon the concerned fields of endeavor—**designing and printing.**

Senator THOMAS. You hold that the American-made designs are not as good as the imported designs?

Mr. FATHERLEY. Yes, sir.

Senator THOMAS. What is the difference?

Mr. FATHERLEY. The difference between the American-made design and the French design is primarily that the French design is made by a Frenchman whose whole heritage and whose local environment are very conducive to putting out these ideas. That is, Paris and the French resorts are the style and fashion centers of the world and people throng there from all over the globe to ascertain what the coming fashion will be.

Senator THOMAS. In other words, the force of your argument is that the foreign designs are made by artists and the American designs are made by cobblers? Is that the idea?

Mr. FATHERLEY. No; that is not quite the idea.

Senator WALSH. One is an old industry and the other is a new industry—old in Europe and new in America. Is that the thought?

Mr. FATHERLEY. That may be, too, but also the local environment of Paris and the fact that for generations people have been going there because it is a meeting place for people who think of fashion, and it is very much more conducive to a better type pattern.

Senator THOMAS. Would not your argument be good as to practically all lines of imports from France? It is not limited to designs. Would not that same argument hold good as to practically all the importations from France and those artistic countries?

Mr. FATHERLEY. I presume it would be. But in going over my statement the thing that I endeavor to show is that to eliminate the French designs would be to jeopardize the printing industry in this country which now very favorably compares with the printing industry of France.

Senator THOMAS. How are we going to build up this infant industry of American designs if we do not give them some protection?

Mr. FATHERLEY. I think the industry will be built up, because the demand for designs is very great at the present time. However, to exclude French patterns that our printing industry is so dependent upon to-day would be very detrimental to the printing industry.

Senator THOMAS. If they are better than the American designs, they will still be purchased, will they not?

Mr. FATHERLEY. They will to a limited degree. In my statement I shall endeavor to bring out just why they will purchase French designs and not purchase them at other times.

The second point which I wanted to make was to show why a tariff on such a commodity as designs would practically mean their absolute exclusion; and the third point I wanted to make was to

outline the effect that a duty and the subsequent exclusion of French patterns would have upon the two concerned fields of endeavor, designing and printing.

One of the most striking commentaries on the growth and prosperity of the designing field is the fact that in the last 18 months we have lost from our organization in New York more than five people who have gone out into the industry and started five separate businesses, only one of which to my knowledge imports French designs, and those French patterns that they import they sell a little higher than they do their American designs.

A check up and most generous estimate shows that few more than 500 steadily employed and well-paid individuals constitute our domestic designing force, while hundreds of thousands of men and women make up the man power of American printing plants. Artists of even questionable ability never remain long unemployed, and superior ones are always decidedly at a premium. In fact, it has not been many days since one of our most efficient but equally unscrupulous artists left our employment because we refused to become a party to the unreasonable bidding between studios for this individual's services.

Statistics show that out of every 100 designs acquired by printing houses over 75 per cent. for technical and esthetic reasons, are never used. Designs sell at from \$35 to \$50 each. Therefore, with this commodity on the free list, each design costs in the vicinity of \$200. Have I made that point clear?

Senator WALSH. In other words, you have to buy a large number of designs, but many of them are abandoned and your investment is lost?

Mr. FATHERLEY. Yes, sir; that is quite right.

Senator WALSH. Only one in four is sold?

Mr. FATHERLEY. Only one in four is sold.

Senator WALSH. What do these designs cost, on the average?

Mr. FATHERLEY. These designs cost in this country—they sell at from \$35 to \$50.

Senator WALSH. What is the import price? Less than \$10?

Mr. FATHERLEY. The invoice price—no, it is not less; it is about \$10—perhaps in some instances as low as \$8.

Senator WALSH. So a design that costs \$10, the invoice price, you sell for \$50 so as to get your profit and to charge off the losses from the designs that are discarded?

Mr. FATHERLEY. Yes, sir; that is right.

Senator THOMAS. Why do you buy designs that you can not sell?

Mr. FATHERLEY. Well, that is a question. Everybody has to do that because the man who styles a line of print is not often enough of a technician to know that this will print and this will not print. He has esthetic taste, but when he refers it to the man who does the printing, a number of those must either be revised at a very great expense or discarded entirely. Then, too, a man buys a good many designs with the idea incorporated in a number of them, and he may take several designs and pay for them and be only able to use one, say.

Senator WALSH. Along the same lines as patterns made by cloth manufacturers, woolen manufacturers and others that make a large

number of patterns and many of them are discarded and are never used because they get no orders for them?

Mr. FATHERLEY. That is quite right. Paris and the French resorts are unquestionably the fashion grounds of the world. America has learned to take her cue from them. This premise is well substantiated by the fact that even the foremost American printers make at least one pilgrimage to the French capital and to the French resorts every year—the races and Monte Carlo.

Senator THOMAS. Is that a French resort?

Mr. FATHERLEY. That is a European resort.

Senator THOMAS. Is it a fact that these French resorts are patronized successfully by Americans only?

Mr. FATHERLEY. Well, never having been there, I really can not say.

Senator THOMAS. Is it not a fact that every business in Europe that is a success is owned, managed, operated by Americans?

Mr. FATHERLEY. No, I do not believe that is justifiable at all. I think that would be a very unsatisfactory state of affairs for Europe.

Senator THOMAS. I think if you will make an examination you will find that while that is not literally true, it is approximately true.

Mr. FATHERLEY. You mean American capital, of course?

Senator THOMAS. American capital and American management, so far as the business part is concerned. Of course, this esthetic part, the artistic part, they have to depend upon foreign brains for that. We do not have them over here, apparently.

Mr. FATHERLEY. We have not built up, certainly, the organization along that line. Anyway, the point is that at least one annual pilgrimage is made to the French capital and these resorts by every printer in the country, even the most humble.

To keep designs on the free schedule would be to encourage the entry of these very prolific foreign ideas, to the greater stimulation and edification of the embryo American artists. The free flow of these French designs will continue to be a strong offensive weapon in the hands of American printers competing with the celebrated and successful French markets of Lyons and Paris. On the other hand, we are certain that the placing of a duty on these designs would surely make a decided scarcity of French ideas. The marginal producer of designs in this country would go shamefully down in the scale of quality and efficiency. A limited number of ideas, many quite inferior, would be made by these 500 designers who now supplement the French market. These ideas would be forced upon the American printers. The American printers would cease to compete with the French printers on the same plane. Soon the printed silks would become an unprofitable commodity to produce in America, and the depletion of an industry employing thousands upon thousands of men and women would soon be an accomplished fact.

Senator THOMAS. Do you hold that if a tariff is placed on these designs that these designs will not be imported, and because of the nonimports the American factories will not be able to make as good a quality of merchandise as they would otherwise; therefore the folks now employed in these factories will be relieved of their employment?

Mr. FATHERLEY. They will, of course, gradually. The American designing business and the American printing on silk has just gone forward by leaps and bounds in the last five years, I should say.



Senator THOMAS. Well, that same argument would hold good with regard to great numbers of other commodities that come from France and similar foreign countries, would it not?

Mr. FATHERLEY. I presume so, if the facts in the case were the same as those to which I refer in our case.

Senator THOMAS. Do you think that Americans prefer the foreign products, so far as style is concerned, in prints to the American products?

Mr. FATHERLEY. Yes; I know that to be quite absolutely so, because one of the greatest advertisements we can give any of our printed goods—any of our designs, rather—is that they are French patterns.

Senator THOMAS. Then, if we place a tariff on this class of goods, it will have two results, will it not?

First, it will deprive American factories of the ability to produce a comparable article to the French product.

Second, because the American patrons can not get what they want in America, it will force them to go abroad to buy their lines of wearing apparel.

Mr. FATHERLEY. That is right. Those who can buy French prints will buy them; those who can not will not.

Senator THOMAS. Therefore, in order to save the expense of foreign travel, we should have free trade with regard to these prints?

Mr. FATHERLEY. No; that is not quite it. It does not come down to the individual, I do not believe. I think the question must be decided between protecting designers who do not need protection and deterring the progress and prosperity of the print industry in America to-day.

Senator THOMAS. Do you not believe, though, that the American line of designers needs this protection? I think your argument is directly in point that they do need the protection.

Mr. FATHERLEY. No; they do not. I am sorry if I have given that impression. It is quite the opposite. I mean to say that—I endeavored to say, at least—there were some 500 designers in this country who are very prosperous, exceedingly so; and I know of very few of even average ability—in fact, I know of none of average ability—who are unemployed.

Senator THOMAS. You mean by that that they are employed in making designs that are not in competition with this particular class of designs you have reference to? Is that correct?

Mr. FATHERLEY. That is right. And when they reach a higher quality of products, the thing will automatically be settled.

Senator THOMAS. Do you favor a classification of the designs to permit certain classes to come in free and other classes to come in dutiable?

Mr. FATHERLEY. Well, I have not studied the matter out from that viewpoint. I don't see that there would be any advantage in that.

Senator THOMAS. What you want is free trade on the particular class of goods that you are interested in?

Mr. FATHERLEY. The thing that I want is free trade on designs, so that the American printing industry will be able to compete in the world's market of prints with the French, because they are certainly very adept at it and have become very famous, and America,

in order to compete with the French, must have the advantage of these French ideas.

Senator WALSH. Are there any other importers of these designs, other than Mr. Schweizer, whom you represent?

Mr. FATHERLEY. Yes; there are numerous importers of designs.

Senator WALSH. How many are there?

Mr. FATHERLEY. I really can not say, offhand.

Senator WALSH. What I want to bring out is: Is there competition between these importers in the sale of these designs here in America?

Mr. FATHERLEY. Between the importers?

Senator WALSH. Is there competition between the importers of these designs in the sale of these designs in America?

Mr. FATHERLEY. Yes; there is.

Senator WALSH. And rather sharp competition?

Mr. FATHERLEY. Yes; there is sharp competition in the market.

Senator WALSH. Is Mr. Schweizer a large importer?

Mr. FATHERLEY. I should say Mr. Schweizer was one of the largest importers.

Senator WALSH. How extensive is his business?

Mr. FATHERLEY. You mean in dollars and cents?

Senator WALSH. Yes.

Mr. FATHERLEY. Well, in the New York market and in the French market together, I should say it aggregates perhaps a quarter of a million dollars—our sales in both countries.

Senator WALSH. Have you any idea what the value of the output of the entire business is, domestic and foreign, of these designers?

Mr. FATHERLEY. You mean not Mr. Schweizer's, but the whole?

Senator WALSH. Everybody; yes.

Mr. FATHERLEY. No; I do not.

Senator WALSH. But Mr. Schweizer's is a small percentage, I assume, of the entire volume of American business?

Mr. FATHERLEY. Yes; I should say there are at least 50 designers in this country, and probably more; some of them large and some of them small.

Senator WALSH. Do some of the domestic designers also import, sell imports side by side with the domestic designers?

Mr. FATHERLEY. Yes; that is very frequently done.

Senator WALSH. Do you sell any domestic designs at all?

Mr. FATHERLEY. Yes; we try to sell as many as we can. There is an advantage in that, because, you see, you can see exactly what the people want here and produce it without much loss, after the fashion, the style is set.

Senator WALSH. So the importation of these designs is supplementary, in large part, to the domestic market of designers?

Mr. FATHERLEY. We would like it to be so, but it is not so.

Senator WALSH. They cover the peculiar and superior quality of design of the Parisian modistes?

Mr. FATHERLEY. Yes, sir. If I could take a cross section of a French line that has come to this country and an American line, I am sure you would see a vast difference. Of course, you can pick out a very good American design; you can pick out a very good French design, and they may compare favorably, but the cross section of a line of designs would certainly prove the point.

(Mr. Fatherley submitted the following brief:)

## BRIEF OF HARRY SCHWEIZER, NEW YORK CITY

1. *Paragraph in which interested.*—Paragraph 1704, tariff act of 1922, now paragraph 1802, free list:

"Original paintings in oil, mineral water, or other colors, pastels, original drawings, and sketches in pen, ink, pencil, or water colors \* \* \*"

2. *Recommendation.*—We respectfully recommend that the provision of paragraph 1704 be maintained in the new tariff act.

3. *Reasons for recommendations.*—Mr. H. Schweizer, located at 200 Madison Avenue, New York City, who is an importer of Parisian textile designs and who also maintains an American studio engaged in the exhibition of new designs, respectfully petitions you in the interest of the continuation of the aforementioned designs on the free list under paragraph 1704 of the tariff act of 1922. The commodity referred to under the aforementioned paragraph consists of "original designs by artists, sketches in pencil and water colored to be used for reproduction on silk manufactured in this country." This commodity is now catalogued under this paragraph as "original drawings or sketches in pen, ink, pencil, or water colors." These ideas expressed in color are purchased by American manufacturers for their reproduction on silk, to be sold in competition with imported creations.

We have reason to believe that there is current agitation upon the part of a few domestic designers to advise Congress to place a duty upon foreign designs. While we are heartily in sympathy with the most rigid protection of our American industries, we fail to see any economic logic behind the reasoning that a duty upon designs is in the most remote degree conducive to the protection of any American industry and feel that a duty on them will not only fail to accomplish protection or encouragement to American industries, but would be a definite handicap to the textile industries.

Our belief that the protection of domestic designers is unnecessary is augmented by the following facts:

Designers of average ability are scarcely ever unemployed and those excelling in the field are at premium, oftentimes incurring bidding between studios for their services. Plans to extensively enlarge our American studio in the past few years have been completely frustrated by our inability to command, in the American field an organization of designers so sufficiently endowed in artistic conception as to originate in quantity the type of design demanded by our customers.

Efforts to bring to this country French designers to work in our American studio have proved futile, despite every reasonable inducement. They realize, that divorced from their own art center with its valuable contacts they will be forced to work against serious odds. With a consideration of these facts the protection of American labor can most certainly not be maintained as a logical reason for the imposition of tariff on textile designs. Indeed, it would be quite to the contrary for the aspiring field of American designers to be deprived of the stimulation afforded by the incentive of competing with the masters of the world.

Referring to the preamble of the tariff act in 1922, we find the act to be one "to encourage the industries of the United States, etc." Therefore, it seems quite definitely inferred that textile designs were specifically intended to come under this paragraph as "original drawings" and enter the country free of duty. The preamble tariff act of 1922 establishes this act as one to encourage the industries of the United States. This being true then designs should be and continue to be on the free list.

France has been the fashion barometer of the world for generations. It is here that model attire of every description is created; representative groups of which are brought to this country for copy. They are made from materials designed in Paris. To copy them and compete in their production on a parity with the French producers, it is inimical to the success of the industry that the materials manufactured and used in this country are as nearly as possible of the type employed in Paris. Therefore, it is a great encouragement and boon to the American manufacturers of model gowns to have materials with a semblance of Parisian origin with which to work. For the American manufacturer of silk to bring to this country French designs for printing, enables him to produce for sale American creations at nearly the same time that French garments of a like nature are placed in the market. It is, therefore, averred that to place designs on the dutiable list would be to deprive, in no small way, the American textile industry of early information relative to the cycle of fashion.

The price of a design in many instances is a weighty factor to be reckoned with, and should a duty be placed upon designs, and especially should that duty be in terms of American valuation, the cost of a design would be so ponderous as to make their importation practically prohibitive. The following schedule and notations substantiate this point: An American manufacturer usually purchases some 200 designs on a trip abroad. These average about \$10 each. Experience shows that not more than one-fourth of these are used. This, then, places the cost of each design used at \$90 per design, taking into consideration the expenses of the trip. With a consideration of the fact that but one-fourth of the designs purchased are ultimately used, it takes no stretch of imagination to realize that such provision would eliminate these foreign ideas, especially if the duty imposed be ad valorem, as we have reason to believe an imposed duty would be.

It is relevant to the issue to note at this juncture that some domestic designs, at the present time, may be bought at from eight to ten dollars per design. This figure is considerably lower than foreign patterns have ever been sold for in New York.

The conclusions in fact are, therefore, that a very large assortment of designs in the spirit of the French fashion are necessary to the encouragement and prosperity of the American silk printers and manufacturers. Deprive American industry of designs and the American women will wear silks made in France.

To place a specific ad valorem duty on designs would result in a most involved and complicated affair, for the price of a design is changeable, being exactly proportioned to its originality and desirability in the light of fickle fashion. Therefore, its true worth and subsequent selling price can not truthfully be ascertained until it has been marketed. A design at one phase of the season might be very desirable; in a matter of a few weeks the cycle of fashion will have passed it by, perhaps never to return. To assess the importer a high duty, and especially an ad valorem duty, upon this design would be quite without ground.

In conclusion, the tariff act in 1922 was instigated mainly as a "tariff for protection of domestic industries" rather than for revenue, and because the testimony thus far in the brief shows conclusively that American designers not only need no legislative protection but on the contrary are enjoying unprecedented prosperity, and because it is imperative for the encouragement of the American silk manufacturers and printers that the flow of French designs into this country is not deterred, we propose that no change in the word or spirit of paragraph 1704 of the tariff act of 1922 under the free schedule, be made. However, should designs for any reason be considered other than "original paintings in oil, mineral, water, or other colors, pastels, original drawings and sketches in pen, ink, pencil, or water colors \* \* \* " in the impending tariff readjustment, we propose that such a division be placed on the free list.

## WORKS OF ART FOR USE OF PUBLIC INSTITUTIONS

[Par. 1805]

### BRIEF OF NEW YORK ART DEALERS

The general principle that works of art should enter the United States free of duty has been firmly established for the last 20 years. During this period the interest in art, and the cultivation arising from familiarity with it, have grown in our country by leaps and bounds. It may safely be said that it is largely due to this wise and far-sighted principle that artistic culture has made such amazing progress of recent years. Surely no one whose care is for the real good and advancement of our people would wish to have it otherwise.

Art is by its very nature of international character. It can not reach its full development, either in production or artists appreciation, if it is to be impeded by barriers in its free passage from land to land. Above all we need art in this country where great masses of the people are now for the first time raised to a level of prosperity and cultivation where they can begin to enjoy such things.

It should be hard to find anyone who would really, if he considered the matter, wish to place difficulties in the way of the entry into America of those works of art which embody the gracious culture of past times. But it is quite

as important that we should welcome also the art of to-day. How is it possible that our own artists can develop in the broadest and fullest sense if they are cut off, even to a limited degree from the inspiration of other civilizations?

It is hard to see how anyone who has the interest of our great universities and museums at heart would like to see barriers put in the way of the free entry of all genuine works of art into the United States. It has been suggested that even if a duty were imposed upon certain classes of works of art, that museums and public institutions could be exempted from it. This, however, by no means covers the case, because the museums receive many more gifts of objects of art than gifts of money for the purchase of them.

The great public collections are built up mainly by the gift or bequest of collections which have been formed in this country. Such collections can hardly be formed here unless works of art are allowed free entry.

It could perhaps be urged that a low duty would be of benefit to the art dealers, since it might act to prevent underselling to American customers by foreign firms who do not bear the high overhead which is inseparable from the art business in America. It is clear, however, that this would be a shortsighted policy, and that any benefits which might accrue would be far outweighed by the lasting advantage which the whole community, including the dealers, would derive from the existence in this country of a great body of really fine and permanently valuable works of art.

The interest in art, and the development and production of art in America, is only in its infancy. It has made a splendid start, and who knows to what heights it may rise if only we stand by the wise principle which has guided us during the past generation.

Schwartz Galleries, K. H. Webben; C. M. Kranshaar Art Galleries, E. F. Pierce; Kennedy & Co.; M. Knodler & Co. (Inc.); Klesmann Thomas Galleries (Ltd.), C. H. Klesmann; Harlow McDonald & Co., M. A. McDonald; Frederick Keppel Co., H. V. Allison, vice president.

## STAINED OR PAINTED GLASS WINDOWS

[Par. 1805]

### STATEMENT OF GEORGE L. PAYNE, NEW YORK CITY, REPRESENTING THE STAINED GLASS ASSOCIATION

(The witness was duly sworn by the chairman of the subcommittee.)

Senator SMOOT. Did you appear before the House Ways and Means Committee?

Mr. PAYNE. We did, yes, under paragraph 230.

Senator SMOOT. Then what else have you?

Mr. PAYNE. We are affected under two paragraphs. The second is the free list.

Senator SMOOT. Did you not appear in the House on that?

Mr. PAYNE. Not on the free list; no, sir. It is very brief.

Senator SMOOT. Proceed.

Mr. PAYNE. We pointed out under schedule 2 at the former hearing the need for a larger tariff on the lower-priced work imported to this country. There is a tendency on the free list of overvaluation of windows in order to get them in under the free list schedule of paragraph 1707. In 1922 stained glass windows as a presentation to churches came in free when there was a valuation of from \$15 a square foot up. From that amount, \$15 a square foot, up, windows were admitted free. At that time the average cost of a window subject to duty was \$1.80 a foot. It is this intermediate field now covered by the free list that we need adequate protection on.

One illustration of this is that an importer in New York City just recently having an exhibit, stated that the prices given him on

the more elaborate grade of church window to be sold in this country, as made in Germany, was \$9 to \$10 a square foot. Finding that there was a duty assessed on that valuation of 50 per cent he found out and stated to us that he would appraise the glass at 015 a foot in order to admit it free of duty. Now, there is no desire on our part to shut out windows that are works of art. But works of art in glass can not be made at \$15 a square foot.

There was an illustration about a year ago in the Mississippi Valley of windows declared at \$15 a foot or more being imported free of duty, and protest was made, a committee met and revalued the work, and finally fined the importers \$8,000. Now, there must be many instances of that coming in as an overvaluation. We ask protection for the immediate future, as the tendency will show in your figures of imports that the prices are gradually coming down to about a valuation just above \$15 a foot in order to admit it free of duty.

Senator EDGE. What is your proposition? Under paragraph 230 you are allowed by the House an ad valorem duty of 60 per cent. We have already heard witnesses in connection with that. Now, what do you want to do with paragraph 1805 with reference to a valuation of \$15 a foot?

Mr. PAYNE. That duty only affected glass under \$15 a foot.

Senator EDGE. Yes; I understand.

Mr. PAYNE. Now glass valued at \$15 a foot or more is admitted free of duty.

Senator EDGE. Yes.

Mr. PAYNE. And we say that it is very often done, that glass valued at \$9, \$10, or \$11 is overvalued by importers to a figure approximately \$15 so that it can be admitted free of duty.

Senator SMOOT. Under paragraph 230 the square feet dutiable amount to 75,101, while the number of square feet under paragraph 1707 that came in free amounted to only 7,215 square feet.

Mr. PAYNE. Yes; but the valuation, Senator—

Senator SMOOT. Well, the valuation in the one is \$183,699, and the value in the other is \$125,110.

Mr. PAYNE. That is all foreign valuation.

Senator SMOOT. We understand the whole bill is based on a foreign valuation.

Mr. PAYNE. Which equals in American figures about \$2,000,000 worth of business. That affects our industry all over the country.

Senator SMOOT. Do you think those importations are exceedingly large for the amount of production in the United States?

Mr. PAYNE. They are very large in comparison.

Senator SMOOT. What is the total production in the United States?

Mr. PAYNE. Approximately \$700,000 a year on that type of work.

Senator SMOOT. On what type of work?

Mr. PAYNE. On the type of work covered by these two paragraphs.

Senator SMOOT. Do you mean duty free and dutiable both?

Mr. PAYNE. Yes; duty free and dutiable as well.

Senator SMOOT. So there was nearly 45 per cent then of the importations compared with the amount of goods produced in the United States?

Mr. PAYNE. Yes; but the one valuation is American dollars of \$700,000; the other is a foreign valuation.

Senator EDGE. That is a pretty fair importation, though.

Mr. PAYNE. I have here 12 telegrams from various sections of the country, received yesterday, showing a decrease of 50 per cent average in employment throughout the entire United States in the stained-glass industry. We ask that the valuation be raised.

Senator EDGE. That is what I am trying to find out. You want it changed from \$15 to what?

Mr. PAYNE. To \$35, which puts it in the same proportion exactly as American wages have increased. American wages have increased and European wages have stayed dormant.

Senator EDGE. In other words, you want the free list to only admit what are described as works of art that are valued at \$35 per foot or more?

Mr. PAYNE. That are valued at \$35 per foot or more, because our corresponding price on that is \$60 to \$70 a square foot. It is still inadequate, but we must have that compensatory rate on that.

Senator SMOOR. You will feel all right if we make it \$35?

Mr. PAYNE. It is still inadequate, but we need it very much.

Senator EDGE. Have you a brief to file?

Mr. PAYNE. No.

Senator EDGE. Do you want to file a brief?

Mr. PAYNE. No; I do not think it is necessary. Thank you.

### BRIEF OF FRANZ MAYER, OF MUNICH (INC.), NEW YORK CITY

NEW YORK, N. Y., July 16, 1929.

SENATE FINANCE COMMITTEE.

Washington, D. C.

DEAR SIR: We respectfully petition your honorable body to leave the provisions of paragraph 1805 of the House bill unchanged for the following reasons:

We beg first to draw your attention to our brief and the statement and reply brief submitted by Manton M. Wyvell to the Finance Committee in connection with the hearings on paragraph 230(a); and also to our brief and the letter from Mr. Adrian Buck filed with the Committee on Ways and Means with regard to paragraph 1707 (House bill, par. 1805) printed on pages 9701 and 9703.

The above briefs and statement substantially cover the matter from our standpoint, but we may add the following:

The representative of the Stained Glass Association of America made some statements before your committee, which must be answered and corrected, as they are misleading.

First. The statement of Mr. Payne, that the imports in American figures would amount to \$2,000,000, is obviously baseless. The total importations of stained or painted glass windows under both the dutiable and free list were, according to the summary of Tariff Information of the United States Tariff Commission, far below \$500,000 in 1927, and less than \$400,000 in 1928. By including import expenses, duty on dutiable windows, cost of installation, American overhead and profit, the total American selling price of all imported stained and painted glass windows may reach \$1,000,000, but not possibly \$2,000,000. If, moreover, Mr. Payne's statement as to an alleged overvaluation by importers were true, the total actual value of imported stained and painted glass windows (said by Mr. Payne to be \$2,000,000) would be even less than the import figures of the Tariff Commission (not over \$400,000 or \$500,000), and certainly in no event more. Therefore, Mr. Payne's figure of \$2,000,000 should be disregarded as baseless.

Imports have not continued the upward trend since 1927, as is shown in the report of the Tariff Commission, and also as experienced by our firm.

Second. Mr. Payne estimates the domestic production at approximately \$700,000 a year on the work covered by paragraphs 230 and 1707 (House bill

1805). This statement is completely misleading, as the complete domestic production of stained and painted glass windows is at least ten times the amount stated by Mr. Payne, such current yearly production being estimated by the United States Tariff Commission at \$7,500,000 (p 558 of the Summary of Tariff Information).

Since the import figures cover all styles and varieties of stained and painted glass windows, it is unfair to refer to only one of the many varieties of stained and painted glass windows manufactured by both domestic and European firms and compare it with the import figures which include all styles and varieties of stained and painted glass windows.

The cost of the raw materials for stained and painted glass windows, which consist primarily of antique glass, and secondarily of lead, average combined less than 10 per cent of the selling price of so-called low priced windows, and even less in proportion on windows valued at over \$15 per square foot, as the price for the raw material decreases in proportion on expensive windows. The antique glass used by domestic firms as raw material is partly imported and partly of domestic make. The lead is produced in this country, while Germany imports the lead used for the leading of windows largely from America.

Notwithstanding continuous endeavors on the part of less able artists and firms to imitate and copy the work of successful artists and studios, there still remains a great variety and individuality which distinguishes the productions of each of the many artists here and abroad.

We do not know of any domestic studio or importer who does not offer his or its windows as works of art to the prospective customer, whether the square foot price is below \$15, or more. By way of reference, we may mention that the George Hardy Payne Studios, of Paterson, N. J., installed, a few weeks ago, a complete series of stained glass windows in the First Methodist Episcopal Church, Somerville, N. J., among them six 2-light windows, each containing two medallions representing group scenes, executed in old style treatment. The price for each of these six 2-light windows, each containing approximately 45 square feet, was \$500 per window, i. e., a square foot price of below \$12. So far as we could learn there was no importer competing.

We are sure that the Hardy-Payne Studios, like most other domestic firms, have sold very few windows at prices of \$35 per square foot, or above, if any, notwithstanding that they consider and sell even windows valued under \$15 per square foot as works of art.

The leading domestic studios and artists have plenty of work on hand and receive good prices, while the evidence submitted by the representatives of domestic firms is supplied by the less fortunate artists and weaker studios whose prices average below \$15 per square foot.

We respectfully renew our objection to an impost duty on stained or painted glass windows valued at \$15 or more per square foot, and ask that they be admitted free of duty as provided in the tariff act of 1922, paragraph 1707, and House bill, paragraph 1805, for the further reasons:

1. No stained or painted glass windows are asked to come under the privilege unless they be of artistic merit.
2. Only if imported for houses of worship (par. 1707, act of 1922, and par. 1805, tariff bill of 1929).
3. Stained or painted glass windows add greatly to the proper and decorous religious worship.
4. A free competition in art tends to promote interest in art among the people. The principle has been retained in the House bill and even broadened by now including mosaics on the free list.

Respectfully submitted.

FRANZ MAYER OF MUNICH (INC.),  
By ADALBERT MAYER, *President*.

DISTRICT OF COLUMBIA, ss:

Adalbert Mayer, being duly sworn, deposes and says that he is president of Franz Mayer of Munich, (Inc.), a New York corporation, which herewith files the above brief; that he has read the brief and knows the contents thereof, and that the same is true to the best of his knowledge and belief.

[SEAL.]

MARY G. KITE,  
*Notary Public, District of Columbia.*

Counsel:

MANTON M. WYVELL.  
CLYDE L. ROGERS.



## ANTIQUES

[Par. 1806]

STATEMENT OF LAURENCE VAIL COLEMAN, WASHINGTON, D. C.,  
REPRESENTING THE SMITHSONIAN INSTITUTION AND THE  
AMERICAN ASSOCIATION OF MUSEUMS

[Rugs and carpets]

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. COLEMAN. Mr Chairman and gentlemen, I should like to speak very briefly on what is now paragraph 1806, which is in the law paragraph 1709.

I am the director of the American Association of Museums, which is a national organization of museums of all kinds throughout the country. In our membership are all of the important museums which you can think of, art, science, and history. What I want to speak of now applies primarily to the art museums.

In the present paragraph of the bill, 1806, it reads: "Works of art, except rugs and carpets"—then skipping—"produced more than 100 years prior to the date of importation." That is the only point to which I want to speak. That is a special point of the question of free antiques, which in turn is a special point of the whole question of free art.

We believe that the issue of free art has been adequately discussed. We are willing to rest our case on the basis of the general discussion of that subject. However, there is this difficulty: The advocates of free art who have been represented here before the committee have been driven, as we believe, as a matter of strategy, to overlook this particular point—although they are on record concerning it—to overlook that point in an effort to meet what they conceive to be the attack upon free art as recognized in the law now.

The American Federation of Arts, which appeared here for free art, has passed a resolution expressing its desire that this exception to rugs and carpets be removed. The Metropolitan Museum of Art has passed such a resolution. Our own organization has passed such a resolution, and so far as we are able to see there is a unanimous desire for this on the part of people who are interested in art. The fact that they have not emphasized this particular point has been due to their desire to protect this large situation which they conceive to be in danger.

The free admission of rugs and carpets is agreeable to the manufacturers; it is agreeable to the importers; it is agreeable to the dealers, with one exception that I know of. I have talked with a good many of the salemen, a good many of the representatives of these various industries, and they do not believe that the reasons which have been urged to continue such a provision or to extend such a provision to, let us say—and particularly silver or antique furniture—they do not believe that those reasons are valid. We do not believe that those reasons are valid, and we would like to see the law read:

"Works of art, and so on"—without this parenthesis—or else have it read: "Works of art, including rugs and carpets." Simply as a matter of precise statement of what the new law would provide. The reason we want the antique rugs and carpets to come in free is that there is a relatively small number of these fine old pieces left. The men who are bringing them into this country, in very many instances, have in mind that ultimately those collections will go to museums. It is a matter of historic record that a very large portion of such rugs brought into this country has already gone to museums. There are a number of very important collections of rugs which have been benefactions. I know an instance now of a large, important collection of rugs being built up, which everyone hopes, and believes, will probably go to the National Gallery of Art. I have the assurance of the man who is making that collection that he will be very much less disposed to give that collection to the Nation if he has already paid a 50 per cent duty on those rugs than if he had the privilege of bringing them in free. Those rugs at the present time are open to the public. That is only one instance among many, and I desire only to submit to you that the question of removing that exception is one which deserves very careful consideration, very sympathetic consideration, in view of the fact that the present law as it stands, and the present bill as offered, is a free art bill, and so far as antiques are concerned contains only that one exception, which seems to have no particular advantage.

Senator COUZENS. Are they bringing in these rugs now free?

Mr. COLEMAN. No; there is a duty on them now. They are the only antiques which can not now be brought in.

Senator COUZENS. When were they taken off the free list?

Mr. COLEMAN. I believe in 1913, but I am not sure.

Senator COUZENS. Since that time, or since 1922, they have been paying the 50 per cent duty?

Mr. COLEMAN. Yes, sir. They are the only antiques since the last law which are not free.

Senator COUZENS. How many have been brought in during that period?

Mr. COLEMAN. A relatively small number. But the value represented is quite considerable when you think of it in terms of the pocketbooks of the individuals who are bringing them; when you think of it in terms of the industry it is a mere bagatelle.

Senator COUZENS. You say that the question of being able to identify the age has been fully discussed?

Mr. COLEMAN. It is on record before the Ways and Means Committee, and my case has been presented here. I desire only to call attention to that one point, which I believe has not been emphasized by others, simply because they have described the situation in general.

Senator COUZENS. Are there any questions?

Mr. COLEMAN. In my hurry I neglected to file this. May I do so, please?

Senator COUZENS. Yes.

## VENETIAN GLASS MOSAICS

[Par. 1807]

## STATEMENT OF OTTO W. HEINIGKE, NEW YORK CITY, REPRESENTING THE MANUFACTURERS OF VENETIAN MOSAICS

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. HEINIGKE. I represent the manufacturers of Venetian glass mosaics in this country and also the American glass mosaics, which are practically interchangeable terms. The paragraph is 1807. And it simply states Venetian glass mosaics when they are works of art.

Senator EDGE. Which are works of art.

Senator SMOOT. Yes; which are works of art.

Mr. HEINIGKE. Which are works of art; yes.

Senator EDGE. In other words, that is a new article put in the free list?

Mr. HEINIGKE. Yes. And we believe that that was placed there under a misunderstanding.

Senator SMOOT. You would not think so if you would see the opposite side of it.

Mr. HEINIGKE. The statement was made before the Ways and Means Committee that there is no industry in this country in glass mosaics.

Senator SMOOT. Do you want it to go back here the same as it was in the old law, in paragraph 218 of the present law?

Mr. HEINIGKE. Yes, sir.

Senator SMOOT. That is 55 per cent.

Mr. HEINIGKE. Yes; 55 per cent.

Senator EDGE. What was it, 55 per cent?

Senator SMOOT. Yes; in the present law, paragraph 218.

Senator EDGE. Go on and tell us why you think they should not transfer it to the free list.

Mr. HEINIGKE. We can show you a list covering nearly 200,000 square feet of glass mosaic that was made for the most prominent buildings in this country up to about seven or eight years ago, when the German manufacturers began to take an interest in the mosaics in this country, and there has hardly been an order placed for mosaics with an American house since then, largely because the prices were tremendously below anything that we could compete with. So that, if it was placed on the free list because there is no American industry, that is a mistake.

And I might state that Mr. Wagner told me immediately after this, when I had luncheon with him one day, that after he had made the statement to the Ways and Means Committee he cited several large works in this country which he said were made abroad, and every one of them had been made in this country, and he acknowledged that he had made that statement under a misunderstanding. And I pointed out several more to him that he did not know existed at all. So that it was a misunderstanding on his part. He is an honorable gentleman and would not make a misstatement.

Senator EDGE. How many concerns are there in this country making that particular product?

Mr. HEINIGKE. I think there are seven.

Senator SMOOT. What is the total production of the seven?

Mr. HEINIGKE. Over a period of about 12 years we made up about 200,000 square feet.

Senator SMOOT. That is per year?

Mr. HEINIGKE. No.

Senator SMOOT. The whole time?

Mr. HEINIGKE. But that was all that was used in America. America had not wakened up to the beauty of the material. And we were carefully fostering this industry among ourselves. We were building it up in every way that we could as a group of artists designing the decorations ourselves, making them up in our own shops in a small way.

Senator EDGE. Do the same artists and the same concerns that produce these stained glass windows produce this material?

Mr. HEINIGKE. Yes, exactly. And when the production became sufficient to attract the attention of the foreign manufacturers then they came in here and immediately took our business away from us that we had so carefully nurtured. And they did it by cutting our prices terribly. There was no comparison. They had the lower wage scale, and they also had a tremendous capital whereby they could distribute.

Senator EDGE. Have you any idea of the value of the imports? You can not get them from the tariff reports because they include so many different kinds of material.

Mr. HEINIGKE. I have no definite idea of the total, but I can say that in the past—I think it is within six months—one firm has installed, I should say, between \$400,000 and a half million dollars' worth in New York City.

Senator EDGE. One firm of importers?

Mr. HEINIGKE. Yes.

Senator SMOOT. And the total production in the United States, you say, is how much?

Mr. HEINIGKE. Well, I think my own firm is the only one that has had an order for mosaics in this country during that time, and that amounts to about \$25,000.

Senator SMOOT. For how long?

Senator EDGE. Well, that is during the time that this product has been carrying a 55 per cent duty?

Senator SMOOT. That is what I want to find out.

Senator EDGE. With a 55 per cent duty you say you only got one order for \$25,000?

Mr. HEINIGKE. Yes. And it is because they can beat us so badly for a cost standpoint.

Senator EDGE. Then you would not be protected if we retained the duty.

Mr. HEINIGKE. Not protected, but that is not an excuse for putting it on the free list.

Senator EDGE. I am not arguing that it is.

Senator SMOOT. No need of having it there if all the United States produced is \$25,000 worth with a 55 per cent duty. If we put it back to 55 per cent it will not do any good.

Mr. HEINIGKE. Well, I believe it would do us some good.

Senator SMOOR. Well, it has not in the past. You got but one order.

Senator EDGE. As a matter of fact, you asked for a 100 per cent raise in this tariff in paragraph 208, from 55 per cent to 100 per cent, as I understand it. Not necessarily on this class of goods alone, but on all stained glass.

Mr. HEINIGKE. I am not familiar with that. I am anxious to get it off the free list.

Senator SMOOR. Yes, I see.

Mr. HEINIGKE. Mention was made of the fact that possibly it was intended to get the raw material on the free list.

Senator SMOOR. Not from the production in the United States; I would not call that the object.

Mr. HEINIGKE. It was not? Well, that was stated to me at one time. And, of course, we have no objection to the raw material coming in free. It would reduce our cost somewhat. Now we are paying a duty on it, whereas our German competitors have it free.

There was also the question whether the American producers could produce works of art.

Senator EDGE. What would you consider the customhouse appraisers would be justified in considering works of art and not works of art of glass mosaic? Would all of these be works of art?

Mr. HEINIGKE. My contention is that in the form in which it is brought in it is not a work of art at all.

Senator EDGE. Well then, this paragraph would not be on the free list?

Mr. HEINIGKE. But, as I understand it, the last few importations have been brought in in this form [exhibiting mosaics]. And it has been considered a work of art.

Senator EDGE. Well, we did not have that paragraph then. It carries 55 per cent under the present law.

Mr. HEINIGKE. Yes; but it has been considered a work of art. I think it has been brought in under paragraph 1704—the works of art paragraph, I think. And while that when it is placed on the wall in the completed position, decoration, it might be considered a work of art, this is just one small unit of a decoration and could in no wise be considered a work of art. But when it is a complete decoration placed on the wall after maybe 20 per cent more cost has been put in it, the cost of placing it on the wall, erecting it, it might be considered a work of art.

Senator EDGE. I might say, Mr. Chairman, that you were not present—I think Senator Barkley was—when we had this all out under paragraph 218 as to what was and what was not a work of art. We have that testimony very complete.

Mr. HEINIGKE. Now, as to the ability of the American to produce a work of art. In the testimony a sample like that was considered to be not a work of art. And it seemed to be the impression that because it did not portray a natural form it could not be a work of art. Of course, we understand that is not so. But I brought you a sample to show you. This was designed by an American artist, executed by an American mechanic, and made of American materials. Nothing but American materials. And you can see there can be no question about that being a work of art. It is a portrait. The original is in the possession of Mr. Tiffany.

Senator SMOOT. Is that all?

Mr. HEINICKE. Yes; unless there are any questions.

Senator SMOOT. No; that will be all.

**STATEMENT OF RICHARD L. BLANCK, NEW YORK CITY, REPRESENTING THE DECORATIVE GLASS WORKERS PROTECTIVE ASSOCIATION OF NEW YORK**

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. BLANCK. I just want to supplement a few of these statements that have been made here. I represent the American workmen engaged in this industry, and to say that the greater part of this work is done by labor. It is done by the American laboring man or mechanic. It requires a skilled mechanic, it is true, but we have the skilled mechanics. We ask for a duty on mosaics of 60 per cent ad valorem and a dollar a pound. When they send the mosaic stuck up on paper they send a package of glass along. The mosaic comes by the pound.

Senator EDGE. You appeared before this committee before?

Mr. BLANCK. Yes. I do not want to take up any more of your time. I want that taken off the free list, and I want to say that we do not consider it a work of art in the term of "work of art." That is done by a mechanic.

**STATEMENT OF EDWARD B. BETZ, REPRESENTING RAVENNA MOSAICS (INC.), NEW YORK CITY**

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. BETZ. Ravenna Mosaics (Inc.) are importers of Venetian glass mosaics, and we are interested in having the present paragraph, 1807, left as it is in the free list. The reason I appear—and we had a hearing once before the Ways and Means Committee—is that various representations have been made since, which might be misleading. We stated in our brief that there was no industry in Venetian glass and mosaics in the United States. There is not, and there can not be, because Venetian glass is only made in Venice and in Berlin—Berlin, the shop from which we make our importations.

Senator EDGE. You are using the word "Venetian," and with respect to that your statement is true, but is there any industry in the United States which is comparable to it?

Mr. BETZ. No. I think the testimony of the last speaker will bear me out. For they have in all kinds of glass mosaics only been able to do \$200,000 over a period of 12 years, whereas we in the last month and a half have done about between \$300,000 and \$325,000; we have only done this because we have really awakened the interest of artists and architects here in the United States in mosaics as it should be done.

Senator SMOOT. Well, if that is the case, why should you not pay the present rate and not put it on the free list?

Mr. BETZ. Because we want a bigger field.

Senator Smoot. Oh, certainly; we know that; but as long as you are growing the way you are why should not that be done?

Mr. Berz. It has taken us six years to grow to that extent. And that amount of business does not yield us the necessary profit to be called a really excellent business.

Senator Smoot. There is nothing you are doing here, only just selling the goods.

Senator Edge. The previous witness admitted that 55 per cent was not sufficient protection, and he only had a \$25,000 order. We might just as well consider it a tariff for revenue as well as anything else.

Senator Smoot. That is all I consider it now.

Mr. Berz. We are interested in importing the Venetian glass mosaics in these works of art and not in importing the regular commercial types. We do not feel that it is the attitude of the Government at all to tax works of art, whether they are made in paint or simply because they happen to be mosaics.

Now, we have no monopoly of any kind. If it was possible to make real Venetian glass mosaics that are works of art I am sure the artists who have come to us after searching thoroughly for an industry here that could produce what we have produced, would have preferred to have it done in this country. They have not only given us the order but taken the trip over to the people from whom we import to satisfy themselves that their mosaics have been an exact interpretation, not only of the mere lines and their cartoons but of the spirit of their concepts of what they wanted.

Now, no company here can possibly get the variety of Venetian glass material that is necessary to interpret the cartoons of an artist on a fairly good-sized job. You need from 500 to 1,000 different nuances of color. And there is no importer here—although you can buy Venetian materials in Venice—there is no importer here that carries anything like a good stock. Probably something like from 12 to 15 colors. No company here can make the material, because they have not got the secret process, that only exists in the knowledge of individuals in Venice and in Berlin. They can not buy the material, because it is not stocked here. There are not enough mosaics made here in this country—even if we could buy the materials if they were manufactured here in this country, there would not be enough business to make it worth while to the big importers of glass to stock.

Senator Edge. That is under paragraph 230 rather than paragraph 218?

Mr. Berz. No; our importations have been brought in under paragraph 218, of 55 per cent. We have sold to the Metropolitan Museum copies of mosaics that were made at the time when mosaics were at their height. There are copies of mosaics in churches that are conceded to be the height of mosaics by everyone. [The witness exhibited a mosaic to the committee.] These are made for a certain part in a certain church. When you are up close to them you do not know what they are. But when you get approximately the right distance away they come out, and you have just what the artist wants in that position.

Senator Smoot. That is told us all the time when we go abroad.

Mr. BERZ. Here is a type of mosaic that is made for closer examination. [Exhibiting same.] Here is the Venetian glass mosaic from which works of art are made. There is the material that has been used in Mr. Heinigke's last job, the only one that he had last year that he spoke of. With that material you get enough mosaic glass to make a copy of one of these old famous mosaics.

Senator EDGE. I take exception to your use of the word "Venetian." Of course, it is true that we do not make Venetian glass. But if we can do the same thing with American material, then it is misleading for you to say that we can not make it. It is a fact, no doubt, that we have not the Venetian product here. We have the American product.

Mr. BERZ. I would state that any of the artists who have given testimony in our brief before the Ways and Means Committee would unhesitatingly accept their design made out of this material, whereas they would throw this other out immediately as not the right material for mosaics.

Senator SMOOR. Why? On account of the color? It certainly is not on account of the product itself? The color in the American is just as good as your color.

Mr. BERZ. No; they have not the same variety of colors as we have.

Senator SMOOR. But they have got all the variety they want in theirs.

Mr. BERZ. Here are some of the shades of blue that I picked up in the office. There are at least 150 shades in that box.

Senator SMOOR. Well, they had enough variety there to make that work of art.

Mr. BERZ. But this does not affect paragraph 1807. That is protected. We are not importing that kind of work. And I would like to say here that one of Mr. Heinigke's statements was based on misinformation. We are not able to make lower prices than they are on the same class of work. That one job that Mr. Heinigke spoke of we quoted on, which he got.

Senator SMOOR. Shall we take action against him? He swore he would tell the truth.

Mr. BERZ. I said it was based on misinformation. He probably had information from somebody that our price was lower. We know it was not. The architects who gave out these orders know the work we do, and they know the work he does. For the main portion of the church they gave us the work for the Venetian glass mosaics. For the chapel they gave it to him. And it was a matter of price.

Senator SMOOR. If it had been, you would have gotten it?

Mr. BERZ. No; because I know our price was higher. I happened to figure out that estimate myself.

Senator EDGE. In the meantime the American Government is collecting 55 per cent ad valorem.

Senator SMOOR. If that is all, we thank you.

Mr. BERZ. But the main thing is that it is a work of art, and whether they can do the same thing here or not, I do not think there should be a tariff on works of art.

Senator SMOOR. That is a sound position.



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# CREOSOTE OIL

[Par. 1650]

## BRIEF OF BERNUTH, LEMBCKE CO. (INC.), NEW YORK CITY

COMMITTEE ON FINANCE,  
*United States Senate, Washington, D. C.:*

In recent hearings before the Ways and Means Committee of the House of Representatives on the tariff act now being prepared, briefs were filed by the International Combustion Tar & Chemical Corporation of New York, the American Tar Products Co., of Pittsburgh, and the Barrett Co., of New York, petitioning for a provision which would in effect enable the President at his discretion at some future time to place creosote oil on the dutiable list. In your own hearings the Republic Creosoting Co., of Indianapolis, petitioned for a definite duty on creosote oil in the new act.

We, Bernuth, Lembcke Co. (Inc.), of New York, an American corporation having offices also in Houston, Tex., importers of European creosote oil, respectfully request that creosote oil be left on the free list, and submit the following in support of this request:

(A) Creosote oil is the basis of the wood preserving industry of America and on it this large and growing industry is directly dependent. Creosote oil is the most effective agent available for the conservation of our timber resources, and is of vital interest to all who use railroad ties, poles, piling, crossarms, conduit, wharf, bulkhead, and other construction timber, fence posts and timber in other forms subject to decay. The railroads, the mine owners, the transmission, telephone, and telegraph companies, the harbor builders, the farmers, and many other users are therefore directly concerned in this proposal.

(B) It is claimed that the American industry can not compete with foreign producers, because Europe has lower coal prices, lower transportation costs and lower wages.

1. Coal prices: We submit that with our modern mining machinery we can produce coal, from which creosote is obtained, at costs lower than European costs. To-day coking coal in the Pennsylvania fields can be bought at the mine at \$1.40 per ton, while in England they pay 10 shillings per ton, equal to \$2.50.

2. Transportation costs: European railroad freights to seaboard tanks from which creosote is shipped are admittedly higher, due to smaller carloads, than freights here, and the ocean freight to bring European creosote to American ports is higher than the freights now being paid coastwise by American producers who have their distilling plants on the seaboard at, for instance, New York, Newark, Philadelphia, etc., and who can ship by tank steamer direct to Gulf ports. One cent per gallon is being paid to transport creosote coastwise to the Gulf, as against 1.25 to 1.6 cents per gallon from Europe to the Gulf.

3. Labor: It is admitted that European wages are lower than wages here, but this is more than offset by new methods now used in the United States of continuous and automatic production, which practically eliminate labor and cause lower production costs here as compared with abroad.

(C) It is claimed that creosote is being transported in foreign bottoms at ballast rates.

We submit that most of the imported creosote is shipped in American vessels at remunerative rates as stated above. Our firm owns and operates a fleet of tank steamers all flying the American flag. The revenue so obtained by American steamships is of vital importance to American shipping employed in the trans-Atlantic petroleum industry.

(D) It has been claimed that, based on current domestic production of coal tar, from which creosote oil is distilled, there exists here a potential supply of

creosote oil far in excess of the requirements. We submit this would be true were the tar all distilled, but so large a proportion of the crude tar is used for other purposes, i. e., road building, roofing manufacture, waterproofing, fuel, etc., not merely as a means of disposing of a surplus, but for definite economic reasons, that in actual practice the production of creosote oil, as stated above, falls far short of the demand.

(E) It has been claimed that the disinfectant, dyestuffs, explosives, and other chemical industries require a further expansion of the tar-distilling operations here to be assured of their supplies of raw materials. We submit that such supplies from present coal-tar distillation are more than ample to cover every one of the above needs. (See Tariff Information Series, No. 37, of United States Tariff Commission.)

(F) It is claimed that there is danger that European creosote can be imported at prices lower than the domestic producers' cost of production; in other words, that European creosote will be dumped here. We submit that the average landed price for European creosote for the past 10 years has been considerably higher than the average domestic price. This is proven by the exhibits in the various briefs of the domestic producers, which show that for years the consumption of domestic creosote has steadily advanced while the consumption of European creosote is now declining. In 1912 the percentage of domestic creosote consumed was 35 per cent. In 1923, according to figures compiled by R. K. Helphenstine, jr., of the Forest Service, Department of Agriculture, this percentage has reached 65 per cent.

If a duty is levied on creosote oil, prices are bound to advance to the great detriment of the entire creosoting industry and particularly of those wood preserving plants so situated that they are dependent on European oil, as for instance the large preserving plants on the Pacific Coast, there being no production of domestic creosote of importance within economic hauling distance of the West Coast.

(G) It has been claimed that the growth of the American tar distilling industry is paralyzed by the competition of imported creosote oil and that it needs tariff protection.

We submit that this statement can hardly be supported in the face of the available statistics covering American creosote production, which is steadily growing, or in the face of the tremendous prosperity being enjoyed by the four largest tar distillers in the United States, who are the petitioners named above and who produce approximately 90 per cent of the American creosote production. While the proposed duty would undoubtedly aid these four domestic producers to raise prices, we submit it would on the other hand work a direct hardship on the more than 150 established wood-treating plants, with their thousands of employes, and would raise costs to users of creosoted timber throughout the country. The welfare of the few would thus be advanced at the expense of vastly larger interests in every State in the Union.

(H) We submit that in order to conserve the natural timber resources of the United States it is necessary that a fair economic price for creosote oil be maintained and that a tariff on creosote oil would defeat this object and jeopardize these resources.

We concur in the briefs submitted to the Ways and Means Committee of the House of Representatives by the American Creosoting Co. (Inc.), Louisville, Ky.; Ayer & Lord Tie Co., Chicago, Ill.; National Lumber & Creosoting Co., Texarkana, Ark.

Respectfully submitted.

BERNUTH, LEMBOCKE CO. (INC.),  
O. M. BERNUTH, *President*.

STATE OF NEW YORK,  
*County of New York, ss:*

Sworn to before me this 9th day of August, 1929.

[SEAL.]

MAE M. FRERICHS,  
*Notary Public*.

Commission expires March 30, 1931.

## FERTILIZERS

[Par. 1684]

## LETTER FROM CHESTER H. GRAY, WASHINGTON, D. C., REPRESENTING THE AMERICAN FARM BUREAU FEDERATION

Hon. REED SMOOT,  
*Chairman Finance Committee,  
 United States Senate, Washington, D. C.*

MY DEAR SIR: In connection with the consideration of items on the free list, we wish to invite the earnest consideration of the members of the Finance Committee to recommendation of organized agriculture that the fertilizer paragraph (par. 1684) be made 100 per cent effective in allowing free entry to all fertilizers and fertilizer materials.

Fertilizers cost 2,184,056 farmers a total of \$230,528,446 in 1925, according to the 1925 census of Agriculture.

The utilization of fertilizers is increasing over a wider area in the United States, but many farmers are financially unable to purchase sufficient amounts to produce efficiently and to maintain the fertility of their soil. It is imperative, therefore, that the farmers be relieved of all remaining tariff burdens on fertilizers.

The assertion has been made that the imports of fertilizers on the dutiable list are inconsequential. Such a condition, however, does not mean that agriculture has no burden thereby, but quite the contrary. One reason why the imports are low is that the rates of duty for the most part are virtually prohibitive of imports for fertilizer purposes and most of the imports are for technical purposes and not for fertilizer purposes.

It is estimated that the imports of chemicals which may be used for fertilizers may be divided between uses for technical purposes and fertilizer purposes as follows:

*Dutiable material*

	For fertilizer	For technical use
	<i>Long tons</i>	<i>Long tons</i>
Ammonium nitrate.....		5,880
Ammonium phosphate.....		31
Ammonium sulphate.....	42,066	
Phosphoric acid.....		141
Ammonium chloride.....		4,021
Urea.....	802	
Potassium nitrate, refined.....		3,438
Total.....	42,868	14,411

Thus, with the exception of ammonium sulphate, the imports are almost entirely for technical purposes.

We have suggested the following wording for paragraph 1684 (H. R. 2667):

"Par. 1684. Guano, basic slag (ground or unground), manures, and all substances and products imported for fertilizer purposes."

In order to make this paragraph 100 per cent effective, however, it will be necessary to make provision in Schedule 1 whereby various articles listed in paragraphs 1, 5, and 7, which may be used for fertilizer purposes, may be allowed free entry when imported for fertilizer purposes. We have suggested as one way to accomplish this that the following clause be added at the close of paragraphs 1, 5, and 7:

"Provided, That any of the foregoing shall be free of duty when imported for fertilizer purposes."

If it is feared that this would involve administrative difficulties, the same result could be achieved by applying the same plan which is used for the entry of native woods for carpet manufacture (par. 1101). Through such a plan fertilizers and fertilizer materials which are included in Schedule 1 could be imported in bond and the duty remitted when satisfactory proof is provided within a given length of time that such materials have been used as fertilizers or in the manufacture of fertilizers.

We favor whichever of these two plans will be the easiest of administration, in the judgment of the committee.

Our primary concern in this matter is that all fertilizers and fertilizer materials be allowed free entry when used as fertilizers or in the manufacture of fertilizers.

Hoping this request may have your favorable consideration, we are,

Very respectfully,

AMERICAN FARM BUREAU FEDERATION,  
CHESTER H. GRAY,  
*Washington Representative.*

## OTTER TRAWL FISHING NETS

[Par. 1721]

### SUPPLEMENTAL MEMORANDUM SUBMITTED BY EDWARD H. COOLEY, BOSTON, MASS., REPRESENTING MANILA OTTER TRAWL FISHERMEN

Your committee has been asked to take manila otter trawls and sections of manila otter trawls off the free list. This request has been made by the Linen Thread Co. and others.

The fishing industry is required to use a hand-knitted manila otter trawl and has conclusively proved that trawls pieced up of sections made from machine-knitted netting are absolutely unsatisfactory and after test, have been forced to discard these machine-knitted manila otter trawls and use hand-knitted trawls.

There are no hand-knitted manila otter trawls manufactured in the United States and the request made of your committee is to make the hand-knitted manila otter trawl dutiable in an endeavor to force the industry to use a machine-knitted article, which it is impossible to use.

No benefit can accrue to domestic cordage manufacturers or to the domestic net and twine companies in the event a duty is put on these manila otter trawls, for the industry will still be forced to buy hand-knitted otter trawls and these are not made in the United States.

The Linen Thread Co. suggests a compromise on size, namely, that large trawls weighing more than a certain number of pounds be admitted free, and manila otter trawls under a certain size be dutiable. This is unfair since size has nothing to do with the problem and if duty is placed on small hand-knitted manila otter trawls, it would penalize that section of the fishing industry using the smaller trawls (about two hundred boats) and benefit the bigger companies operating the larger ships.

The wording of this paragraph in the Tariff Act of 1922 was not sufficiently distinct and large quantities of manila netting (not manila otter trawls) were incorrectly admitted free of duty. Recently it is reported that quantities of shrimp trawls made of rough cotton fiber have been admitted free of duty. This should not be the case and we go on record as desiring paragraph 1721 reworded in the new law that only manila otter trawls and finished sections thereof shall be admitted free of duty and that all other manufactured articles which have been entering incorrectly under this paragraph be eliminated from the coverage of paragraph 1721.

## PRODUCTS OF AMERICAN FISHERIES

[Par. 1727]

### BRIEF OF EDWARD H. COOLEY, BOSTON, MASS., REPRESENTING THE MASSACHUSETTS FISHERIES ASSOCIATION

#### UNITED STATES FISHING INDUSTRY THREATENED BY ONE COMPANY

The Atlantic Coast Fisheries Corporation, having recently acquired the large Canadian companies controlling over half of the Canadian production, requests the lowering of the duty on cod, haddock, and filets from the schedule as provided in H. R. 2667. They also request paragraph 1727 to be recorded omitting the exceptions relating to cod, haddock, and other species of fish and adding the words "trimmed" and "prepared for freezing." This last change would admit filets free and destroy the effect of the dutiable paragraph.

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If either of their requests be granted in the tariff law, great hardship will be the result on the United States fishing industry and result in benefits to the Atlantic Coast Fisheries Corporation as Canadian producers. They alone would be benefited.

Having purchased their trawlers at salvage prices, their interest on investment and their depreciation is very much lower than would be the case had they paid a reasonable sum for their equipment. The remainder of the industry is, and has been, forced to pay full price for their equipment by reason of United States laws prohibiting the use of foreign vessels in the fisheries.

The president of their trawling company admits a financial advantage of \$1,500,000 in his testimony appearing on page 8863 of House hearings, volume 15.

Consequently their cost of production is much lower and is therefore not representative of the industry. Government statistics should be used as a basis for the tariff. This we suggest in our brief, paragraph 3, page 4217, House hearing, Tariff Readjustment, volume 7. (Tables of comparison of costs of fillets appear on pages 4218 and 4219 of the same volume.)

Atlantic Coast Fisheries Corporation state that in a given four months their production has decreased 63 per cent, as compared to a similar four months of last year. We submit that depletion has nothing whatever to do with the tariff since the fishing grounds are international and France, Norway, and other European countries are continuously fishing off Boston and other New England ports. The four months chosen are not representative and we submit that comparison, year for year, would tell an entirely different story. Furthermore, the largest producer of cod and haddock in the United States, the Bay State Fishing Co., of Boston, have found absolutely no indication of depletion.

Atlantic Coast Fisheries Corporation state their intention of bringing in Canadian fish to fillet in the United States. This is easy to prove economically unsound. A producer in Canada secures his labor for less than one-half what it costs in the United States, and, besides, transportation rates from Canadian points to the centers where Atlantic Coast Fisheries Corporation distribute their goods are less than the rates from New England ports to the centers. The gross difference in rates from Halifax to Kansas City and from New England ports to Kansas City is 15 cents per hundredweight. The net rate would, therefore, be approximately 34 cents or better than three-tenths cent per pound advantage to the Canadian shipper. It can, therefore, be readily seen that, even though the duty were low or, in fact, fish entered free, no business man would consider shipping fresh or frozen fish for manufacturing purposes (filleting) to the United States where, in the matter of both labor and transportation, he would be at a disadvantage with his Canadian competitor who fillets fish in Canada.

The supplies for our fishing vessels and factories amount to a very large sum yearly. If Atlantic Coast Fisheries Corporation's request relative to paragraph 1727 be granted and "modus vivendi" be again established as is practically assured, then any increase in filleting factories and in production will be made in Canada, and existing filleting factories and production will be forced to move to Canada, thus great injury will result, and all this at the request of one company alone to whom will come great revenue.

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